



ANNUAL REPORT
2006

R+V Versicherung AG



Member of Volksbanken's and
Raiffeisenbanken's Cooperative
Financial Services Network

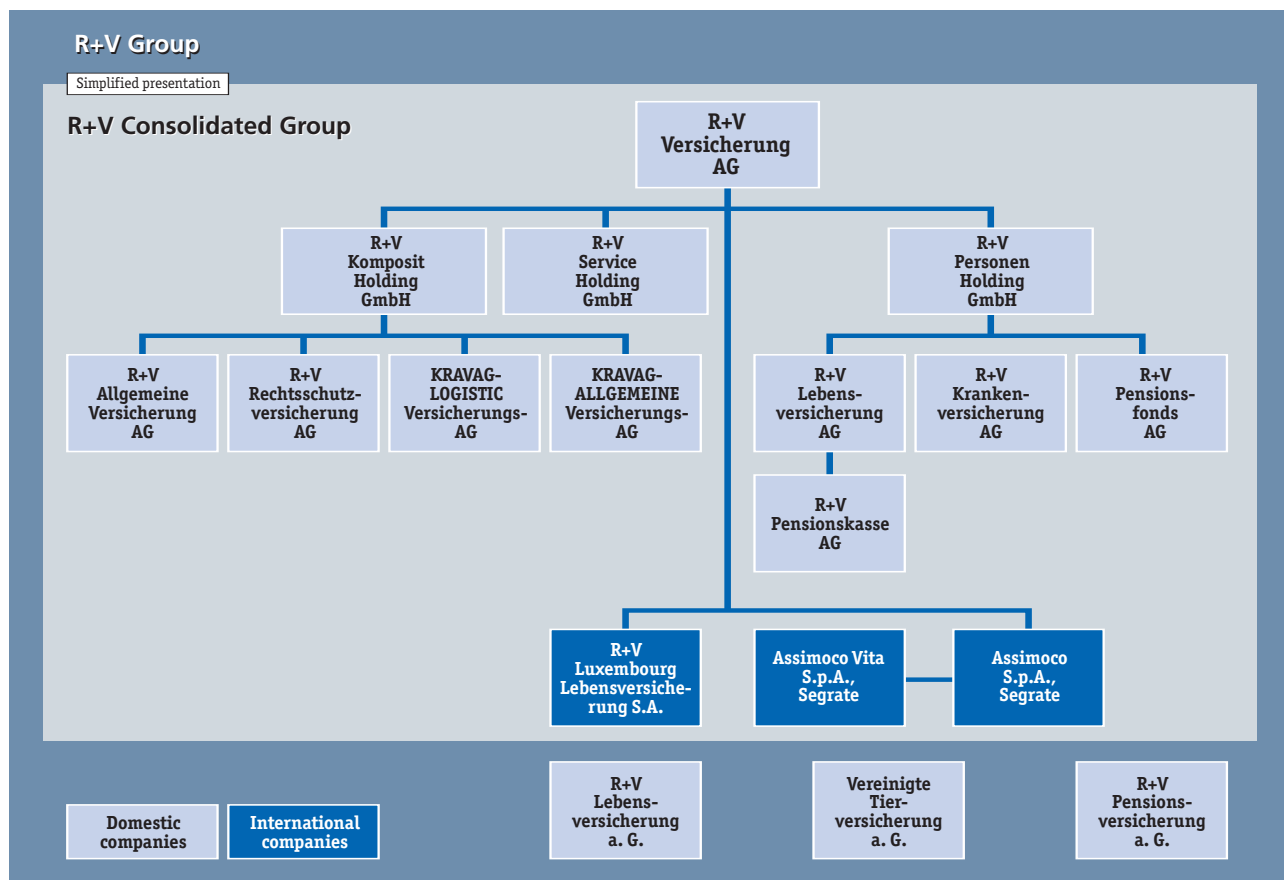
R+V Versicherung AG

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Registered at the Wiesbaden Local Court HRB 7934

Annual Report 2006

Presented to the Ordinary General Meeting
on April 26, 2007

R+V at a glance



	R+V Consolidated Group		R+V Group		
Figures for fiscal year	2006	2005	2006	2005	
Gross premiums written	€ million	8,945	8,139	9,182	8,466
Gross claims incurred	€ million	5,919	5,606	6,105	5,751
Current investment income	€ million	1,974	1,872	2,138	2,032
Investments	€ million	43,873	41,169	47,354	44,674
Net retained profits	€ million	167	156	n/a	n/a
Number of policies	million	17.5	16.9	17.8	17.2
Number of employees as of Dec. 31		10,271	10,370	11,274	11,360

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Macroeconomic Situation

The economic upswing has turned out surprisingly well with growth of 2.7% for 2006, because domestic demand grew at last in the 2006 financial year, in addition to exports, which have been increasing for years. Investment by companies has been the driving force here. It was particularly good news that the number of employees subject to social insurance has again increased perceptibly for the first time in five years. The insurance sector has also profited from the good economic situation.

Gross domestic product increased by a considerable 2.7% in real terms in 2006. Foreign trade and investment were again the supporting pillars of the German economy at the same time as re-emerging domestic demand. Two factors ensured approximately twelve per cent growth in exports; on the one hand, the strongly expanding world economy provided a positive impetus. The economic upswing was consolidated, particularly in the European market, which is very important for Germany, thus increasing international demand further. On the other hand, German companies have clearly improved their ability to compete internationally in the last few years through cost reduction programmes, moderate wage rises and reduced indirect labor costs. The rise of the external value of the Euro by more than 10% in comparison to the US Dollar has been dealt with well.

Strong stimuli to growth from the domestic market

Well-filled order books and plant and machinery used to full capacity have caused many companies to expand their production capacities and to invest in new technologies. At last, the spark from the export sector has also jumped across to domestic demand. The investment climate has been very favorable; a rising level of economic activity with optimistic sales expectations met good financial conditions. In addition, there has been an easing of depreciation provisions in respect of movable assets. The construction market has made a significant contribution to dynamic domestic development, apart from investment in equipment.

Private consumption is also recovering slowly

The increasingly competitive situation and the forthcoming increase in VAT have had positive effects on private consumption; private demand rose, particularly in the second half of 2006. Available household income rose nominally by 1.7%. However, many citizens have resorted to their savings to finance these purchases, in the light of the fact that gross wages and salaries have increased only slightly (plus 1.4% nominally). The savings ratio declined slightly, for the first time since 2000.

In addition, the improved situation in the employment market has contributed to the fact that private consumption expenditure rose in 2006. The number of unemployed decreased by about 330,000 to approx. 4.5 m registered individuals. Fortunately, jobs subject to social insurance were also created in 2006 during this development – in contrast to previous years, in which state supported jobs and ‘one Euro jobs’ above all influenced the employment statistics. The number of vacant jobs also increased perceptibly; short-time working declined markedly.

The stock market offered a good return

The stock markets also developed positively; in the course of the year, DAX and DJ Euro Stoxx 50 rose by 22% and 15% respectively. Shares continued to be a lucrative form of investment, particularly following a fall in prices of about 15% in the spring. In addition, many and diverse expected company takeovers drove up prices.

The interest level in the European pension market also rose in the same period. The returns of the ten-year government bonds used as the reference value lay at 3.9% on 31 December 2006 and was thus about 0.5 per cent points above the value at the start of the year. In fact, it was possible to achieve returns of 4.2% in the middle of the year. The European Central Bank raised interest rates from 2.25% to 3.5%. The interest rate structure has become increasingly flatter because of this.

Positive forecast for 2007, in spite of the increase in VAT

In the opinion of many economic experts, the economic upswing from 2006 will be sufficient overall to ensure favorable framework conditions in 2007, although the dynamism in the economy will be more restrained in the first six months; they say that the order situation is good, that exports will continue to grow, thanks to a strong world economy, and that the willingness of domestic companies to invest is also positive because of this. However, the development of private consumption is evaluated more conservatively because, on the one hand, citizens brought many larger purchases forward into 2006 and, on the other hand, because the increase in VAT will have an effect similar to an actual drain on purchasing power. The prognoses for the growth of the 2007 gross domestic product in real terms lie mainly between 1.5 and 2.0%.

2006 Insurance sector: a sector in upheaval

At 2.3% (€161.6 billion), the growth of the premium income in the insurance economy lay slightly below that of the macro economy. The situation of upheaval in the underwriting business is reflected here. This has been triggered by a change in legislation and plans in different sectors, such as the retirement income law or the health reform, on the one hand. On the other hand, insurers are sensing a distinct intensification in competition, which is exerting increasing pressure on prices, cost structure and the returns of insurance companies.

Total figures for the sector*	2006 in € billion	Change from previous year
Gross premiums written	161.6	+2.3%
Insurance services of the original insurer	138.6	+3.1%
Sector investment	1,130.0	+5.9%

* GDV figures as of March 2007

The competition for market share is becoming more and more intensive. Many companies are reacting with comprehensive reorganization and cost reduction programmes and with mergers. Changed customer demand complete the image of a sector in upheaval.

Pension insurance policies are stabilizing new business of life insurers

Life insurers completed the transfer to a new range of products successfully. They have succeeded in overcoming the dip in growth in new business in 2006, as a consequence of the retirement income law, particularly with pension insurance policies, but also with flexible retirement benefit products oriented to the capital market. The structure of new business has changed radically because of this. The proportion of pension policies rose by 48.7% in 2006; it had risen by 41.7% in the previous year. Almost 69.7% already comes from pension insurance policies, in the case of the contribution from new business. These figures show very clearly that the sector has adapted well to the new legal guidelines and continues to be able to offer high yielding, tax attractive retirement benefit solutions with guarantees.

Business pensions are of increasing importance in the German life insurance market. Companies are rediscovering the employee-bonding effect that a modern pension plan can provide. In addition, the legal claims of employees for payment conversion existing since 2002 are now being asserted to an increased extent, even in small and medium-sized businesses.

Trends of the life insurance sector*	2006 in € billion	Change from previous year
Gross premiums written	78.3	+4.1%
Number of new policies	8.5 m	+8.5%
Total of new business premiums written	19.4	+25.4%

*GDV figures: Life insurance, pension funds and pension investment funds as of March 2007

A great demand for innovative models for the outsourcing of pension reserves is increasing. The understanding among companies that the risk arising from biometrics, the interest risk and the too low potential remuneration already conceal a significant danger in the medium term is growing. The trend to evaluation in accordance with international financial reporting standards and the influence of rating agencies are strengthening the demand for suitable products for outsourcing. A high growth potential for modern retirement benefits arises through this.

Large pension schemes on the market are increasingly being put into place, in co-operation with trade unions and associations, for this reason. The rules are integrated into numerous wage agreements in concrete terms. This places high demand on insurance companies for flexible products and administration systems.

Boom in 'Riester' pensions

Two focus points have developed in the pension insurance business; private insurance in return for a single payment and the 'Riester' pensions [Note: private pension insurance product, for which it has been possible to claim state supplements since 2002]. The new business in return for a single payment continued its course of growth in 2006, with an addition of 27.4%. Expired endowment insurance policies above all, but also larger sums of money from other forms of investment, are invested in pension insurance policies in return for a single contribution. Special products tied to funds are in strong demand. The trust of German citizens in the long-term financial strength and investment strategy of the life insurance companies is illustrated here.

Trends of the health insurance sector*	2006 in € billion	Change from previous year
Gross premiums written	28.4	+4.0%
Of which full and supplementary insurance	26.6	+4.3%
Of which obligatory private care insurance	1.9	0.0%
Payments made	17.8	+3.0%

*GDV figures as of March 2007

In view of the situation of statutory pension insurance and the growing income of Germans, retirement provision with state support is the second strong trend in life insurance. In 2006, the 'Riester' pension became a best-seller and thus clearly gained importance, included in the overall pension insurance business; citizens took out two million new policies, a growth of 79.8%. With this, more than every second new pension insurance policy was taken out in accordance with the retirement assets law. The business received a growth spurt because of the increase by 50% in the level of contributions capable of support by tax at the start of 2006 (third stage of the 'Riester staircase').

Private health insurance shaped by discussions concerning health reform

Private health insurance has also seen growth above the average for the sector in premiums in 2006, apart from the life insurance section, with an addition of 4.0% in the gross contributions recorded. The extra takings have resulted from adjustments to premiums, which had become necessary because of higher payment expenses, on the one hand, and because of new business on the other hand.

It has become difficult to acquire new customers for full health insurance, because of the high compulsory insurance limit and the current discussion about health reform. Growth continues to be slow and again lies below the corresponding value of the previous year, with a net new intake of 102,600 fully insured customers in 2006. Individuals with statutory insurance who fulfill the prerequisites for entry have continued to exploit the chance and have changed to full private health insurance.

Trends in property and accident insurance Gross premiums written*	2006 in € billion	Change from previous year
Property/casualty total	54.9	-0.9%
Motor	21.2	-3.8%
General liability	6.8	+0.5%
Accident	6.2	+3.0%
Legal protection	3.1	+1.5%
Property	14.3	+0.8%
Payments made	39.8	+0.5%

*GDV figures as of March 2007

Private health insurance has developed significantly more dynamically in the area of additional charges. The number of those additionally insured grew by about 1,310,000 individuals in 2006. For comparison, the growth was 950,000 citizens in the previous year. Denture charges and the coverage of additional out-patient services have been particularly in demand. The increasing gaps in service in statutory health insurance and the discussion concerning health reform ensured good, new business.

Property and accident insurance with slight growth

The situation in the case of the property and accident insurers is less pleasing. The market is largely satisfied in many individual sections. The result is increasingly aggressive price competition, particularly in motor insurance and in the case of industrial property insurance policies. This left clear traces in the 2006 operating result.

The actuarial addition turned out lower than in the previous year, by about €1.0 billion, with just under €3.9 billion. Falling premium income (minus 0.9%), with increasing claims expenditures (plus 0.8%), were the cause of the fall, although severe losses fortunately failed to materialize. The damage ratio rose from 72.9% to 74%. The combined ratio worsened by two points to 93% because of this.

Motor insurers earned less than in the previous year

The largest individual section, motor vehicle, was most severely affected by the reductions in premiums; the motor vehicles class closed with a minus of 3.8%, following a decline of 2.2% in 2005. The cause is clear; the increasingly more intense price competition has now affected all the divisions of vehicle insurance. Many insurers reduced their premiums once more or offered their customers the opportunity to transfer to more favorable no-claims or vehicle type classes. In addition, demographic developments had an effect here for the first time: the growth in the insurance portfolio, which had already been weak in the previous few years, slowed further in 2006. It only grew by 0.5%.

The development of the loss side further reinforced the unfortunate position of the vehicle insurers. In 2006, the decline in expenditure on insurance against loss, which has lasted three years, almost came to a standstill; the minus of 0.3% is still low. However, the increase in VAT in 2007 will clearly accelerate the trend. In total, the actuarial result of the motor vehicle branch still lies at about €200 million, though that is 80% less than in the previous year.

Further losses in the case of property insurance policies

The situation in the case of property insurance policies is also tighter than in the last few years. The premium income in industrial property insurance fell by 0.7%, while growth caused by economic development was sufficient to reach a slight plus of 1.5% or 2.0%, in the case of household contents and building insurance policies respectively.

The claims for losses increased by about 6% to almost €10 billion, across all property branches. Above all, severe losses in the case of industrial property insurance and losses caused by natural hazards hit the property insurers hard. The result was that the actuarial profit was reduced by about 60% to approx. €700 million, with a combined ratio of 91.0% (2005: 87.9%).

Management Report

Development in the international direct insurance and reinsurance markets

The global economy expanded in the first half of 2006, but it lost momentum in the course of the year. Falling economic dynamism in the United States and, to a lesser extent, in Japan, was decisive. This development could not be offset by accelerated growth in the Euro area and in Great Britain. The East Asian countries at the stage of economic take-off and India did not lose any of their dynamism. Growth remained strong without interruption, particularly in China.

The international economic framework conditions continued to have a positive effect on the insurance sector. The actuarial risks are tending to rise worldwide. The demand for protection against risks continued to be high, in spite of partly increasing deductible averages on the direct insurance side. In general, because of higher reinsurance capacities, pressure on premiums has become established in wide parts of the world. In contrast, the prices for covering catastrophes turned out to be adequate to the risks in the USA.

After 2005 had developed into the year with the heaviest losses in the history of reinsurance, with hurricanes 'Katrina', 'Rita' and 'Wilma', catastrophes of this extent failed to materialize in 2006. Nevertheless, there were also unusual loss-entailing events in this financial year. In March, the 'Larry' cyclone in Queensland, Australia, caused losses at a level of billions. The Mid-west and the South of the USA were increasingly hit by tornadoes between April and September. A fire in Hooper Bay, Alaska, destroyed a whole village in August. In addition, continuing falls of snow in the eastern Alpine region led to significant losses at the start of the year.

In 2006, the **German** insurance industry only participated in the improved basic economic atmosphere in Germany to a limited extent. In addition, the discussion concerning health reform and strong competition in indemnity and accident insurance had a diminishing effect on the development of contributions. In contrast, the retirement care covered by insurance increasingly got off the ground, reinforcing the development of the business in life insurance.

A large fire in a milling works of the Thyssen-Krupp Group led to the greatest fire damage in the history of German underwriting in June, after a quiet loss outcome in fire industry insurance.

The difficult market in reinsurance continued; capacities were still sufficiently available.

Initial tendencies of a falling price level in the industrial business could be observed in the original and reinsurance sectors in **Great Britain** in the previous year. This trend continued in 2006. In addition, the rates in transport insurance fell to a level partly no longer adequate to risk.

In **Ireland**, increases in rates and more severe legal conditions led to a positive development of the transport results. There were no larger losses in industrial insurance, so that adequate results were achieved, even in this segment, in spite of falling rates.

The direct insurance sector in France was characterized by increasing competition in the fire industry area. The tendency to reduce prices continued in the transport insurance business. In contrast, price increases, which led to further increases in excesses for original insurers, occurred in the reinsurance market. No significant changes were noticeable in the area of natural catastrophes.

The **Italian** direct and reinsurance sectors continue to move in a stable environment. The concentration resulting from company mergers and takeovers also continued in the year under review, as was already the case in the previous years. In addition to that, the development of bancassurance was further intensified. Property insurance products were also increasingly sold through the sales channel for life insurance policies, after this method had been developed.

The development in the **Scandinavian/Baltic** market continued to run positively. The trend to concentrations through mergers and takeovers also continued in 2006 in the Scandinavian and Baltic countries and the original insurance rates were mainly on an adequate level. The conditions did not always correspond to the course of the loss in reinsurance; this was attributable to a surplus capacity, particularly in the case of the coverage of catastrophes. In contrast, the conditions in the transport and motoring branches were arranged in conformity with risk.

The direct and reinsurance markets were still characterized by over-proportional growth in **Eastern Europe**. The strong pressure of foreign companies in this region continued only in a reduced way, after it had been observed in this region in the last few years.

The **USA** direct and reinsurance market was characterized by the effects of the loss events of 2005 (Katrina, Rita and Wilma) in 2006. The prices in the business segments of private and business customers became established, while a further decline in premiums had to be confirmed in the entire industrial business. A clear rise in prices in the case of coverage for risks close to the coast was observable apart from this. It was possible to implement significant increases in rates and amendments to contracts in the reinsurance sector to some extent.

The lasting economic growth in **Latin America** had a positive effect on the large insurance markets in 2006 and was reflected in the increasing presence of foreign insurance companies in this region. Sufficient reinsurance capacity is still available in Latin America. The property business was strongly disputed on the direct and reinsurance side.

The level of premiums in the loss and accident business on the **Asian** direct insurance market grew moderately in the reporting year; this business was supported by the booming economies of China and India. Surplus capacities and intensive competition exercised pressure on the premiums here. Apart from this, the Asian market was hit by several typhoons, which led to floods in China, India, Vietnam and the Philippines in 2006. In May, a gas explosion in Indonesia triggered a severe avalanche of mud and debris, which caused losses in several built-up areas.

After stabilization had already set in on the **Japanese** direct and reinsurance sectors in 2005, this trend continued in 2006. The economic development had a supportive effect at the same time. The Japanese economy has been on a course of expansion again since 2002. Japan was hit by the 'Shanshan' typhoon in September. This developed into the sixth greatest loss in the history of Japanese typhoons.

Strong competition continued to be observable in the heavily disputed industrial business in the direct and reinsurance sectors in **Australia and New Zealand**. In contrast, the rates were stabilized in the sectors of private and business customers. Cyclone 'Larry' hit land on the East coast of Queensland, Australia, in March 2006, causing significant damage on its further path, with speeds that rose to Category 5 on the Australian Scale of Intensity in phases.

South Africa is by far the most important insurance market on the African continent. Most direct insurers have again been able to achieve technical profits since 2003, following significant problems. This development has had a positive effect on the results of reinsurers.

Business development and position of the company

R+V Versicherung AG is the ultimate parent company of the R+V Group. It holds direct and indirect majority interests in the R+V Group's direct insurance companies. The R+V Group Management Report elaborates in greater detail the business conducted by these direct insurance companies.

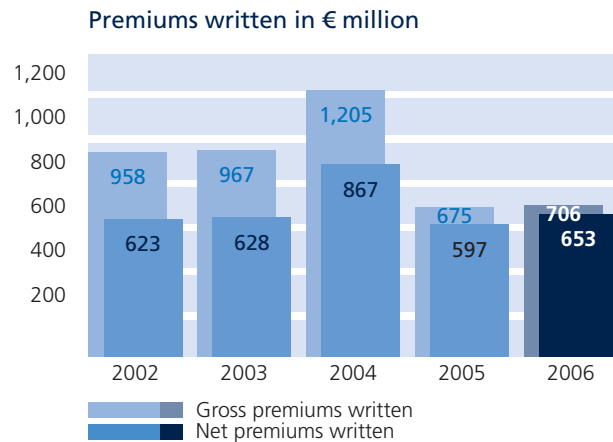
R+V Versicherung AG also acts as the reinsurer for the direct insurance companies belonging to the R+V Group. In addition, it operates independently on the international reinsurance market. The reinsurance business is conducted primarily from the Wiesbaden head office. The Group's interests in Southeast Asia are managed by the branch office in Singapore, which was established in 1997.

Premium income

The gross premium income of R+V Versicherung AG increased by 4.6% to €706.1 million in the financial year. A rise in contributions by 7.5% to €725.1 million would have arisen with the exclusion of the effects of the exchange rate.

Increases in deductible averages and restructuring measures in the portfolio of the original insurers of the R+V Group led to reductions in contributions in the life, general liability, motor, aviation and credit and bonds branches in the group business. In contrast, increases in contributions occurred both in the general accident and motor branches. The premium volume arising from business taken over from domestic direct insurance companies outside the R+V Group was reduced by 27.0%. In total, an increase in premiums of 5.6% arose for the domestic business.

The premium income resulting from abroad rose by €14.0 million. The proportion of the foreign business in the total volume therefore amounted to 53.9% (previous year: 54.4%). The traditional reinsurance markets of Italy, Spain, France, Austria, Switzerland, Great Britain and North America and the markets handled by the Singapore branch mainly contributed to the volume of premiums.



The net premiums written increased by €56.3 million to €653.1 million, in comparison to the previous year. The deductible average ratio increased to 92.5% (previous year: 88.4%).

Premium income declined, both in gross and net terms, in the life branch, mainly caused by the discontinuation of the underwriting of the active life reinsurance business in 2004. Gross foreign business increased by €5.9 million to €11.8 million and by €0.4 million to €11.4 million in net terms, while the domestic volume of premiums was reduced by €85.2 million to €60.6 million gross and by €67.9 million to €20.6 million net.

The development of premiums from the domestic and foreign business ran mainly parallel. The gross premium volume increased by €17.3 million to €325.3 million domestically and by €14.0 million to €380.8 million abroad. The net contributions also developed positively. Increases of €14.6 million to €370.9 million were recorded abroad, while the domestic business grew by €41.8 million to €282.3 million.

The following table provides a breakdown of the Company's premium income by key insurance classes:

	2006 Gross in € million	2005 Gross in € million	Change Gross %	2006 Net € million	2005 Net € million	Change Net %
Life	72.5	151.7	- 52.2	32.1	99.5	- 67.8
Accident	45.5	36.7	+ 23.9	44.6	36.3	+ 22.9
Liability	38.9	39.0	- 0.1	38.9	36.5	+ 6.7
Motor	229.7	116.2	+ 97.7	227.9	115.0	+ 98.1
Fire	161.2	156.6	+ 3.0	154.5	142.2	+ 8.7
Other property	88.2	92.8	- 4.9	86.8	90.9	- 4.5
Marine & Aviation	34.2	41.3	- 17.3	33.7	41.5	- 18.8
Others	35.9	40.5	- 11.5	34.6	34.9	- 0.9
Total	706.1	674.8	+4.6	653.1	596.8	+9.4

Technical Result

The favorable development because of the failure of natural catastrophes to materialize and strict underwriting guidelines influenced the earnings situation positively.

It has been possible to correct the prices and reinsurance conditions clearly to a certain extent in the last few years, so that a mainly reasonable level of premiums has been achieved in the market. The initial signs of price reductions were noted in 2005. Pressure on premium rates was established in loss and accident insurance in broad areas of the world in 2006. Changed framework conditions led to increasing deductible averages in the case of direct insurers and reinsurers; the consolidations on the direct insurers' side continued and companies from Bermuda pushed into the European market. Nevertheless, good chances of recording profitable business were available in almost all classes. The unchanged low reinsurance capacities for USA natural catastrophe business occupied the contract renewal during the fiscal year. The rates remained at a high level in this business segment as a consequence.

The loss situation tended to develop moderately in 2006, following the record losses in 2005, with about 650 natural catastrophes and the highest insured loss ever. The insured losses of the financial year were about 15 billion US Dollars, while the damage from 2005 burdened the insurance company by about 75-80 billion US Dollars. This situation is also reflected in the portfolio of losses of the company. The gross loss ratio quote was reduced to 69.0% (previous year: 72.6%) and a net costs of 70.6% (previous year: 72.5%) after reassignments. Both the gross and the net costs ratio were reduced, to 27.1% or 27.2% respectively (previous year: 29.6% or 30.1% respectively).

Motor transport insurance concluded the reporting year with a deficit, following a continuous improvement in the result situation in the last few years. The development in third-party risk was decisive to this. In contrast, the comprehensive vehicle insurance branch again achieved a profit on the level of the previous year.

The result in third-party liability insurance reflects the favorable development of losses and the adequate rate level. A technical surplus arose in the present financial year, while the previous year was concluded with a loss.

Increased loss ratios in accident insurance led to a deficit in the year under review, following a profit in the previous year.

The failure of larger natural catastrophes to materialize influenced the earning situation in the fire insurance business positively. Surpluses that were already achieved in previous years were surpassed again in the reporting year.

The focus of underwriting activities lay on selected market segments in aviation insurance in 2006, in the case of R+V Versicherung AG. This strategy influenced the loss ratios and the result situation positively. The fiscal year also concluded with a surplus, which did, however, lie below that of the previous year, following financial reorganization measures in the portfolio of transport insurance led to a clear improvement in the return situation in 2005.

The other insurance classes recorded a profit in total. The hail/crop, credit and construction services classes were the cause of this development. The development in the Natural Catastrophes sector assisted the return situation in the year under review, after this class (Other types) had concluded the previous year with a negative result.

A technical surplus, which clearly exceeded that of the previous year, was again achieved in life insurance.

In total, a profit of €13.5 million (previous year: €5.7 million) resulted from the reinsurance business on the Company's own account, before the allocation to the loss equalization reserve and similar reserves.

A sum of €58.3 million (previous year: €44.4 million) was allocated to the loss equalization reserve and similar reserves, because of the development of the net loss ratios in the financial year.

The technical result for business on the company's own account remaining after this amounted to -€44.8 million (previous year: -€38.7 million).

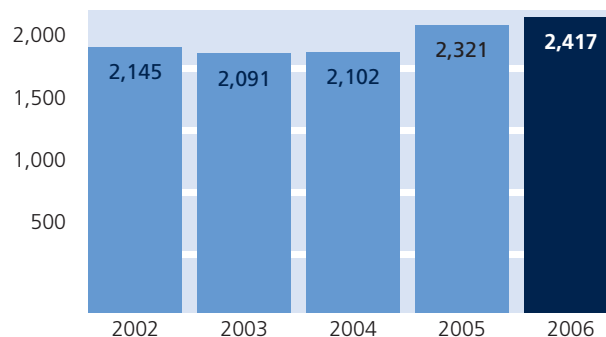
Total non-life business	2004	2005	2006
Reported gross loss ratio	66.0	72.6	69.0
Gross expense ratio	28.2	29.6	27.1
Gross combined ratio	94.2	102.2	96.1

Guarantee funds

	2005 € million	2006 € million
Share capital	292.0	292.0
Capital reserves	1,001.4	1,001.4
Revenue reserves	148.5	194.0
Net retained profits	73.1	73.1
Shareholders' equity	1,515.0	1,560.5
Unearned premiums	78.9	76.2
Mathematical reserve	535.3	84.9
Claims outstanding	610.2	733.5
Policyholders' reserves	0.4	0.9
Equalization provision and similar provisions	184.6	242.9
Other insurance reserves	0.2	1.2
Total insurance reserves	1,409.6	1,139.6
Guarantee funds	2,924.6	2,700.1

The guarantee funds were reduced from €2.9 billion to €2.7 billion with the discontinuation of the underwriting of the active life reinsurance business. A guarantee fund ratio on the high level of 413.4% (previous year: 490.6%) arose in relation to the contributions entered on the Company's own account. The equity capital ratio contained in it amounted to 238.9% (previous year: 253.8%).

Development of investments in € million



Investment portfolio

The Company established a growth in its investment portfolio at a level of 4.2% in the financial year just finished. The balance therefore amounted to a value at a level of €2,417.1 million on 31.12.2006. The funds available for new investment were mainly invested in active securities. The items of shares in associated companies and participations continue to hold the greatest weight within the capital reserve balance, at 56.7%. The Company participated in the capital increases of Assimoco S.p.A, Assimoco Vita S.p.A, Finassimoco S.p.A and R+V Luxembourg Lebensversicherung S.A. in the financial year just ended.

Investment result

The ordinary result of the Company amounted to €200.3 million in 2006 and corresponds to the current investment income of €204.3 million, less ordinary expenses of €4.0 million.

The contribution of the extraordinary result recorded a value at a level of -€15.4 million. It included accounting profits arising from the sale of bonds and debentures and a shareholding of €0.4 million. Extraordinary depreciation was carried out to the extent of €15.8 million. This mainly resulted from the re-evaluation of foreign joint ventures.

The sum of the ordinary and the extraordinary results corresponded to the result arising from the capital reserves of the Company, at a level of €184.9 million. The value increased considerably by €26.0 million in comparison to the previous year, because of the strongly increased earnings resulting from the profit and loss transfer agreements with associated companies. A value at a level of 7.8% (previous year: 7.1%) arose for the net interest return.

The remeasurement reserves for the investments carried at cost amounted to €1,572.0 million. This corresponded to a reserve ratio of 65.0%, in comparison to 63.1% in the previous year, in relation to total capital reserves.

The measurement did not include the reserves for assets carried at their nominal amounts, such as loans and registered bonds, since these were exempted from the disclosure obligation.

Overall result

Based on the technical loss (-€44.8 million), the investment result (+€184.9 million) and the net other income and expenses (-€18.9 million), R+V Versicherung AG generated earnings before tax of €121.2 million in 2006, compared with €112.2 million in the previous year.

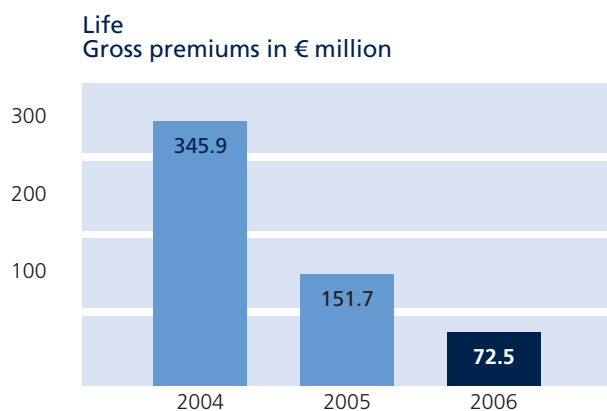
The non-technical result was strongly influenced by expenditure arising from the pension reserve in the financial year. Thus significant parts of the pension reserve were transferred to VGU e.V., the pension provident fund of cooperatively oriented companies, or to R+V Pension funds AG. In addition, the interest used as the basis when calculating the pension reserve was reduced from 6.0% to 4.5%, resulting in a higher pension reserve with lower transfer of interest.

The Company activated its already available corporation

tax asset at cash value in the 2006 financial year for the first time, because of an amendment in the corporation tax law. This led to a tax expense of €2.2 million in total on balance. An annual surplus of €118.6 million (previous year: €113.5 million) remained after tax. Taking the earned surplus from the previous year into account, €45.5 million was supplied to the retained income and €73.1 million was recorded as the balance sheet profit.

A proposal will be made to the General Meeting to utilize the net retained profits to pay a dividend of €6.50 per no-par value share.

Business developments in the individual insurance classes



Life

The discontinuance of the active life reinsurance business led to declining premium income.

R+V Versicherung AG's life insurance portfolio fell by €3.7 billion to a total insured sum of €9.5 billion. This corresponds to a reduction of 27.7%. The net portfolio declined by 30.8% to a total insured sum of €7.2 billion.

Due to the discontinuance of underwriting active life reinsurance business at the end of 2004, premium income declined in domestic business. In contrast, the premium volume of the foreign business increased both in gross and net terms.

In total, the premiums were reduced by €79.2 million to €72.5 million in gross terms and net by €67.4 million to €32.1 million.

The class recorded a profit of €3.7 million (previous year: €0.6 million) at the end of the fiscal year.

In terms of sums insured, the portfolio developed as follows:

		2005 € million	2006 € million
Reinsurance business assumed			
Sum insured	Capital	10,086.4	7,588.8
	Annuity	3,111.4	1,959.0
Business ceded			
Sum insured	Capital	1,725.3	1,477.2
	Annuity	1,061.7	863.0
Retained for own account			
Sum insured	Capital	8,361.1	6,111.6
	Annuity	2,049.7	1,096.0

Accident

Increasing loss ratios influenced the earning situation.

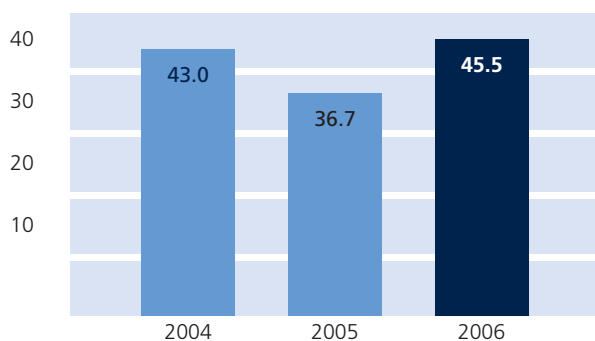
	2004	2005	2006
Reported gross loss ratio	55.5	39.3	58.3
Gross expense ratio	48.7	49.2	49.6
Gross combined ratio	104.2	88.5	107.9

Increases were recorded both in domestic and in foreign business, both in gross and in net terms, in accident insurance. The gross premium volume of foreign business rose by 61.6% to €18.4 million and net by 59.0% to €17.9 million, while retained premiums in domestic business rose by 7.0% to €27.1 million in gross terms and by 6.7% to €26.7 million net.

Overall, gross premium income grew by €8.8 million to €45.5 million, and net premium income by €8.3 million to €44.6 million. The gross loss ratio in the fiscal year amounted to 58.3% (previous year: 39.3%).

General accident insurance ended the year with a net loss of €4.1 million (previous year: +€4.0 million). After withdrawals from the equalization provision, the loss was reduced to €1.5 million.

Accident
Gross premiums in € million



The premium volume from motor vehicle accident insurance increased in comparison to the previous year and was due exclusively to the domestic business. This class ended the year with a balanced result before and after the allocation to the loss equalization reserve.

Liability

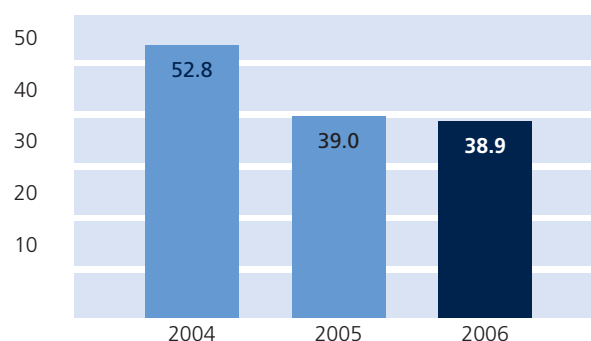
Improved net loss ratios influenced the earnings situation positively

	2004	2005	2006
Reported gross loss ratio	63.7	99.0	48.5
Gross expense ratio	33.3	34.2	35.4
Gross combined ratio	97.0	133.2	83.9

Overall, gross premium volume remained almost consistent with the previous year, with €38.9 million. The retained premium grew by €2.4 million to €38.9 million.

A net fall of the domestic business by €0.9 million to €25.1 million was recorded, while the gross premium value was reduced by €3.5 million to €25.0 million. In contrast, the volume of the gross premiums from the foreign business increased by 33.5% to €13.9 million and by 32.5% to €13.8 million net.

Liability
Gross premiums in € million



The reported net loss ratio of the financial year rose by 28.7 percentage points to 61.9%. The class closed with a surplus of €1.0 million (previous year: -€9.1 million) at the end of the financial year. There was an insurance-technical loss of €6.1 million (previous year: -€3.9 million) after allocation to the equalization provision and similar provisions.

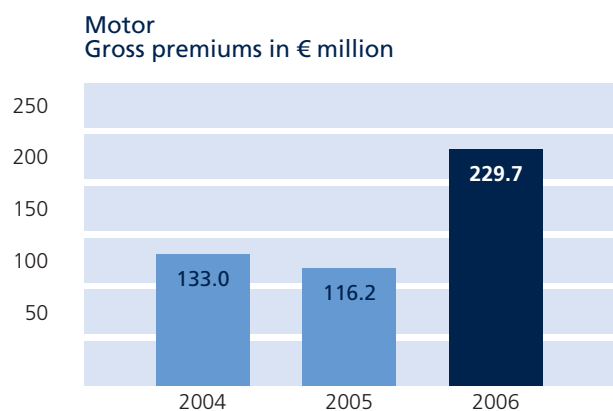
Motor

Above-average growth in contributions because of increases in the share of domestic business and increased net loss ratios.

	2004	2005	2006
Reported gross loss ratio	82.3	80.2	88.6
Gross expense ratio	17.1	17.8	16.0
Gross combined ratio	99.4	98.0	104.6

The premium volumes in the motor insurance business increased from €116.2 million to €229.7 million in gross terms. Following reassignments, net premiums of €229.7 million remained, in comparison to €115.0 million in the previous year.

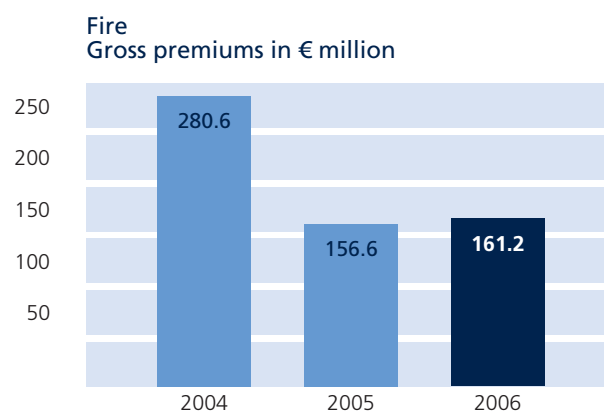
The gross premiums of the domestic business rose from €74.7 million to €185.8 million and the excess insurance premium rose from €74.2 million to €185.2 million. The foreign business developed analogously. The gross premiums volume increased by 5.7% to €43.9 million and the net premium rose by 4.7% to €42.7 million.



Domestic business performed identically across all the individual classes of motor insurance. The gross premium volume in the motor vehicle liability insurance class increased by €46.9 million to €119.4 million, while the net amount increased from €46.9 million to €119.1 million. Development was the same in the motor cover class. In the previous year gross premium income amounted to €27.8 million compared to €66.4 million in the year under review. The retention thereof amounted to €66.1 million compared to €27.4 million in the previous year.

The premium income in the motor vehicle cover class increased by 14.9 % to €15.6 million in gross terms and by 14.9% to €14.9 million in the foreign business. The gross premium volume in the motor liability insurance rose by 1.3% to €28.3 million. In contrast, the net premiums remained consistent with the previous year, at €27.8 million.

Overall, motor insurance resulted in a deficit of €15.2 million (previous year: +€2.4 million) at the end of the fiscal year. A loss of €10.0 million (previous year: -€8.1 million) resulted after equalization provision.



Fire

Falling loss and costs ratios had a positive effect on the earnings.

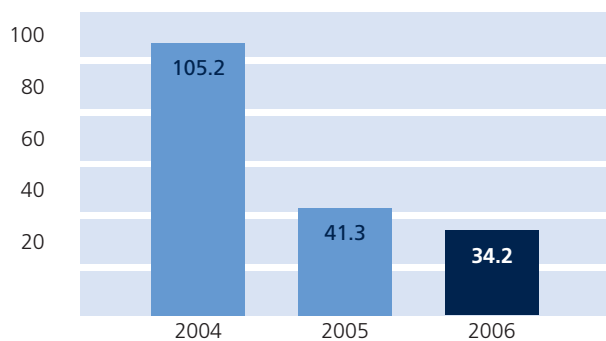
	2004	2005	2006
Reported gross loss ratio	57.6	76.0	61.1
Gross expense ratio	30.9	32.3	29.5
Gross combined ratio	88.4	108.3	90.6

The premium income from fire insurance increased by €4.7 million to €161.2 million. This development resulted mainly from the domestic business. The premiums in the domestic business grew by 27.1% to €20.2 million, while the volume of premiums from the foreign business increased from €140.7 million to €141.0 million.

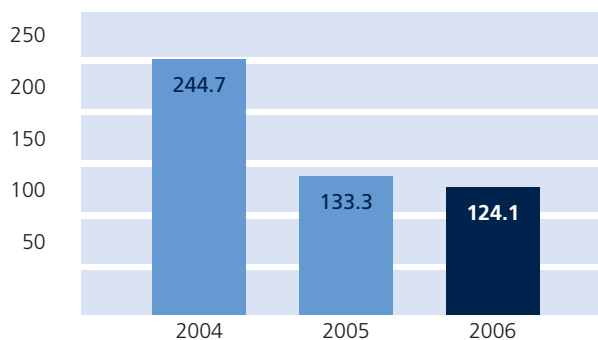
The net premium income developed from €128.8 million to €135.7 million in the foreign business, while in the domestic business a premium volume amounting to €18.8 million remained in the retention. That corresponded to an increase of 40.3%. The share in foreign business with respect to gross written premium amounted to 87.5% (previous year: 89.8%) and hence dropped slightly compared to the previous year.

The reported net loss ratio was reduced by 16.2 percentage points to 60.6% and the net expense ratio was reduced by 4.3 percentage points to 29.7%. Overall, the class finished with a profit, before allocation to the equalization provision at a level of €13.0 million (previous year: +€2.2 million). This produced a technical result of -€15.3 million (previous year: -€1.1 million), following allocation to the equalization provision.

Marine and aviation Gross premiums in € million



Other classes Gross premiums in € million



Marine and aviation

Foreign shares again expanded

	2004	2005	2006
Reported gross loss ratio	84.1	37.6	46.4
Gross expense ratio	26.1	28.4	30.0
Gross combined ratio	110.2	66.0	76.4

As expected, the gross premium income in marine and aviation insurance decreased by €3.6 million to €22.9 million. Restructuring measures in the portfolio of the direct insurers within the R+V Group were the cause of this. The retained premium fell by €3.8 million to €22.7 million.

Terminations of contracts in the portfolio of the inland business led to reductions of premiums with a value of €6.9 million or €7.0 million gross and net respectively.

The gross premiums in the foreign business increased by 17.2% to €22.9 million and the net premium rose by 16.6% to €22.7 million.

At the end of the fiscal year, this insurance class posted a profit of €4.2 million (previous year: +€11.6 million). A loss of €1.0 million (previous year: -€4.2 million) resulted after allocation to the equalization provision.

Gross premium income from aviation insurance declined in the year under review. Premium volumes reduced by €3.6 million to €11.3 million as planned. The retained premium was reduced by €4.0 million to €11.0 million at the same time.

The gross premiums were reduced by €1.7 million to €0.1 million and the net retained premium fell by €1.8 million to €0.1 million in the domestic business.

The gross premium was reduced by €1.9 million to €11.2 million and the net premiums fell by €2.2 million to €10.9 million in the foreign business.

This class recorded a profit of €4.0 million (previous year: +€0.1 million) at the end of the fiscal year. The profit was reduced to €2.6 million (previous year: -€2.6 million) after allocation to the equalization provision.

Other insurance classes

The favorable development in the natural catastrophes section influenced the return situation positively.

	2004	2005	2006
Reported gross loss ratio	61.0	74.5	58.9
Gross expense ratio	27.8	29.9	33.6
Gross combined ratio	88.9	104.4	92.5

Premium volumes in the other insurance classes sections were reduced in total by 6.9% to €124.1 million. The retained premium fell by 3.5% to €121.5 million.

Gross premium income from domestic business fell by €2.6 million to €6.5 million and the net premiums were increased by €1.4 million to €5.9 million.

The gross premiums in the foreign business were reduced by €6.7 million to €117.6 million and the net premiums fell by €5.8 million to €115.6 million.

Key contributions to the premium volume came from the storm, bonds, hail/crop, credit, engineering and burglary and theft insurance classes.

Loss ratio trends varied from those of the previous year. While there were improvements in the reported net loss ratios for home insurance, storm, engineering, hail/crop and health classes, the opposite was true for the comprehensive home contents, burglary, theft, bonds and credit classes.

R+V Versicherungen AG generated profits in the comprehensive home contents, home insurance, storm, engineering, hail/crops, credit, breach of contract damages and health classes, while the burglary, theft, animals and bonds sections closed with engineering losses.

Overall, the other insurance classes generated a net profit of €6.9 million (previous year: -€6.1 million) in the year under review. A loss of €17.1 million resulted (previous year: -€18.0 million) after allocation to the equalization provision.

Staff numbers

As of 31 December 2006, the number of people employed in comparison to the previous year was as follows:

	2005	2006
Total number of employees	270	285
Of whom		
Full-time	243	249
Part-time	24	28
Employees with fixed-term contracts	3	8

276 people were employed at the head office in Wiesbaden (previous year: 261) and nine people were employed at the branch office in Singapore, as in the previous year.

Contractual relations within the R+V Group

Members of the Boards of Management of a number of R+V Group companies also hold similar positions at other R+V Group companies.

R+V Group companies have concluded service agreements within the group. In line with these agreements, certain intragroup services are performed by one of the following companies: R+V Versicherung AG, R+V Allgemeine Versicherung AG, R+V Lebensversicherung AG, KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft or R+V Service Center GmbH. The services performed for the other companies primarily extend to the following areas: sales, investments, asset management, accounting, premium collection, financial control, legal, auditing, communications, personnel management, general administration and IT. The companies receiving these services are billed after these have been provided; they have rights of instruction and control over the outsourced areas.

In addition, the companies of the R+V Group have concluded an agreement on central cash management and a central financial clearing system.

Shareholder structure

As of the balance sheet date, shares in R+V Versicherung AG were held directly or indirectly by the following shareholders:

- DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main
- WGZ-BANK AG Westdeutsche Genossenschafts-Zentralbank AG, Düsseldorf
- Bayerische Raiffeisen Beteiligungs-AG, Beilngries
- Genossenschaftliche Beteiligungsgesellschaft Kurhessen AG, Kassel
- Beteiligungs-AG der Bayerischen Volksbanken, Pöcking
- Norddeutsche Genossenschaftliche Beteiligungs-AG, Hanover
- DZ PB-Beteiligungsgesellschaft mbH, Frankfurt/Main
- KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg
- BAG Bankaktiengesellschaft, Hamm
- 789 branches of Volksbank and Raiffeisenbank throughout Germany
- 9 interests in free float

Dependent company report

In the dependent company report in accordance with section 312 of the Aktiengesetz (AktG - German Public Companies Act), the Board of Management declared that, according to the circumstances known to it at the time the transactions mentioned in the report were performed, the Company received adequate consideration for each transaction, and that it did not take or fail to take any other measures subject to disclosure.

Risks of future development

Risk management process

The risk management of R+V Versicherung AG is an integral component of the management of the Company. It covers all systematic measures involved in recognizing, evaluating and controlling risks.

A risk management process, implemented across all companies, lays down the rules to be observed when dealing with risks and forms the basis for a centralized early-warning system. Based on binding indicators and threshold values, an updated index rating in the database for all of the R+V Group's major risks is carried out every quarter. In the event that a specific index value is exceeded, obligatory measures are instituted and the individuals responsible for them appointed.

The regular risk conference and central risk reporting to the Board of Management guarantee that risks to future development are identified, analyzed and controlled in a timely manner. In exceptional cases where changes to risks represent a threat to the Group's continued existence, reports will be made to the member of the Board of Management responsible and the coordinator of the risk conference on an ad hoc basis.

The risks monitored in the risk management process are technical risks, default risks relating to receivables from the insurance business, investment risks, operating risks and global strategic risks.

Technical risks

The main technical risks for a reinsurer lie in an unbalanced portfolio, inappropriate liability for catastrophic loss and fundamental changes in the basic trends on the main markets.

R+V Versicherung AG counters these risks by continuously tracking the markets. Particular importance is attached to maintaining a balanced portfolio – in terms of both territorial diversification across the world and different classes of insurance.

Risks are assumed within prescribed underwriting boundaries that limit liability for both individual and cumulative losses. The level and frequency of the possible impacts of catastrophic losses are documented and tracked on an ongoing basis using established industry software, supplemented by additional verification by the Company itself.

Technical provisions are maintained at appropriate levels. Based on net premiums written, the Company has a high guarantee funds and equity ratio.

It has been possible to improve the profitability of the Company because of the failure of major loss occurrences to materialize in 2006 and a more disciplined underwriting strategy.

Default risks relating to receivables from the insurance business

The default risk relating to billed reinsurance receivables from cedents and retrocessionaries is limited by monitoring the Standard & Poor's ratings on a regular basis.

Investment risks

In order to create 'insurance coverage' products, insurance companies expose themselves to market price, credit and liquidity risks as part of their investment activities. R+V Versicherung AG counters these risks by observing the basic principle of achieving the greatest possible security and profitability while maintaining the liquidity of the insurance company at all times. In particular, its investment policy aims to minimize risks by maintaining an appropriate mix and diversification of investments.

R+V Versicherung AG ensures that it adheres to the AnlV (Anlagenverordnung (AnlV – Regulation on the Investment of the Committed Assets of Insurance Undertakings [Investment Regulation])) and the resulting regulatory investment principles and requirements by providing qualified investment management, appropriate internal investment guidelines and controls, a farsighted investment policy and other organizational measures.

Derivative financial instruments, structured products and asset-backed securities are only used in accordance with the regulatory requirements. Their use is explicitly regulated by internal guidelines. These include volume and counter-party limits, in particular.

Extensive, timely reporting ensures that risks are regularly monitored and presented transparently.

Assuming that the capital market situation at the end of 2006 continues through to December 31, 2007 and that the methods adopted in 2006 to calculate lasting impairments are retained, the Company expects investment income to make a positive contribution to the net income for the period.

At an organizational level, R+V Versicherung AG counters investment risks by ensuring the strict functional separation of trading, settlement and financial controls.

Investment risks comprise:

- Market risk: the risk of incurring losses due to unfavorable changes in market prices or price-influencing factors, such as changes in interest rates, share prices or exchange rates.
- Credit risk: the risk of sustaining losses or being unable to realize profits due to the default of an issuer or counterparty.
- Liquidity risk: the risk of being unable to always meet payment obligations – particularly from insurance policies - duly to untimely liquidity in- and outflows.

Market risk

Scenario analyses were performed to measure possible market risks in R+V Versicherung AG's investments, using the following assumptions: for directly held shares and shares held via funds, the effect of a 20 per cent price change to the present value of these items was simulated.

For fixed-income securities, registered bonds, notes receivable and loans, the effects on the fair value of these securities and loans of a shift in the yield curve by one per cent upwards or downwards were calculated.

In addition, a duration analysis is performed regularly for the fixed-income securities and loans portfolio.

Credit risk

The Company's investment behavior is directed at avoiding risk concentration in the portfolio and at minimizing risk through broad investment diversification. In addition, a majority of the fixed-income securities and loans – such as government bonds or mortgage bonds – are issued by the state, by public sector institutes or by banks with excellent ratings.

Ninety-seven per cent (previous year: 96%) of these investments in fixed-income securities are rated by Standard & Poor's as A or higher and more than 82% (previous year: 82%) are rated as AA or higher.

Liquidity risk

R+V Versicherung AG's liquidity risk is centrally managed. This process includes all payment flows from technical business, investments and general administration.

Currency risk

As far as possible, liabilities in foreign currencies arising from reinsurance business are matched with investments in these foreign currencies. This allows exchange rate gains and losses to be largely offset.

Operating risks

Operating risks are risks from general business activities. They arise as a result of human behavior, technical faults, weaknesses in process or project management or external influences.

Risk provisioning using the internal control system

The main instrument used by the R+V Group to limit operating risks is its internal control system.

The group protects itself against the risk of errors and fraudulent activities in its administration through regulations and controls in force in its specialist departments and by reviewing the application and effectiveness of the internal control systems in Group audits. As far as possible, payment flows and undertakings are handled by computer. Additional security is provided by predefined powers of attorney and authorization rules stored in the user profiles as well as electronic submissions for release made by the stored random generator. Depending on the risk, manual processing is conducted according to the dual control principle.

The internal monitoring of the regulations governing the risk management system, particularly with regard to their effectiveness, is reviewed by the Group audit department. The implementation of the resulting measures is monitored by the Group audit unit as part of the follow-up.

Provision for IT risks

It is necessary to adjust the IT support in a flexible way capable of adjustment to changing structural conditions, because of the close connection between business processes and IT sequences. This is achieved by means of an alignment of the IT organization towards processes and service.

Comprehensive physical and logical protective precautions guarantee the security of data and applications and the maintenance of continuous operation in the IT sector. A particular risk would be the partial or complete failure of the IT systems. The R+V Group has made provisions against this by establishing two separate data centers, each with special access protection, sensitive fire protection measures and a secure power supply based on emergency power generators. A defined restart procedure to be used in the event of a disaster is tested for its effectiveness in exercises on a regular basis.

Data is stored in different R+V buildings in high security areas as well as at additional external locations. The telecoms infrastructure has been designed with a high level of redundancy, both internally within the buildings and with regard to external network access.

The IT security strategy is checked continuously and adjusted to the current situation of the threat. The validity of the IT security principles is also audited regularly. R+V has been certified to have a high security level with regard to external influencing factors within the framework of an independent audit.

Quality assurance for the IT systems is provided by way of established problem and change management processes. All events of relevance are recorded and tracked in accordance with their significance. Current topics are dealt with in daily conferences and allocated processing priority. Monthly service control meetings attended by all IT division heads are held to escalate problems and agree on and take countermeasures when fixed thresholds for system availability and response times are exceeded.

Risk provisions for major projects and investments

The R+V Group has laid down binding procedures for the planning and implementation of projects and investments. In line with these specifications, an investment committee regularly examines major projects and investments, paying particular attention to events, problems and (counter)measures, as well as adherence to budgets. Necessary changes are implemented immediately. The investment committee also liaises with the risk conference committee.

External influence

Changes to the legal and supervisory frameworks are subject to continuous surveillance, in order to be able to react to opportunities and risks promptly.

Solvency II

The EU Commission has been working intensively for several years on a new regulatory model for insurance companies, with the working title Solvency II. The central starting point is a comprehensive evaluation and management of the risks and capital resources of an insurance company. R+V is aligned to the future challenges because of internal projects and study groups and its co-operation in the study groups of the GDV and the BaFIN and is thus creating the foundation for the successful implementation of the requirements accompanying Solvency II. The continuous further development of the economic risk-bearing capital model, in order to cope with the future technical requirements of internal models, is a significant component.

Summary of the risk situation

The requirements of the supervisory solvency margin serve as the start for the evaluation of the whole risk position. R+V Versicherung AG clearly fulfils or exceeds the requirements of the solvency margin, even without taking reserves into account. The instruments and methods of analysis outlined here show that R+V Versicherung AG has a comprehensive system that satisfies risk identification and analysis requirements needed for efficient risk management. To date, it has not identified any developments that could have a material adverse effect on the Company's net assets, liabilities, financial position and the results of operations in the long term.

Significant events and outlook

Hurricane 'Kyrill' swept across Europe on 18 January 2007, causing severe damage, primarily to buildings and vehicles. In total, the insurance business is expecting an overall loss volume in Europe of the order of magnitude of approx. €4 to €7 billion. The share allotted to R+V Versicherung AG will vary within the framework of the calculated large loss burden. No significant effects on the technical result are expected, provided that no further large loss-entailing events occur in the financial year.

R+V Versicherung AG, which has been bound by a profit and loss transfer agreement since 2006, is expecting a gross loss burden of up to approx. €100 million. However, the gross loss expense will be reduced even more by loss adjustment instruments, such as the equalization reserve. Any remaining burden on the result of R+V Versicherung AG would have an effect on its non-technical result.

As has already been reported since 2003, an extraordinary termination of existing agreements was pronounced, because of irregularities in the business relationship with a foreign brokerage company. Several legal disputes in relation to this matter are pending abroad, where R+V Versicherung AG is taking legal proceedings and legal action initiated in response by the other party, in the case of the remaining proceedings. The proceedings were pending before the High Court of Justice in London by R+V Versicherung AG. A basic judgment in favor of R+V Versicherung AG, according to which entitlement to termination without notice and a claim to compensatory damages were granted on this grounds was made on 18 November 2004. At the same time the counterclaim was dismissed. The compensation applied for was awarded to R+V Versicherung AG, at the relevant level, on 12 January 2007. The judgments are not yet legally effective. The counter proceedings are related to the matter already heard in London. Reserves were set up for the trial costs in the balance sheet.

There were no significant events after the end of the fiscal year.

Positive prospects for R+V Versicherung AG in 2007

R+V Versicherung AG is continuing the underwriting strategy oriented to returns in the loss and accident insurance section. The business strategy is characterized by three principles at the same time:

- Capacities are used consistently wherever a price corresponding to the risk can be obtained
- It is a condition of the commitment of the Company that its total exposure is clearly defined. Potential cumulative risks will be known and limited in a suitable way, if necessary.
- The co-operation of trust with the customer, invested in the long-term, is a central strategic factor for success. However, a joint basic understanding that the commercial perspectives of a business relationship are transparent, balanced and profitable in the long term is at the same time indispensable.

A key factor for the Company's good results are the efficient and motivated employees of R+V.

For continuous training and improvement, R+V performs employee satisfaction surveys at regular intervals. Strengths and weaknesses are identified in the survey and analyzed. Resulting requirements for further actions are handled in discussion sessions and workshops and implemented in relevant action in the context of the continuous improvement process. The company, all employees and customers benefit equally from this process.

R+V will introduce a variable remuneration system from 2007, as a further instrument for the motivation of its office employees. In future, parts of the salary above agreed rates will be granted according to the success of the Company, taking the personal performance of the employee into account.

New structural conditions caused by the legislators

The insurance business is confronted by fresh challenges, nationally and internationally. On the one hand, the current situation in the money markets with lower returns is forcing them to greater efforts on the operational side and, on the other hand, new legal regulations, such as Solvency II and the change to balance sheet guidelines, are making a change to the risk management of the whole branch of the industry necessary.

Positive technical result expected

The principles of the Company have been implemented consistently within the framework of the reform negotiations. Assuming that no exceptionally large claims occur, R+V Versicherung AG expects a further improvement in the third-party business and accident insurance in the next year as well.

At the end of 2004, the Company stopped underwriting active third party life reinsurance business. Accordingly, premium volumes will show a declining development. R+V Versicherung AG expects a positive technical result in 2007 in this business sector as well.

Future capital market forecast for 2007

There is an assumption of a stable economic development in the share markets. The participants in the pensions market will tend to be more reserved, both in the case of growth and that of inflation. Interest rates will continue to be low and the yield curve will continue to be flat. Many economic prognoses are assuming a worldwide reduction in growth, which could, however, reverse again in the second half of the year. Volatile markets must be expected in 2007 in this respect.

The investment policy of R+V Versicherung AG will be oriented towards the criteria of security, yield and liquidity in the new investment year, subject to paying forward-looking attention to the new structural conditions because of Solvency II and IFRS.

The main emphasis of the investment strategy will continue to be on the achievement of secure yield income so as to be able to achieve a reasonable payment of interest on the technical obligations in the future. R+V will also take advantage of the chances offered in the share markets and by international diversification. The consistently implemented core satellite strategy will allow it to grasp chances and to manage risks in the globalized and volatile money markets.

Wiesbaden, March 8, 2007

The Board of Management

Appendix to the Management Report

In the year under review, the company was active in the following fields of domestic and foreign reinsurance:

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Glass

Storm

Comprehensive home contents

Comprehensive homeowners

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Proposal on the Appropriation of Profits

Net retained profits for the fiscal year amount to €73,073,000.00	
We propose to the General Meeting that the net retained profits be used follows:	€
Dividend of €6.50 per no-par value share for 11,242,000 shares	73,073,000.00
	73,073,000.00

Annual Financial Statements 2006

Balance Sheet as of December 31, 2006*

Assets

	€	€	€	2006 €	2005 €
A. Unpaid contributions to subscribed capital				–	–
thereof called up: €– (€–)					
B. Intangible assets					
I. Start-up and business expansion costs			–		–
II. Goodwill			–		–
III. Other intangible assets			123,830		195,170
				123,830	195,170
C. Investments					
I. Land, land rights and buildings including buildings on third-party land			3,671,674		2,681,402
II. Investments in affiliated and associated companies					
1. Shares in affiliated companies	1,469,612,941				1,443,406,452
2. Loans to affiliated companies	200,624,528				169,369,220
3. Investments in associated companies	35,387,277				61,546,263
4. Loans to associated companies	–	1,705,624,746			–
III. Other financial investments					
1. Shares, investment certificates and other variable-yield securities	107,608,671				107,446,095
2. Bearer bonds and other fixed-income securities	194,427,490				161,955,736
3. Receivables from mortgages, land charge and annuity land charges		–			–
4. Other loans					
a) Registered bonds	181,324,307				168,888,901
b) Notes receivable and loans	212,141,239				101,350,808
c) Loans and advance payments on insurance policies	–				–
d) Miscellaneous loans	–	393,465,547			5,112,919
5. Deposits with banks		8,752,137			95,336,878
6. Miscellaneous investments		3,551,053	707,804,898		3,551,053
IV. Deposits with ceding undertakings			239,308,237		1,051,575,668
				2,656,409,555	3,372,221,395

* In the case of "thereof" notes, the figures for the previous year are shown in parentheses

				2006	2005
	€	€	€	€	€
D. Assets held to cover linked liabilities				-	-
E. Debtors					
I. Debtors arising out of direct insurance operations			-		-
II. Debtors arising out of reinsurance operations			56,885,742		77,033,158
thereof:					
affiliated companies					
€2,469,139	(€5,327,294)				
associates					
€941.843	(€-)				
III. Others debtors			216,497,332		155,635,169
thereof:					
affiliated companies					
€137,456,833	(€125,107,114)				
associates					
€10,646	(€5,348)				
				273,383,074	232,668,327
F. Other assets					
I. Tangible assets and inventories			749,600		736,906
II. Cash with banks, checks and cash on hand			11,549,638		22,717,368
III. Own shares			-		-
IV. Miscellaneous assets			25,496		3,000
				12,324,733	23,457,274
G. Anticipated tax charge for future fiscal years in accordance with section 274 (2) HGB				-	-
H. Accrued and deferred items					
I. Accrued interest and rent			15,277,801		12,680,926
II. Other prepaid expenses			11,188,659		2,779,577
				26,466,460	15,460,503
I. Deficit not covered by shareholders' equity				-	-
				2,968,707,652	3,644,002,669

Equity and liabilities

			2006	2005
	€	€	€	€
A. Shareholders' equity				
I. Subscribed capital		292,000,000		292,000,000
II. Capital reserves		1,001,381,228		1,001,381,228
Of which a reserve in accordance with §5, par. 5 No.3 VAG €– (€–)				
III. Revenue reserves				
1. Legal reserve	–			–
2. Reserve for own shares	–			–
3. Statutory reserves	–			–
4. Reserve in accordance with section 58 (2a) AktG	–			–
5. Other revenue reserves	194,013,764	194,013,764		148,508,087
IV. Net retained profits		73,073,000		73,082,124
thereof profits brought forward: €9,124 (€4,165)				
			1,560,467,992	1,514,971,439
B. Participation certificates			–	–
C. Subordinated liabilities			–	76,693,782
D. Special tax-allowable reserves in accordance with section 6b EStG			–	–
E. Technical provisions				
I. Unearned premiums				
1. Gross	79,654,870			87,589,658
2. less:				
reinsurance amount	3,468,053	76,186,817		8,697,626
II. Mathematical reserve				
1. Gross	138,108,317			954,232,514
2. less:				
reinsurance amount	53,238,708	84,869,609		418,920,503
III. Claims outstanding				
1. Gross	871,067,854			777,771,160
2. less:				
reinsurance amount	137,520,409	733,547,444		167,592,255
IV. Provisions for bonuses and rebates				
1. Gross	910,600			389,797
2. less:				
reinsurance amount	–	910,600		–
V. Equalization provision and similar provisions		242,886,876		184,630,631
VI. Other technical provisions				
1. Gross	1,251,865			255,681
2. less:				
reinsurance amount	9	1,251,856		–
			1,139,653,202	1,409,659,056

			2006	2005
	€	€	€	€
F. Technical provisions for linked liabilities			-	-
G. Other provisions				
I. Provision for pensions and similar obligations		8,847,967		26,200,978
II. Tax provisions		16,620,355		7,482,000
III. Provisions for anticipated tax charges in future fiscal years in accordance with section 274 (1) HGB		-		-
IV. Other provisions		13,238,669		10,681,206
			38,706,991	44,364,184
H. Deposits received from reinsurers			59,823,888	432,142,295
I. Other liabilities				
I. Creditors arising out of direct insurance operations		-		-
II. Creditors arising out of reinsurance operations		127,819,692		124,200,812
thereof:				
affiliated companies				
€18,364,051	(€20,484,243)			
associates				
€950,881	(€522,315)			
III. Bonds		21,328,730		20,416,319
thereof convertible:				
€-	(€-)			
IV. Liabilities to banks		-		-
V. Other creditors		17,081,161		21,313,761
thereof				
taxes				
€1,488,225	(€450,751)			
social security contributions				
€-	(€373,672)			
to:				
affiliated companies				
€10,704,557	(€14,653,983)			
associates				
€-	(€887,304)			
			166,229,583	165,930,892
K. Deferred income			3,825,995	241,021
			2,986,707,652	3,644,002,669

Income Statement* for the period from January 1 to December 31, 2006

	€	€	2006 €	2005 €
I. Technical account				
1. Premiums earned - net:				
a) Gross premiums written	706,054,319			674,780,056
b) Reinsurance premiums ceded	52,916,139	653,138,180		77,969,915
c) Change in provision for unearned provisions – gross	5,449,122			13,497,206
d) Change in provision for unearned premiums – reinsurers' share	5,248,171	200,951		7,914,852
			653,339,131	602,392,495
2. Allocated investment return – net			2,805,098	18,964,625
3. Other technical income – net			-722,397	30,496,042
4. Claims incurred – net				
a) Claims paid				
aa) Gross	390,696,383			485,780,921
bb) Reinsurers' share	60,096,660	330,599,723		90,245,849
b) Change in provision for claims outstanding				
aa) Gross	107,572,608			8,290,765
bb) Reinsurers' share	-29,765,749	137,338,357		-24,369,779
			467,938,079	428,195,616
5. Change in other technical provisions – net				
a) Mathematical provision – net		6,317,064		-32,114,950
b) Other technical provisions – net		-1,523,113		760,751
			4,793,951	-31,354,199
6. Bonus and rebates – net			1,539,780	653,347
7. Operating expenses – net				
a) operating expenses – gross		191,866,871		211,076,499
b) less:				
Reinsurance commissions and profit participations received		15,355,443		26,087,707
			176,511,428	184,988,792
8. Other technical expenses – net			741,805	908,493
9. Subtotal			13,484,691	5,752,715
10. Change in the equalization provision and similar provisions			-58,256,245	-44,436,687
11. Balance on technical result – net			-44,771,554	-38,683,972

* Previous year's figures in parentheses in the case of related remarks

				2006	2005
	€	€	€	€	€
II. Non-technical account					
1. Investment income					
a) Income from investments		731,018			2,016,774
thereof:					
from affiliated companies					
€4,509	(€1,174,088)				
b) Miscellaneous investment income					
thereof:					
from affiliated companies					
€9,804,421	(€7,966,835)				
aa) Income from land, land rights and buildings					
including buildings on third-party land	502,960				377,671
bb) Miscellaneous investment income	50,224,332	50,727,292			69,996,290
c) Income from write-ups		26,484			5,624,834
d) Realized gains on investments		412,711			4,902,194
e) Income from profit pooling and profit transfer agreements		165,476,560			114,939,085
f) Income from the release of special tax-allowable reserves		–			–
			217,374,065		197,856,848
2. Investment expenses					
a) Investment management expenses, interest expenses and other investment expenses		3,757,065			4,343,760
b) Write-downs on investments		15,800,406			600,609
c) Realized losses on investments		82,447			265,829
d) Expenses for losses assumed		203,239			–
e) Allocation to special tax-allowable reserves		–			–
			19,843,402		5,210,198
			197,530,664		192,646,650
3. Allocated investment return			– 12,615,429		–34,059,067
				184,915,234	158,587,583
4. Other income			23,879,843		27,110,570
5. Other Expenses			42,812,548		34,806,277
				–18,932,705	–7,695,707
6. Non-technical result				165,982,530	150,891,876
7. Result from ordinary activities				121,210,976	112,207,904

			2006	2005
	€	€	€	€
8. Extraordinary income		–		–
9. Extraordinary expenses		435,003		–
10. Extraordinary result			– 435,003	–
11. Taxes on income		2,155,815		–1,424,039
thereof reallocation within fiscal entity:				
€–	(€–)			
12. Other taxes		50,605		103,985
thereof reallocation within fiscal entity				
–€425,063	(–€1,032,985)			
			2,206,420	–1,320,054
13. Income from losses assumed			–	–
14. Profits transferred as a result of profit pooling and profit transfer agreements			–	–
15. Net income for the year			118,569,553	113,527,958
16. Retained profits brought forward from the previous year			9,124	4,165
17. Withdrawals from capital reserves			–	–
18. Withdrawals from revenue reserves				
a) from legal reserve		–	–	–
b) from reserve for own shares		–	–	–
c) from statutory reserves		–	–	–
d) from other reserves		–	–	–
			–	–
19. Transfer from participation certificates			–	–
20. Appropriations to revenue reserves				
a) to legal reserve		–	–	–
b) to reserve for own shares		–	–	–
c) to statutory reserves		–	–	–
d) to other revenue reserves		45,505,677	–	40,450,000
			45,505,677	40,450,000
21. Transfer to participation certificates			–	–
22. Net retained profits			73,073,000	73,082,124

Notes

Accounting policies

Basis of preparation

The annual financial statements of R+V Versicherung AG for 2006 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB - German Commercial Code), the Aktiengesetz (AktG - German Public Companies Act) and the provisions of the Versicherungsaufsichtsgesetz (VAG - German Act on Private Insurance Undertaking) as well as the Verordnung über die Rechnungslegung von Versicherungsunternehmen (RechVersV - German Federal Regulations on Insurance Accounting) dated November 8, 1994.

Intangible assets were valued at cost and written down using the straight-line method over the useful life of the assets. Additions and disposals in the fiscal year were written down pro rata.

Land, land rights and buildings including buildings on third party land were carried at acquisition or manufacturing cost less depreciation. Straight-line depreciation was performed using the rate allowed by tax law.

Shares in affiliated and associated companies and other investments were carried at cost. Investments in associates held in foreign currencies were translated using the exchange rate applicable at the time of acquisition.

Loans to affiliated companies were measured according to their affiliation, as other variable-yield securities, other loans and deposits with banks.

Shares, investment certificates and other variable-yield securities as well as bearer bonds and other fixed-income securities were measured in line with the strict principle of the lower of cost or market, to the extent that they were not allocated to fixed assets.

Investment certificates that are allocated to fixed assets in accordance with section 341b (2) sentence 1 HGB were measured at their current market value as of December 31, 2006, but the most at cost.

Where the reasons for write-downs charged in the past no longer applied, write-downs on the share price were reversed up to a maximum of the acquisition cost in accordance with section 280 (1) HGB.

The acquisition cost in euros of securities held in foreign currencies were calculated using the price of the security and the exchange rate at the time of acquisition; the book value in euros was calculated on the basis of the price of the security and the exchange rate as of the balance sheet date.

Other loans and deposits with banks were reported at their repayment value, insofar as specific valuation allowances did not have to be performed.

Premiums and discounts were amortized over the maturity period. The proportion relating to future years was reported as prepaid expenses.

Financial derivatives and structured products were broken down into their individual components and measured using recognized valuation techniques based on the Black-Scholes option pricing models.

Deposits with ceding undertakings and debtors arising out of reinsurance operations were carried at their nominal values. Doubtful debtors were written down directly.

Operating and office equipment was carried at cost and written down using the straight-line method over their normal useful life. Additions and disposals in the fiscal year were written down pro rata. Low value assets were written off in full in the year of acquisition.

The **remaining assets** are carried at their nominal value. Any necessary valuation allowances were performed and deducted from assets.

Technical provisions (unearned premiums, mathematical provisions, claims outstanding and other technical provisions) were reported in line with information provided by the cedents.

If no information was available, provisions were estimated on the basis of contractual conditions and the course of business to date. We made appropriate increases to a number of our cedents' loss provisions for which we felt, given our experience, the amounts stated were too low. Correspondingly, appropriate provisions were also made for expected future loss expenses. The reinsurers' share of provisions was calculated in line with the conditions of the reinsurance agreements.

The **equalization provisions and similar provisions** (nuclear plants, pharmaceutical risks) were calculated in accordance with section 341h HGB in conjunction with sections 29 and 30 RechVersV.

Deposits received from reinsurers and creditors arising out of reinsurance operations were reported at their nominal value.

The retirement pensions obligations to pensioners, departed candidates with non-forfeitable claims and those to a significant section of active candidates were transferred to VGU e. V., the pension provident fund of cooperatively oriented companies, or to the R+V Pensionsfonds AG on 1 December of the financial year. This has led to a significant reduction in the pension funds.

The rate of interest was reset from 6.0% in the previous year to 4.5% in the financial year, at the evaluation of the **pension reserve**, in order to take the future obligations remaining in the Company into account to a reasonable extent. An increase in the pension reserve resulted from the change to the evaluation method. The expense necessary for this is demonstrated in the other result.

In line with section 6a EStG, **provisions for pensions and similar obligations** were calculated using the present value method based on the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. The transfer from the 1998 guide tables to the 2005 G guide tables by Prof. Dr. Klaus Heubeck was distributed evenly in thirds, starting in 2005. The maximum, and the reserve value permissible in terms of tax, which arises with an interest rate of 4.5%, in accordance with the 2005 G guide tables, were calculated respectively on the basis of the individual values of the reserve here.

The provision for **early retirement** has been computed at a rate of 4.5%, in accordance with the principles of §6a EStG (Income Tax Act), based on the actuarial tables 2005 G by Klaus Heubeck.

Partial retirement provisions cover both unpaid remuneration and outstanding top-up amounts for salaries and pensions. An actuarial discount was charged on the top-up amounts. The 2005 G mortality tables published by Prof. Dr. Klaus Heubeck were applied when calculating these amounts, using an interest rate of 5.5%.

The **provisions for jubilee benefits** were calculated using the 2005G mortality tables published by Prof. Dr. Klaus Heubeck, using an interest rate of 5.5%.

The valuation amount of the **other non-technical provisions** is based on projected requirements.

The **other liabilities** were estimated at the amounts payable on maturity.

Currency translation

All items in foreign currencies were translated into euros.

The items listed under Assets C, Investments I to III and other debtors, other creditors, prepaid expenses and deferred income, and income and expense items relating to these investments were translated using the exchange rate as of the balance sheet date, December 31, 2006. For investments in associates, bearer bonds, other fixed-income securities, shares and deposits with banks, please refer to the notes on these items.

All other items on the balance sheet and in the income statement, including in particular the technical items, were translated using the exchange rate as of December 14, 2006 in order to accelerate the preparation of the annual financial statements.

The strong fluctuations in foreign exchange in the year under review resulted in an overall foreign currency gain.

Foreign currency gains and losses incurred in relation to a single currency were netted against each other.

List of Shareholdings

Shares in affiliated companies

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
Insurance companies					
Assimoco S.p.A. Segrate	35.4	EUR	2005	64,637,592	686,919
Assimoco Vita S.p.A., Segrate	47.3	EUR	2005	56,308,477	5,223,253
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2005	50,783,570	- 2,473,835
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2005	118,216,768	13,069,562
R+V Allgemeine Versicherung AG, Wiesbaden	95.0	EUR	2005	686,920,024	70,706,227
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2005	19,985,231	4,500,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2005	276,150,836	- *
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2005	64,159,972	5,195,838
R+V Pensionsfonds AG, Wiesbaden	51.0	EUR	2005	8,956,689	23,861
R+V Pensionskasse AG, Wiesbaden	99.0	EUR	2005	12,345,365	- 7,654,635
R+V Rechtsschutzversicherung AG, Wiesbaden	100.0	EUR	2005	30,288,615	- *
Service, Holding and real estate companies					
BWG Baugesellschaft Württembergischer					
Genossenschaften mbH, Stuttgart	80.8	EUR	2005	9,926,862	- *
carexpert Kfz-Sachverständigen GmbH, Walluf	65.0	EUR	2005	5,367,068	107,918
carexpert Slovensko, expertizna a konzultacná s.r.o., Zilina	39.0	SKK	2005	-7,360	- 2,173
Centrum Projektentwicklungs GmbH, Düsseldorf	100.0	EUR	2005	-1,010,475	- 841,404
Compertis Beratungsgesellschaft für betriebliches					
Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2005	3,551,621	- 488,559
GbR Dortmund Westenhellweg 39-41, Wiesbaden	94.0	EUR	2005	-2,838,747	- 886,807
GWG Gesellschaft für Wohnungs- und Gewerbebau					
Baden-Württemberg AG, Stuttgart	89.9	EUR	2005	86,332,704	8,114,863
GWG PLANEN + BAUEN GmbH, Stuttgart	85.3	EUR	2005	104,304	- *
HANSEATICA Sechzehnte Grundbesitz					
Investitionsgesellschaft mbH & Co. KG, Berlin	95.0	EUR	2005	31,488,363	245,627
Henderson Global Investors Real Estate (No. 2) L.P., London	80.8	GBP	2005	6,259,580	527,429
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	80.8	EUR	2005	34,335,368	2,331,241
HGI Real Estate L.P., London	80.8	GBP	2005	29,779,281	2,256,050
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2005	245,931	86,997
Indexfinal Limited, London	80.8	GPB	2005	992	4
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH,					
Hamburg	51.0	EUR	2005	87,379	- 293
MSU Management-, Service- und					
Unternehmensberatung GmbH, Kaiserslautern	74.0	EUR	2005	106,586	51,278
R+V Erste Anlage GmbH, Wiesbaden	95.0	EUR	2005	27,873	678
R+V Erste Anlage GmbH & Co. Verwaltung KG, Wiesbaden	96.0	EUR	2005	20,214,976	10,659,714
R+V Immobilien GmbH & Co. KG Grundstücksverwaltung					
Hemmingen, Wiesbaden	89.3	EUR	2006	12,529,957	1,091,207
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2006	1,554,191,897	- *
R+V Kureck Immobilien GmbH, Wiesbaden	95.0	EUR	2005	82,759	15,734
R+V Kureck Immobilien GmbH & Co. KG Grundstücksver-					
waltungsgesellschaft Adolfsberg, Wiesbaden	100.0	EUR	2006	3,145,788	- 342,245
R+V Kureck Immobilien GmbH & Co. KG Grundstücksver-					
waltungsgesellschaft Hochhaus, Wiesbaden	95.0	EUR	2006	5,359,465	640,650
R+V Kureck Immobilien GmbH & Co. KG Grundstücksver-					
waltungsgesellschaft Sonnenberger Straße 2/2a, Wiesbaden	95.0	EUR	2006	7,606,142	294,668

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
R+V Kureck Immobilien GmbH & Co. KG Grundstücksverwaltungsgesellschaft Sonnenberger Straße 2b, Wiesbaden	100.0	EUR	2006	1,384,330	3,842
R+V Kureck Immobilien GmbH & Co. KG Grundstücksverwaltungsgesellschaft Taunusstraße 1, Wiesbaden	100.0	EUR	2006	6,594,619	- 724,422
R+V Kureck Immobilien GmbH & Co. KG Grundstücksverwaltungsgesellschaft Taunusstraße 3, Wiesbaden	100.0	EUR	2006	4,507,111	416,776
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2006	105,096,130	2,937,130
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2006	250,227,254	- *
R+V Real Estate Belgium N.V./S.A., Brussels	100.0	EUR	2005	3,229,000	- 535,000
R+V Rechtsschutz-Schadenregulierungs-GmbH, Wiesbaden	100.0	EUR	2005	35,189	2,030
R+V Service Center GmbH, Wiesbaden	100.0	EUR	2005	6,809,375	1,431,421
R+V Service Holding GmbH, Wiesbaden	100.0	EUR	2006	10,083	- *
Rhein-Main Beteiligungs-GmbH, Wiesbaden	100.0	EUR	2005	1,025,029	- 115,234
Schwäbisch Hall Immobilien Gesellschaft für Bauen und Wohnen mbH, Stuttgart	85.3	EUR	2005	2,127,146	- 272,449
SHP Schwäbisch Hall Projektentwicklung GmbH, Stuttgart	85.3	EUR	2005	1,893,841	- 49,708
SECURON Versicherungsvermittlung GmbH Versicherungsmakler, Munich	51.0	EUR	2005	-52,764	605,748
Sprint Sanierung GmbH, Cologne	100.0	EUR	2005	3,861,081	962,543
UMB Unternehmens-Managementberatungs GmbH, Wiesbaden	100.0	EUR	2005	585,234	- 2,459
VR Hausbau AG, Stuttgart	80.6	EUR	2005	2,600,000	50,000
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	85.3	EUR	2005	12,864,751	2,164,301
WPM Wohnwirtschaftliche Projektentwicklung und Marketing GmbH, Stuttgart	85.3	EUR	2005	51,129	- *

* A profit and loss transfer agreement exists

Associates

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
Aareal European Property Investments No. 1 S.A., Luxemburg	22.9	EUR	2004	92,062,385	2,350,027
Aareal Italien Fonds GmbH & Co. KG, Wiesbaden	23.1	EUR	2005	134,507,677	5,656,003
Aareal Property Services Germany B.V., Amsterdam	30.0	EUR	2005	1,705,774	1,109,671
Finassimoco S.p.A., Segrate	49.9	EUR	2005	59,459,461	15,652
PWR Holding GmbH, Munich	33.3	EUR	2004	50,947,105	14,044,334
Seguros Generales Rural, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2005	50,937,000	1,684,000
TERTIANUM – Besitzgesellschaft Berlin					
Passauer Straße 5–7 mbH, Munich	25.0	EUR	2005	38,353,581	- 752,825
TERTIANUM – Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstraße 5–9 mbH, Munich	25.0	EUR	2005	56,910,942	- 541,562
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0	EUR	2005	2,248,306	- 264,185

Notes to the Balance Sheet

Statement of Changes in Asset Items B. and C. I. to III. in fiscal year 2006

	Values stated for previous year		Additions
	€ thou.	%	€ thou.
B. Intangible assets			
1. Start-up and business expansion costs in accordance with section 269 (1), sentence 1 HGB	–	–	–
2. Goodwill acquired	–	–	–
3. Other intangible assets	195	–	52
Total B.	195	–	52
C. Investments			
C.I. Land, land rights and buildings,, including buildings on third-party land	2,681	0.1	1,053
C.II. Investments in affiliated and associated companies			
1. Shares in affiliated companies	1,443,406	62.1	13,125
2. Loans to affiliated companies	169,369	7.3	105,757
3. Investments in associates	61,546	2.7	1,575
4. Loans to associations	–	–	–
Total C.II.	1,674,322	72.1	120,457
C.III. Other financial investments			
1. Shares, investment certificates and other variable-yield securities	107,446	4.6	168
2. Bearer bonds and other fixed-income securities	161,956	7.0	138,921
3. Receivables from mortgages, land charges and annuity land charges	–	–	–
4. Other loans			
a) Registered bonds	168,889	7.3	38,000
b) Notes receivable and loans	101,351	4.4	110,790
c) Loans and advance payments on insurance policies	–	–	–
d) Miscellaneous loans	5,113	0.2	–
5. Deposits with banks	95,337	4.1	–
6. Miscellaneous investments	3,551	0.2	–
Total C. III	643,642	27.8	287,879
Total C.	2,320,646	100.0	409,389
Total	2,320,841	–	409,441

*) thereof currency write-ups: €503,000

**) thereof currency write-downs: €10,252,000

	Transfers € thou.	Disposals € thou.	Write-ups*) € thou.	Write-downs**) € thou.	Values stated for current fiscal year	
					€ thou.	%
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	124	124	-
	-	-	-	124	124	-
	-	-	-	62	3,672	0.2
	19,008	-	-	5,927	1,469,613	60.8
	-	73,053	104	1,553	200,625	8.3
	-19,008	491	-	8,234	35,387	1.5
	-	-	-	-	-	-
	-	73,544	104	15,715	1,705,625	70.6
	-	-	-	6	107,609	4.4
	-	96,592	404	10,261	194,427	8.0
	-	-	-	-	-	-
	-	25,565	-	-	181,324	7.5
	-	-	-	-	212,141	8.8
	-	-	-	-	-	-
	-	5,113	-	-	-	-
	-	86,597	22	10	8,752	0.4
	-	-	-	-	3,551	0.1
	-	213,866	426	10,276	707,805	29.2
	-	287,410	530	26,053	2,417,101	100.0
	-	287,410	530	26,177	2,417,225	

Assets

C. Investments

Present values of investments carried at cost			thereof fixed assets in accordance with section 341 b (2) HGB	
	Book value	Fair value	Book value	Fair value
Type of investment	€	€	€	€
Land	3,671,674	7,429,000	–	–
Fixed-income securities	194,427,490	196,261,555	–	–
Shares, investment certificates and other variable-yield securities	107,608,671	126,573,075	76,880,939	93,844,093
Other investments	1,509,751,920	3,057,187,652	–	–
	1,815,459,755	3,387,451,282	76,880,939	93,844,093

The revaluation reserves of the investments carried at cost, including fixed assets amount to €1,572 million = 65.0% of total investments. The reserves of the capital assets shown in the balance sheet at nominal values have not been taken into account.

Generally, present values were calculated on the basis of market prices, or using the net capitalized earning method pursuant to IDW S1. Land was last appraised in 2006. Where other valuation amounts have been used in individual cases, these correspond with the provision of section 56 RechVersV.

€76.9 million were allocated to the investments in accordance with §341b, par. 2 HGB. This includes a positive revaluation reserve of €16.9 million based on prices as of December 31, 2006.

Self exploited land and buildings are not included.

C. III. Other capital investments

Structure of derivative financial instruments	Nominal value			
	Time to maturity			Total
	< 1 year	1-5 years	> 5 years	
€	€	€	€	
Interest rate	–	–	25,564,594	25,564,594
Currency	15,899,132	–	–	15,899,132
Equity/index	–	–	–	–
	15,899,132	–	25,564,594	41,463,726

In addition, closed-out swap transactions existed as of the balance sheet date.

Information on derivative financial instruments	Type	Totals	Totals	Totals
		Amount/volume	Book value	Fair value
	€	€	€	
Registered bonds	Interest rate swap ¹⁾	25,564,594	–	2,371,450
Notes receivable and loans	Cross-currency swaps ¹⁾	15,899,132	–	735,635

¹⁾ Measurement method = zero coupon pricing

G. II. Other prepaid expenses	2006
	€
Premium on investments	10,221,168
Expenses relating to subsequent years	967,491
As of Dec. 31	11,188,659

Equity and Liabilities

A. I. Subscribed capital	2006
	€
Subscribed capital divided into 11,242,000 share items	
As of Dec. 31	292,000,000

The subscribed capital is unchanged in comparison to the status as of December 31, 2005.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main has informed us in accordance with §20, (4) AktG that it holds a majority interest in our Company

A. II. Capital reserves	2006
	€
As of Dec. 31	1,001,381,228

The capital reserve is unchanged in comparison to the status as of December 31, 2005.

A. III. Revenue reserves	2006
	€
5. Other revenue reserves	
Brought forward as of Jan.1	148,508,087
Appropriations from net retained profits	45,505,677
As of Dec. 31	194,013,764

K. Deferred income	2006
	€
Discounts on investments	781,537
As of Dec.31	781,537

Other notes

There are no liabilities with a time to maturity of more than 5 years or liabilities secured by liens or similar rights.

Notes to the Income Statement

I. 1.a) Gross premiums written	2006	2005
	€	€
Property, health and casualty insurance	633,599,020	523,090,848
Life insurance	72,455,299	151,689,208
	706,054,319	674,780,056

I. 2. Allocated investment income	2006	2005
	€	€
	2,805,098	18,964,625

This relates to interest from the collateral provided to previous insurers in the amount of the mathematical provision and the mathematical pension provision. The reinsurers' share of reserves was calculated in line with the conditions of the reinsurance agreements and deducted correspondingly.

I. 4. Claims incurred - net	2006	2005
	€	€
	467,938,079	428,195,615

The settlement of the provision for claims outstanding brought forward from the previous year resulted in a gross profit of €8 million.

II. 2.b) Write-downs on investments	2006	2005
	€	€
Regular write-downs	62,290	31,025
Write-downs in line with section 253 (2), sentence 3 HGB	14,161,241	–
Write-downs in line with section 253, sentence 3 HGB	1,576,876	569,583
	15,800,406	600,609

II. 4. Other returns	2006	2005
	€	€
Returns arising from services provided	13,836,366	12,630,108
Interest returns	4,054,900	5,132,451
Other returns	5,988,578	9,348,011
	23,879,843	27,110,570

II. 5. Other expenses	2006	2005
	€	€
Expenses arising from services provided	13,808,866	12,606,085
Expenses that affect the Company as a whole	8,882,763	7,014,886
Interest expenses	4,104,757	9,846,000
Expenses arising from the outsourcing of retirement reserves	11,761,433	–
Other expenses	4,254,728	5,339,305
	42,812,548	34,806,277

II. 9. Extraordinary expenses	2006	2005
	€	€
Capital increase for the retirement provision	435,003	–
	435,003	–

Other information

Supervisory Board

Wolfgang Kirsch

Chairman
Chairman of the
Board of Management of DZ BANK AG
Deutsche Zentral-Genossenschafts-
bank, Frankfurt am Main
(from 24 April 2006)

Ulrich Birkenstock

Deputy Chairman
R+V Allgemeine Versicherung AG
Koblenz branch office

Dr. h.c. Ulrich Brixner

Deputy Chairman
Former Chairman of the Board of
Management of DZ BANK AG
Deutsche Zentral-Genossenschafts-
bank, Frankfurt am Main
(until 24 April 2006)

Dr. Christopher Pleister

Deputy Chairman
President Bundesverband der
Deutschen Volksbanken und
Raffeeisenbanken e.V., Berlin
(from 24 April 2006)

Dr. Peter Aubin

Spokesman of the Board of
Management of Volksbank Göppin-
gen eG, Göppingen

Henning Deneke-Jöhrens

Spokesman of the Board of
Management of Volksbank eG Lehrte
– Springe – Pattensen – Ronnenberg,
Pattensen

Andreas Dichtl

Chairman of the Board of
Management of Volksbank Raffeeisen-
bank Berchtesgadener Land eG,
Bad Reichenhall

Michael Doll

Customer adviser of the
R+V Service Center GmbH, Karlsruhe

Albrecht Hatton

Chairman of the Board of
Management of Volksbank
Dessau/Anhalt eG, Dessau

Heinz Hilgert

Deputy Chairman of the Board of
Management of DZ BANK AG
Deutsche Zentral-Genossenschafts-
bank, Frankfurt am Main

Gabriele Kaupp-Stöckl

Member of the
Central Works Council,
R+V Allgemeine Versicherung AG,
Wiesbaden head office

Ralf Lammers

District Manager
R+V Allgemeine Versicherung AG,
Hamburg branch office

Karl-Heinz Moll

Member of the Board of Management,
Westdeutsche Genossenschafts-
Zentralbank AG, Düsseldorf

Hermann Rohrmeier

Company Coordinator,
R+V Allgemeine Versicherung AG,
VD Süd-Ost

Gerd Rück

Director, R+V Versicherung AG,
Wiesbaden head office

Armin Schmidt

Deputy District Business Manager,
Vereinte Dienstleistungsgewerk-
schaft ver.di., Wiesbaden

Gudrun Schmidt

Head of Department,
Vereinte Dienstleistungsgewerk-
schaft ver.di., Frankfurt am Main

Board of Management

Dr. Friedrich Caspers

Chairman
(from 1 May 2006)

Dr. Jürgen Förterer

(until 30 April 2006)

Dr. Christoph Lamby

Hans-Christian Marschler

Bernhard Meyer

Rainer Neumann

Rainer Sauerwein

Hans-Dieter Schnorrenberg

Peter Weiler

Personal expenses	2006
	€
1. Wages and salaries	19.940.575
2. Social security costs	2.702.490
3. Pensions costs	4.059.973
4. Total expenses	26.703.039

Total remuneration of the members of the Board of Management in the fiscal year amounted to €2,501,427 (2005: €1,950,751).

Former members of the Board of Management and their surviving dependents received a total of €794,874 (2005: €564,324).

The provisions for current pensions and pension entitlements for former members of the Board of Management and their surviving dependents amount to €1,589,295.

Expenses for the Supervisory Board amounted to €265,271 in the fiscal year.

No amounts subject to disclosure in accordance with section 285, No. 9 c HGB were paid in the fiscal year.

Number of employees

In 2006 financial year R+V Versicherung AG employed an average of 280 (2005: 270), of whom 271 were employed in Germany and 9 in the Singapore branch office.

Contingent liabilities and other financial commitments

Liabilities due to shares in co-operatives amount to €5,000.

There are no further contingent liabilities within the meaning of section 251 HGB.

Additional payment obligations

Additional payment obligations exist in the amount of €74,206,950 in relation to shares in affiliated companies and in the amount of €11,888 in relation to shares in German insurance companies.

Consolidated financial statements

R+V Versicherung AG produces subgroup financial statements in accordance with the provisions of sections 290 ff. HGB.

These are filed with the Wiesbaden commercial register under HRB 7934.

The subgroup financial statements of R+V Versicherung AG have been included in the higher-ranking consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

These are filed with the Frankfurt am Main commercial register under HRB 45651.

Wiesbaden, March 8, 2007

The Board of Management

Dr. Caspers

Dr. Lamby

Marschler

Meyer

Neumann

Sauerwein

Schnorrenberg

Weiler

Auditor's Report

We have audited the annual financial statements including the accounting and the management report of R+V Versicherung AG, Wiesbaden for the fiscal year from January 1, 2006 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with the provisions of the HGB (Handelsgesetzbuch - German Commercial Code) and the supplementary provisions of the Articles of Association are the responsibility of the Board of Management of the Company. Our responsibility is to express an opinion on the annual financial statements, including the accounting and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Auditors]. Those standards require that we plan and perform the audit so that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, the annual financial statements gives a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Frankfurt am Main, March 9, 2007

KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Henzler
Auditor

Fleischerowitz
Auditor

Report of the Supervisory Board

The Supervisory Board and its committees

The Supervisory Board has formed the following committees for the preparation of its decisions concerning auditing, human resources and mediation.

Dr. h. c. Ulrich Brixner left the Supervisory Board at the end of the regular shareholders' meeting on 24 April 2006. Mr. Wolfgang Kirsch, who has taken over the Chairmanship of the Supervisory Board, was newly elected to the Supervisory Board at this time.

Cooperation with the Board of Management

The Supervisory Board and its committees have monitored the Board of Management and accompanied it in an advisory capacity in accordance with the legal regulations and the terms of the Articles of Association.

The Board of Management has given information about the situation and development of the Company to the Supervisory Board regularly and comprehensively. This took place in three meetings, which the Supervisory Board attended, and through quarterly reports, in the 2006 financial year. The Supervisory Board received and discussed oral and written reports by the Board of Management at the meetings. All measures requiring the agreement of the Supervisory Board were discussed in detail before the decision was made. In addition, the Chairman of the Supervisory Board was also informed about important developments and decisions outside the meetings.

The economic position of the Company and the Group, the company planning and perspectives, and the financial indices, were prominent in the reporting.

The effects of the difficult competitive situation in the transport and industrial insurance sector and those of the VVG reform on the procedures of the Company and sales represented a focus of the conversations and discussions with the Supervisory Board. The outsourcing of the pension reserve to the VGU e. V., the provident fund of co-operatively oriented companies, or to R+V Pensionfonds AG was, in addition, the subject of the meeting of the Supervisory Board in December.

Confirmation of the financial statement

The audit committee and the Supervisory Board have checked the financial statement and the annual report, and the consolidated financial statement and the consolidated annual report for the 2006 financial year in detail. The audit report of the auditor, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, concerning the financial statement has been submitted for this purpose. The auditor granted an unrestricted audit certificate.

The representatives of the auditor attended the meeting of the audit committee on March 5, 2007, in order to report on the essential results of the audit. The financial statement, the annual report, the consolidated financial statement and the consolidated annual report were discussed in detail at this meeting. In addition, the audit committee dealt with the auditing of the risk early recognition system, in accordance with §91, par. 2 AktG, and discussed the significant results of the annual report of the internal audit of the past year.

The present financial statement for the 2006 financial year, the annual report, and the consolidated financial statement and the consolidated annual report have been checked by the Supervisory Board. The auditor responsible was present at the meeting of the Supervisory Board at which the financial statement was adopted and was available for additional explanations and opinions.

No objections to the financial statement have been raised. The Supervisory Board endorses the result of the audit of the financial auditing company KPMG Deutsche Treuhand-Gesellschaft AG, which was appointed in accordance with §341 HGB and which granted an unrestricted audit certificate. The financial statement for the 2006 financial year submitted by the Board of Management was approved by the Supervisory Board in its meeting on 12 March 2007 and is therefore adopted in accordance with §172 AktG. The consolidated financial statement submitted by the Board of Management was approved by the Supervisory Board at the same meeting.

The Supervisory Board expressed its agreement to the suggestion of the Board of Management concerning the use of the balance sheet profit.

The report on the relationships to associated companies drawn up by the Board of Management and the audit report of the auditor of the financial statement had been submitted and were checked.

The auditor of the financial statement gave the following audit certificate to the report of the Board of Management concerning the relationships to associated companies:

‘We confirm, after our audit and evaluation in accordance with our duty, that

1. the factual statements made in the report are correct,
2. the remuneration paid by the Company with respect to the transactions listed in the report was not inappropriately high.’

The Supervisory Board concurs with this opinion and raises no reservations to the closing declarations made by the Board of Management in the dependent company report.

Wiesbaden, March 12, 2007

The Supervisory Board

Kirsch
Chairman