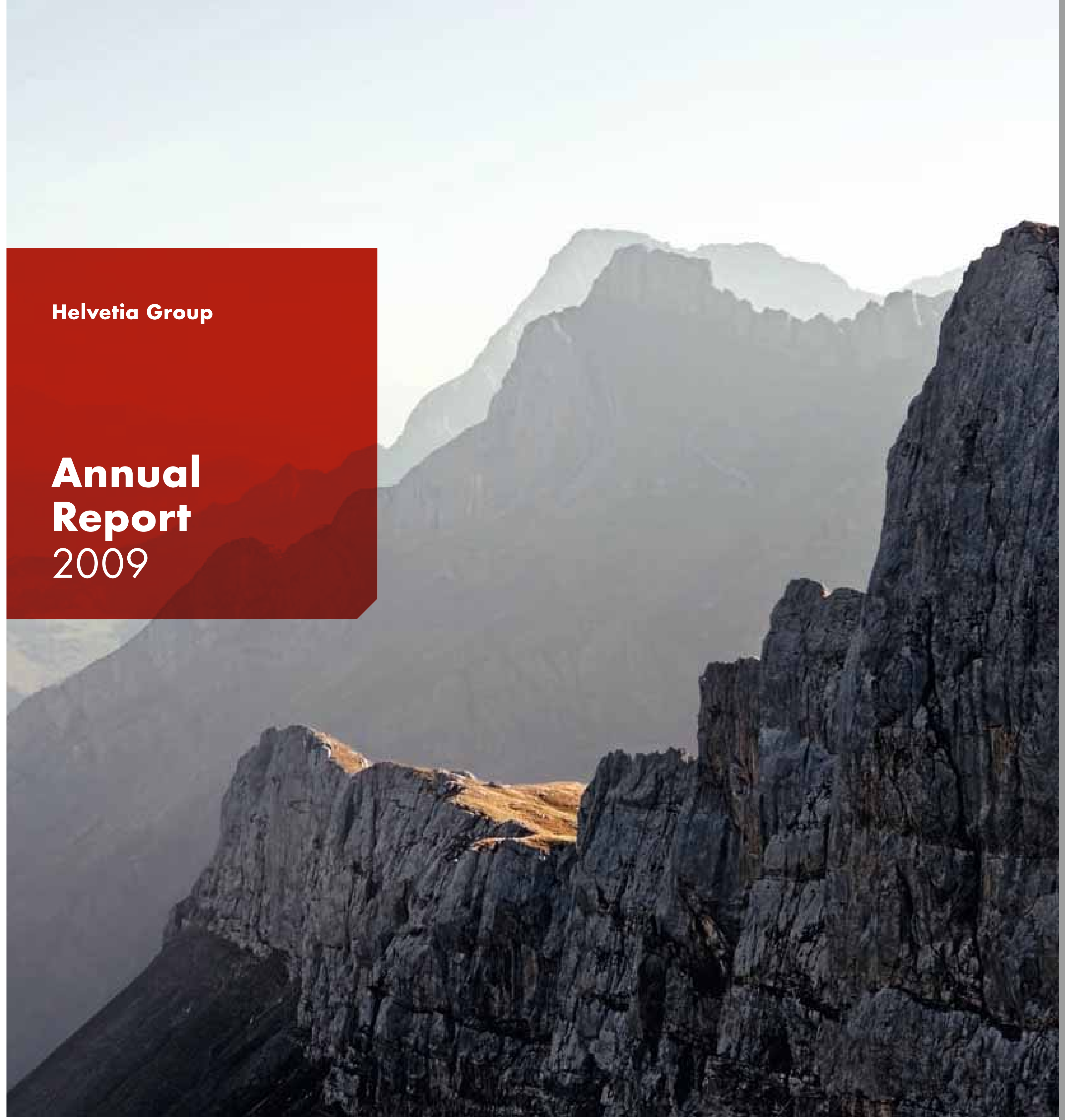
Contact
Helvetia Group
Nicola Breitschopf
Head of Investor Relations
P.O. Box, CH-9001 St.Gallen
Phone +41 58 280 56 04
Fax +41 58 280 55 89
www.helvetia.com
nicolamaria.breitschopf@helvetia.ch

helvetia

Helvetia Group

Annual Report 2009



Helvetia Group

Annual Report 2009

helvetia

Profile

In the past 150 years, Helvetia Group with its registered office in Switzerland has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Its core geographic markets include its home market Switzerland as well as Germany, Austria, Spain, Italy and France. Helvetia is active in the life, non-life and reinsurance segments, and approximately 4,500 employees provide services to more than two million customers. Business volume in the 2009 financial year equalled CHF 6.7 billion. The registered shares of Helvetia Holding AG are traded on the SIX Swiss Exchange.

2009

Contents

Farsightedness

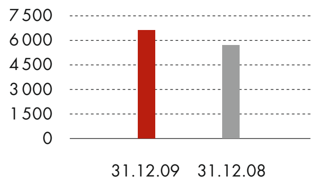
Forward-looking action and farsightedness are required if Helvetia Group is to continue to chart a sustainably successful course in the interests of its customers, shareholders and employees in the future. "To be farsighted" – with this statement, we take a look towards the future in this Annual Report. The photographer Roland Tännler translated this idea into extraordinary photographs of the Swiss mountains – from the Valais over the Grimsel and the Furka as far as Ticino. The photos are accompanied by statements by the members of the Executive Management explaining their ideas and their personal interpretation of "to be farsighted".

	2009	2008	Change
Key share data Helvetia Holding AG			
Group profit for the period per share in CHF	36.8	26.9	37.0%
Consolidated equity per share in CHF	363.9	323.2	12.6%
Price of Helvetia registered shares at the reporting date in CHF	320.8	228.9	40.1%
Market capitalisation at the reporting date in CHF million	2775.4	1980.6	40.1%
Number of shares issued	8652875	8652875	

in CHF million			in Group currency
Business volume			
Gross premiums life	3676.5	3061.1	20.1%
Deposits received life	408.6	85.0	380.7%
Gross premiums non-life	2383.4	2351.1	1.4%
Assumed reinsurance	242.5	215.1	12.7%
Business volume	6711.0	5712.3	17.5%
Key performance figures			
Result life	102.0	–19.6	-
Result non-life	210.0	289.3	–27.4%
Result other business	8.5	–39.2	-
Group profit for the period after tax	320.5	230.5	39.1%
Profit from investments	1239.2	72.0	1620.3%
Key balance sheet figures			
Consolidated equity	3136.8	2773.7	13.1%
Reserves for insurance and investment contracts (net)	27480.3	25754.4	6.7%
Investments	33072.4	30759.1	7.5%
Ratios			
Return on equity	10.8%	8.2%	
Funding ratio non-life	128.4%	125.2%	
Combined ratio (gross)	89.5%	87.0%	
Combined ratio (net)	91.8%	89.1%	
Direct yield	3.2%	3.3%	
Investment performance	4.8%	0.9%	
Solvency margin	223%	208%	
Employees			
Helvetia Group	4511	4591	–1.7%
of which Switzerland	2160	2235	–3.4%

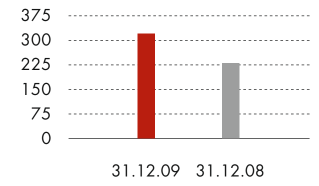
Business volume

in CHF million



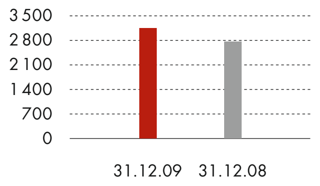
Profit

in CHF million



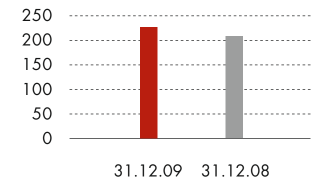
Equity

in CHF million



Solvency

in %



Imprint
The Annual Report 2009 of the Helvetia Group is available in English, German and French.

Published by
Helvetia Group, St.Gallen

Design, layout and typesetting
Die Gestalter AG, St.Gallen

Translation
APOSTROPH AG, Lucerne

Photos
The members of the Board of Directors and Executive Management were photographed by Markus Bertschi, Zurich.

The mountain panoramas were realised by Roland Tännler, Zurich.

Production (offset printing)
Schwabe AG, Basel

The German version of the Annual Report is legally binding.

2009 financial year

Helvetia improved its profit by almost 40 per cent in the 2009 financial year. This fine performance was supported by dynamic growth, good technical results, further cost reductions and solid investment income. The already excellent capital base was strengthened even further, and the return on equity is more than 10 per cent once again.

Strong profit increase

In the current year, Helvetia once again posted good technical results. Together with the effects of the capital market recovery and the improved cost position, this resulted in an excellent annual profit of CHF 320.5 million, almost 40 per cent more than in the previous year.

Profit trend

+39%

Dynamic growth

With growth of 20.1 per cent, business volume improved substantially, driven by strong organic growth of 7.5 per cent and the 12.6 per cent contribution by the successful new business units in Italy and France. As a result, Helvetia was able to substantially strengthen its market position, in particular in the Italian life business.

Business volumes in original currency

+20%

Robust investment income

In 2009, investment results once again made a strong contribution to the annual result, with investment income totalling more than CHF 1 billion. Compared to the previous year, which was affected by the turbulent capital markets, the performance of 4.8 per cent and the direct yield of 3.2 per cent were very encouraging.

Investment income

1,239 million

First-class capital base

In the 2009 financial year, Helvetia strengthened its capital base even further and improved the solvency margin by 15.6 percentage points. During the course of the year, the rating agency, Standard & Poor's, confirmed the Group's excellent capital position with an "A–"rating. Helvetia has thus proved itself to be a reliable partner, even in a challenging market environment.

Solvency

223%

Erich Walser
Chairman of the Board of Directors

Stefan Loacker
Chief Executive Officer

Ladies and Gentlemen

It is an immense pleasure for us to announce a result for the 2009 financial year that once again underlines the drive and stability of Helvetia Group. Reliability and trustworthiness are not simply catchwords for Helvetia, but are also reflected in our solid business results.

In the challenging economic environment of 2009, Helvetia Group increased its profit by almost 40 per cent to CHF 320.5 million thanks to the excellent operating result for the core business and substantial investment income. Helvetia also successfully maintained and expanded its strong capital base. The dynamic growth of 20.1 per cent posted for 2009, driven by the good operating performance and successful acquisitions in Italy and France deserves special mention. In Italy, in particular, the Group enjoyed the full effect of the acquisitions made in 2008, which allowed us to more than double our business volume. In France, the acquisition of the French transport insurer L'Européenne d'Assurance Transport (CEAT) in June 2009 laid a strong foundation for future growth. Our efforts in all country markets to continuously improve our access to customers are still bearing fruit. In Spain, Helvetia entered into a distribution agreement with a bank in December 2009. In our home market Switzerland, the life business in particular did very well, and we interpret the strong demand of many SMEs for a full insurance solution in the second pillar person business as confirmation of our strategy to offer employee benefits insurance in Switzerland.

Thanks to its continuous and security-oriented business policy, Helvetia generated an excellent operating profit even in the 2008 and 2009 financial years, which were overshadowed by the financial crisis and a recession. The strong capital base and very solid risk profile were maintained. After a difficult year for investments in 2008, investment results again made a substantial contribution of CHF 1,239 million to the annual profit in 2009. The quality of the investment portfolio remained high in 2009. Even in a year with better prospects than the previous year, Helvetia will continue to rely on an investment strategy focusing on sustainability, a well diversified investment portfolio and consistent risk management.

With a solvency margin of 223 per cent, Helvetia strengthened its already excellent capital base even further in 2009, and thus remains one of the best capitalised insurance companies in Europe. With this strong equity base and earnings power, Helvetia can afford to continue its consistent dividend policy and we will request the Shareholders' Meeting to approve an attractive dividend payment of CHF 14.50 per share.

The solid business trend for the past few years confirms that Helvetia Group is on the right track with its strategy of profitable growth. Thanks to the trust of our customers and the commitment of our efficient employees, Helvetia was able to continue to grow very successfully in 2009. We will continue in the future to focus on healthy organic growth and targeted acquisitions.

Helvetia Group sees itself as a reliable partner for its customers, employees and shareholders, which will be successful even in difficult times. We will continue on the path we have chosen with great confidence in the 2010 financial year. For this, we would like to thank everybody who has contributed to Helvetia's success.

Erich Walser
Chairman of the Board of Directors

Stefan Loacker
Chief Executive Officer

"Farsightedness is not just the theme of the photos in this Annual Report, but also forms the basis for the work we do every day. Where does our farsightedness lead? As a company with a history of more than 150 years we can look back on the past with pride, but that alone would be too complacent. We do not have to apologise for sidelong glances at our competitors, but the important thing is to look forward.

Thanks to its solid capital base and reputation, Helvetia has coped very well with the financial crisis, and we are strong enough to look far into the future. In the coming years Helvetia will remain successful if we can find the right balance between risk-conscious caution and entrepreneurial dynamism. I am convinced that Helveti is not just strong for today, but with farsightedness and good judgement has a great futrure ahead."

Erich Walser
Chairman of the Board of Directors

Company profile

Company profile

Board of Directors

As the highest executives of Helvetia, the nine members of the Board of Directors operate with four professional committees. They are in constant dialogue with the Executive Management to ensure the effective management of the company.

The Board of Directors of Helvetia Holding AG serves as the company's highest executive body. It is responsible for the overall management and strategic direction of the Group, and appoints and oversees the Executive Management. The Board of Directors currently consists of nine members. In a bid to benefit from the specific expertise of the individual Board members and ensure that their know-how is brought into the decision-making process, various committees have been set up. In the Strategy and Governance Committee, the Compensation Committee, the Audit Committee and the Investment and Risk Committee, Helvetia has at its disposal four Board committees designed to ensure effective corporate control and supervision. The committees mostly do preparatory work. The areas where they have the power to take decisions are set out in Appendix I of the organisational regulations: www.helvetia.com/gruppe/governance.

Elections

The terms of office of the individual Board members have been organised to ensure that one-third of the seats are up for election or re-election every year. The term of office of the individual members is determined on election and may not exceed three years, though re-election is permitted. Elections and re-elections take place separately. The directorships of Erich Walser, Christoph Lechner and Urs Widmer will end at the 2010 Shareholders' Meeting, but they will all three stand for re-election. Urs Widmer, however, can only serve for a term of one year until the Shareholders' Meeting in 2011, as he will retire shortly afterwards. No new members of the Board of Directors will be proposed at the Shareholders' Meeting.

The Board of Directors of Helvetia Holding AG

	Office	Joined	Current term expires	SGC	CC	IRC	AC
Erich Walser	Chairman	2001	2010	o o	+	o	+
Silvio Borner	Vice-Chairman	1996	2011	o	o o		
Hans-Jürg Bernet	Member	2006	2012			o	o
Paola Ghillani	Member	2008	2011		o		
Christoph Lechner	Member	2006	2010	o			
John Martin Manser	Member	1996	2012		o	o o	
Doris Russi Schurter	Member	2008	2011				o
Pierin Vincenz	Member	2000	2012	o		o	
Urs Widmer	Member	2005	2010				o o

SGC Strategy and Governance Committee
CC Compensation Committee
IRC Investment and Risk Committee
AC Audit Committee

o o Chair
o Member
\+ May join committee at own request in an advisory capacity

The Board of Directors (from left to right)

Pierin Vincenz **Urs Widmer** **Hans-Jürg Bernet** **Doris Russi Schurter** **Erich Walser** **John Martin Manser** **Silvio Borner** **Christoph Lechner** **Paola Ghillani**

Erich Walser
lic. oec. HSG, lic. iur.
Swiss, Rehetobel, 1947

Professional background, executive responsibilities Chairman of the Board of Directors; until 1978 various positions at different banks; 1979 joined Helvetia: various management positions; 1991 Chief Executive Officer of Helvetia Versicherungen; 1994 Chief Executive Officer of the Helvetia Patria Group; 2001 Managing Director reporting to the Board of Directors; from 12.12.2003 to 31.8.2007 Chairman of the Board of Directors and CEO of Helvetia Group; in current function since 1.9.2007.
Mandates in particular Chairman of the Swiss Insurance Association, Zurich; member of the Strategic Board of the Comité européen des assurances, Brussels; Chairman of the Sponsoring Institution of the Institute of Insurance Economics at the University of St. Gallen; Vice-Chairman of the board of directors of Allreal Holding AG, Baar; Vice-Chairman of the board of directors of Huber + Suhner AG, Herisau; as well as six board member mandates at non-listed companies and four board of trustee mandates.

Silvio Borner
Prof. Dr oec.; Dean of the Faculty of Economics at the University of Basel
Swiss, Basel, 1941

Professional background, executive responsibilities Professor of Macroeconomics at the University of Basel and Head of the Economics and Politics Department at the Centre of Economics and Business (Wirtschaftswissenschaftliches Zentrum), Basel.
Mandates in particular Chairman of the board of directors of Patria Genossenschaft, Basel; member of the executive committee of AVENIR-SUISSE, Zurich; Chairman of the board of trustees of Helvetia Patria Jeunesse.

Hans-Jürg Bernet
Dr oec. HSG
Swiss, St.Gallen, 1949

Professional background, executive responsibilities 1977 joined Zürich Versicherungen, various management positions, including: 1993 member of the executive board of Zurich Switzerland, 2001–2005 CEO of Zurich Switzerland, 2001–2004 member of the expanded executive board of ZFS Group; 2002–2005 Vice-Chairman of the Swiss Insurance Association, 2001–2005 member of the board of directors and Vice-Chairman of the Sponsoring Institution of the Institute of Insurance Economics.
Mandates in particular member of the board of directors of the St. Gallen Cantonal Bank and SWICA Healthcare Organisation, two board mandates at non-listed companies and two board of trustee mandates.

Paola Ghillani
Pharmacist
Swiss, Bulle, and Italian, Collecchio, 1963

Professional background, executive responsibilities with Ciba/Novartis as consumer health analyst and product manager as well as marketing director for Benelux; international marketing director at Bernafon International Ltd; from 1999 to 2005 CEO of Max Havelaar Foundation, Switzerland; currently the owner of her own company focusing on strategic planning and management consulting in Zurich.
Mandates in particular member of the International Committee of the Red Cross; member of the management board of Migros-Genossenschaft-Bund, Zurich; member of the board of directors of Weleda AG, of Romande Energie SA; three board member mandates at non-listed companies and several commitments as member of expert committees for sustainable investment funds.

Christoph Lechner
Prof. Dr oec.
German, Hettlingen, 1967

Professional background, executive responsibilities 1987 – 1995 Deutsche Bank in various positions, including: Assistant to the Managing Director, Corporate Banking, Germany; Corporate Finance, Singapore; since 1995 business consultant for strategic management; Professor for Strategic Management at the University of St.Gallen and Director of the Institute for Business Management.
Mandates in particular member of the board of directors of Hügli Holding AG, Steinach.

John Martin Manser
MBA; Financial Consultant
Swiss, Riehen, 1947

Professional background, executive responsibilities Commercial banking in Switzerland, the UK and Brazil; 1981 treasurer at the Brazilian subsidiary of Ciba-Geigy; 1988 – 1990 CFO and 1990 – 1996 Treasurer at Ciba-Geigy AG, Basel (head office); 1996 – 2007 Head of Novartis Group Treasury: Novartis International AG, Basel.
Mandates in particular member of the board of directors of Union Bancaire Suisse, Geneva; member of the Investment Commission of the University of Basel.

Doris Russi Schurter
Lic. iur., lawyer (with her own law firm)
Swiss, Lucerne, 1956

Professional background, executive responsibilities Partner at KPMG Switzerland, 1994 – 2004 managing partner of KPMG Lucerne.
Mandates in particular Vice-Chairman of the board of directors of Patria Genossenschaft, Basel; member of the boards of directors of LZ Medien Holding, Lucerne and swissgrid ag, Laufenburg; three board member mandates at non-listed companies and three board of trustee mandates; General Manager of the ART MENTOR FOUNDATION LUCERNE; Chairman of the Arbitration Commission of the Central Switzerland Chamber of Commerce, and various commitments at the University of Lucerne and the Lucerne University of Applied Sciences.

Pierin Vincenz
Dr oec. HSG
Swiss, Teufen, 1956

Professional background, executive responsibilities 1979 – 1982 Schweizerische Treuhandgesellschaft, St.Gallen; 1986 – 1990 Swiss Bank Corporation Global Treasury at the head office in Zurich and Deputy Director Swiss Bank Corporation O’Conner Services L.P. Chicago; 1991–1996 Hunter Douglas, Lucerne, Vice-President and Treasurer; since 1996 Raiffeisen Group, St.Gallen: member of the executive board and Head of the Finance department; since 1999 CEO of Raiffeisen Group, St.Gallen.
Mandates in particular member of the board committee of the Swiss Bankers Association, Basel; Chairman of the board of directors of Aduna Group, Glattbrugg; member of the board of directors of Vontobel Holding AG, Zurich; member of the board of directors of the Mortgage Bond Bank of the Swiss Mortgage Institutions, Zurich; member of the board of directors of SIX Group AG, Zurich; Chairman of the board of directors of Plozza Vini SA, Brusio; member of the board of directors of Pflegekinder-Aktion Schweiz and five board of trustee mandates.

Urs Widmer
Dr iur., lawyer (with his own law firm)
Swiss, Küsnacht, 1941

Professional background, executive responsibilities Management positions at ATAG Ernst & Young AG; ATAG debis Informatik AG; ATAG Wirtschaftsinformation Holding AG; Ernst & Young Europe; Ernst & Young International and ATAG Ernst & Young Holding AG, where he was most recently Chairman of the board of directors until 2002.
Mandates in particular Chairman of the board of directors (since 2005) of Vontobel Holding AG and Bank Vontobel AG; member of the board of directors of Barry Callebaut AG; board of trustee mandate for Zurich Zoo Foundation and Technopark, Zurich.

Secretary of the Board of Directors:
Christophe Niquille, Dr oec. HSG.

Executive Management

The Executive Management of Helvetia Group handles the business operations in compliance with the defined strategy.

The organisational structure of the Executive Management is geared to the value chain and the management of the operating business units. Key functions such as the control of financial operations, investment business, group reinsurance and elements of risk and personnel management are centralised, making it easier to pool knowledge and resources. Since 2008, the Strategy & Operations division has used a cross-border structure for its strategic management positions as well as selected IT functions. The management structure – with international, functional responsibilities – is particularly effective, and enables rapid decision-making, enhances transparency and avoids duplication.

Strengthening the operational and strategic command
As the Executive Management of Helvetia Group did not change in the 2009 financial year, it could focus fully on strengthening the cooperation between the various ExM members and on the operational and strategic management of the Group.

Changes at the country units
At Helvetia Germany, the long-standing members of management Bernd Wegerich, Non-life, and Dietger Classen, Corporate Business, retired. In order to bundle tasks and slim down the management board for Germany, these two departments were merged. Dr Moritz Finkelnburg took over responsibility for the new department on 1 January 2010. He joined Helvetia at the beginning of 2009 in order to thoroughly prepare himself to take on his new management responsibilities.

In Austria, the head of Sales and Marketing, Gerhard Jeidler, resigned from his position on 30 June 2009. Werner Panhauser, a new employee of Helvetia Austria, replaced him on 1 December 2009 and also joined the management board.

With the purchase of the transport insurance company L'Européenne d'Assurances Transport (CEAT), Helvetia France increased its premium volume by more than 50 per cent in 2009. CEAT specialises in accidental damage insurance for utility vehicles. Alain Tintelin, CEO of Helvetia France, is now also the general director of CEAT.

Board of Directors
Erich Walser, Chairman

CEO Group
Stefan Loacker

General Secretariat
Christophe Niquille

Internal Audit
Willi Staubli

Finance
Paul Norton

Investments
Ralph-Thomas Honegger

Human Resources and Services
Markus Isenrich

Strategy & Operations
Markus Gemperle

Switzerland
Philipp Gmür *

Germany
Wolfram Wrabetz *

Austria
Burkhard Gantenbein *

Italy
Fabio De Puppi *

Spain
Jozef Marie Paagman *

France
Alain Tintelin *

■ Members of the Group Executive Management
▨ reports to the Chairman of the Board of Directors
* CEOs of the country markets

The Executive Management (from left to right)

Markus Gemperle **Philipp Gmür** **Ralph-Thomas Honegger** **Markus Isenrich**
Paul Norton **Stefan Loacker** **Wolfram Wrabetz**

Stefan Loacker
lic. oec. HSG; Mag. rer. soc. oec.,
Vienna University of Economics and Business Administration
Austrian citizen, Speicher, 1969
› Chief Executive Officer of Helvetia Group (CEO)

Professional background 1994 – 1997 Rentenanstalt/Swiss Life: corporate planning deparment; 1997 joined Helvetia: Assistant to Head of Staff to Executive Management, Corporate Development; Head of Staff Group Executive Management; 2000 Head of Corporate Development; Member of Senior Management; 2002 Der ANKER, Vienna: Head of Finance and IT; member of the board of directors; 2005 Der ANKER, Vienna: Chief Executive Officer; 2007 since 1. septeber in current position with various mandates at subsidiaries of Helvetia Group outside Switzerland.
Mandates in particular member of the board of the Swiss Insurance Association, Zurich.

Markus Gemperle
Dr iur. HSG,
Swiss, Niederteufen, 1961
› Head of Strategy & Operations (CSO)

Professional background 1986 – 1988 Legal Counsel Claims Department, Helvetia Feuer, St.Gallen; 1988 – 1990 Academic Assistant, Institute for Insurance Science, University of St.Gallen; 1990 joined Helvetia Insurance; various management functions in the Swiss non-life segment; 2002 Head of Corporate Centre Helvetia Patria Group; 2004 Member of Executive Management Switzerland: Head of IT; 2006 Member of Executive Management Switzerland: Head of Operations & Partners; 2008 Member of Group Executive Management in current position with various mandates at subsidiaries of the Helvetia Group in Switzerland and abroad.
Mandates in particular one board mandate for a non-listed company and three board of trustee mandates.

Philipp Gmür
Dr iur., lawyer, LL.M.
Swiss, Lucerne, 1963
› Chief Executive Officer of Helvetia Switzerland

Professional background 1988 – 1990 worked in various courts, the administration and law firms; 1991 – 1993 Clerk at the High Court of Lucerne; 1993 joined Helvetia: general agent in Lucerne; 2000 member of Executive Management Switzerland: Head of Sales; 2003 member of Group Executive Management in current position with various mandates for subsidiaries of Helvetia Group in Switzerland.
Mandates in particular member of the boards of trustees of the pension funds of Helvetia Versicherungen; Vice-Chairman of the Helvetia Patria Jeunesse Foundation; Vice-Chairman of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; member of the board of directors of Coop Rechtsschutz AG, Aarau; member of the board of directors of Prevo AG, Basel, and three other board member mandates for non-listed companies and four board of trustee mandates.

Ralph-Thomas Honegger
Dr rer. pol.
Swiss, Arlesheim, 1959
› Head of Investments (CIO)

Professional background 1987 joined Patria: various management positions, including: Head of Portfolio Strategy and Portfolio Management; 1997 Member of Executive Management Switzerland: initially Head of Investment Clients, then Head of Individual Life; 2002 Member of Group Executive Management in current position with various mandates at subsidiaries of Helvetia Group outside Switzerland.
Mandates in particular Chairman of the board of trustees of the pension funds of Helvetia Versicherungen; member of the board of trustees of the Swisscanto Vested Benefits Foundation and the Swisscanto Supra Joint Foundation of the Cantonal Banks; Chairman of the board of trustees of Helvetia Investment Foundation; Honorary Consul General for Austria in Basel; member of the board of directors of Tertianum AG, Zurich.

Markus Isenrich
lic. oec. HSG, lic. iur.
Swiss, St.Gallen, 1953
› Head of Human Resources and Services

Professional background until 1984 Canton of St. Gallen Planning Department; 1985 joined Helvetia: various management positions, including: Head of Real Estate, Head of Staff, Secretary General; 2000 member of Group Executive Management in current position with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad.
Mandates in particular Chairman of the pension funds of Helvetia Versicherungen; Chairman of the board of directors of swissregiobank, Wil/SG; one board mandate for a non-listed company and two mandates for housing co-operatives.

Paul Norton
B.A. History (University of Reading/UK); Chartered Accountant
British citizen, Zurich, 1961
› Head of Finance at Helvetia Group (CFO)

Professional background 1983–1992 Price Waterhouse, London; 1992–1994 Revisuisse Price Waterhouse, Zurich; 1994–1996 Price Waterhouse, London; 1996–1999 Zurich Financial Services (ZFS), Centre Solutions, Head of Transaction Tax and Accounting Europe; 1999 – 2002 ZFS: Head of External Reporting; 2002–2007 Winterthur Insurance: Head of Corporate Development and Capital Management; 2007 in current position since 1. july; member of Group Executive Management with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad.
Mandates in particular member of the Economy and Financial Affairs Committee of the Swiss Insurance Association, Zurich.

Wolfram Wrabetz
Prof. Dr iur., Certified Business Administrator
German citizen, D-Bad Soden, 1950
› Chief Executive Officer of Helvetia Germany

Professional background various positions with the Gerling Group; 1981 joined Helvetia Germany: various management positions; 1995 General Manager for Germany and Chairman of Helvetia Leben and Helvetia International, D-Frankfurt/Main; since 1998 with Helvetia Group in current position.
Mandates in particular member of the Chairman's and Professional Committee for Private Customers and Chairman of the Legal Committee of the German Insurance Association, D-Berlin; member of the Insurance Advisory Council of the Federal Financial Supervisory Authority, D-Bonn; representative of the Hesse State Government for the insurance industry; Honorary Consul in Germany of the Republic of Ecuador in D-Frankfurt/Main; Vice-Chairman of the Chamber of Commerce and Industry, D-Frankfurt/Main.

Group strategy

Dynamic growth, an excellent actuarial constitution and a strong capital base confirm that Helvetia is on the right track.

We are aiming to be a leader in the European insurance industry as far as growth, profitability and customer satisfaction are concerned. To this end we wish to satisfy the needs of our customers and partners as well as our employees and shareholders. Simple products, individual and competent services and first-class support are the cornerstones of our strategy. Our aim is to build trust with our convincing services. Helvetia once again proved itself as a reliable and productive insurance company and partner in a challenging economic environment.

Our ambition

Helvetia's long-term strategy is aimed at generating sustainable added value for its shareholders, customers and employees. We wish to ensure that the Group is on a solid financial footing and enjoys profitable growth in all markets. As a modern provider of first-class insurance and pension solutions for private individuals and small and medium-sized enterprises, Helvetia focuses on strengthening its market position in Switzerland, Germany, Austria, Spain, Italy and France. Helvetia has an optimised value-adding strategy focusing on growth and efficiency for every country market, with country-specific measures to develop our sales channels, products and processes taking centre stage. We combine this approach with a coherent added value concept at Group level which is supported by measures designed to promote growth momentum and to improve operational efficiency and the use of capital. Our activities are consistently managed to meet the quality requirements of our customers and partners. Our service culture was repeatedly rewarded in 2009, among others with top marks for image, customer satisfaction and loyalty in private pension provision, for the Helvetia Service Centre in Switzerland, and for agent and broker management in Germany and Spain. In Spain, Helvetia was the first insurance company to receive a "Committed to Excellence" EFQM certificate. These successes underline our ambition.

We consistently focus on the following strategic goals in order to implement our Group strategy.

Growth momentum

We follow a strategy targeting profitable growth, with the focus falling on measures that promote organic growth. These measures are supplemented by a selected acquisition strategy in our existing core markets.

Expansion of life business

We want to benefit as much as possible from the long-term growth trend in the life business in our markets. We selectively strengthen our life insurance market position in all country markets by pushing modern products and promising sales concepts.

Enhancement of operational efficiency

We improve our efficiency by optimising our processes and systems and focusing on effective local and Group-wide measures to improve our cost structures and exploit the potential for synergies.

Efficient capital management

Capital management is an important pillar of Helvetia's strategy to achieve its long-term, profitability-centric growth targets. Thanks to its cautious risk management approach, the Group has survived the financial market crisis in good form. To sustain this solid capital base will remain our aim in future.

> "Our strategy focuses on sustainability. And this is precisely why Helvetia Group once again proved its ability to perform, even in this difficult economic climate."

Stefan Loacker
Chief Executive Officer

Growth momentum

The most important elements of the growth strategy include:

– development of our sales channels;
– expansion and maintenance of our cooperation relationships;
– targeted acquisitions.

The constant development of our existing sales channels, the establishment of new sales channels and the constant improvement of our multichannelling skills are key to healthy organic growth. The Group-wide "Distribution Excellence" project therefore focuses on the exchange of best practice sales concepts between the country markets.

The expansion of our cooperation programmes with renowned sales and product partners is a central building block of our Group strategy. Helvetia has been cooperating with the Swiss cantonal banks in the Swiss market for more than 35 years, and the cooperation agreement with Raiffeisen celebrated its 10th anniversary and has been renewed for another five years. With Banco di Desio, Helvetia gained another exclusive sales partner in Italy, and this partnership has proved itself in the difficult market environment in the reporting year. In Spain, Helvetia concluded a long-term agreement with Bancaja which will significantly boost our sales of funeral expenses insurance in the coming years.

Targeted company purchases allow expansion as regards access to customers and the completion of our product range. The acquisition of Padana Assicurazioni and Chiara Vita in 2008 served this strategic objective. These two companies were fully consolidated for the entire year for the first time in 2009 and, together with CEAT, which was fully consolidated for the first time from 1 October 2009, boosted our healthy organic growth.

Since the beginning of the strategy period at the beginning of 2007, Helvetia has improved its business volume by a total of CHF 1.45 billion, or 30.4 per cent in currency-adjusted terms. In the life business in particular, the volume improved by one-third, representing growth of 46.6 per cent.

Expansion of life business

We have identified special medium- and long-term growth potential in the life insurance business. The targeted expansion of this business segment is supported by various measures:

– constant renovation of our product range;
– enhancement of competence in unit-linked life insurance segment;
– strategic acquisitions.

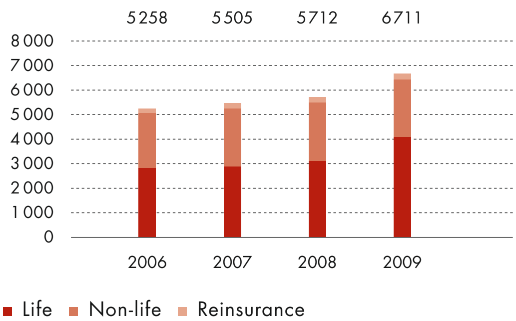
Helvetia's product range focuses on existing profitable product groups and new growth areas. The ageing of the population and the imminent restructuring of the pension systems in particular give rise to increased demand for private insurance solutions and solutions organised by the private business sector. In this growth area, we pay particular attention to the foreign markets. With the acquisition of the life insurance company Chiara Vita, we have managed to substantially improve our strategic position in Italy. As a result the share of life insurance volume generated outside of Switzerland increased from approximate-

In the past three years, Helvetia has expanded its attractive business portfolio by 30 per cent through profitable growth.

›

Development of business volume

in CHF million



ly 23 per cent to 34 per cent year on year, while growth was strong even in the home market.
In 2009, the financial market turmoil caused a shift in demand from unit-linked insurance products to traditional life insurance products. Thanks to our attractive range of products in both insurance lines we were able to react quickly and to offer tailor-made insurance solutions. This short-term shift in focus does not change our conviction that unit-linked life insurance has further growth potential in the long term. We will therefore continue to rely on our high level of competence in this area in future.

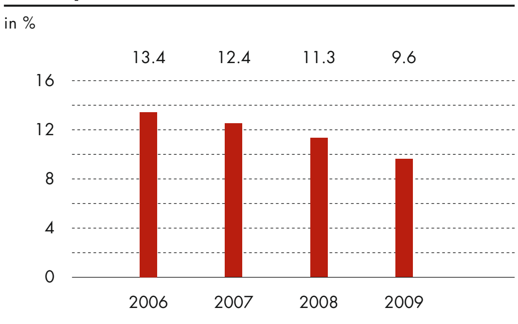
Enhancement of operational efficiency

Operational efficiency must be enhanced if we wish to reach our objective of profitable growth. The Group consistently pursues this objective by

- improving process efficiency
- improving its cost structures
- exploiting cross-border synergy potential.

Various local and cross-border measures, e.g. the bundling of IT and Operations for Switzerland, Germany, Austria and France and the optimisation of cross-section functions have helped us to improve cost structures in all our country markets. In order to realise further synergy potential, we have promoted Group-wide projects such as an initiative to bundle requirements and procurement for all segments. We expect a cross-border project relating to administrative processes in motor vehicle insurance to further contribute to achieving the Group's cost reduction targets.

Development of non-life administrative costs



Seen overall we have successfully improved our efficiency and optimised our cost structures. Since the beginning of the strategy period at the start of 2007, the cost ratio for non-life has moved closer to the targeted corridor, and the administrative costs in particular have been reduced on an ongoing basis.

Efficient capital management

The optimium allocation of capital and a good funding structure are of the utmost importance in times of financial market turbulence. The goal is to ensure that our shareholders and customers can at all times rely on the financial strength of Helvetia Group. The careful and efficient use of equity is monitored on an ongoing basis and is an essential component in the management of our business. Helvetia targets a sustainably solid financing structure and survived the financial crisis unscathed as one of the best capitalised insurance companies in Europe. In these times of continued uncertainty, the maintenance of our solid capital base remains one of Helvetia Group's strategic objectives. In autumn 2009, the rating agency Standard & Poor's once again confirmed Helvetia's "A–"rating with stable outlook. The Group's solvency margin is impressive at 223 per cent. This sustained strong capital base opens the way to further acquisitions and the targeted expansion of our sales clout. Our shareholders will benefit again this year from an attractive dividend, and the Shareholders' Meeting will be asked to approve a dividend of CHF 14.50 per share.

Measures to enhance efficiency have led to improvements in the cost structure.
‹

Group structure and markets

Helvetia Holding AG St. Gallen 1

Switzerland

- **Helvetia Versicherungen** St. Gallen 100 % 2
- **Helvetia Beteiligungen AG** St. Gallen 100 % 3
- **Helvetia Leben** Basel 100 % 2
- **Helvetia Rückversicherung** St.Gallen 4

Germany

- **Helvetia Leben** Frankfurt 100 % 3
- **Helvetia International** Frankfurt 100 % 3
- **Helvetia** Germany Frankfurt 4

Italy

- **Padana Assicurazioni** Milan 100 % 3
- **Helvetia Vita** Milan 100 % 3
- **Chiara Vita** Milan 70 % 3
- **Helvetia** Italy Milan 4

Spain

- **Helvetia Holding Suizo** Madrid 100 % 3
- **Helvetia Compañía Suiza** Seville 99 % 3

Austria

- **Helvetia Versicherungen** Vienna 100 % 3
- **Helvetia** Austria Vienna 4

France

- **Ceat Assurance** Paris 100 % 3
- **Helvetia** France Paris 4

1 Helvetia Holding AG, listed on the SIX Swiss Exchange
2 Direct subsidiaries of Helvetia Holding AG
3 Indirect subsidiaries of Helvetia Holding AG
4 Operational facilities of Helvetia Versicherungen, St. Gallen

With a market share of approximately 8 per cent, Helvetia is one of the largest insurance companies in Switzerland. With 29 general agencies and approximately 1,800 employees, Helvetia serves 700,000 private customers and small and medium-sized enterprises. With a share of volume of more than 50 per cent, Helvetia's own sales force is the most important distribution channel. This channel is supplemented by 700 selected brokers and agents as well as renowned cooperation partners. Via the Swiss cantonal banks and Raiffeisen Switzerland, Helvetia has exclusive access to the local banking channel.

Helvetia operates in Germany through a branch office and two subsidiaries as a property, accident and life insurer, covering almost all private and commercial insurance requirements. With 730 employees and around 950,000 customers, Helvetia is one of the medium-sized insurers in the German market. Two-thirds of new business is generated by brokers and the remaining third comes in through our own sales force. In total, the sales network of Helvetia Germany includes more than 350 agents committed only to Helvetia and 6,500 brokers.

In Italy, Helvetia operates as an all-lines insurer primarily in the economically interesting northern provinces of the country. Two successful acquisitions in 2008 pushed Helvetia into the top 20 in the Italian market. Through its new cooperation partner Banco di Desio Helvetia has access to the strategically important banking sales channel, which generates 80 per cent of the life business volume. The Group companies with approximately 390 employees sell Helvetia products through 368 multi-company agents and exclusively via the insurance corners in the administrative offices and operational facilities of ENI Group.

Helvetia is among the 30 leading insurers in the attractive Spanish insurance market. It offers a broad range of life and non-life products. With approximately 500 employees, the company serves 660,000 customers via a country-wide distribution network comprising more than 55 branches and three service centres. This network is supplemented by selected broker and agent relationships that generate around 25 per cent of the business volume. The strongest regions are Andalusia and Navarre and the Madrid conurbation.

Helvetia operates as an all-line insurer in Austria through Helvetia Versicherungen AG, while the head office for Austria specialises in transport insurance. With a market share of approximately 1.5 per cent, it is close to the top 10 in the Austrian insurance market. The most important distribution channels include Helvetia's own sales force with around 210 exclusive agents who generate more than 50 per cent of new business. A total of approximately 600 employees and 1,500 brokers provide comprehensive, individual advice to around 280,000 insured.

Helvetia has been successfully focusing on transport insurance for almost 20 years through its branch office in France. With the acquisition of the transport insurer L' Européenne d'Assurances Transport (CEAT) in 2009, Helvetia joined the ranks of the leading insurers in the important French transport insurance market. Helvetia sells goods, transporter liability and accidental damage insurance through a countrywide network of around 1,800 brokers reporting to five decentralised offices. Helvetia France and CEAT together employ around 130 people.

Business activities

Helvetia offers a comprehensive range of insurance and pension solutions and distinguishes itself by its focus on private customers and small and medium-sized enterprises.

Life insurance

About 60 per cent of the Group's business volume is generated in the life business, almost 70 per cent of which relates to the home market Switzerland. Via its branches and subsidiaries, Helvetia also sells life insurance in Italy, Germany, Spain and Austria, where it has a relatively small life portfolio with great potential for growth which is gradually being developed.

In individual life, the broad range of products includes term insurance and traditional savings, financing and pension solutions as well as unit-linked products where the insured bear the investment risk. Investment-focused financial products with a small risk exposure are managed as deposits from investment contracts on behalf of the insured. With a share of around 50 per cent, employee benefits insurance (group life insurance) for SMEs is an important business line. 95 per cent of this business is generated in Switzerland, where Helvetia has grown to become the third largest provider of employee benefits insurance over the years.

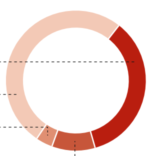
The earnings power of the life segment is strongly influenced by the technical result and investment income. Investments of CHF 28.5 billion are under management, and the returns on these investments are mainly used to cover the insurance liabilities. In 2008 the profitability of the life business declined noticeably due to the turbulence on the financial markets, but in the 2009 financial year, the investments again made a good contribution of CHF 1,087 million to the result of the life business in a slowly stabilising capital market environment.

Non-life insurance

Switzerland and Germany generate around 26 per cent each of the Group-wide non-life business volume, followed by Italy and Spain. Our market units are doing very well in spite of the difficult economic situation, with the focus falling on quality of service, the establishment of new sales channels and sustainable tariffs. This has allowed us to generate above-average growth even in saturated markets.

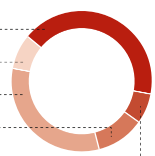
Business volume life

in CHF million	2009	Units in %
Individual life	1 433.9	35%
Group life	2 065.2	51%
Unit-linked	177.4	4%
Deposits	408.6	10%
Total	**4 085.1**	**100%**



Business volume non-life

in CHF million	2009	Units in %
Property	983.1	42%
Transport	194.1	8%
Motor vehicle	770.5	32%
Liability	258.3	11%
Accident/health	177.4	7%
Total	**2 383.4**	**100%**



Sales efforts focus on property, transport, liability and motor vehicle insurance. The traditional strength of the stable property insurance segment is expressed in its share of around 40 per cent of the Group-wide portfolio. The property insurance segment is distinguished by relatively low claims ratios, but has higher acquisition costs than the other business lines.

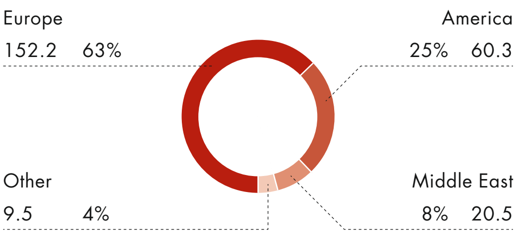
The Group applies a disciplined underwriting strategy and only very selectively underwrites large corporate risks. This ensures the sustainable quality of the portfolio, which translates into low claims ratios, even in the current recessionary environment. Helvetia works closely with renowned reinsurance partners to reinsure major loss events. The earnings power of this segment is also dependent on the composition of the portfolio, premium and cost developments and claims experience. Profitability is measured by the combined ratio, which for Helvetia has been less than 95 per cent on average over the past few years.

Other activities

The other activities mainly comprise the cross-border activities related to managing and supporting the business transactions of Helvetia Group and the reinsurance business. Helvetia has been active in Switzerland as a reinsurance company since 1858 and is one of the oldest reinsurers in the world. As a niche provider it manages the Group's assumed reinsurance business as part of an international, top-quality and sustainably profitable reinsurance portfolio. This paves the way for, among other things, excellent business relationships, a strict underwriting policy and a great degree of sector diversification. The activities focus on the OECD markets.

Portfolio structure of assumed reinsurance by country

in CHF million



Risk and investment management

Helvetia's risk management helps to ensure that the company objectives are achieved, promotes a culture of risk and responsibility within the company and facilitates an awareness of risks.

Risk management

In the light of the particularly challenging economic environment at present, comprehensive risk management is a priority and forms an integral component of corporate governance at Helvetia Group. The primary goal of our risk management is the efficient protection of the capital base and the reputation of Helvetia Group and its subsidiaries.

Risk management organisations

The organisational structure of Helvetia Group ensures a uniform application of the Group-wide risk management standards. Roles and responsibilities in the business units are aligned with the risk management organisation of Helvetia Group.

Risk management organisation

Risk owners
- **Board of Directors** (Investment and Risk, Audit, Strategy and Governance committees)
- **Executive Management**

Risk observers
- **Risk Committee**
- **Risk and Capital Management**
- **Specialised risk controlling units** (e.g. Group Actuarial Departments Life/Non-Life, Asset Management)

Risk takers
- **Risk management at the company units and processes**

Internal Audit

This is based on a governance model that differentiates between three basic functions: risk owner, risk observer and risk taker.

The Board of Directors of Helvetia Holding AG (in particular the Investment and Risk Committee, the Audit Committee and the Strategy and Governance Committee) and the Group Executive Management are the supreme risk owners of Helvetia Group. These bodies carry the core responsibility for risk management and define the desired level of risk tolerance for the Group and the individual business units.

Various risk observers evaluate the risk entered into by Helvetia Group in a manner that is independent of any operational responsibility. The Risk Committee coordinates the cooperation between risk observers and risk takers and advises the Board of Directors and the Executive Management in their decisions. The central risk controlling function is "Risk and Capital Management" which is responsible for the expansion and ongoing development of the risk management system and for the monitoring of risks and management measures and serves as the competence centre for the risk management for the Group. Risk and Capital Management is supported by specialised risk controlling functions, such as the Group Actuarial Department and Asset Management. The internal audit unit is responsible for monitoring the efficiency of the Group's risk management system in an approach that is independent of processes.

Risk takers manage and administer risks in the operational context. They are responsible for risk management in their individual company units and processes.

The risk management process and the risk environment

The essential components of the Helvetia Group risk management process include the identification, analysis and management of risks, the monitoring of the success, effectiveness and appropriateness of the risk management measures and reporting and communication. The risk management process ensures that there is sufficient risk-bearing capital available at all times to meet existing risk exposure in a manner alligned with the selected risk tolerance.

Helvetia Group is exposed to a wide range of risks in the course of its business activities. These risks must all be incorporated into the Group risk management process. Market risks arise in relation to interest rate changes and fluctuations in the value of equity prices, real estate and exchange rates that influence the value of the Group's investment portfolio. Liquidity risks refer in general to the risk of being unable to provide for unexpected fund outflows in a timely manner. Counterparty risks (also known as credit risks) refer to the risk of default or a change in the credit quality in respect of a contractual counterparty. Technical insurance risks (also known as actuarial risks) in the life and non-life sectors are the classic risks born by an insurance company, and are deliberately accepted in the context of the business strategies selected. Operational risks are the potential for losses resulting from errors or the failure of internal processes, employees and systems or from external events. Strategic risks include the risk that business goals will not be achieved due to insufficient orientation of own business activities in the market or the market environment. Latent risks refers to a range of risks which have not yet been realised as a concrete risk but they do exist in real terms and have a high potential to cause major damage. An extensive overview of the risks arising from financial instruments and insurance contracts is provided in chapter 17 (from page 174) of the financial report.

Our risk management process protects Helvetia's capital base as well as its reputation. ‹

Methods of risk analysis and risk management

The complex risk environment requires the deployment of a range of methods of risk analysis. Helvetia Group uses the Swiss Solvency Test of the Swiss supervisory authorities as the primary tool to analyse and quantify market risks, counterparty risks and insurance risks. We also use internal models to assess market risks and insurance risks. The management and limitation of risks is effected using hedging instruments, specific product design, reinsurance cover, limit systems (including exposure management and loss limits), diversification strategies, process optimisation and other risk management measures.

Risk environment

Market risks	Liquidity risks	Counterparty risks	Actuarial risks	Operational risks
Share price risk	Medium-term liquidity risks	Reinsurance	Life (mortality, longevity, disability, costs, exercising of options)	**Strategic risks**
Interest rate risk	Short-term liquidity risks	Investments	Non-life (natural hazards, major claims, base volatility, reserve risk)	**Latent risks**
Exchange rate risk		Other receivables		
Real estate investment risk				
Long-term liquidity risks				
Other				

Capital management ensures the efficient use of capital and optimises the potential for returns.
›

Capital management

Capital management is an important cornerstone in achieving the long-term growth targets of Helvetia Group, which are focused on profitability. The optimisation of capital allocation and income streams is effected with the emphasis on the following objectives:

- ensuring compliance with regulatory capital requirements at all times at the Group level and at the level of the individual companies;
- securing the capital required to underwrite new business;
- optimising the earning power of the Group's equity;
- supporting the strategic growth, inter alia by optimising the Group's financial flexibility.

These objectives are defined by taking account of risk capacity and cost/benefit arguments. Therefore, as part of the capital management activities, Helvetia Group targets an interactive financial strength rating of at least "A–".

Governance and organisation

Capital management is coordinated via an operational and a strategic process. The operational capital management process covers financing within the Group as well as ensuring sufficient capital in the individual legal entities of the Group. The strategic process manages an optimal level of capitalisation and the risk profile of the business units in the context of their profitability and growth potential and therefore in line with the Group's strategic goals.

Methods of capital calculation and capital management

The calculation of the capitalisation is effected at both the local and the Group level. At the local level, country-specific regulatory requirements and requirements relating to commercial law form the basis of calculating the capitalisation. At the Group level, the capitalisation is calculated on the basis of the consolidated balance sheet. In this process, the capital requirements are calculated according to the Solvency I, Swiss Solvency Test and Standard & Poor's capital models relevant to Helvetia Group.

The Group perspective and the local perspective are then collated and an assessment is made of the capitalisation of Helvetia Group and its business units. As a supplement to other indicators, this assessment is an important management benchmark for Helvetia Group.

Capital management for the units of Helvetia Group is effected using appropriate financing and risk transfer measures on the basis of threshold values and taking into account current and forecast developments. In addition, an analysis is made of the impact of stress scenarios and sensitivities on capitalisation. This process guarantees that the funds provided by the shareholders are deployed in an optimal manner and also optimises the potential return.

Investment management

Helvetia's investment policy is oriented to the liabilities of the insurance business based on the principle of sustainability. In this way, Helvetia pursues the goal of generating an attractive return over the long term for its clients and shareholders while making a reliable contribution to the overall Group result.

Tried and tested investment strategy
Helvetia's investment strategy is based on an asset-liability concept that has been proven over many years. It is deployed for the individual units and for the aggregated investment portfolio of the Group as well. The starting point is a meticulous analysis of the liabilities that then forms the basis for a strategic asset allocation which is defined for each business unit. The strategic asset allocation must meet the high security requirements of the insurance business, on the one hand, and the yield expectations of the stakeholder groups on the other. The asset-liability management process ensures that there is always sufficient capital at the level of the consolidated investment portfolio for the Group's strategic development and for ensuring compliance with regulatory capital requirements.

Broadly diversified investment portfolio
Helvetia has a broadly diversified investment portfolio. A balanced allocation of investments in the portfolio is maintained between and within the individual investment classes. The high degree of diversification ensures that a default by an individual borrower will never present any danger. Furthermore, Helvetia applies stringent quality criteria for borrower creditworthiness. They must be awarded a minimum A rating at least. However, approximately 85 per cent of the bond portfolio has a minimum rating of AA or higher. In addition, about 40 per cent of the portfolio is made up of government bonds and bonds with a guarantee.

Attractive, stable investment return
A skillful combination of low-risk investment such as bonds and mortgages, which represent almost 70 per cent of the portfolio, with high-yielding instruments such as real estate and equities is used to generate an attractive investment return for our clients and shareholders with a controlled investment risk. The interest income generated by the bonds, mortgages and real estate serves as the basis for the sustainable stability of the investment income while the equity investments expose the portfolio to valuation gains over the medium term, adding an attractive potential in the form of investment returns.

Cautious investment policy and real-time risk management
The investment strategy is implemented and updated in line with the investment policy which is adjusted annually. In this process, opportunities that arise are exploited within the defined tactical bandwidths and in response to short-term market developments. The investment policy is also supported by real-time risk management. The objective of these measures is to protect the balance sheet and the income statement against excessive valuation losses, especially on currencies and equities, without restricting the earnings potential of the securities. For risk management, Helvetia uses mainly options and futures. The hedging level varies in relation to market developments. The investment policy and risk management are applied to ensure the long-term solvency of the Group and to optimise the effects of volatile markets on the annual results.

With controlled asset management, Helvetia earns an attractive return for its customers and shareholders.

‹

Human resources management

Helvetia is epitomised by approximately 4,500 employees in six countries. All of them serve as ambassadors for our core values trust, drive and enthusiasm.

The global financial and economic crisis has made clear how important it is to have a common understanding of principles and values for both the success of individual activities as well as the company as a whole. The consistent foregrounding of our three pivotal core values of trust, drive and enthusiasm in daily operations serves as the basis for optimal cooperation and the exploitation of the collective skills and synergy potential within our Group.

First and foremost, we must be able to attract sufficient qualified employees and managers to achieve above-average growth and ongoing cost efficiency. We also need to encourage and promote employees' awareness of our values as well as their technical knowledge and service quality. We must also strengthen our employees' innovative power and willingness to accept change by creating a balanced diversity of age, gender and experience. We aim to attract and retain future employees on the basis of attractive employment conditions and a forward-looking perspective that embraces the shared goals of the company.

Human Resources is a strategic business partner

Human Resources (HR) Management at Helvetia Group is responsible for implementing these objectives in a manner which is always proactive and efficient. To achieve this, HR Management relies increasingly on the strategic structuring of its work as a business partner for the responsible managers. The process of attracting, advising and developing the potential of employees is effected on the basis of an embedded comprehensive advisory programme that involves the necessary tools and services. More than ever, our focus is on finding strategically important qualifications. At the same time, however, we aim to simplify HR administration. This effectively means reducing our outlay and increasing our efficiency while maintaining the high level of service quality needed to be able to offer employees and managers fast and simple access to all HR services. Based on this approach, HR Management in Switzerland has been fundamentally reorganised and structurally adjusted to meet future challenges as part of a multi-unit organisational development process.

Human Resources is an important Group function

As part of the reorganisation of Human Resources in Switzerland, a separate team called HR Business Partner International has been set up. This team is responsible for the development of the top 150 senior managers in Helvetia Group and for the HR principles and objectives that apply for the Group as a whole. This reflects in particular the growing importance of Group-wide cooperation and the exchange of experience across market areas. This is achieved in part directly via the established Group functions – Finance, Investments, Reinsurance, Strategy & Operations and HR – but also by using activities linked to the strategic initiatives. Another important aspect is the International Expatriates Programme (IExP), which is an exchange programme that facilitates the temporary deployment of managers for shorter or longer periods to business units or to the head office.

To help us identify suitable staff within Helvetia Group to participate in this exchange programme, we have developed a process for the systematic assessment and development of top managers and high-potential employees in line with a uniform Group-wide personnel and succession planning programme. This process has now also been extended to the entire second management level. This allows us to fill vacancies optimally with in-house candidates from the next generation of managers while at the same time responding more effectively to the development needs of our employees.

Proven management development concept

The International Executive Programme (IEP) was launched in cooperation with two research institutes at the University of St.Gallen ten years ago. The programme objectives are to communicate strategic skills, facilitate the exchange of practical experience and create networks that reinforce identity. According to more than 150 senior managers who have participated in the programme, these objectives have been fully accomplished. More than a third of all participants even said their expectations had been exceeded. To date, more than 40 four-day IEP courses have been held. The focus of the last three modules held in 2009 covered the topics of leadership and the strategic structure of Customer Management. The participating managers discussed solutions with a high degree of practical benefit based on future-oriented concepts and specific market experiences in Spain and Italy.

Increased HR professionalism in the country units

Further improvements have been achieved in the professionalism of HR services in the business units as part of a programme to improve the coordination of HR activities within Helvetia Group. This includes successfully improving our positioning as an employer, especially in terms of our attractiveness to women in the workforce and young parents with children. Other improvements include the upgrading of tools used for the annual employee assessment and objective setting process and providing support for systematic quality assessment, structural adjustments and focused efficiency improvement programmes.

Other development activities relate to communication and motivation, mentoring and coaching, promoting good health, supporting the analysis of the individual's personal situation, integrating core values and investing in future generations of leaders. Helvetia Group offers more than 250 training positions to young professionals. We give special attention to the various development programmes for managers that focus on the topics of leadership and change. In two years, the Helvetia Leadership Programme (HLP) run in Switzerland has trained more than 400 managers who have participated in 85 modules. From the perspective of the participants, the Programme has achieved a very good learning outcome with an average score of 3.6 (the maximum score being 4).

Great importance is attached to the training and development of young professionals and managers.

‹

First group-wide employee survey

For several years, Helvetia employees in Switzerland have consistently given the company high marks for employee satisfaction, ranging between 75 and 80 per cent. This ranks Helvetia among the top 25 leading employers in Switzerland. In March 2010, the first group-wide employee survey will be undertaken with the name "Commit 2010". The survey measures not only general levels of satisfaction and commitment, but also, among other things, customer focus, objective attainment, performance incentives and management conduct.

Employees

	CH	A	D	F	I	E	Total
As at 31 December 2008	2235	621	748	91	373	523	4591
Departures	263	44	58	6	17	53	441
Entries	188	33	38	47	32	23	361
As at 31 December 2009	2160	610	728	132	388	493	4511

Our commitment to society and the environment

Helvetia supports many charitable projects, fosters sport and culture and always acts in the best interests of the environment.

Corporate responsibility in relation to the environment and society is a success factor. Helvetia uses a portion of its profit to support cultural projects, sports, youth promotion programmes and environmental conservation. At Helvetia, our commitment to society and the environment is simple and pragmatic, and we aim to achieve a direct and effective impact through our efforts.

Environment and nature conservation

One concrete example of our commitment to local issues is Helvetia's support for the environmental award "Der Grüne Zweig" (The Green Branch) which is organised by the WWF Eastern Switzerland. This prize honours outstanding groups or private individuals who display great commitment to preserving the environment in which we live.

Helvetia is also a member of national and international organisations that promote environmental responsibility and nature conservation. Helvetia is involved with Öbu, the Sustainable Business Network, which promotes long-term and responsible environmental management. We are also a committed participant in the United Nations Environment Programme (UNEP) and the Oikos Foundation for Economy and Ecology.

In our core business, Helvetia is also a proponent of responsible action when dealing with the environment. We have launched a new photovoltaic insurance product on the market in Switzerland and Germany that offers cover for damage to photovoltaic plants and the associated potential financial consequences. Since launching the product, Helvetia has established itself as the leading insurance company in this dynamic market and has extended its involvement in the area of solar panels since 2009. The exploitation of geothermal energy using ground source heat pumps is another environmentally friendly technology. The drilling required for this technology can be insured using what is termed an artesian insurance policy ("Arteserversicherung" in German). In Switzerland and Germany, Helvetia introduced a discount for environmentally friendly vehicles, termed a "green discount"; this translates into a discount of up to 15 per cent of the insurance policy. Our environmental damage insurance product in Germany continues to be a success. This product offers insurance to companies to cover the financial consequences of environmental damage they may cause to a body of water, the soil or biodiversity. Helvetia also attaches great importance to our involvement in organisations that run prevention projects, such as improving traffic safety.

Similarly, Helvetia also promotes the principle of conserving natural resources in the area of real estate. Helvetia is committed to high-quality specifications when it comes to construction projects, and in 2009 these criteria were further developed into a catalogue of specifications. These cover the financial, social and environmental criteria which construction projects will have to meet in future. The new building inaugurated in 2009 in Milan, where Helvetia has its headquarters in Italy, boasts a special environmental energy system. This is the first building in Italy to be built with what is called thermo-active components: ceilings and floors feature embedded modules that conduct water, thereby turning them into thermally active surfaces. One of the head office buildings in Germany was awarded the Green Building Frankfurt award by the city of Frankfurt. The building is extremely energy efficient, and the award acknowledges the holistic energy concept that underlies the building.

Finally, Helvetia also encourages its employees to behave in an environmentally friendly manner. Helvetia Switzerland grants a subsidy to employees who use public transport to travel to and from work each day. Helvetia also participates in the "Bike to work" campaign, which aims to motivate employees to travel to work by bicycle.

Sport, social, education and culture

Travelling to work by bicycle, is not only environmentally friendly, it also promotes health. The "Bike to work" campaign thus forms part of the programme to promote healthy lifestyles called "Fit + Wohl" (fit and healthy) that targets employees of Helvetia Switzerland with a range of activities which support staying healthy. In addition to promoting a healthy lifestyle, employees in all country markets are offered a wide range of education programmes, from specialised insurance training modules to language courses and personal development programmes. Helvetia is a responsible employer, which is demonstrated by the various ways in which we are committed to our employees, for example by giving employees time off work to participate in social or cultural organisations.

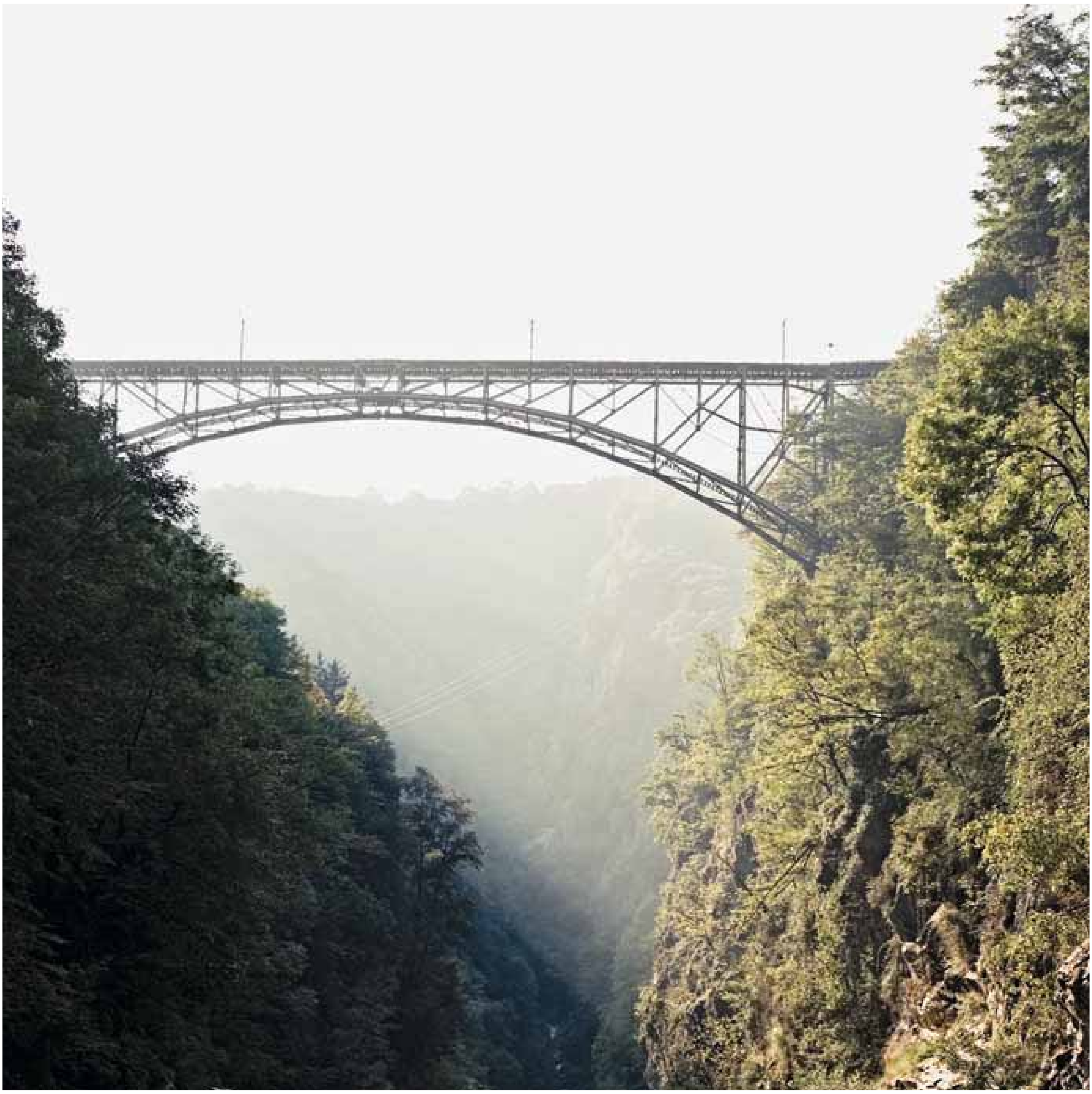
Helvetia supports a range of sport, social and cultural projects and initiatives in all country markets. One of our most important programmes is the Helvetia Patria Jeunesse Foundation which supports projects in Switzerland that promote the interests of children and young people. In 2009, the foundation donated amounts of up to CHF 10,000 to 52 projects. Helvetia also supports the universities of St.Gallen and Florence in a wide range of ways, and also funds projects in the field of medicine, such as the German Bone Marrow Donor Centre (Knochenmarkspenderdatei) in Germany and a centre for research into new diseases in Italy. Since 2008, Helvetia Austria has been supporting the Sir Karl Popper School which facilitates individualised learning for highly gifted children. A project at this school that focuses on the issues of trust and safety was launched in 2009.

Helvetia has a long tradition of supporting the arts and music. In 2009 Helvetia again sponsored the St.Galler Festspiele, which featured performances of the opera Samson and Delilah by Camille Saint-Saëns. Helvetia also supported music events throughout the year as a sponsor. And in 2009, Helvetia's art collection received special attention in a catalogue that was published. The catalogue provides an overview of the core work by young artists who are active in Switzerland and whose art hangs in the offices of Helvetia.

Helvetia's commitment to winter sport is one of the highest profile sponsorship programmes we undertake. Helvetia is the sponsor of the International Four Hills Tournament (Vierschanzentournee), a widely popular event in the winter sport scene. In addition, Helvetia is the sponsor of the Swiss national ski team and also supports many successful winter sportsmen and women with individual sponsorship contracts. We also support mass sport initiatives such as the "Skifit" programme which aims to help sport associations promote fitness specially for the winter. Helvetia also supports the Swiss Foundation for Sport Assistance which helps talented young people to develop into top-class athletes.

We support the national ski team in Switzerland and regard our commitment as an investment in the young skiers of tomorrow.

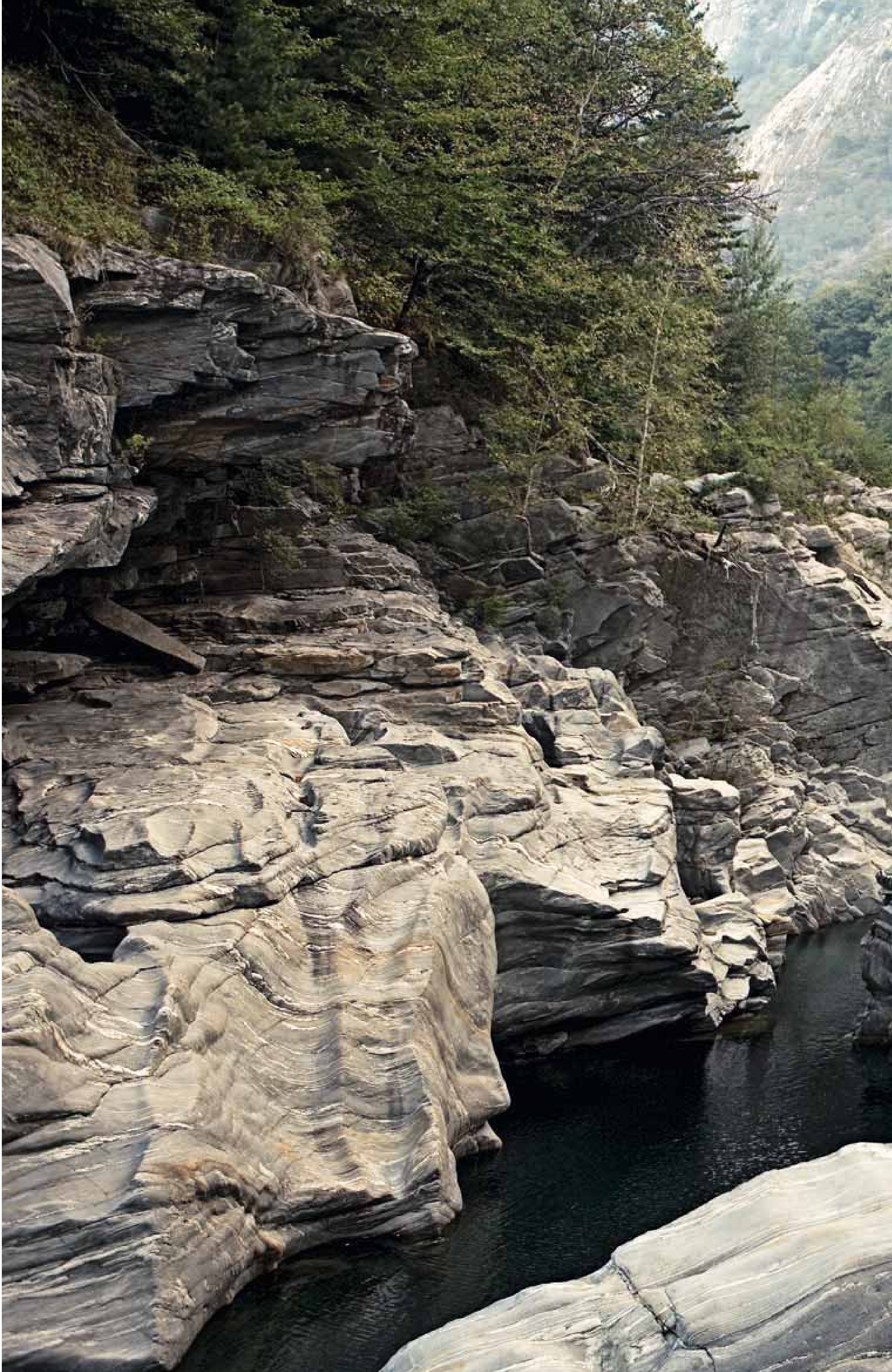
‹

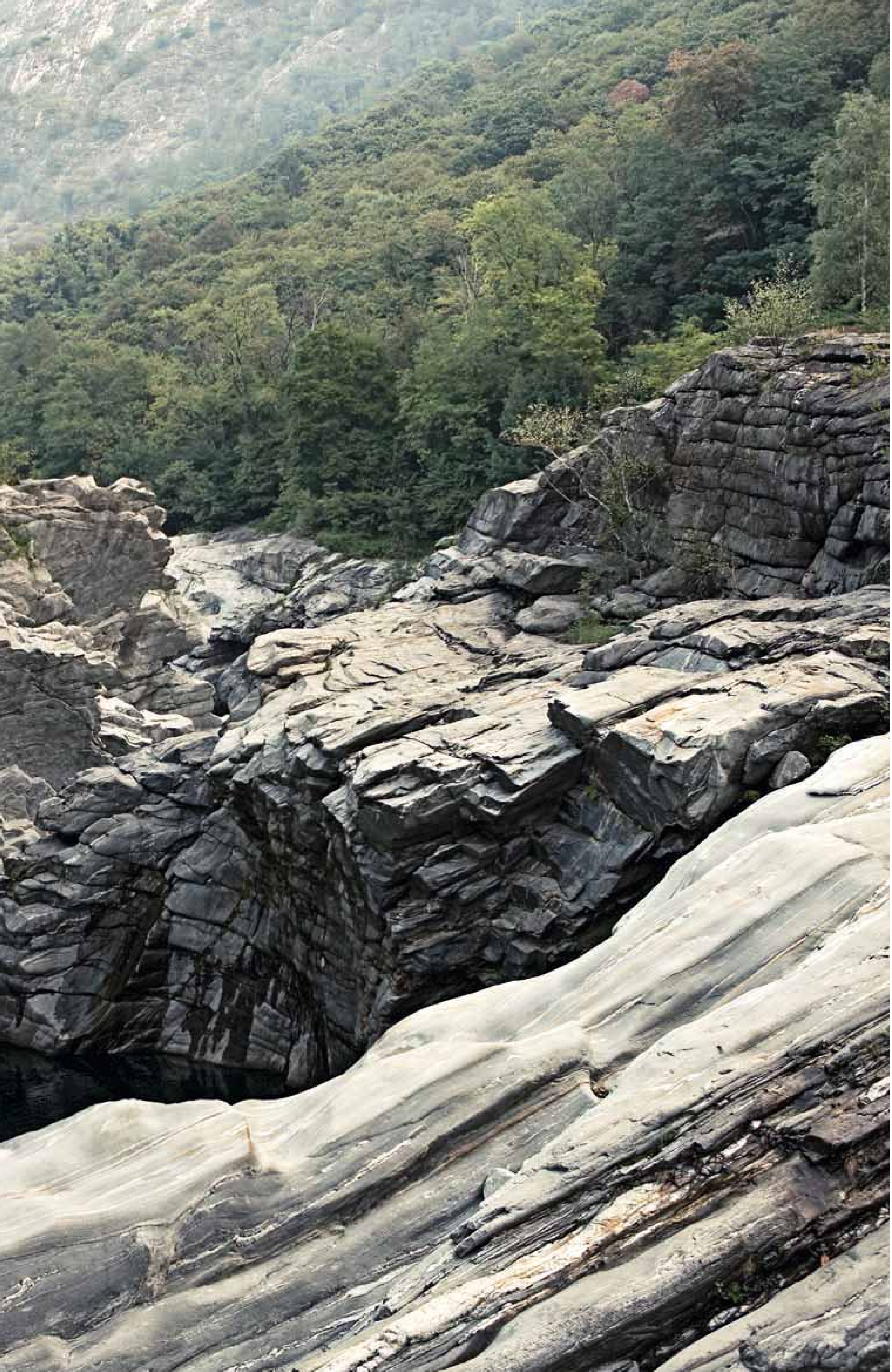


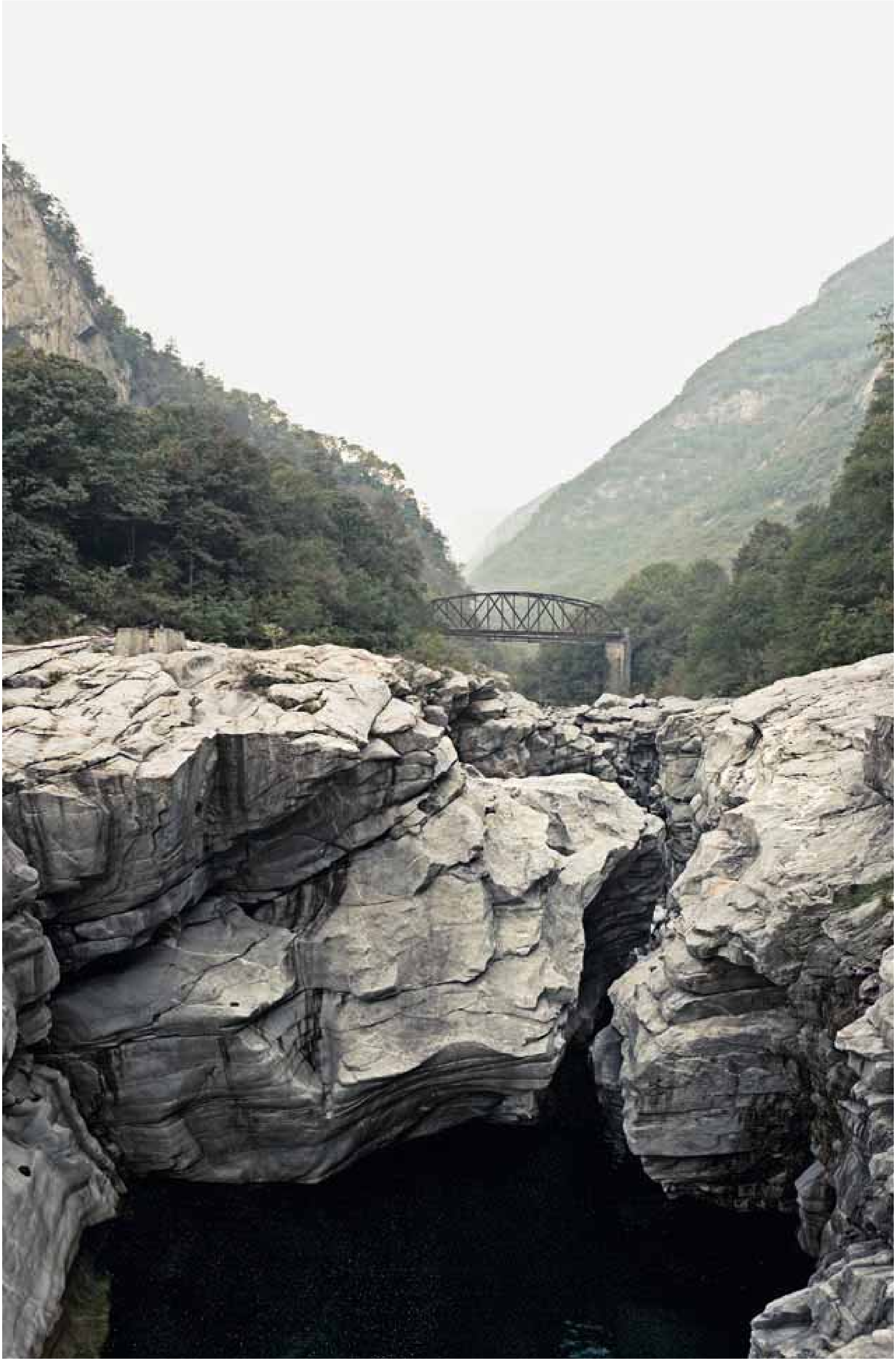
"As CEO of Helvetia Group I am convinced that the insurance business is based on trust. Through far-sightedness we create sustainable added value and earn the trust of our customers, employees and shareholders every day."

Stefan Loacker
CEO of Helvetia Group

^ Centovalli
› Ponte Brolla







"For me, far-sightedness means my team and I invest our customers' assets securely and profitably for the long term."

Ralph-Thomas Honegger
Chief Investment Officer

Furka

Governance

Governance

Corporate governance

Good corporate governance is very important to Helvetia. It is consistently geared to the strategy and market position of the Group and integrated in our daily work.

Helvetia wants to meet the demanding legal and ethical expectations of its shareholders and all other stakeholders by providing comprehensive and transparent reporting and responsible and value-oriented corporate governance, to the best of its knowledge and in good faith. The main aims here are to further strengthen confidence in Helvetia Group, to safeguard the interests of our shareholders, and to ensure and sustainably enhance the value of the Group. We successfully ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group. This objective is also served by the newly published Code of Compliance, which reminds all employees at all levels of the rules of conduct which we have always applied and which are really par for the course if a company is to be managed responsibly.

For the Board of Directors, Executive Management and all employees of Helvetia, corporate governance is an ongoing process that is periodically reviewed and used to integrate new developments, findings and requirements into daily professional life and responsibility structures. The fact that the Group has its own Corporate Governance Officer underlines its willingness and efforts to practice proper corporate governance. Good corporate governance can only be truly effective if it is constantly oriented to the Group's strategy and positioning. For more information, please refer to pages 17 et seq.

With this strategic focus, Helvetia wants to comply as fully as possible with the applicable standards of the Swiss Code of Best Practice for Corporate Governance and the SIX Swiss Exchange Corporate Governance Guidelines of 1 January 2007 including appendices. Important information can also be found in the Financial Report, Note 16 "Remuneration paid to the Board of Directors and the Executive Management" on pages 168 to 171. If relevant information is provided elsewhere in the Annual Report or in other documents, reference is made to the location or document concerned. Important documents such as the articles of incorporation and the organisation rules with appendices are also available on our website at www.helvetia.com/gruppe/governance. This website also contains plenty of additional interesting and up-to-date information.

Helvetia Group reports in detail on the remuneration paid to the members of the Board of Directors and the Group Executive Management. This compensation report consists of two parts, both of which are integrated into this Annual Report. This report comprises:

– Part I "General compensation principles" on pages 51 et seq. and
– Part 2 in Note 16 on pages 168 et seq. with the relevant figures for the 2009 financial year.

Helvetia's compensation principles and policy are simple, transparent, modern and - in particular when compared to the principles applied by our most important competitors - well-balanced. As in the past years, these principles comply with the values in which Helvetia Group believes. The Board of Directors believes that the compensation policy applied by Helvetia is exemplary.

1. Group structure and shareholder base

1.1 Group structure

Helvetia is an internationally active Swiss all-line insurance group that focuses primarily on central and southern Europe. The parent company, Helvetia Holding AG, is organised in accordance with Swiss law. The management structure is shown on page 13. The organisational structure is intended to create the best possible legal, financial, fiscal and regulatory framework and to ensure smooth, efficient and flexible business operations.

The legal structure of Helvetia Group (including investments in associates) is shown on page 20.

Helvetia Holding AG has its head office in St.Gallen and is listed on the SIX Swiss Exchange in Zurich: security no./ticker 1227168/HELN. Key data for investors is given on pages 64 to 66 under "Investor information".

Helvetia Holding AG is the only listed company within the Group. The Group's subsidiaries included in the scope of consolidation are listed on pages 195 and 197. Detailed reports on the main subsidiaries – Helvetia Schweizerische Versicherungsgesellschaft AG, St.Gallen (Helvetia Versicherungen) and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel (Helvetia Leben) – can be found in the Notes on page 201.

1.2 Major shareholders

In addition to a strong, long-term and, in view of the positive development of the Group, very successful relationship with our major pool shareholders Patria Genossenschaft (founding partner), Raiffeisen and Vontobel (cooperation partners), we apply an open and shareholder-friendly strategy in an effort to build up a widely diversified and satisfied shareholder base. On the balance sheet date, 7,340 shareholders were registered in the share register of Helvetia Holding. Compared to the previous year, the number of registered shareholder improved by 3.5 per cent, which underlines the attractiveness of our share, even in difficult times. The following major or otherwise notable holdings entered in the share register of Helvetia Holding AG deserve special mention:

a) Shareholder pool (37.8 per cent), comprising
- Patria Genossenschaft, Basel (29.8 per cent, with an additional 0.3 per cent outside the pool),
- Vontobel Beteiligungen AG, Zurich (4.0 per cent), and
- Raiffeisen Switzerland, St.Gallen (4.0 per cent).

The pool agreement strengthens and promotes Helvetia's strategic focus on cooperation in areas outside its core business (insurance), and supports the activities of the Group in crucial areas such as sales. It unites the cooperation partners of Helvetia Group in their capacity as long-term shareholders with a strategic focus who are interested in the successful development of the company; pool members may only sell their Helvetia shares with the consent of the other pool members, who also have a right of first refusal at market conditions. Beyond the scope of normal cooperation activities relating to consulting and the sale of financial, insurance and asset management products and services – in each case at market conditions – there are no significant business relationships between pool members and Helvetia Group.

b) In view of the sound and close business relationship we have maintained for many years with the Munich Re Group in Munich, it has an agreed holding of 8.2 per cent. If Munich Re should decide to sell any of these shares, Helvetia may, under certain conditions, acquire them itself at market conditions or nominate a third-party buyer.

c) Bâloise Group, Basel is registered for 3.9 per cent.

d) The pension fund of Helvetia Versicherungen, St.Gallen, holds 1.9 per cent of the shares of Helvetia Holding AG.

With a strong emphasis on shareholder value we aim to for a widely diversified shareholder base. ‹

1.3 Cross-holdings

There are no cross-holdings that exceed 3 per cent of the capital or voting rights.

2. Capital structure

2.1 Share capital

The share capital of Helvetia Holding AG amounts to CHF 865,287.50 divided into 8,652,875 registered shares with a nominal value of CHF 0.10 each. At the year-end price of CHF 320.80 per share, this equals a market capitalisation of CHF 2,775.4 million.

The share capital, comprising 8,652,875 fully paid up registered shares, did not change in the reporting year. ‹

2.2 Treasury shares
Helvetia held 32,254 treasury shares (0.37 per cent) on 31 December 2009.

2.3 Conditional capital
The share capital can be increased by a maximum of CHF 129,793.20 by issuing a maximum of 1,297,932 registered shares with a nominal value of CHF 0.10 each which must be fully paid up. The conditions for such a share capital increase are set out in Art. 3bis of the articles of incorporation.

2.4 Changes in capital
- In 2001, the share capital was reduced by CHF 16,492,980 to CHF 65,971,920 by a reduction in the nominal share value from CHF 50.00 to CHF 40.00 and a 4-for-1 share split to CHF 10.00 per share.
- In 2002, the share capital was reduced by 4.61 per cent to CHF 62,930,000 through a share buyback programme and the cancellation of shares amounting to CHF 3,041,920.
- In December 2004, an approved share capital increase of CHF 23,598,750 was effected by issuing 2,359,875 registered shares with a nominal value of CHF 10.00 each, as a result of which the share capital increased from CHF 62,930,000 to CHF 86,528,750.
- In 2007, conditional share capital was introduced: see section 2.3.
- Helvetia celebrated its 150th anniversary in 2008. To celebrate this event and recognise the confidence in and loyalty of the shareholders to Helvetia and at the same time to optimise the capital structure of the company, Helvetia reduced the nominal value of the registered share from CHF 10.00 to CHF 0.10 and paid out the difference of CHF 9.90 to its shareholders in the form of a nominal value dividend.
- As the share capital did not change in 2009, the share capital values set out in section 2.1 to 2.3 valid from 25 July 2008 and the information on the conditional capital are still correct.

2.5/2.6 Shares, participation certificates and dividend-right certificates
The share capital comprises 8,652,875 fully paid-up registered shares with voting and dividend rights with a nominal value of CHF 0.10 each. There are no preferential rights, participation certificates or dividend-right certificates. For more details concerning the Helvetia share, please refer to pages 64 to 66.

2.7 Restriction on transferability, nominee registration
The Board of Directors may refuse to approve registration with voting rights if an individual would then own more than 5 per cent of the voting rights of the entire share capital recorded with the Commercial Register. Here the term "individual" also includes buyers of shares who are connected to each other either by way of capital or votes, or by united management, or in any other form. This restriction also applies if, for example, shares were subscribed or acquired by means of convertible rights that are associated with instruments issued by the company or third parties.

In the year under review, no new exceptions were declared regarding the restriction of transferability (for major shareholders: see section 1.2).

Private individuals who do not declare in the application for registration that they have acquired the shares on their own behalf (= nominees) will only be entered in the share register for a maximum of 3 per cent of the total share capital. The registration regulations are described in detail in Art. 7 of the articles of incorporation.

Any amendment by the Shareholders' Meeting to the statutory restriction of transferability referred to above requires a two-thirds majority of represented votes.

2.8 Convertible bonds and options
a) Convertible bond:
Helvetia Group issued a convertible bond via Helvetia Finance Ltd, Jersey, which was redeemed as of 6 June 2005 (conditions, see Annual Report 2004). No convertible bonds have been outstanding since this date.

b) Options:
Helvetia Group has not issued any options.

c) Employee options:
The employee share option programme was concluded as of the end of 2002, and expired at the end of October 2005.

3. Board of Directors

Also see the diagram and information provided on pages 8 to 11.

3.1 Members of the Board of Directors

The Board of Directors of Helvetia Holding AG consists of nine members. It is identical to the Boards of Directors of the two subsidiaries, Helvetia Leben and Helvetia Versicherungen. Members of the Board of Directors are required to possess experience and know-how about a wide variety of fields. They should have the requisite expertise to represent their personal opinion in discussions with the Executive Management. Since Helvetia Group conducts a significant proportion of its business abroad, the Board of Directors also includes citizens of different countries and members who have extensive international experience. Members of the Board of Directors should possess strong personal values (including integrity), specialised financial, business and insurance knowledge, experience in strategic and executive management, the ability to think in a visionary manner, social skills and a belief in sustainability. They must also have the necessary amount of time at their disposal for the efficient and proper performance of a director's mandate. As far as the independence of the Board members is concerned, Helvetia complies with the basic requirements of the Swiss Code of Best Practice for Corporate Governance. For example, the Board consists only of members whose personal and business skills enable them to form an independent opinion and to take decisions that are in the best interests of the company. The committees consist of non-executive and independent directors. The members of the Compensation Committee and the Audit Committee have either never been members of the Executive Management or have not been members of the Executive Management for the past three years or more. The members of the Compensation Committee and the companies represented by them have no or insignificant personal business relationships with Helvetia and also do not hold any cross-directorships. The rule that members must abstain from taking part in meetings when business is dealt with that involves their own interests is consistently applied by all committees. Every year the Board of Directors assesses the level of compliance with these requirements and the quality of the services it has performed, both in its entirety and within each committee, and – where necessary – identifies any improvements that may be required.

The composition of the Board of Directors is given on pages 8 to 11.

Erich Walser, Chairman of the Board of Directors, handed over the function of CEO of Helvetia Group to Stefan Loacker on 1 September 2007. Since this date, none of the members of the Board of Directors have held any executive functions or – except for Erich Walser whose three-year cooling-off period will expire at the end of August 2010 – belonged to the Executive Management of Helvetia or any of its Group companies during the financial years preceding the reporting year. None of the members of the Board of Directors have any significant business relationships with Helvetia other than as policyholders at normal conditions.

The members of the Board of Directors have many years of international experience as well as know-how about a wide variety of fields.

‹

3.2 Other activities and interests

The following business relationships exist with companies represented by members of the Board of Directors:

- In the shareholder pool, Silvio Borner and Doris Russi Schurter represent Patria Genossenschaft, Pierin Vincenz represents the Raiffeisen Group, and Urs Widmer represents the Vontobel Group.
- Silvio Borner is the Chairman and Doris Russi Schurter the Vice-Chairman of the board of directors of Patria Genossenschaft, Basel, the statutory objectives of which are to promote the conclusion and execution of life insurance contracts with Helvetia in the interests of its members, and to secure and promote its independence and development through financial participation in Helvetia.
- Helvetia, the Vontobel Group and the Raiffeisen Group are cooperation partners in the ar-

eas of consulting and the sale of financial services. Both groups are therefore members of the shareholder pool together with Patria Genossenschaft.

Four committees assist the Board of Directors in its management and control activities.
›

3.3 Cross directorships

See section 3.2.
Urs Widmer and Pierin Vincenz are members of the boards of directors of Vontobel Holding AG and Helvetia Holding AG. The company is unaware of any other cross ties with the boards of directors of listed companies.

3.4 Election and term of office

The normal term of office for members of the Board of Directors is three years. Members of the Board of Directors are required to step down for reasons of age at the Shareholders' Meeting that is held in the year in which they turn 70. New members complete the term of office of the retiring members. Terms of office are coordinated in such a way as to ensure that, every year, one-third of the members of the Board of Directors is available for election or re-election. Re-election is possible. Every member of the Board of Directors has to be elected by the shareholders.

For information concerning the first-time election to the Board of Helvetia Holding AG and the remaining term of office of the members of the Board of Directors, please refer to the table on page 8.

3.5 Internal organisation

Good governance at Helvetia is based on the relevant legal provisions (in particular company law and stock market legislation) and on internal directives and regulations. The functions defined by the Board of Directors and the allocation of duties are set out on page 8. The Board of Directors appoints the Chairman, Vice-Chairman, the chairmen and members of the various committees as well as the secretary of the Board of Directors.

Committees appointed by the Board of Directors

In order to use the broad business experience of its individual members in its decision-making processes and to meet its supervisory reporting obligations, the Board of Directors has formed special committees from among its own members to assist the Board and the Executive Management in its management and control activities: Strategy and Governance Committee, Compensation Committee, Investment and Risk Committee, and Audit Committee. The duties and powers of these committees are described in detail in the organisational regulations, and the composition of each committee is presented on page 8.

a) The **Strategy and Governance Committee** prepares the resolutions to be passed by the Board of Directors in the event of a change or redefinition of strategy, monitors the strategic risks within the framework of the defined strategy and the related measures, deals with mergers, takeovers and disposals of companies or major portfolios, and prepares the required resolutions by the full Board of Directors. It prepares the resolutions by the Shareholders' Meeting regarding the appointment and dismissal of members of the Board of Directors, puts forward proposals regarding personnel decisions and appointments and dismissals of members of the Group Executive Management, handles the appointment and dismissal of the country CEOs and other members of the country Boards, and periodically reviews plans and measures to retain and promote senior managers. It also secures good corporate governance within Helvetia Group, assumes duties and powers that have been assigned to the Strategy and Governance Committee by the Board of Directors, deals with issues entrusted to it by the Chairman that are not reserved for the full Board of Directors in accordance with the law, the articles of incorporation or Group regulations, and discusses important and urgent issues. It convenes as often as business requires. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. As a rule, the CEO takes part in an advisory capacity. In 2009, the Strategy and Governance Committee held four meetings, all of which were attended by all its members. Most of the meetings lasted approximately half a day.

b) The **Compensation Committee** puts forward proposals regarding the structure of the compensation system that applies to the members of the Board of Directors and to the salaries and remuneration of the members of the Executive Management, and specifies the fixed and variable salaries and remuneration due to the members of the Executive Management. It approves the concept and strategy of the employee pension funds in Switzerland on behalf of the employer, and takes note of their annual financial statements. During the three-year cooling-off period (until the end of August 2010), the Chairman cannot be a member of the Compensation Committee, but may on request take part in its meetings in an advisory capacity. The Compensation Committee convenes as often as business requires. In order to deal with specific issues, the Committee may call on internal or external specialists to attend its meetings, which is regularly the case. The CEO takes part in an advisory capacity when topics that affect the Executive Management are on the table. In 2009, it held two meetings, both of which were attended by all its members. Most of the meetings lasted approximately half a day.

c) The **Investment and Risk Committee** formulates the investment concept, basic guidelines and investment strategy, proposes the strategic bandwidths of asset allocation, approves the investment strategy and supervises the investment activities of Helvetia Group. It also makes investment decisions insofar as the Board of Directors has entrusted it with the corresponding powers, determines the most important risk strategies, the risk tolerance, risk appetite and applicable risk limits, and monitors all non-strategic and non-operational risks as well as the related risk management measures and compliance with limits. It convenes as often as business requires. The heads of the Group Finance and Investment divisions attend its meetings in an advisory capacity and were present at all meetings. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. As a rule, the CEO, CFO, CIO and Head of Risk Management take part in an advisory capacity. In 2009, the Investment and Risk Committee held four meetings, all of which were attended by all its members. Most of the meetings lasted approximately half a day.

d) The **Audit Committee** assists the Board of Directors in its duties with regard to overall supervision and financial control. It examines the accounts from the points of view of completeness, integrity and transparency, verifies their compliance with applicable accounting standards and external reporting requirements, assesses risk governance and risk organisation, and monitors the functional capacity and effectiveness of the internal control systems (ICS). It monitors the operational risks and related risk management measures, and verifies the independence and quality of the audits by the internal and external auditors. It ensures optimal cooperation between internal and external control units, the Audit Committee, the Chairman and the Executive Management. The Audit Committee approves the internal audit plan and assists with the compilation of external audit plans, examines the results of audits, comments on them for the attention of the Board of Directors, and may if necessary award special audit mandates. It also prepares the election of the statutory auditors, and submits the necessary proposals to the Board of Directors. It verifies the consistency of auditing activities with any existing consulting mandates and examines the overall fee structure. During the three-year cooling-off period (until the end of August 2010), the Chairman cannot be a member of the Audit Committee, but may on request take part in its meetings in an advisory capacity. The CEO, CFO, representatives of the external auditors and the head of Internal Auditing attend its meetings in an advisory capacity. The attendance rate was 100 per cent at closing meetings. In order to deal with specific issues, it may call on internal or external specialists to attend its meetings, which is regularly the case. In 2009, the Audit Committee held three meetings, all of which were attended by all members. Most of the meetings lasted approximately half a day.

Chairman of the Board of Directors

The Chairman heads the Board of Directors. He calls the meetings of the Board, prepares the agenda for the Board meetings and meetings of the Strategy and Governance Committee, and chairs these meetings. He prepares the Shareholders' Meeting and the invitation to the Shareholders' Meeting, and also chairs this meeting.

Together with the other officers, the Chairman is responsible for the company's management and control.

›

He draws up the strategic objectives that are discussed by the Board of Directors and represents the shareholders in important strategic projects in consultation with the CEO. He ensures that shareholders receive timely and correct information on the Group's business operations and nurtures relationships with large investors. Together with the other executive bodies of the Group, the Chairman ensures good corporate governance and an effective internal control system. He serves as line manager to the CEO and acts in consultation with the CEO whenever possible. He and the CEO prepare the CEO's annual agreement on objectives, and he assesses the CEO's performance every year. The Chairman may take part in important meetings of the Executive Management as a guest; to this end he receives the agenda and accompanying documents for all meetings. He manages the Group's internal audit team as well as the head of the secretariat in hierarchical as well as practical terms, assesses requests for information, a hearing or inspection of documents from members of the Board of Directors as well as their acceptance of new board or similar mandates (the Strategy and Governance Committee decides on such mandates of the Chairman), signs Commercial Register applications and handles other tasks delegated to him by the Board of Directors. He may at all times inspect any and all documents.

Full Board of Directors

The Board of Directors convenes as often as business requires, though as a rule six times a year. Most of its half-day meetings are held at Group head office in St.Gallen, one is held at the head office of Helvetia Switzerland in Basel, while the executive seminar, which usually lasts two days, is generally held at the premises of a subsidiary abroad. The Board of Directors is quorate if the majority of the members are present. Its resolutions are carried with a majority of the votes of the members in attendance. Resolutions may also be passed by circular letter, which did not happen in 2009. As a rule, all members of the Board of Directors and (in an advisory capacity) all members of the Executive Management attend its meetings. In the year under review, four half-day meetings were held as well as a two-day seminar, twice in the absence of one director and once in the absence of two directors; the members of the Executive Management attended all meetings. In order to deal with specific issues, it may call on specialists to attend its meetings, which is regularly the case. Members of the Board of Directors and all executive bodies are obliged to abstain if business is being dealt with that involves their own interests or the interests of associates (natural persons or legal entities).

3.6 Delineation of powers

The Board of Directors possesses the following powers based on its inalienable and non-transferable duties stipulated in the provisions of Swiss company law, the articles of incorporation and the internal organisational regulations of Helvetia Group:

- overall management of the Group,
- definition of the organisational principles,
- definition of the structure and principles of accounting, financial control and financial planning
- appointment and dismissal of members of the Group Executive Management,
- overall supervision of the management of the Group's business activities,
- preparation of the Annual Report,
- preparation of the Shareholders' Meeting,
- the implementation of its resolutions, and
- the approval of major legal transactions.

Appendix I of the organisational regulations contains a detailed description of the division of powers between the Board of Directors, the Board Committees and the Executive Management: www.helvetia.com/gruppe/governance.

3.7 Information and control tools

The Board of Directors is kept up to date in a variety of ways concerning the activities of Helvetia, its course of business and trends in the market. At its meetings, it requests information concerning:

- content and outcome of matters dealt with by the various Board Committees, including all resolutions and proposals - all committees are required to submit copies of their minutes without delay,
- course of business and market trends, to be provided by the CEO and the individual national managers and division heads, as well as main projects, to be provided by the persons responsible, as necessary,
- status of compliance with budget and other annual objectives as well as strategic plan values for several years,
- results and findings of external and internal auditors, which are discussed by the Audit Committee and recorded in its minutes,
- the most important strategic, financial and operational risks, any changes to them and risk management measures that have been taken or are planned,
- compliance with legal and regulatory provisions and internal regulations,
- significant developments and events that could influence the interests of stakeholders, spontaneously on the occurrence of special events, otherwise in a detailed annual report and a condensed interim report.

Every month, the members of the Board of Directors receive key data concerning the course of business. They also periodically receive reports on current issues relating to governance as well as selected analyses and situation reports concerning market trends, market players and noteworthy occurrences. The regular reports submitted to the Board of Directors and its committees are listed in Appendix II of the organisational regulations:
www.helvetia.com/gruppe/governance.

At the meetings, every member of the Board of Directors may ask other members and members of the Executive Management for information concerning all matters pertaining to the Group. Outside of meetings, every member of the Board of Directors may ask the Executive Management to provide information about the general course of business or the course of specific business cases, and/or may inspect any business documents as required.

The Board of Directors also has the Internal Audit unit at its disposal as an auditing and supervisory body that monitors compliance with legal and regulatory provisions, internal guidelines and directives systematically, purposefully and in a risk-oriented manner.

It also receives reports concerning the general development and specific activities of Helvetia in the areas of corporate governance and compliance.

The Board of Directors regularly exchanges information and ideas with the Executive Management regarding Helvetia's activities, its business operations and the developments on the market. ‹

4. Executive Management

See also pages 12 to 16.

4.1 Members of the Executive Management

The members of the Executive Management are listed on pages 14 to 16. The Executive Management of Helvetia Group has been chaired by Stefan Loacker since 1 September 2007. Together with division heads at Group level and the management boards of the national markets, he is responsible for the operational management of the Group.

For further details, please refer to pages 12 and 13.

4.2 Other activities and interests

See pages 15 and 16.

4.3 Management contracts

There are no management contracts with external parties that have to be disclosed.

5. Co-determination rights of shareholders

Helvetia observes the principle of equal treatment of shareholders.

5.1 Voting right restrictions and proxy voting

Certain restrictions on voting rights that are identical to restrictions relating to the transferability of registered shares of Helvetia Holding AG are described in section 2 above.

The Board of Directors specifies the rules that govern participation in the Shareholders' Meeting and the determination of voting rights. For representatives of executive bodies, independent voting rights and custody proxies (who do not necessarily have to be shareholders themselves), it may stipulate regulations that deviate from the restriction of proxy voting to 10 per cent of the share capital.

The Board of Directors convenes the Shareholders' Meeting and draws up the agenda.

›

At the 2009 Shareholders' Meeting, no individual shareholder or group of shareholders consisting of pool members with voting rights represented more than 10 per cent of the voting rights, except for Patria Genossenschaft. No specific exceptions with respect to voting right restrictions or proxy voting were granted in the year under review.

Shareholders who possess voting rights but who do not attend the Shareholders' Meeting may assign their voting rights to a third party (who does not necessarily have to be a shareholder) by means of a written power of attorney. However, he or she may only represent the voting rights of third parties if, together with his or her own shares, they do not exceed 10 per cent of the total share capital. Here, too, shareholders who are connected to each other by way of capital or votes or by united management or in any other form count as one shareholder.

5.2 Statutory quorum

The Shareholders' Meeting is quorate regardless of the number of shareholders in attendance and votes represented by proxy. Unless stipulated otherwise by legal provisions or the articles of incorporation, the Shareholders' Meeting passes resolutions by an absolute majority of the submitted votes. In addition to the resolutions cited in Art. 704 par. 1 of the Swiss Code of Obligations, a two-thirds majority of represented votes is also required for amendments to the articles of incorporation, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company. The exceptions for Patria Genossenschaft as individual shareholder and for the group of pool members mentioned in 5.1 also apply here.

5.3 Convening the Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors, or if necessary by the auditors. Liquidators and representatives of creditors also have the right to call a meeting.

As a rule, the Ordinary Shareholders' Meeting is held in April, but at the latest within six months after the end of the financial year. Extraordinary Shareholders' Meetings are convened as necessary.

Shareholders with voting rights who together represent at least 10 per cent of the share capital may request a Shareholders' Meeting in writing, stating the items on the agenda and the motions to be put forward. Every shareholder receives a personal invitation not later than 20 days before the meeting, including a detailed agenda, a brief explanation of the motions to be put forward, plus other explanations concerning significant occurrences in the year under review. The items on the agenda are also published in various Swiss newspapers and in the electronic media.

5.4 Addition of items to the agenda
Shareholders with voting rights who together represent shares to the nominal value of at least CHF 2,000 may request the addition of items to the agenda in writing, stating the motions to be put forward, no later than 45 days before the Shareholders' Meeting.

5.5 Registration of shares
The right to attend the Shareholders' Meeting (16 April 2010) and exercise voting rights is reserved for persons who were registered in the share register as shareholders with voting rights as of the cut-off date (6 April 2010) specified by the Board of Directors and announced in the Swiss Commercial Gazette and various other newspapers. In exceptional cases, guest tickets for the Shareholders' Meeting may be issued, but holders of such tickets do not have any voting rights. Every share registered in the register entitles the holder to cast one vote.

6. Change in control, protection measures
6.1 Obligation to announce takeover bids
Art. 30 of the articles of incorporation states that the obligation to announce a takeover bid in accordance with Art. 32 of the Stock Market Act only applies if a shareholder acquires 40 per cent or more of the voting rights.

6.2 Clauses regulating a change in control
Employment contracts of Helvetia do not contain any agreements regarding a change in control. The practice of "golden parachutes" does not apply at Helvetia. Normal periods of notice apply (maximum 12 months for members of the Executive Management, 6 months for other managerial staff), during which the rules for contractual and variable salary arrangements remain applicable.

7. Auditors
7.1 Duration of mandate, term of office of lead auditor
The independent auditors KPMG Ltd, Zurich, have served as the auditors of Helvetia Holding AG and its consolidated subsidiaries since 2005. The auditors' mandate must be renewed by the Shareholders' Meeting every year.
The KPMG Ltd audit team for the 2009 financial year consisted of:
– Hieronymus T. Dormann, Swiss Certified Accountant, partner Audit Financial Services, lead auditor;
– Christian Fleig, Swiss Certified Accountant, Director Audit Financial Services.

7.2 Audit fees
In the year under review, the fees charged by the auditors amounted to: CHF 2,778,595.

The auditors' mandate must be renewed annually at the Shareholders' Meeting.
‹

7.3 Fees for additional consultancy services
CHF 467,348.
These fees primarily concern services associated with the implementation of new software, tax consultancy services and investigations regarding the optimisation of the capital structure.

7.4 Supervision and control of audit External auditors
The Audit Committee prepares the election of the auditors, which, as a rule, is scheduled to rotate approximately every seven years. It supervises and assesses their activities, predominantly through the external auditors' reports on audit results, the reporting process, decisions, for example on IFRS issues, and statements in the local audits. Important findings are summarised in a management letter.

Internal auditors

In addition to an external auditor, Helvetia Group has an internal auditing department that reports directly to the Audit Committee and the Chairman of the Board of Directors. The Head of Internal Audit reports directly to the Chairman of the Board of Directors, which enhances the independence of the internal auditors.

External and internal auditors

Representatives of the external auditors and the head of Internal Audit attend meetings of the Audit Committee in an advisory capacity. The minutes of the Audit Committee are submitted to all members of the Board of Directors, and reports on the activities of the Audit Committee are provided at the meetings of the Board of Directors. In the year under review, three meetings were held and the external auditors attended all three meetings. Discussions between the external auditors, the Chairman of the Board of Directors, the Chairman of the Audit Committee, the CEO and the CFO take place annually. Meetings or an exchange of experiences with specialists from the areas of Group finance, corporate finance and risk management, legal and compliance, general secretariat and corporate governance are held periodically. The external and internal audit teams are also frequently in contact regarding issues such as audit planning, audits and results as well as current problems.

8. Information policy

The shareholders receive a semi-annual shareholders' letter containing a short overview of the business operations.

›

As a rule, Helvetia provides its shareholders with information twice a year as part of the periodic reporting on annual and interim results in the form of a detailed letter to the shareholders. This letter deals with a variety of current issues, including strategy, market positioning and business policy. A brief portrait of Helvetia Switzerland is available to anyone who may be interested. Furthermore, our website (www.helvetia.com) contains a great deal of current and archived information about Helvetia Group, including strategy, organisation, Group structure, facts and figures, corporate governance, sustainability, the insurance markets in which Helvetia is active, investor information, e.g. rating, analysts' reports, annual and interim reports, share including share price trends, news alert, investor and media contacts as well as other publications, media releases, interviews, and important dates. Helvetia periodically meets with institutional investors and presents the published financial results at special road shows. These presentations can also be called up on our website.

Our Investor Relations team will be pleased to assist with any personal enquiries (contact details are indicated at the end of this report as well as on our homepage).

Compensation report

Helvetia's compensation principles are simple and transparent. They take account of the quality of the work, the level of responsibility as well as the work load of the employee and are competitive in a market comparison.

The compensation report for the shareholders of Helvetia Holding AG and other interested parties consists of two parts. This section describes the general principles and essential features and criteria of the compensation concept and participation rights as well as the loan terms and conditions for members of the Board of Directors and the Executive Management. It provides an overview of the philosophy, guiding principles and processes pertaining to the compensation paid by Helvetia that apply at all operational and management levels for performance-related pay and salaries. This represents part I of the compensation report. The application of the general principles in the reporting year and the specific payments are set out in the Financial Report under Note 16 "Remuneration paid to the Board of Directors and the Executive Management" on pages 168 et seq. This represents part II of the compensation report. Both parts comply with the requirements of the Swiss Code of Best Practice for Corporate Governance and with the Swiss Code of Obligations. Shareholders of Helvetia Holding AG can comment on both parts during the presentation and discussion round at the Shareholders' Meeting.

General compensation principles
At Helvetia, compensation is fixed so that
– it is simple, transparent and comprehensible, and fair and appropriate for the members of the Board of Directors and the Executive Management, for all managers and employees. Those who do good work should also be paid well.
– it takes account of the responsibility carried by the function holder, the quality of his or her work and the effort and time involved in carrying out the work, but the variable compensation should not be so high that it has a negative impact on employees and motivates them to focus on short-term criteria only.
– there is an appropriate relationship between the fixed and variable salary components. For the top management, the maximum variable component is approximately 50 per cent of the basic salary, and for middle managers the maximum is 20 per cent.
– one-third up to a maximum of 40 per cent of the variable component depends on the employee's individual performance which can be clearly measured against objectives agreed in advance, and the rest is dependent on the Group's overall result, which cannot be influenced by the individual. This general part is fixed annually by the Board of Directors on the basis of the actual result compared to the long-term expectations.
– it is reasonable and competitive compared to the salaries paid by other companies in the same labour market and business sector.
– it is reasonable when the lowest and highest salaries within Helvetia are compared.

A sustainable remuneration component based on the new FINMA criteria is being introduced for Executive Management in 2010.

The Board of Directors' Compensation Committee uses these principles to study current trends in compensation philosophy as well as the different compensation concepts used by competitors that compare to Helvetia in terms of size and business strategy as published in annual reports, investor relations reports and publications issued by trade associations such as "Ethos" and in the media. The individual members of the Board of Directors also contribute their knowledge and experience gained in their own or third-party companies to the discussions. No external advisers

The compensation systems are appropriate, fair, balanced and competitive.

›

are currently involved in the compensation process, although publications on compensation systems are used when the concept is prepared.

The compensation concept is reviewed by the Compensation Committee in the fourth quarter of every year to ensure that it conforms to the market and is appropriate. At the same meeting the Compensation Committee determines the fixed compensation for the members of the Executive Management for the next financial year. Any amendments to the compensation regulations of the Board of Directors that are discussed at this meeting must be approved by the full Board of Directors.

As for all employees of Helvetia in Switzerland, the variable payments to the members of the Board of Directors and the Executive Management are determined at the end of the first quarter when the key figures for the previous financial year are available and it is clear whether these figures live up to the long-term objectives or not. These payments also depend on the degree to which the previously agreed individual and business objectives were attained. The variable components are paid out in the second quarter of the year following the reporting year.

Helvetia also offers employee benefits packages that are attractive in a market comparison to all its employees and managerial staff. The employee benefits insurance provides employees and their dependants with the assurance that they will be financially secure on retirement or if they should become sick or disabled, or in the event of death in the way that employees who work for a first-class insurance company can expect to be.

Helvetia's compensation systems as well as the employee benefits programmes, some of which can be optimised at an individual level, have proved themselves; they are correct and fair, balanced and competitive, and the amounts that are paid can be justified at all times.

1. Board of Directors

The compensation principles and individual components of the compensation concept as well as the procedure when determining performance-related payments are set out in the compensation regulations issued by the full Board of Directors.

The compensation paid to the members of the Board of Directors consists of the following simple and transparent components, whereby the fixed cash component should be the largest component by far:

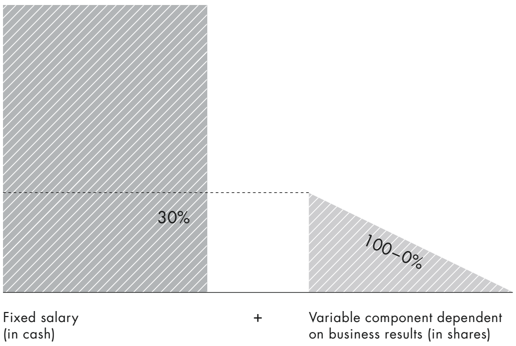
a) Fixed salary

Every member of the Board of Directors receives a fixed salary determined in advance. All members of the Board receive the same basic salary, except for the Chairman, whose salary is higher. The Vice-Chairman and the chairmen and members of the committees also receive an allowance in addition to their basic salary. These payments take account of the responsibility and workload of each of the individual Board members. The compensation for every individual Board member calculated in this way is paid out in cash. When a director leaves the Board, compensation is paid on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors.

b) Variable component

The variable component depends on the quantitative and qualitative objectives, the attainment of which is fixed every year for all members of the Board of Directors by the Compensation Committee in accordance with the same criteria and for the same amount, in the same manner that this system applies to the variable component dependent on business results of the Executive Management and all employees (see section 2). The variable component cannot be more than 30% of the basic salary paid to a Board member. Further bonuses are not paid. The variable component is paid out to the member of the Board of Directors without voting rights in shares only. The relevant value is the market value of the share on the date on which the variable payment is calculated. The shares are blocked for three years from this date. When a director leaves the Board, the variable component is paid on a pro rata basis up to the end of the month in which he or she leaves the Board of Directors.

Compensation Board of Directors



c) Meeting attendance fees
An attendance fee is paid for every meeting. Telephone conferences are not deemed to be meetings. The compensation regulations govern the amount of the meeting attendance fees.

d) Expenses
The members of the Board of Directors do not receive any lump-sum expenses allowances. Costs for accommodation at the place where a meeting takes place and for foreign trips are paid by the company.

e) Shares and options
The variable component is paid to the members of the Board of Directors in the form of shares (see b) above). Board members do not participate in any employee share purchase plans and also did not participate in any previous share option programmes.

f) Severance pay and loans
No severance payments are granted. Loans are granted at usual market conditions.

The variable salary component of members of the Board of Directors may not exceed 30 per cent of the fixed basic salary.

‹

The variable salary for members of the Executive Management depends on the business result and the achievement of the personal objectives.

›

2. Executive Management

The compensation paid to the members of the Group Executive Management consists of the following components:

a) Fixed salary

The members of the Executive Management are paid a fixed salary in cash which is determined every year by the Compensation Committee. This salary is determined on an individual basis and takes account of the function and level of responsibility of the individual member of the Executive Management. It also includes all child or education allowances and anniversary bonuses.

b) Variable component

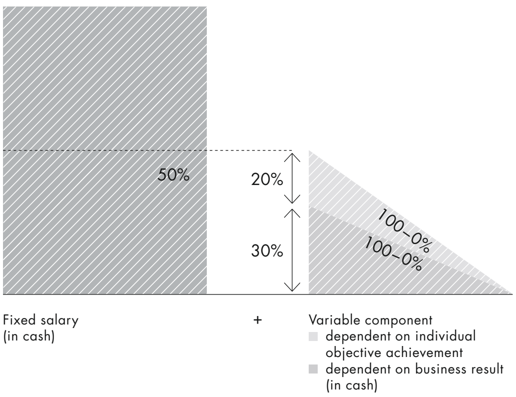
The amount of the variable component, which is usually limited to 50 per cent of the fixed salary, is based on the financial results (30 per cent) and the degree of attainment of the personal objectives agreed with the immediate superior (20 per cent). These objectives can contain quantitative and/or qualitative components, depending on the operational responsibility carried by the Executive Management member in question. While the qualitative objectives focus more on the long-term and sustainable development objectives of the business division for which the Executive Management member is responsible or on the objectives for the company as a whole, the quantitative objectives contain target values for every financial year.

The component that is dependent on the business result is determined every year by the Compensation Committee once the business result is known and the individual financial and technical components of the result as well as the development of the share price have been evaluated and compared to the results of the previous year. Target attainment values of 0 per cent in very bad years (e.g. 2002) up to more than 100 per cent in extraordinarily good years (e.g. 2007, 120 per cent as all-time high to date) are possible. This percentage applies equally to the members of the Board of Directors, the Executive Management and all employees of Helvetia in Switzerland.

The degree of attainment for the individually agreed objectives is determined directly with the line manager in a meeting at the end of the year and is paid to the Executive Management member independently of the actual business result after the Compensation Committee has been informed.

This variable salary component is an important feature of Helvetia's performance culture, under which every individual employee is compensated according to the quality and quantity of his or her work as well as his or her responsibility and workload and also the result achieved by the company as a whole. The variable components are paid out in cash and also partially as shares in our foreign markets.

Compensation Executive Management



c) Special bonus

If the business result is excellent, the Compensation Committee can also decide to pay a special bonus in the form of shares. The relevant value is the market value of the share on the date on which the special bonus is calculated. The shares are blocked for three years from this date. In 2010, this special bonus will be replaced by a sustainable compensation component based on clear measurement criteria that comply with the compensation guidelines issued by FINMA.

d) Expenses and benefits in kind

The payment of expenses is governed by written regulations. The members of the Executive Management are entitled to a Helvetia company car which they may also use for private purposes for a fixed fee. The employer does not grant any other non-monetary benefits. Where all-in allowances are paid, the non-monetary benefits are included in the amounts disclosed in Note 16 on pages 168 et seq.

e) Shares and options
The members of the Executive Management in Switzerland can, on a voluntary basis, acquire the maximum number of shares available to them under the employee share purchase plan. The same conditions apply as for all other employees of Helvetia in Switzerland (see section 3). They therefore also benefit from a discount of 16.038 per cent which is granted because these shares are blocked for three years. There is no share option plan.

f) Severance pay and loans
No severance payments are granted. Loans are granted at usual market conditions.

g) Pension benefits
The employer's annual contributions to pension funds are set out in the annual compensation report in Note 16 on pages 168 et seq.

Group Executive Management Switzerland and abroad
The same compensation regulations apply for Executive Management Switzerland as for Group Executive Management. Executive Management abroad is compensated according to local market conditions governing the compensation systems. At Group level a lower results-dependent salary component in comparison with Switzerland is used for the local members of Executive Management in line with local statutory guidelines. This is paid out in shares.

3. Helvetia employees in Switzerland: share purchase plan

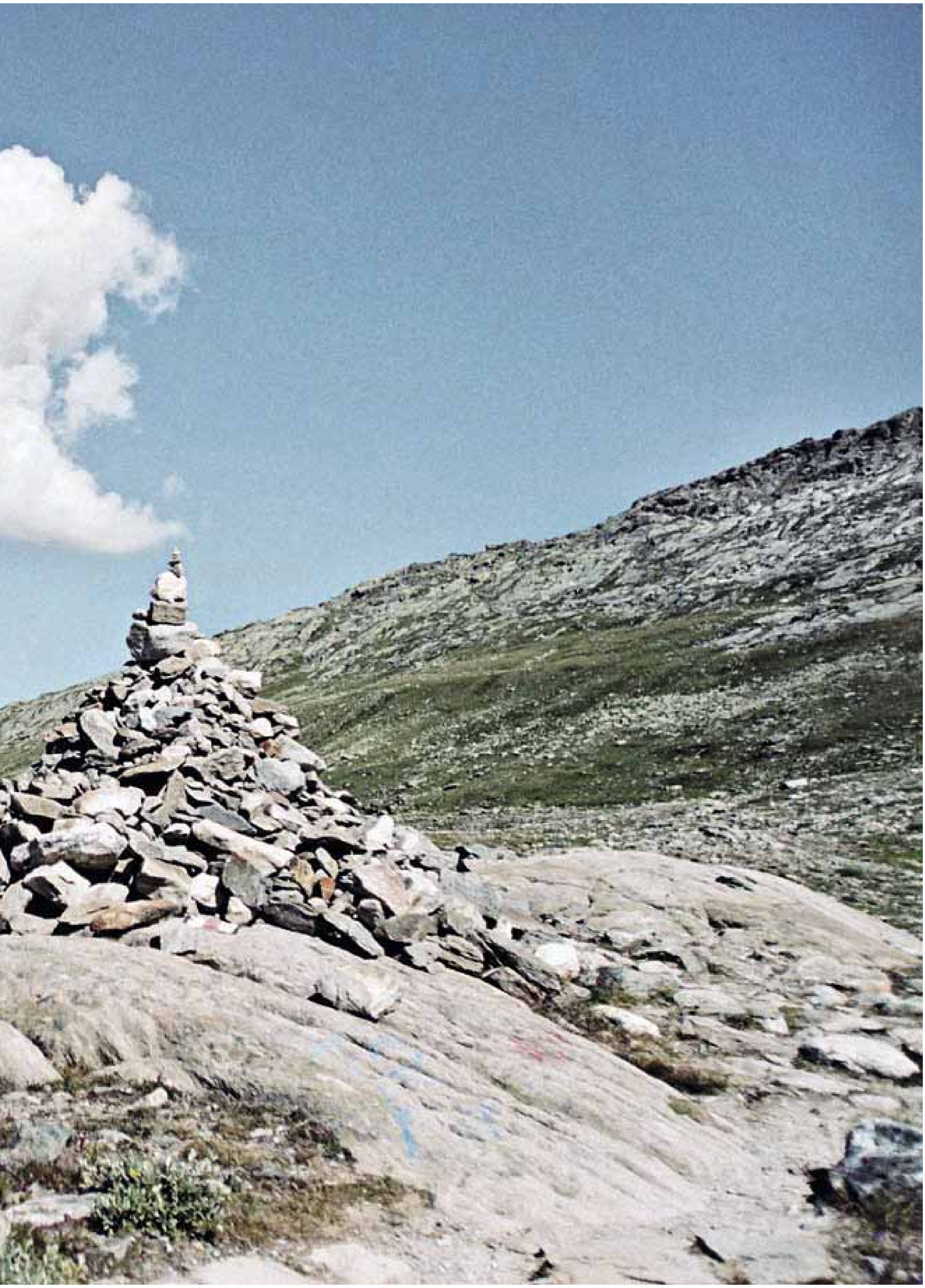
In 2005, an employee share purchase plan was introduced in Switzerland to allow employees to participate in the performance of Helvetia and thus to strengthen their personal ties to the company. Employees can now purchase registered shares of Helvetia at reduced prices. The number of available shares is specified by the Board of Directors, taking account of the financial results and the functions of the employees concerned. The purchase price is calculated on the basis of the average stock market price during the five trading days following the publication of the financial results. Participation in this scheme is voluntary. Shares under this plan are blocked for three years, which allows for a discount of 16.038 per cent. The members of the Executive Management can also take part in this programme, but the members of the Board of Directors may not. The share purchase plan is also not open to employees abroad.

Helvetia's employees in Switzerland can participate in the company's performance via a share purchase plan.
‹

"By focusing on the long term in our Human Resources work, we make a contribution today to the acquisition of employees tomorrow."

Markus Isenrich
Head of Human Resources and Services

^ › Aletschgebiet



"Many years ago, Alfred Herrhausen, a former bank manager, said: 'Top management is not primarily paid for the result of the current financial year, but for the results in five years from now.' I always try to live up to this motto in my work, as far-sightedness will secure the future of our company."

Wolfram Wrabetz
Chief Executive Officer Germany

Grimsel Dam

Investor information

Investor information

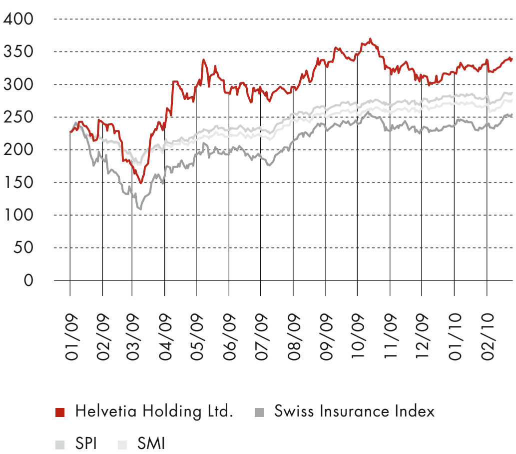
The Helvetia share closed at CHF 320.8 at the end of 2009, thus gaining 40 per cent in value since the end of 2008 and significantly outperforming the SMI and various sector indices under challenging market conditions.

Helvetia share

Ticker symbol	HELN
Nominal value	CHF 0.10
Security number	1227168
Listed on	SIX

After a renewed collapse of prices in the first quarter, the equity markets experienced a remarkable recovery during the rest of the year. By the end of the year most equity markets were up more than 50 per cent from their lows, and most of them reported a performance of more than 20 per cent for the year as a whole. In this environment the Helvetia share did very well. With a performance of 40 per cent, the share not only outperformed the overall market, but also the Swiss and European benchmark indices, which reported comparatively modest gains of 3.5 per cent and 13 per cent respectively. The Helvetia share price fluctuated strongly during the year. After reaching a low point of CHF 144.0 in March, the share price increased by more than 100 per cent towards the end of the year and closed at CHF 320.8, improving Helvetia's market capitalisation to CHF 2,775.4 million. An annual average of 13,100 shares were traded per trading day.

Market trend 1.1.2009–28.2.2010



Shareholder structure

In the reporting year, the number of shareholders increased by 238 registered shareholders. After reaching a new high of 7,053 registered shareholders as of 30 June 2009, the number increased further to 7,338 as of 31 December 2009. The number of employee shareholders increased by 40 persons to 1,832 at the end of 2009, so that the employees now hold 1.3 per cent of the share capital, around 0.1 per cent of which is held by the members of the Board of Directors and the Executive Management of Helvetia Group.

Measured by shareholdings, the majority (73.7 per cent) of the shareholders (previous year: 76.7 per cent) are based in Switzerland and 26.3 per cent (previous year: 23.3 per cent) are based abroad. There were also no significant changes regarding the reportable shareholders. As of 31 December 2009, the following important shareholders were registered with the share register of Helvetia Holding AG:

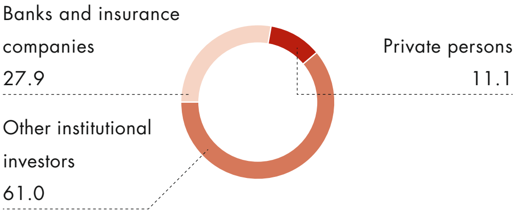
Shareholders as at 31 December 2009

– Patria Genossenschaft	30.1%
– Vontobel Group	4.0%
– Raiffeisen Switzerland	4.0%
– Munich Re Group	8.2%
– Bâloise Group	3.9%

The structure of investor groups changed only slightly in the reporting year. The structure as of 31 December 2009 was as follows:

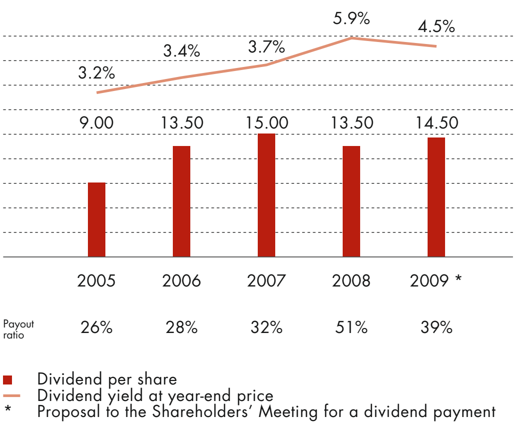
Investor groups

in %



Dividend history

in CHF



Lively interest in the Shareholders' Meeting

The number of shareholders who attend Helvetia's Shareholders' Meeting is also rising continuously, and 1,135 shareholders attended our Shareholders' Meeting for the 2008 financial year. 69.5 per cent of the share capital with voting rights was represented at this meeting. The Shareholders' Meeting approved all the items on the agenda with a substantial majority.

Sustained dividend policy

We strive to generate an attractive return on invested capital for our shareholders, and pursue an income-oriented, continuous distribution policy that also allows us to maintain our solid capital base. The dividend payouts in the past few years reflect the positive earnings trend for Helvetia Group. The results for the 2009 financial year were very good, too, and the Group's capital base remains excellent with a solvency margin of 223.3 per cent. The sustained strength of the balance sheet and earnings power mean that Helvetia can ask the Shareholders' Meeting to approve an increase in the dividend of 7.4 per cent to CHF 14.50. Compared to the above-average payout ratio for the past financial year, during which our profits suffered from the financial crisis, the current payout ratio of 39 per cent is again within the long-term range targeted by Helvetia.

Outstanding bond

Helvetia Holding AG, St.Gallen issued a 3% bond in the 2004 financial year (security number: 1 839 765) with a term to maturity of six years. The nominal value is CHF 200 million and the bond will fall due for repayment on 5 May 2010. The Group is planning to refinance the major share of the maturing bond from external sources.

Communication with the capital market

We attach great importance to communication with investors and financial analysts. We see our relationship with our shareholders as a long-term, fair and balanced partnership. Helvetia wants to gain and strengthen the confidence of capital market players in the company and in its share with the financial information it communicates and therefore engages in an ongoing dialogue with its shareholders. We announce our financial results at analysts', media and telephone conferences, have group and individual discussions with investors, take part in financial conferences, and regularly visit investors in the most important financial centres. In the past financial year we expanded our roadshows to include Edinburgh and Scandinavia in addition to Zurich, London and Frankfurt. All shareholders registered with the share register automatically receive a shareholders' letter with a brief overview of business operations every six months. We al-

The good annual profit and sustained strength of the balance sheet allows Helvetia to request the Shareholders' Meeting to approve a dividend increase of 7.4 per cent to CHF 14.50 per share.

so send the detailed Annual Report and other corporate publications to shareholders on request. The "Investors and media" section at www.helvetia.com offers a wealth of information to shareholders, analysts and media representatives.

Key share data Helvetia Holding AG

	2009	2008
Number of shares issued		
Treasury shares	32 254	70 312
Shares outstanding	8 620 621	8 582 563
Number of shares issued	8 652 875	8 652 875
Price of Helvetia registered shares in CHF		
Year-end	320.8	228.9
High for the year	375.0	424.0
Low for the year	144.0	153.0
Market capitalisation in CHF million	2 775.4	1 980.6
Consolidated equity per share in CHF	363.9	323.2
Price-/book ratio (P/B)	0.9	0.7
Profit for the period per share in CHF	36.8	26.9
Price/earnings ratio (P/E) [1]	8.7	8.5
Dividend per share [2]	14.50	13.50
Payout ratio [2]	39%	51%
Dividend yield [1,2]	4.5%	5.9%

[1] Based on year-end price
[2] Proposal to the Shareholder's meeting

Business development

Business development

Business development

With an annual profit of CHF 320.5 million, Helvetia demonstrated its strength in earnings power in a still difficult economic environment. This pleasing performance is based on dynamic growth, a sustained good claims experience, robust investment income and efficient cost management.

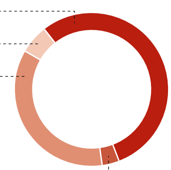
Group result

In the reporting year 2009, the success of Helvetia's strategy of profitable growth was confirmed once again by the good technical performance of both the non-life and life segments. As the financial markets stabilised during the course of the year compared to the turbulent and loss-ridden previous year, investments also made a considerable contribution to the annual result with an investment profit of CHF 1,239.2 million. This, together with the effect of total cost cuts of more than 2 per cent, resulted in an excellent annual profit of CHF 320.5 million, up 40 per cent year on year, which is very good in view of the economic downturn, continued financial market volatility and the impact of currency effects. Business was profitable in all country markets, which contributed to the good result. The Group balance sheet is strong, as is confirmed by the first-class capital base, the increase in equity of 13.1 per cent and the improved solvency margin of 223 per cent.

The strong increase in volume of 20.1 per cent in original currency (in CHF: 17.5 per cent due to the weak euro) underlines the growth ambitions of Helvetia Group. Growth is broad-based, both in geographical terms as well as across all business divisions, and well-balanced between acquisition and organic volume growth. Organic growth in particular picked up speed in some country markets in the second half of the year. The life business did very well with premium growth of 21.6 per cent, and the non-life business also outperformed the market with a growth rate of 4.9 per cent. The overall growth trend was rounded off by the assumed reinsurance, which successfully exploited market conditions favouring its income-oriented policy to grow by 12.7 per cent. This notable growth momentum was also supported by the Italian companies Chiara Vita (life) and Padana Assicurazioni (non-life), which were acquired in the second half of 2008 and which are included in full in the consolidated income statement for the first time in 2009, as well as the fourth quarter of the French transport company CEAT acquired in the year under review. The effect of these acquisitions is reflected in the growth in life premiums (9.4 per cent), non-life (3.4 per cent) and very noticeably the deposit volumes generated almost exclusively through

Business volume

in CHF million	Growth %	2009	2008
Gross premiums life	21.6	3 676.5	3 061.1
Deposits received life	403.4	408.6	85.0
Gross premiums non-life	4.9	2 383.4	2 351.1
Business volume for direct insurance	20.4	6 468.5	5 497.2
Active reinsurance	12.7	242.5	215.1
Business volume	**20.1**	**6 711.0**	**5 712.3**



the bank distribution channel of Chiara Vita. In addition to the successful acquisition activities, the Group also reached above-average organic growth of 7.5 per cent (in CHF: 5.5 per cent), with growth in life premiums of 12.2 per cent. The non-life segment, which is more dependent on economic conditions, saw organic growth of 1.5 per cent, which is also very good in the current market environment.

At CHF 102.0 million, the profit for the life business was very pleasing, particularly as the prior year's result was heavily affected by the difficult investment environment. In addition to an excellent technical result, the investment result improved by CHF 992.4 million, which will benefit both our customers and shareholders. This is quite remarkable, as the financial crisis actually only reached its zenith in March 2009. With a profit contribution of CHF 210.0 million, the non-life business also confirmed its reliability once more. In addition to a strongly improved investment profit, this is mainly due to the good insurance technical results as reflected once again in an excellent net combined ratio. The reported profit from the non-life segment is lower than the previous year due to the positive effect in 2008 of the one-off adjustment to the reserve loadings of CHF 197 million. Thanks to currency effects, cost cuts and the improved result of the assumed reinsurance business, the result for the "Other activities" segment, which under the new segmentation structure (see pages 118 and 119) consists of Helvetia Holding, the financing companies, the reinsurance business and the Corporate Centre, also improved by CHF 47.7 million year on year.

With this good result, Helvetia also managed to further improve its already first-class capital base. In spite of the payment of an attractive dividend, equity increased by 13.1 per cent from CHF 2,773.7 million at the beginning of the year to CHF 3,136.8 million, boosted by the good profit for the period but also by the strong increase in unrealised gains on investments as a result of interest rate trends and the recovery of the equity markets. Against this background, the improvement of the return on equity to 10.8 per cent is very encouraging. The solvency margin of 223 per cent also improved by 15.6 percentage points from the beginning of the year. The first-class capital position of the Group was reinforced by the confirmation of the "A–" rating by Standard & Poor's in the course of the year, thus proving that Helvetia is a reliable partner, even in a challenging market environment.

Helvetia Group posted dynamic growth in 2009 in spite of the difficult economy.
‹

Group key performance figures

	2009	2008
in CHF million		
Life	102.0	–19.6
Non-life	210.0	289.3
Other business	8.5	–39.2
Group profit	**320.5**	**230.5**

All business segments made solid contributions to the Group profit.

›

Business segments

Life business with great potential for growth

The increase in volume of CHF 939.0 million or 31.9 per cent in original currency underlines the success of Helvetia's ambitious strategy to expand its life business. Organic growth accounts for 11.7 per cent. This was mainly generated in the Swiss business, where growing demand for traditional individual life products and high inflows in the group life business, driven by numerous switches from autonomous pension funds to full insurance providers, resulted in significant growth of 11.5 per cent. Italy, Spain and Germany also contributed to this pleasing growth trend, although in Austria the current market environment made it too difficult to compensate for the slowdown in the unit-linked and index-linked business. We were, however, able to react quickly to the rising demand for guarantee products, as is confirmed by the growth of 28.5 per cent posted by the traditional individual insurance business. As well as this encouraging organic growth, Helvetia – in step with its strategy – generated a substantial share of its premium income through the Italian company Chiara Vita acquired in 2008. Chiara Vita's volume was fully included in the consolidated financial statements in 2009 for the first time, and had a significant impact on the growth recorded by the Italian segment.

New business volumes were up by more than 50 per cent, also primarily driven by the acquisitions and strong organic growth in Switzerland. The improved capital market environment also had a positive impact on the embedded value, which at CHF 2,213.7 million is 8.7 per cent higher than at the end of the previous year and generated a return of 10.5 per cent. More information on the embedded value is provided from page 208.

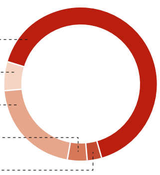
Profitable non-life business

The non-life business grew in a challenging environment by an impressive 4.9 per cent (currency adjusted), 1.5 per cent of which relates to organic growth and 3.4 per cent to acquisitions, which had a major effect on the growth rate for Italy in particular. With the exception of the transport segment, where premiums fell due to the general slide in volumes, all business lines did well. Organic growth was strong in Switzerland, Germany, Austria and Italy, while Spain and the transport insurance business in France were affected more harshly by the economic downturn. In France, the volume growth triggered by the acquisition of CEAT in the second half of 2009 will only be visible in full in 2010.

The technical performance was promising and is reflected in the excellent net combined ratio of 91.8 per cent, which is just slightly higher than the extraordinary ratio (89.1 per cent) for the previous year. This development is explained by the slightly higher claims ratio, which at 60.5 per cent is very good in a multi-year comparison and confirms the high quality of the portfolio. The slight increase in the loss ratio is due to a larger number of medium-sized claims and the ongoing price war on the market. Austria in particular suffered a great deal of storm damage last year. Thanks to Group-wide efficiency programmes,

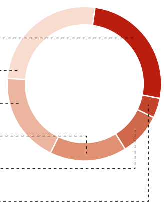
Business volume life

in CHF million	Growth %	2009
Switzerland	11.5	2 703.5
Germany	4.1	247.1
Italy	350.8	872.0
Spain	6.0	141.0
Austria	–2.1	121.5
Total	**31.9**	**4 085.1**



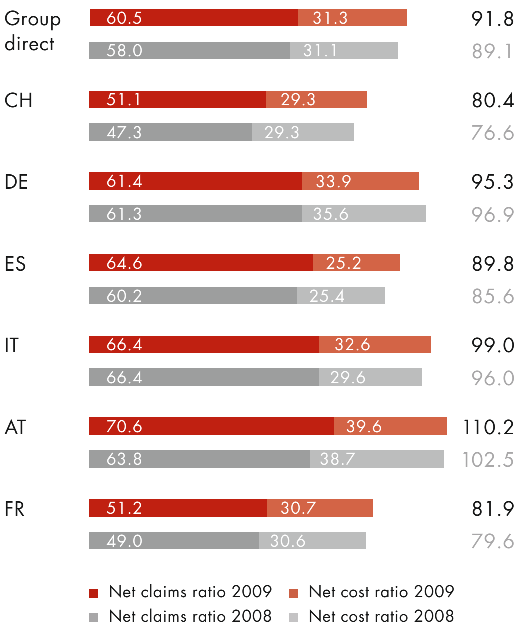
Business volume non-life

in CHF million	Growth %	2009
Switzerland	0.3	629.1
Germany	2.0	609.5
Italy	23.3	462.0
Spain	–1.8	382.9
Austria	9.1	215.2
France	–2.4	84.7
Total	**4.9**	**2 383.4**



Combined ratio

in %



administration costs were streamlined in almost all countries and the administration cost ratio could be reduced by another 1.7 percentage points. Against this pleasing trend, higher acquisition costs and one-off special effects, in particular in Italy, slightly increased the acquisition cost ratio for the entire Group. At 31.3 per cent, the cost ratio is approximately level with the previous year.

Other activities

This business segment comprises the holding company, the financing companies and the reinsurance business as well as the activities of the Corporate Centre, which bundles all tasks related to the management and support of the country units. At CHF 8.5 million the profit is much higher than in the previous year, primarily as a result of positive currency effects but also thanks to substantial cost savings by the Corporate Centre and a higher profit for the reinsurance business.

Investments

The global economy suffered a serious slump in 2009 and contracted for the first time in more than 50 years. In spite of the weak economic prospects the equity markets reached a low point as early as March before starting a recovery that continued until the end of the year and allowed most markets to record a perfomance of more than 20 per cent. The active policies followed by the central banks kept interest rates low, while interest rate spreads between corporate and bank bonds narrowed in the wake of government intervention. As a result, the bond markets also generated good yields.

Tried-and-tested investment tactics

In view of the recession and continued volatility in the financial markets, Helvetia kept to its proven investment tactics and comprehensive hedging policy during the year. Equities and currencies were hedged at a high level for the whole year, with the currency exposure hedged by futures and the equity portfolio hedged exclusively by put options from the second quarter. This measure made it possible to increase the equity portfolio slightly in order to benefit from the encouraging market recovery without relinquishing any protection against possible setbacks. The euro's weak performance vis-à-vis the Swiss franc at the end of the year was more or less neutralised by the high hedging level.

The bond portfolio turned in a solid performance and still has excellent ratings. Thanks to the sustained high credit quality of the bond portfolio, Helvetia did not suffer from any defaults. The excellent credit ratings of mortgages and real estate were also confirmed.

The portfolio value increased to CHF 33.1 billion without any significant asset allocation changes. Three-quarters of the portfolio consists of bonds, loans, mortgages and money market instruments, i.e. nominal values. These are counterbalanced by real value investments in the form of real estate, equities, investment funds and alternative investments, which are important for the medium- and long-term performance of the portfolio.

The hedging strategy allowed us to participate in the market recovery in full while still being protected against any setbacks.

‹

Total performance, driven by the recovery of the equity markets and supported by solid earnings on bonds, mortgages and investment property, was very good at 4.8 per cent.

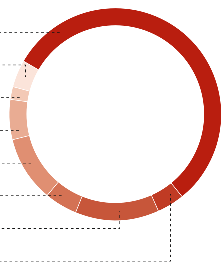
›

Attractive investment earnings

The investment profit for the account and risk of the Group totalled some CHF 1,425.3 million (previous year: CHF 250.2 million), of which more than CHF 1 billion was reported in profit and loss and almost CHF 400 million was recognised as unrealised gains, strengthening the equity base. Current investment income improved slightly, and the direct yield of 3.2 per cent was only slightly lower than the good yield recorded in the previous year in spite of persistently low interest rates. The first-class real estate portfolio, 90 per cent of which consists of Swiss properties, generated a consistently good return of 4.5 per cent. Total performance, driven by the recovery of the equity markets and supported by solid earnings on bonds, mortgages and real estate, was very encouraging at 4.8 per cent.

Investment structure

in CHF million	2009	Units in %
Bonds	18 664.0	56%
Shares	1 408.2	4%
Investment funds, alternative investments, derivatives	770.4	2%
Unit-linked investment funds	1 890.2	6%
Mortgages	3 180.4	10%
Loans	1 609.5	5%
Investment property	4 351.2	13%
Money market instruments, associates	1 198.5	4%
Total investments	**33 072.4**	**100%**



Performance of investments held on behalf and at the risk of the Group

in CHF million	2009	2008
Interest and dividend income	799.9	784.1
Rental income	247.0	242.5
Current income	1 046.9	1 026.6
Gains and losses on investments	83.8	–756.6
Gains and losses on investment property	–10.9	81.7
Gains and losses	72.9	–674.9
Expenses for asset management and other income	–77.7	–68.5
Investment income	1 042.1	283.2
Change in unrealised gains and losses recognised in equity	383.2	–33.0
Total investment income	**1 425.3**	**250.2**
Average investment portfolio	30 118.0	28 751.0
Direct yield	3.2%	3.3%
Investment performance	4.8%	0.9%

Business units

Helvetia Group business units were able to report very favourable results in a financial year characterised by a challenging economic environment. All business units recorded local currency volume growth with the exception of the transport business in France, which is highly sensitive to the economy. In the consolidated results, however, the strength of the Swiss franc relative to the euro has somewhat dampened growth when the figures are reported in CHF terms. The adjustment to the reserve loadings in the non-life business in the amount of CHF 197 million undertaken in the previous year positively influenced the country market results. In addition to progress at the operational level, higher contributions to the result in comparison with the previous year were strongly reflected by the recovery in the financial markets, where poor performance in the previous year weighed on the life insurance business in particular.

Switzerland

Helvetia Switzerland is on a growth track. The unit increased its business volume by 9.2 per cent year on year to CHF 3,332.6 million, thus further improving its market share in both life and non-life business. This was particularly the case for group life business. Further penetration of the broker channel also made a substantial contribution to growth. The Swiss domestic market's contribution to the result was 10.1 per cent higher year on year at CHF 194.6 million and was characterised by excellent technical results and significantly higher investment income. Our successful sponsoring partnership with Swiss Ski, in particular, has raised brand recognition, and the brand image was improved once again.

Dynamic life insurance business

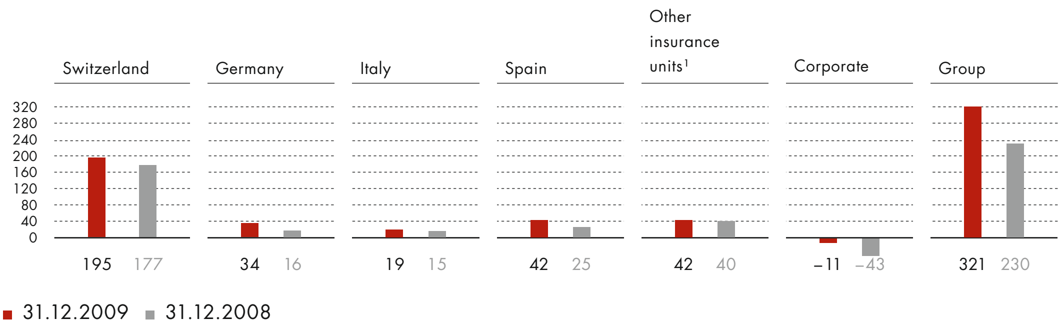
Helvetia once again achieved very strong growth in the life business in comparison to the market and boosted premium income by 11.5 per cent to a total of CHF 2,703.5 million. This growth was driven in particular by the performance of the group life insurance business. In this segment, gross regular premiums grew by 5.4 per cent year on year and amounted to CHF 925.9 million while single premiums grew by an outstanding rate of 26 per cent year on year to a total of CHF 1,030.9 million. This outcome confirms Helvetia's consistent focus on small and medium-sized enterprises, participation in the Generali Employee Benefit Programme and the cooperation agreement with the Association of Swiss Cantonal Banks. Helvetia benefited from its solidity and its good reputation in the face of the growing need for security by customers and the rising demand for full insurance models, which, unlike autonomous pension funds, guarantee 100 per cent cover for liabilities at all times. In 2009, Helvetia received the award for the best interest rate paid on retirement assets for the period 2000 to 2008, which gave additional strength to our position.

All insurance units have repeatedly shown their profitability and contributed to the good Group result.

‹

Switzerland

Segment results after tax



¹ This segment includes Austria, France and Reinsurance

In the individual life insurance business, Helvetia increased regular premiums by 0.9 per cent to CHF 355.7 million. Single premiums increased by a phenomenal 116.9 per cent to CHF 321.3 million. Helvetia launched another attractive security-oriented investment product called Helvetia Garantie Plus. The product sold in record time and alone accounted for CHF 50.4 million of single premium income. The unit-linked business declined in a reflection of the general market trend. The overall very strong growth in the period was the result of the efforts of the in-house sales force as well as the Raiffeisen sales network, which generated 19.3 per cent of new business, an above-average contribution. This is an excellent increase of 8.8 percentage points. The renewal of the Raiffeisen cooperation agreement in 2009 means that this successful strategic partnership will continue to forge ahead.

The technical result for the life business continues the successful trend in previous years, underlining the consistent and risk-oriented pricing and underwriting policy and Helvetia's effective performance management.

Non-life business on course

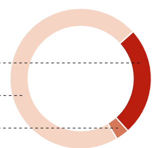
The non-life market remains extremely competitive. In spite of the difficult economic environment, Helvetia increased its premium income by 0.3 per cent to CHF 629.1 million. Business was expanded significantly in the property (1.5 per cent) and liability (9.6 per cent) lines of business. But the economic environment negatively impacted the transport (-27.1 per cent) and motor vehicle (-0.2 per cent) lines, which are highly sensitive to economic developments. However, the claims experience pleased to the upside once again. In the last year, there were no major loss events, with the exception of the hail storm in July. Although the loss ratio was higher than the phenomenal result last year, the loss ratio of 51.1 per cent is still below the long-term average. Consistent cost management and efficiency improvements allowed for a reduction in administration costs, and the cost ratio overall was maintained at 29.3 per cent, the level achieved in the year before. The net combined ratio thus increased by only 3.8 percentage points year on year to the still very good level of 80.4 per cent. Once again, Helvetia Switzerland has delivered an excellent set of technical results.

Strategic focus

In the current year, Helvetia Switzerland is committed to further implementing its vision "First in growth, profitability and customer loyalty". The Strategy 2010 programme is in the final stage of implementation and is being further strengthened through market oriented measures. A targeted approach to simplifying procedures will be used to further improve business processes for clients and sales channels, and Helvetia will continue to expand the integration opportunities with clients in the area of Business to Customer/ Internet.

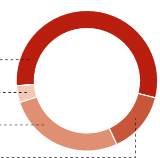
Business volume Switzerland life

in CHF million	Growth %	2009
Individual life	35.2	677.9
Group life	15.3	1 956.8
Unit-linked	–69.7	68.8
Total	**11.5**	**2 703.5**



Business volume Switzerland non-life

in CHF million	Growth %	2009
Property	1.5	344.2
Transport	–27.1	27.3
Motor vehicle	–0.2	170.3
Liability	9.6	87.3
Total	**0.3**	**629.1**



Germany

Helvetia Germany continued to strengthen its position in the market with premium income of CHF 856.6 million. This reflects an increase of 2.6 per cent in original currency (or -2.0 per cent in CHF due to exchange rate differences). The consistent improvement in cost structures is another very pleasing outcome. As part of Group-wide cost-cutting initiatives in the last year, Germany took important steps towards efficiency improvement and cost reduction which have clearly been reflected in the non-life cost ratio and also in the segment result. The contribution by the German business to the Group result has more than doubled year on year and amounts to CHF 33.8 million. This also clearly reflects the recovery in the financial markets.

Shifting demand in the life business

Premium volume grew to CHF 247.1 million representing an increase of 4.1 per cent (in CHF: -0.6 per cent). This places Helvetia Germany's growth in the German life insurance market in line with the market trend. This result is pleasing in total as Helvetia Germany's growth in previous years was extremely dependent on the successful expansion of unit-linked products, which were proportionately more affected by the difficult situation in the financial markets in the reporting year. Despite the challenging economic environment, we were able to revitalise business significantly in the second half of the year and growth in the single premium segment almost doubled in the fourth quarter to more than 100 per cent above the industry average. The launch of the revised "CleVesto Allcase" product line is expected to revive the unit-linked business in 2010. The revised product line features a special guaranteed capital component as a unique selling point, which was developed in direct response to the strong demand by clients at present for security. This development will also be supported by recent awards: in a specialist rating by Franke & Bornberg, CleVesto Allcase was once again awarded the highest grade and the product line was placed on the list of the best unit-linked annuity insurance products by the magazine Focus Money.

Growth and efficiency in the non-life business

At 2 per cent in original currency (in CHF: -2.6 per cent) and a volume of CHF 609.5 million, the non-life business posted substantially better growth than the stagnating market. This encouraging performance can be primarily attributed to the core property and liability insurance lines of business. In line with the market trend, the motor vehicle business declined due to the ongoing high pressure on prices. The transport business also suffered from the weak economy and was negatively impacted in particular by declining sales and bankruptcies in the freight industry.

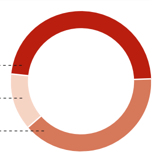
The net combined ratio was reduced by 1.6 percentage points to a solid 95.3 per cent. This was mainly due to a further significant reduction of 3.8 percentage points in our administrative cost situation and a consistent underwriting policy, and confirms our ambition over the last few years to improve our efficiency even further. The burden of claims also improved slightly in comparison to the previous year.

In 2009 we continued our programme of refocusing the product range in an innovative man-

Germany

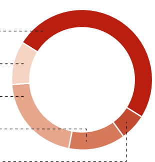
Business volume Germany life

in CHF million	Growth %	2009
Individual life	5.5	117.8
Group life	13.8	33.4
Unit-linked	–0.5	95.9
Total	**4.1**	**247.1**



Business volume Germany non-life

in CHF million	Growth %	2009
Property	3.5	302.9
Transport	–5.9	60.6
Motor vehicle	–2.3	130.2
Liability	10.5	76.6
Accident/health	2.9	39.2
Total	**2.0**	**609.5**



ner tailored to our target groups in order to ensure that we stay on the growth path. Our "Haus und Wohnen" policy completes the range of products for our residential properties and household contents clients. The product concept VitalPlus was extended. Helvetia introduced this product in 2008 to target the over 55 age group by offering an expanded and personalised insurance concept. In the motor vehicle business, we launched a new multiline product for vehicle dealerships. In 2010 our focus will be the young families target group in particular. We expect further efficiency gains from the structural merger of the two non-life departments.

Efficiency improvements still on course

As part of the Group-wide process optimisation initiatives, we targeted further efficiency improvements in Germany in 2009. Additional structural adjustments have allowed us to reduce costs and the network of branches has been streamlined. This strengthening of our exclusive sales channels through focused strategic initiatives will also contribute to the future profitable growth of the German companies.

Italy

Italy

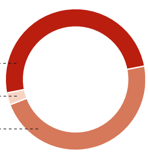
Following the successful acquisitions in 2008, the year under review was clearly dominated by the integration of the two new Group companies. Chiara Vita and Padana Assicurazioni were fully consolidated in the Group result for the first time, thereby also contributing to the dynamic volume growth. In total, the business volume rose by 134.7 per cent (or 124.1 per cent in CHF due to exchange rate differences) to CHF 1,334.0 million. This improvement of CHF 738.9 million reflects organic growth of 17.4 per cent and a 117.3 per cent rise in the contributions by the new units. Our dynamic growth means that Helvetia in Italy is now one of the medium-sized market players and our business ranks as number 19 in the market, allowing us to operate on a solid basis. Despite the integration costs, the contribution to the result by the Italian units was CHF 19.5 million or almost one third above the figure for the previous year. The improved investment result also contributed to this pleasing outcome.

Repositioning in the life business

The acquisition of Chiara Vita and the associated exclusive sales cooperation agreement with Banco di Desio, which has approximately 165 sales locations in northern Italy, enabled Helvetia to redefine its position in the Italian life insurance industry. This was already apparent in the first year after the successful transaction, with the business volume in the life segment rising by more than 350 per cent (in CHF: 330.4 per cent) to CHF 872.0 million; approximately half of this amount was due to deposits from investment contracts, which are now also a feature of the Italian life portfolio. Chiara Vita was responsible for 298.2 per cent of this significant volume growth. In general, the acquisition resulted in a change to the composition of the life portfolio. Whereas in the past Helvetia Italy mostly offered traditional insurance products, index-linked products now account for 37 per cent of the business volume, unit-linked products for 8 per cent and traditional products for only 55 per cent. This balance facilitates a rapid response to changes in the market and increases diversification. In addition to the growth from the acquisitions, our organic growth

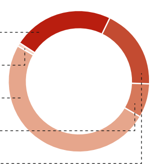
Business volume Italy life

in CHF million	Growth %	2009
Individual life	365.6	434.3
Group life	53.1	29.1
Deposits	403.4	408.6
Total	**350.8**	**872.0**



Business volume Italy non-life

in CHF million	Growth %	2009
Property	18.0	106.8
Transport	–3.5	3.7
Motor vehicle	19.8	230.8
Liability	4.1	35.1
Accident/health	58.5	85.6
Total	**23.3**	**462.0**



of 59.8 per cent was also impressive. Management gave new impetus to operations by improving productivity and revitalising the product range; they have successfully steered Helvetia Italy to becoming the second-largest life insurance unit in the Group.

Non-life business

In the non-life business, Helvetia Italy also benefited from acquisition effects and successful organic growth with premium volume growing by 23.3 per cent (in CHF: 17.7 per cent) to CHF 462.0 million. The newly acquired Padana Assicurazioni contributed 17.6 per cent to the strong growth, while 5.7 per cent was attributable to the sales activities of the existing Helvetia operations. In the face of falling premium volume in the Italian insurance market, Helvetia coped very successfully with market conditions. In particular, Helvetia benefited from the successful expansion of the agency network in 2009, with 24 new agencies bringing the total number of agencies to 378. This expansion helped Helvetia to counter the market trend and achieve pleasing growth. In addition, Management's efforts to actively promote the sales model of work-site marketing of Padana with ENI delivered first positive results. Since the acquisition, the volume sold via this sales channel has been significantly increased. The expanded network of insurance corners in the operational facilities of the ENI Group and the expansion of the product range have made a major contribution in this regard.

Revenue performance in a difficult market environment has also been solid. Although the net combined ratio of 99.0 per cent was below the 100 per cent mark, it does reflect an increase over the figure for the previous year. Administration costs have been maintained at a constant level. The claims experience of 66.4 per cent remained stable in comparison to the previous year, despite the earthquake catastrophe and several other major loss events in the first half of the year. This was due to the good quality of our portfolio and our prudent reinsurance policy.

Outlook

The successful integration of the two new companies has completed the transformation in Italy from an approach based primarily on agency sales to a fully developed multi-channelling system. In the current year, we will continue to expand our sales force and at the same time improve efficiency by further mergers of back office functions.

Spain

In a very difficult market environment, Helvetia Spain was able to generate strong performance with a premium volume of CHF 523.9 million. Despite the ongoing recession in Spain, premiums increased by 0.2 per cent (or –4.3 per cent in CHF due to exchange rate differences) representing a modest positive growth. An agreement with the Spanish credit institution Bancaja for the sale of funeral expenses insurance was finalised in the second half of the year. The agreement is expected to give us fresh growth impetus in future. In the light of the difficult economic situation and the declining growth rates across the market, this cooperation agreement is especially pleasing and represents another strategic step forward for Helvetia Spain. In addition, we are once again able to report very good technical results and further progress in reducing the administration costs. The contribution by the Spanish units to the Group result saw remarkable growth of more than 60 per cent to CHF 41.6 million. Other factors behind this success include our balanced product range, significantly improved performance from the capital investments portfolio compared to the previous year and additional productivity improvements.

Spain

Life business has a new strategic cooperation agreement

With a total volume of CHF 141.0 million, the life business of Helvetia Spain grew by 6.0 per cent (in CHF: 1.2 per cent). This allowed us to achieve growth in excess of the market average. The primary growth driver was the successful distribution of group life insurance where we posted double-digit growth due to strategic initiatives. This growth was further driven by our our funeral expenses insurance, which is very popular in the Spanish market. This insurance offers cover for burial costs and assistance and services associated with a funeral. Bancaja, the third largest savings bank in Spain, is a high-profile cooperation partner that will make a good match with the many years of experience Helvetia Spain has in this area with its extensive sales network. The individual life business benefited from the high savings rate due to the general uncertainty in the population in the wake of the financial and economic crisis as well as the increased demand for guarantee products. In this context, Helvetia's good reputation as a trustworthy insurance partner underscored our performance with encouraging growth of 3.6 per cent (in CHF: –1.1 per cent). Our balanced product range, good investment results and additional productivity improvements supported the positive development of the life result.

Non-life business overcomes weak economy

The Spanish non-life industry has been highly impacted across the market by the effects of the recession. Helvetia Spain was not able to escape this trend, with volume falling by 1.8 per cent (in CHF: –6.2 per cent) to CHF 382.9 million. Nevertheless, compared to the average market performance of -2.6 per cent, Helvetia Spain held its ground well and made good progress in individual business lines. For example, in the important motor vehicle insurance we generated growth of 2.2 per cent in original currency while the market as a whole lost significant volume in this business due to the high level of competition and premium pressure.

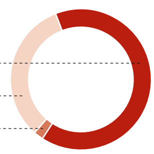
Another encouraging development was the good technical results once more for the non-life business which contributed again to a very good combined ratio of 89.8 per cent. Efforts to improve the cost structure continued to bear fruit and contributed to reduce the administration expense ratio by 1.8 percentage points. The increase in the claims ratio to 64.6 per cent must be seen in the context of the general market performance, but our claims ratio is still significantly lower than the market average. In total, the combined ratio remains low and underlines the profitability of the Spanish business.

Rewarding quality

In 2009, Helvetia Spain was the first Spanish insurance company to be awarded the EFQM Committed to Excellence certificate. This confirms our commitment to efficiency and quality, as do the awards we received for agent and broker advisory services and our ISO certification for claims processing. In the course of the reporting period, we also successfully implemented many strategic measures to improve our earning power. The optimisation of processes to boost efficiency will remain a focus area. In addition to the implementation in the motor vehicle insurance line, the quality of our service will also be further improved while taking costs into account.

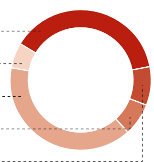
Business volume Spain life

in CHF million	Growth %	2009
Individual life	3.6	92.2
Group life	11.5	45.9
Unit-linked	1.4	2.9
Total	**6.0**	**141.0**



Business volume Spain non-life

in CHF million	Growth %	2009
Property	–1.9	147.1
Transport	–15.8	21.6
Motor vehicle	2.2	151.6
Liability	–4.2	28.0
Accident/health	–5.7	34.6
Total	**–1.8**	**382.9**



Austria

Helvetia Austria posted pleasing premium growth of 4.8 per cent year on year (or 0.1 per cent in CHF due to exchange rate differences) with a premium volume of CHF 336.7 million. The consistent reorganisation of our market areas and sales processes enabled us to continue the positive growth trend in the non-life business. The life business, in contrast, was deeply overshadowed by the economic situation in the past year. In comparison to the first half of the year, however, we were able to cushion the decline in premiums that characterised the market.

Challenging market environment for life insurance

Helvetia Austria's life business saw a drop in premium volume to CHF 121.5 million. Compared to 2008, this is equivalent to a decline of 2.1 per cent (in CHF: -6.5 per cent). This was due, on the one hand, to client uncertainty in the wake of the economic crisis and the associated decline in demand for unit-linked insurance solutions, and, on the other hand, to the ongoing trend of cancellations in the traditional life business that has hit the entire sector. Premium volume for unit-linked products fell from CHF 11.3 million to CHF 9.8 million. In contrast, a modest increase of 1.1 per cent in original currency was recorded in premium volume for traditional life insurance. However, this encouraging development could not fully offset the decline in index-linked premiums, with the result that the individual life business suffered a modest decline overall. In comparison to the performance of the Austrian insurance market, however, Helvetia Austria's volume performance leaves us in a good position. A good technical result and the recovery of the capital markets also had a positive impact on the life business.

Non-life growth significantly outperforms the market

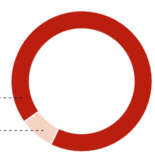
With a volume of CHF 215.2 million and overall premium growth of 9.1 per cent (in CHF: 4.2 per cent), Helvetia demonstrated very pleasing growth performance in all lines of the non-life business. For the first time in many years, growth managed to outpace the market significantly both in the property and motor vehicle segments. The changes to the product range, our efforts to improve our services and to optimise our processes that began to bear fruit in the previous year have continued to deliver results. In particular, however, the reorganisation of the sales force structure has generated significantly higher productivity already in the first year after its implementation. At the turn of the year 2008/2009, Helvetia Austria acquired the transport portfolio of VAV-Versicherung. This has boosted the volume of the relatively small transport business by about 80 per cent, even though this business line, which is highly correlated to economic developments, could not fully avoid the impact of the economic crisis.

In the period, the net combined ratio across the market was influenced by many episodes of bad weather and several major claims. Helvetia Austria experienced a higher claims ratio compared to the previous year, rising by 6.8 percentage points to 70.6 per cent. On the cost side, however, further efficiency gains were achieved and the administration costs were reduced. In total the encouraging rise in new business translated into higher provisions, which overall resulted in a modest increase in the expense ratio.

Austria

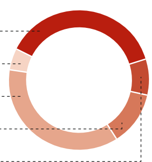
Business volume Austria life

in CHF million	Growth %	2009
Individual life	–1.4	111.7
Unit-linked	–9.5	9.8
Total	**–2.1**	**121.5**



Business volume Austria non-life

in CHF million	Growth %	2009
Property	10.8	81.8
Transport	80.5	10.3
Motor vehicle	6.0	78.4
Liability	3.8	26.7
Accident/health	0.3	18.0
Total	**9.1**	**215.2**



Focus remains on productivity improvement

Shortly before the end of the strategy period 2007–2010, we have been able to achieve our goal of growth above the market average in the non-life business. In addition to sustainable improvements in productivity and quality, the focus in the current year is on targeted cost management and the improvement of our earning power in particular. The new sales force structure introduced at the start of 2009 and the continuation and expansion of the internal optimisation programme will make a significant contribution in this regard. Helvetia is also planning to launch new products on the market in 2010.

France

France

Helvetia France acquired the transport insurer L' Européenne d'Assurance Transport (CEAT) in the reporting year, thereby expanding its specialised transport portfolio with accidental damage insurance for utility vehicles. In future this will result in significant premium growth of more than 50 per cent.

Transport insurance impacted by the recession

Helvetia France operates purely as a specialist in transport insurance in the French insurance market, and so is very heavily dependant on the effective transport volume of the economy as a whole. Given the recessionary conditions, this volume declined in 2009 and in line with this development the transport insurance market was characterised by falling average premiums. Against this background, Helvetia posted a premium volume of CHF 84.7 million and a decline of only 2.4 per cent (or -6.8 per cent in CHF due to exchange rate differences); this stable performance was largely attributable to the proportional consolidation of the new Group company in the fourth quarter. Without this contribution, the volume would have been 13 per cent below that of the previous year. The expansion of the product range, efforts to strengthen our sales power and good broker relationships also contributed to fresh growth momentum which impacted positively on the number of new contracts concluded.

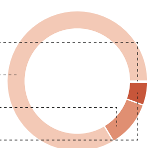
A high degree of underwriting discipline allowed Helvetia France to report very good technical results once again and to generate a pleasing contribution to the result. The net combined ratio is an excellent 81.9 per cent. This was facilitated by a good claims result and a generally stable cost situation.

Top transport specialist

In this difficult economic market environment, the acquisition of CEAT opens attractive prospects for Helvetia, boosting it to the position of top transport insurance specialist in France. The integrated product range of Helvetia France and CEAT will create substantial added value for our customers and enable sustainable growth and revenue synergies. We have already achieved initial sales synergies in the reporting year. The integration activities will be finalised in the current year and the administrative staff of the two companies will be combined in the existing Helvetia location. As the leading comprehensive transport insurance company, Helvetia France is now in a strong position to participate optimally in the emerging economic recovery and to achieve sustainably higher contributions to the result.

Business volume France non-life

	Growth %	2009
in CHF million		
Property	1 575.3	0.3
Transport	–14.7	70.6
Motor vehicle	100.0	9.2
Liability	13.6	4.6
Total	**–2.4**	**84.7**



Assumed reinsurance

Assumed reinsurance premiums grew 12.7 per cent year on year to CHF 242.5 million. This is due to the success of the 2009 renewal round, which also allowed us to expand our existing relationships and to acquire new customers. The trend that direct insurers wish to expand their reinsurance panel for risk management reasons also continued unchanged. Thanks to its trustworthy reputation, strong balance sheet and good market connections, Helvetia was able to exploit this opportunity to best advantage. The focus still falls on property insurance, which accounts for 45 per cent of the well-diversified portfolio.

Good result for 2009

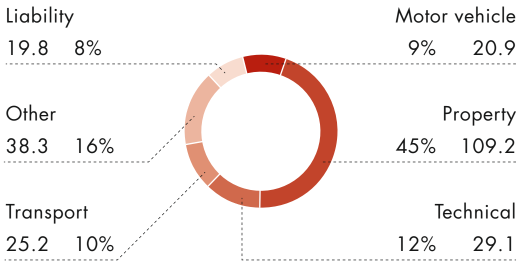
Globally, 2009 was a year of low claims. The reinsurance sector's costs for natural disasters amounted to USD 20 to 25 billion in 2009, which is only around half as much as in the previous year. The two most expensive events for the year were the winter storm Klaus and the rain and hail storms in Switzerland and Austria in July, but as these affected Europe, our most important market area, it does not come as a surprise that Helvetia's assumed reinsurance business suffered larger catastrophe losses than in the previous year. This was, however, more than compensated by the fact that the individual major claims were lower. The consistently stable profit contributions are the result of a selective and strictly profit-oriented underwriting policy as well as a very low cost ratio. As a niche player, we once again successfully maintained a combined ratio of well below 100 per cent and generated a profit in the double-digit CHF million range.

Market trends in 2010

Following the hardening of the market in 2009, the generally good claims experience meant that competition was stronger again during the 2010 renewal round, which translated into slightly lower rates. The rates are still in line with the average of the past two years and therefore still attractive. We are very satisfied in general with the 2010 renewals. In spite of the difficult environment we still managed to underwrite very attractive business. Provided that the claims experience is normal, we expect business to be very good in 2010.

Portfolio structure by insurance line

in CHF million



"A forward-looking approach is key in my daily work for the Swiss market. In this way we will not lose sight of our goals, even if visibility is poor and the path is rocky."

Philipp Gmür
Chief Executive Officer Switzerland

Les Diablerets

"To me, far-sightedness means accepting, responsibility for to-
morrow today."

Markus Gemperle
Head of Strategy and Operations

› Gemsstock

"Farsightedness for me means focusing on the long term financial security and flexibility of Helvetia Group for all our stakeholders."

Paul Norton

Chief Financial Officer

^ Göscheneralp

› Les Diablerets

Financial report

Consolidated financial statements of Helvetia Group

Financial statements of Helvetia Holding AG

Consolidated income statement

in CHF million	Notes	2009	2008
Income			
Gross written premiums	3	6 302.4	5 627.3
Reinsurance premiums ceded		–332.2	–277.4
Net premiums written		5 970.2	5 349.9
Net change in unearned premium reserve		–61.5	2.9
Net earned premiums		5 908.7	5 352.8
Interest and dividend income	7.1.1	817.2	793.3
Gains and losses on investments (net)	7.1.3	262.6	–978.4
Income on investment property	7.1.5	236.1	324.2
Other income		67.3	67.3
Total operating income		7 291.9	5 559.2
Expenses			
Claims incurred including claims handling costs (non-life)		–1 556.2	–1 292.6
Claims and benefits paid (life)		–2 536.1	–2 703.1
Change in actuarial reserves		–1 467.0	–103.7
Reinsurers´ share of benefits and claims		177.7	135.1
Policyholder dividends and bonuses		–117.0	–0.8
Net insurance benefits and claims		–5 498.6	–3 965.1
Acquisition costs		–728.5	–704.5
Reinsurers´ share of acquisition costs		61.7	58.2
Operating and administrative expenses		–473.9	–522.8
Interest payable		–35.3	–42.8
Other expenses		–198.8	–79.0
Total operating expenses		–6 873.4	–5 256.0
Profit or loss from operating activities		418.5	303.2
Financing costs		–7.3	–9.0
Share of profit or loss of associates		1.2	1.4
Profit or loss before tax		412.4	295.6
Income taxes	10	–91.9	–65.1
Profit or loss for the period		**320.5**	**230.5**
Attributable to:			
Shareholders of Helvetia Holding AG		317.1	230.6
Minority interests		3.4	–0.1
Earnings per share:			
Basic earnings per share in CHF	11.4	36.81	26.86
Diluted earnings per share in CHF	11.4	36.81	26.86

Consolidated statement of comprehensive income

in CHF million	Notes	2009	2008
Profit or loss for the period		**320.5**	**230.5**
Other comprehensive income			
Fair value revaluation of investments		382.6	–32.8
Share of associates’ net profit recognised directly in equity		0.1	–0.1
Revaluation from reclassification of property and equipment		0.7	0.0
Foreign currency translation differences		0.8	–122.0
Change in liabilities for contracts with participation features		–196.0	16.6
Deferred taxes	10.4	–42.5	6.5
Total other comprehensive income		145.7	–131.8
Comprehensive income		**466.2**	**98.7**
Attributable to:			
Shareholders of Helvetia Holding AG		461.3	99.8
Minority interests		4.9	–1.1

Consolidated balance sheet

in CHF million	Notes	2009	2008
Assets			
Property and equipment	5	416.7	602.0
Goodwill and other intangible assets	6	190.1	182.6
Investments in associates	7.3.1	62.4	56.0
Investment property	7.4	4 351.2	4 065.8
Financial assets	7.5	28 658.8	26 637.3
Receivables from insurance business	9.5	974.9	680.2
Deferred acquisition costs (life)	9.4.1	227.2	224.0
Reinsurance assets	9.1	493.6	470.4
Deferred tax assets	10.5	34.2	36.6
Current income tax assets		16.2	12.7
Other assets		155.1	195.2
Accrued investment income		345.7	335.3
Cash and cash equivalents		460.1	284.9
Total assets		**36 386.2**	**33 783.0**
Liabilities and equity			
Share capital	11.1	0.9	0.9
Capital reserves		389.9	386.1
Treasury shares		–6.9	–17.1
Unrealised gains and losses (net)	11.2.4	118.9	49.1
Foreign currency translation differences		–97.7	–98.4
Retained earnings		2 050.5	1 899.2
Valuation reserves for contracts with participation features	11.2.5	636.6	513.6
Equity of Helvetia Holding AG shareholders		3 092.2	2 733.4
Minority interests		44.6	40.3
Total equity		3 136.8	2 773.7
Actuarial reserves (gross)	9	23 524.8	22 053.8
Provision for future policyholder participation	9	743.7	553.7
Loss reserves (gross)	9	2 681.5	2 665.1
Unearned premium reserve (gross)	9	963.8	892.1
Financial liabilities from financing activities	8.1	245.4	245.3
Financial liabilities from insurance business	8.2	2 701.6	2 616.1
Other financial liabilities	8.3	87.9	139.1
Liabilities from insurance business	9.5	1 221.1	766.3
Non-actuarial provisions	12.1	86.9	73.9
Employee benefit obligations	13.2	282.0	269.7
Deferred tax liabilities	10.5	497.9	442.7
Current income tax liabilities		46.9	44.7
Other liabilities and accruals		165.9	246.8
Total liabilities		33 249.4	31 009.3
Total liabilities and equity		**36 386.2**	**33 783.0**

Consolidated statement of equity

in CHF million	Notes	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
	Notes	11.1			11.2.4
Balance as of 1 January 2008		86.5	636.1	–17.1	48.2
Profit or loss for the period		-	-	-	-
Revaluation of investments		-	-	-	–18.2
Foreign currency translation differences		-	-	-	-
Change in liabilities for contracts with participation features		-	-	-	16.3
Deferred taxes		-	-	-	2.8
Total other comprehensive income		-	-	-	0.9
Comprehensive income		-	-	-	0.9
Transfer from/to retained earnings		-	–250.0	-	-
Acquisition of subsidiaries		-	-	-	-
Change in minority interests		-	-	-	-
Purchase of treasury shares		-	-	–7.5	-
Sale of treasury shares		-	–4.3	7.5	-
Share-based payment		-	4.3	-	-
Dividends		-	-	-	-
Share capital decrease		–85.6	-	-	-
Shareholders' contributions		-	32.0	-	-
Allocation of shareholders' contributions		-	–32.0	-	-
Balance as of 31 December 2008		**0.9**	**386.1**	**–17.1**	**49.1**
Balance as of 1 January 2009		0.9	386.1	–17.1	49.1
Profit or loss for the period		-	-	-	-
Revaluation of investments		-	-	-	278.4
Foreign currency translation differences		-	-	-	-
Change in liabilities for contracts with participation features		-	-	-	–189.6
Deferred taxes		-	-	-	–18.9
Total other comprehensive income		-	-	-	69.9
Comprehensive income		-	-	-	69.9
Transfer from/to retained earnings		-	-	-	–0.1
Acquisition of subsidiaries		-	-	-	-
Disposal of subsidiaries		-	-	-	-
Purchase of treasury shares		-	-	–30.4	-
Sale of treasury shares		-	3.2	40.6	-
Share-based payment		-	0.6	-	-
Dividends		-	-	-	-
Shareholders' contributions		-	16.0	-	-
Allocation of shareholders' contributions		-	–16.0	-	-
Balance as of 31 December 2009		**0.9**	**389.9**	**–6.9**	**118.9**

[1] Equity attributable to shareholders of Helvetia Holding AG

Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Total equity before minority interests [1]	Minority interests	Total equity
		11.2.5			
20.9	1 526.4	545.8	2 846.8	3.8	2 850.6
-	250.9	–20.3	230.6	–0.1	230.5
-	-	–16.9	–35.1	2.2	–32.9
–119.3	-	-	–119.3	–2.7	–122.0
-	-	-	16.3	0.3	16.6
-	-	4.5	7.3	–0.8	6.5
–119.3	-	–12.4	–130.8	–1.0	–131.8
–119.3	250.9	–32.7	99.8	–1.1	98.7
-	249.5	0.5	0.0	0.0	0.0
-	-	-	-	38.3	38.3
0.0	0.0	-	0.0	0.0	-
-	-	-	–7.5	-	–7.5
-	-	-	3.2	-	3.2
-	-	-	4.3	-	4.3
-	–127.6	-	–127.6	–0.7	–128.3
-	-	-	–85.6	-	–85.6
-	-	-	32.0	-	32.0
-	-	-	–32.0	-	–32.0
–98.4	**1 899.2**	**513.6**	**2 733.4**	**40.3**	**2 773.7**
–98.4	1 899.2	513.6	2 733.4	40.3	2 773.7
-	269.1	48.0	317.1	3.4	320.5
-	-	96.5	374.9	8.5	383.4
0.7	-	-	0.7	0.1	0.8
-	-	-	–189.6	–6.4	–196.0
-	-	–22.9	–41.8	–0.7	–42.5
0.7	-	73.6	144.2	1.5	145.7
0.7	269.1	121.6	461.3	4.9	466.2
-	–1.3	1.4	0.0	0.0	0.0
-	-	-	-	0.1	0.1
-	-	-	-	–0.3	–0.3
-	-	-	–30.4	-	–30.4
-	-	-	43.8	-	43.8
-	-	-	0.6	-	0.6
-	–116.5	-	–116.5	–0.4	–116.9
-	-	-	16.0	-	16.0
-	-	-	–16.0	-	–16.0
–97.7	**2 050.5**	**636.6**	**3 092.2**	**44.6**	**3 136.8**

Consolidated Cash flow statement

in CHF million	2009	2008
Cash flow from operating activities		
Profit before tax	412.4	295.6
Reclassifications to investing and financing activities (affecting cash)		
Realised gains and losses on property, equipment and intangible assets	0.0	0.0
Realised gains and losses on sale of affiliated and associated companies	–1.4	0.0
Dividends from associates	–0.8	–1.0
Adjustments		
Depreciation/amortisation of property, equipment and intangible assets	44.9	38.5
Realised gains and losses on financial instruments and investment property	66.3	204.2
Unrealised gains and losses on investments in associates	–0.1	–0.1
Unrealised gains and losses on investment property	21.4	–78.5
Unrealised gains and losses on financial instruments	–345.5	666.1
Share-based payments for employees	0.6	4.3
Foreign currency gains and losses	–0.4	227.3
Other income and expenses not affecting cash[1]	73.1	–38.1
Change in operating assets and liabilities		
Deferred acquisition costs (life)	–3.2	–3.8
Reinsurance assets	–22.3	185.8
Actuarial reserve	1 466.8	103.8
Provisions for future policyholder participation	–22.4	–137.5
Loss reserves	4.2	–229.5
Unearned premium reserve	67.6	–6.9
Financial liabilities from insurance business	9.1	–202.0
Changes in other operating assets and liabilities	96.1	308.4
Purchase of investment property	–190.8	–45.8
Sale of investment property	82.5	43.2
Purchase of bonds	–4 632.1	–3 284.7
Repayment / sale of bonds	3 286.9	2 571.0
Purchase of shares, investment funds and alternative investments	–1 811.7	–1 487.3
Sale of shares, investment funds and alternative investments	1 729.0	1 787.5
Purchase of derivatives	–200.2	–285.0
Sale of derivatives	277.5	256.6
Origination of mortgages and loans	–370.9	–345.7
Repayment of mortages and loans	428.5	388.8
Purchase of money market instruments	–37 403.7	–21 762.8
Repayment of money market instruments	37 362.3	21 400.8
Cash flow from operating activities (gross)	423.7	573.2
Income taxes paid	–80.7	–125.4
Cash flow from operating activities (net)	343.0	447.8

in CHF million	2009	2008
Cash flow from investing activities		
Purchase of property and equipment	–24.0	–140.9
Sale of property and equipment	0.8	0.7
Purchase of intangible assets	–13.0	–15.6
Sale of intangible assets	0.1	5.1
Purchase of investments in asscociates	–6.3	–8.5
Purchase of investments in subsidiaries, net of cash and cash equivalents	–37.5	–168.1
Sale of investments in subsidiaries, net of cash and cash equivalents	2.3	-
Dividends from associates	0.8	1.0
Cash flow from investing activities (net)	–76.8	–326.3
Cash flow from financing activities		
Decrease of share capital	-	–85.6
Sale of treasury shares	43.8	3.2
Purchase of treasury shares	–30.4	–7.5
Shareholders’ contributions	16.0	32.0
Dividends paid	–116.9	–128.3
Lease payments under finance lease	–3.4	–5.7
Cash flow from financing activities (net)	–90.9	–191.9
Effect of exchange rate differences on cash and cash equivalents	–0.1	–20.6
Total change in cash and cash equivalents	**175.2**	**–91.0**
Cash and cash equivalents		
Cash and cash equivalents as of 1 January	284.9	375.9
Change in cash and cash equivalents	175.2	–91.0
Cash and cash equivalents as of 31 December	**460.1**	**284.9**
Composition of cash and cash equivalents		
Cash	0.5	0.6
Due from banks	459.5	284.1
Other cash equivalents with a maturity of less than three months	0.1	0.2
Balance as of 31 December	**460.1**	**284.9**
Other disclosures on cash flow from operating activities		
Interest received	775.4	753.9
Dividends received	59.4	67.0
Interest paid	11.4	15.3

[1] “Other income and expenses not affecting cash” primarily contains the change to interest-accruing profit participation of owners of contracts with discretionary participation features.

1. General information

Helvetia Group is an all-lines insurance group which operates in many life and non-life business segments as well as in reinsurance. The holding company, Helvetia Holding AG with headquarters in St. Gallen, is a Swiss public limited company listed on the SIX Swiss Exchange. The Group operates through its branch offices and subsidiaries in the insurance markets of Switzerland, Germany, Austria, Spain, Italy and France, and worldwide in assumed reinsurance business. Parts of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg and Jersey.

The Board of Directors approved the consolidated financial statements and authorised them for issue on 11 March 2010. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 16 April 2010.

2. Summary of significant accounting policies

The consolidated financial statements of Helvetia Group were prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of adjustments resulting from the IFRS requirement to record investments at fair value. The fair value valuation methods are explained in Note 2.5 (page 103).

2.1 Standards applied for the first time in the reporting year

The following published sector-relevant standards (IAS/IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Group for the first time in the reporting year:
- Amendment to IAS 1 Presentation of financial statements;
- Amendments to IFRS 2 Share-based payment: vesting conditions and cancellations;
- Amendments to IFRS 7 Financial instruments: disclosures;
- IFRS 8 Operating segments;
- Amendments to IFRIC 9 Embedded derivatives and IAS 39 Financial instruments: recognition and measurement of embedded derivatives;
- Annual IFRS improvements, where applicable.

The changes are explained below:

Amendments to IFRS 8

IFRS 8 Operating segments replaces IAS 14 Segment reporting and requires the identification of operating segments on the basis of the internal management structures and internal reports. Helvetia Group adjusted its segment structure to comply with IFRS 8. More details on the segment reporting are provided in section 3 (from page 113).

Amendments to IAS 1

The amendment to IAS 1 means that the income statement now consists of two parts. The first part is the same as before, while the second part, the "Consolidated statement of comprehensive income" contains all expenses and income not affecting profit or loss that were previously reported in the "Consolidated statement of equity".

Amendments to IFRS 2

The amendments to IFRS 2 concern the treatment of vesting conditions and cancellations of share-based payment transactions. The application of these amendments does not have any significant impact on Helvetia Group.

Amendments to IFRS 7

The amendments to IFRS 7 concern the disclosure of financial instruments measured at fair value. The amendments introduce additional disclosure obligations, in particular the obligation to disclose the methods used to determine the value of financial assets at fair value.

Amendments to IFRIC 9 and IAS 39

The amendments to IFRIC 9 and IAS 39 concern the recognition and measurement of embedded derivatives. The application of these amendments does not have any significant impact on Helvetia Group.

Annual improvements to IFRS

Due to the changes to IAS 40 and IAS 16, the improvements mean that a large part of the real estate under construction is now recognised as "Investment property".

Due to the effective dates on which they enter into force, the following published sector-relevant standards, interpretations and amendments to standards were not applied to the 2009 consolidated financial statements:

2.2 Standards not yet applied in the reporting year

Changes in accounting policies	to be applied for annual periods beginning on/after
IFRS 3 Business combinations	1.7.2009
Amendment to IAS 27 Consolidated and separate financial statements under IFRS	1.7.2009
Supplement to IAS 39 Financial instruments: recognition and measurement – items qualifying as hedged items	1.7.2009
IFRIC 17 Distribution of non-cash assets to owners	1.7.2009
IFRS 2008 improvements: amendments to IFRS 5 Non-current assets held for sale and discontinued operations	1.7.2009
IFRS 2010 improvements	1.1.2010
Amendments to IAS 32 Financial instruments: presentation – classification of rights issues	1.2.2010
IFRIC 19 Extinguishing financial liabilities with equity instruments	1.7.2010
IAS 24 (rev. 2009) Related party disclosures	1.1.2011
Amendments to IFRIC 14: IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement	1.1.2011
IFRS 9 Financial instruments: classification and measurement	1.1.2013

The effects of IFRS 9 cannot be predicted at this time, but the other new amendments to standards and interpretations are not expected to have any significant impact on the financial statements.

2.3 Consolidation principles

All the significant companies included in the consolidation have the same reporting periods. Smaller Group companies with different financial years prepare interim financial statements as of the reporting date of 31 December.

2.3.1 Subsidiaries

The consolidated financial statements include the financial statements of Helvetia Holding AG, its subsidiaries and special purpose entities. Consolidation occurs when Helvetia Holding AG exercises indirect or direct control over the company's operations. Subsidiaries acquired during the course of the financial year are included in the consolidated financial statements from the date on which Helvetia Group took effective control. Acquisitions of companies are recorded using the purchase method. Intercompany transactions and balance sheet items are eliminated.

2.3.2 Associates

Associated companies of Helvetia Group are accounted for using the equity method if significant control is exercised by Helvetia Group. Significant control is assumed when the Group controls 20% to 50% of the voting rights. The goodwill resulting from equity valuation is posted to "Investments in associates". The carrying value of all investments is tested for impairment if there is objective and substantial evidence for impairment at the balance sheet date.

Associates of Helvetia Group are listed together with the fully consolidated subsidiaries in Note 19 (from page 195).

2.4 Foreign currency

The reporting currency of the Helvetia Group is the Swiss franc (CHF).

2.4.1 Foreign currency translation

Items included in the financial statements of those entities that do not have the Swiss franc as their functional currency were translated using the applicable closing rate. Items in the income statement are translated at the average exchange rates for the reporting period. The resulting translation differences are recorded in "Foreign currency translation differences" in equity, not affecting profit or loss. Upon disposal of a subsidiary, these differences, attributable to the subsidiary in question and accumulated in equity, are released through income. The rates applied in these financial statements are given in Note 4.1 (page 123).

2.4.2 Foreign currency transactions

Foreign currency transactions in the individual entities are accounted for using the exchange rate on the date of the transaction.

The individual entities translate balance sheet items denominated in foreign currencies as follows: monetary and non-monetary balance sheet items, which are recorded at fair value, at closing rates, and non-monetary items, which are recorded at cost, at historical rates. "Monetary items" include cash and cash equivalents, assets and liabilities for which Helvetia Group either receives or pays a fixed or determinable amount of money.

For non-monetary items classified as available-for-sale investments, such as shares and shares in investment funds, the unrealised foreign exchange gain is recognised in equity without affecting the income statement until the financial instrument is sold. However, for monetary items such as bonds and loans, the unrealised foreign exchange difference is immediately recognised in the income statement.

2.5 Accounting estimates and key assumptions

Preparing the financial statements in accordance with IFRS requires Group management to make assumptions and estimates that affect the reported amounts of assets and liabilities for the ongoing business year. All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual figures and estimates may differ as a result. Management judgement is in particular required in the following assumptions relevant to the preparation of the financial statements:

2.5.1 Fair value of financial assets and liabilities

The methods and assumptions used to determine the fair value are described below.

The fair value of a financial instrument is the quoted market price for which an asset could be exchanged in an active market between knowledgeable, willing parties in an arm's length transaction. "In an active market" means that the prices are made available regularly, either by a stock exchange, a broker or a pricing service, and that these prices represent current and regular market transactions.

For financial assets, the fair value is the quoted bid price, and for financial liabilities it is the quoted ask price. Financial instruments measured at listed market prices belong to the "Level 1" category of valuation methods.

If no market value in an active market is available, the fair value is determined using valuation methods. Such methods are considerably influenced by assuptions, which can lead to varying fair value estimates. Financial instruments for which the model assumptions are based on observable market data are allocated to the "Level 2" valuation category. The comparison with current market transactions, references to transactions with similar instruments and option price models fall in this category. This concerns the following items, in particular:

– Mortgages and loans: The fair value of mortgages and borrower's note loans is determined on the basis of discounted cash flows. Mortgages are measured by applying the current interest rates of Helvetia Group for comparable mortgages that have been granted. The Swiss franc swap curve is used to measure borrower's note loans.
– Derivative financial instruments: The fair value of equity and currency options is determined using option price models (Black-Scholes option pricing), while the fair value of forward exchange rate agreements is determined on the basis of the forward exchange rate on the reporting date. The fair value of interest rate swaps is calculated using the present value of future payments.

If the valuation assumptions are not based on observable market data, the financial instrument in question falls in the "Level 3" valuation category. This applies in particular to alternative investments. The fair value of private equity investments is calculated using the discounted cash flow (DCF) method and applying the internal rate of return (IRR). Hedge funds are valued on the basis of the fair values of the listed securities contained in the fund in question.

If the range of possible fair values is very large and reliable estimates cannot be made, the financial instrument is measured at cost, less any value adjustments (impairment).

2.5.2 Impairment of available-for-sale investments

The judgement as to whether an equity instrument classified as available-for-sale is subject to impairment depends on the existence of objective indications. One decisive criterion is the constant or considerable decrease in value of an instrument: at Helvetia Group, instruments are considered impaired if their fair value remains below cost for longer than nine months or falls 20% or more below cost irrespective of the period of time. In addition, ratings and analyst reports can serve as an indication that a company's circumstances have changed with respect to technology, the market, economy or law, to such an extent that the cost can probably no longer be recovered. In these cases, the need for impairment is examined and – if justified – recorded.

2.5.3 Fair value of investment property

In Switzerland, investment properties are valued in accordance with the discounted cash flow (DCF) method. The procedure is described in Note 2.11.1 (page 106).

The choice of the discount rate plays an important role in the DCF valuation method used in Switzerland. The discount rates are based on a long-term, risk-free average rate plus a premium for market risk plus regional and property-related surcharges and discounts based on the current condition and the location of the property in question. The discount rates applied in the reporting period are set out in Note 7.4 (page 133). The portfolio is regularly reviewed and appraisal reports are prepared by independent experts. All other countries use independent experts to determine market estimates at intervals of three years, at the most.

2.5.4 Accounting estimates specific to insurance

The estimate uncertainties in actuarial practise are explained in Note 2.14 (from page 108). Any significant change to the parameters used for the calculation of the provisions is documented in Notes 9.3 (non-life business) and 9.4 (life business).

2.5.5 Impairment of goodwill

Capitalised goodwill is tested annually for impairment. The procedure is described in Note 2.10 (page 106). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in Note 6 (page 126).

2.6 The current, non-current distinction

Assets and liabilities are classified as current if they are expected to be realised or settled within twelve months after the reporting date. All other assets and liabilities are considered to be non-current.

The following items are fundamentally classified as non-current: "Property and equipment", "Goodwill and other intangible assets", "Investments in associates", "Investment property" and "Deferred tax assets and liabilities".

The following items are fundamentally classified as current : "Current income tax assets and liabilities", "Accrued investment income" and "Cash and cash equivalents".

All other items are of a mixed nature. The differentiation between current and non-current balances of relevant items is set out in the notes. The maturity schedule of financial assets, financial liabilities and provisions for insurance and investment contracts is described in Note 17.5 (from page 180) as part of the risk assessment process.

2.7 Tangible assets

Property and equipment are carried at cost less accumulated depreciation and accrued impairment. Depreciation is normally calculated using the straight-line method over the estimated useful life as follows:

Furniture	4–15 years
Technical equipment	4–10 years
Motor vehicles	4–6 years
Computer hardware	2–5 years

The following rates of depreciation apply to owner-occupied property:

Supporting structure	1.0–3.5%
Interior completion	1.33–8.0%

Land is not depreciated. Useful life is adjusted if the pattern of consumption of the economic benefit has changed. Investments are added to the current carrying value in the period and are depreciated over the entire term if an increase in the economic benefit is expected from the investment and reliable estimates exist for the cost. Depreciation is recognised in the income statement under "Operating and administrative expenses". Repairs and maintenance are charged to the income statement as incurred. Tangible assets are regularly tested for impairment (see Note 2.10, page 106).

2.8 Leasing

If a lease agreement transfers all risks and rewards incidental to the ownership to Helvetia Group, the lease is classified and treated as a finance lease. The finance lease agreements of Helvetia Group are limited to lessee agreements. At inception of the lease agreement, recognition occurs at the lower of the present value of the minimum lease payments and the fair value of the lease object. A finance lease obligation of the same amount is recorded as a liability. Lease payments are apportioned between the finance charge and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. The depreciation of the asset follows the rules for depreciating tangible assets. All other lease agreements are classified as operating leases. Payments – less any reductions – made under operating lease agreements are charged to the income statement on a straight-line basis over the term of the lease.

2.9 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised over their useful life. If a portfolio of insurance contracts or investment contracts is acquired, an intangible asset is recognised for an amount that equals the present value of all future gains minus the solvency costs included in the acquired contracts. This "value in force" (VIF) is amortised in proportion to the gross gains or gross margins over the actual term of the acquired contracts. This term is usually between three and ten years. Helvetia has only capitalised VIF in respect of the life business. This is tested for impairment every year. The intangible assets also include acquired distribution agreements. The value of an acquired distribution agreement equals the present value of all expected future gains. The distribution agreement is amortised in proportion to the expected gross gains or gross margins over the term of the future contracts. This term is usually between five and fifteen years. Other intangible assets also include intangible assets developed by the company, principally internally developed software that is recorded at cost and amortised on a straight-line basis from the date on which it enters service. Amortisation is recognised in the income statement under "Operating and administrative expenses". The useful life is usually between three and ten years.

Intangible assets with an indefinite useful life are not amortised, but are reviewed annually for impairment (see Note 2.10, page 106). Goodwill is the difference between the costs of a business combination and the fair value at the acquisition date of the acquired entity's identifiable assets, liabilities and contingent liabilities. A positive balance is accounted for as goodwill. If the value of the acquired entity's net assets exceeds the acquisition cost at the purchase date, this surplus is immediately recognised in the income statement. Goodwill acquired in a business combination is recognised as an intangible asset, net of accumulated impairment loss, and is tested annually for impairment. It is carried as an asset in the local currency of the acquired entity and translated at the applicable closing rate on each balance sheet date.

2.10 Impairment of tangible assets, goodwill and other intangible assets

The carrying value of tangible assets or an intangible asset amortised using the straight-line method is tested for impairment if there is evidence for impairment. Goodwill and intangible assets with an indefinite useful life are reviewed for impairment annually in the second half of the year.

An intangible asset is impaired if its carrying value exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset at current market conditions after deducting any direct disposal costs. Value in use is the present value of estimated future cash flows expected to be generated from the continuing use of an asset and from its disposal at the end of its useful life. For the purpose of impairment testing, the value in use is measured under realistic conditions, with consideration given to planned activities and their resulting cash in- and outflows. If the recoverable amount is less than the carrying value, the difference is charged to the income statement as an impairment loss. This is reported in the position "Other expenses".

A reversal of the impairment loss is recognised if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was accounted for. If the new circumstances result in a decreased impairment loss, the reversal impairment is reported up to the maximum of the historical cost and recorded in the income statement in "Other expenses".

For the purpose of impairment testing, goodwill is allocated at the time of acquisition to those cash generating units (CGU) that are expected to benefit from the business combination. If there is no intention to sell, the value in use of the CGU is determined and compared to the carrying value for the purpose of calculating any impairment loss. The value in use is calculated applying the discounted cash flow (DCF) method, with future operating cash flows less necessary operating investments (free cash flows) being included. If there is an intention to sell, the fair value less cost to sell is used for impairment testing. If an impairment loss arises, the goodwill is adjusted accordingly. An impairment loss for goodwill cannot be reversed.

2.11 Investments

At Helvetia Group, investments include investments in associates, investment property and financial assets (securities, derivative financial assets, loans and money market instruments). The treatment of investments in associates is described in Note 2.3.2 (page 102), under "Consolidation principles".

2.11.1 Investment property

The aim of the investment property portfolio is to earn rentals or achieve long-term capital appreciation. Property held for investment purposes includes both land and buildings and is carried at fair value.

Changes in fair value are recognised in the income statement. Companies in Switzerland calculate fair value using a generally accepted discounted cash flow valuation (DCF) method. The portfolio is regularly reviewed and appraisal reports are prepared by independent experts. All other countries use independent experts to determine market estimates at least every three years. These estimates are updated between valuation dates.

The DCF valuation method is a two-tier gross rental method based on the principle that the value of a property equals the total of future earnings on the property. In the first phase, the individual annual cash flows for a property over the next ten years are calculated and discounted as of the valuation date. In the second phase, the unlimited capitalised income value for the time following the first ten years is calculated and also discounted as of the valuation date. The risk-adjusted discounted rates that are used for the DCF valuation are based on the current condition and the location of the property in question. The cash flows used for the forecast are based on the rental income that can be earned in the long term.

Helvetia Group does not capitalise properties where it acts as tenant in an operating lease relationship. Rental income is recognised on a straight-line basis over the lease term.

2.11.2 Financial assets

The recognition and measurement of financial assets follow the IFRS categories: "loans" (loans and receivables, LAR), "held-to-maturity" (HTM), "at fair value through profit or loss" and "available-for-sale" (AFS).

Financial assets are initially recognised at fair value. Directly attributable transaction costs are recognised as assets, except for financial assets at fair value through profit or loss, for which the transaction costs are recorded in the income statement. Helvetia Group records all acquisitions and disposals of financial instruments at trade date. Derecognition of a financial investment occurs on expiration of the contract or at disposal if all risks and control have been transferred and if no rights to cash flows from the investment are retained. Through its securities lending activities, the Group lends out certain securities to other companies for a certain period of time and against payment. The securities lent to third parties remain under the control and in the portfolio of Helvetia Group. Revenues from securities lending are recorded in the income statement under "Interest and dividend income".

Loans (LAR) and financial assets that the Group has the intention and ability to hold to maturity (HTM) are carried at amortised cost (AC). LAR loans are not traded on an active market. Helvetia Group usually generates them by directly providing funds to a debtor.

"Financial assets at fair value through profit or loss" comprise "financial assets held for trading" and "financial assets designated as at fair value through profit or loss". An instrument is classified as "held for trading" if it is held with the aim of making short-term gains from market price fluctuations and dealer margins. Upon initial recognition, financial investments are irrevocably classified as "designated as at fair value" only if they are a component of a particular group of financial assets that, according to a documented investment strategy, are managed on a fair value basis, or their recognition as at fair value serves to compensate for market value fluctuations of liabilities due to policyholders. The value fluctuations that result from the fair value valuation are directly recognised in the income statement and reported separately from "Interest and dividend income" in the item "Gains and losses on investments".

Financial assets held for an undetermined period and which cannot be classified to any other category are classified as "available-for-sale" (AFS). AFS investments are carried on the balance sheet at fair value. Unrealised gains and losses are recognised directly in equity with no impact on profit or loss.

Interest income is recognised on an accruals basis subject to the asset's effective rate of interest (including "Financial assets at fair value through profit or loss"). Dividends are recorded when a legal right arises. Depreciation and appreciation resulting from the amortised cost method are included in interest income in the income statement. The line item "Interest and dividend income" also contains the interest and dividend income from investments that are designated as "at fair value through profit or loss".

2.11.3 Impairment of financial assets

The carrying values of financial assets that are not classified as "at fair value through profit or loss" (LAR, HTM, AFS) are regularly reviewed for impairment. If objective and substantial evidence indicates permanent impairment at the reporting date, the difference between cost and the recoverable amount is recognised as an impairment through profit or loss. An equity instrument is considered impaired if its fair value falls considerably or constantly below cost (see also Note 2.5, page 103). Debt instruments are impaired or sold if it is probable that not all amounts due under the contractual terms will be collectible. This usually happens when contractually agreed interest or redemption payments are stopped or are in arrears, if the debtor suffers from serious financial difficulties and/or if the rating falls below a specific threshold value. If, in order to avoid impairment, new conditions are negotiated for mortgages or loans, the mortgages or loans in question are still recognised in the balance sheet at amortised cost.

For LAR and HTM financial investments, the recoverable amount at the reporting date is equivalent to the present value of estimated future cash flows discounted at the original interest rate. Impairments are booked using an allowance account. The impairment is reversed through profit or loss if a subsequent event causes a decrease in the impairment loss.

For AFS financial assets, the recoverable amount at the reporting date equals the fair value. For non-monetary AFS financial assets, such as shares and investment fund units, any additional impairment loss after the initial impairment is immediately recognised in the income statement. The impairment is not reversed, even if the circumstances causing the impairment cease to apply. Valuation gains are recognised in equity until disposal. For monetary AFS financial assets, such as bonds, the impairment is reversed through profit or loss if the circumstances causing the impairment cease to apply.

Financial investments are derecognised at the latest when the bankruptcy proceedings end or, in the case of ongoing bankruptcy proceedings, when the outstanding debt plus interest is received. If a settlement is agreed, derecognition takes place at the end of the agreed period after receipt of the payment.

2.12 Financial derivatives

Derivative financial instruments are classified as "Financial assets held for trading" and are shown in the item "Financial assets at fair value through profit or loss". Helvetia Group currently does not use hedge accounting as defined by IAS 39. The hedging strategies used by Helvetia Group for risk management purposes are described in Note 17 (from page 172).

Derivatives may also be embedded in financial instruments, insurance contracts or other contracts. They are measured either together with their host contract or separately at fair value. The underlying security and derivative are measured and recognised separately if the risk characteristics of the embedded derivative are not closely related to those of the host contract. Changes in the fair value of derivatives are recognised in the income statement.

2.13 Financial liabilities

Financial liabilities are initially recognised at fair value. Directly attributable transaction costs are offset, except in the case of financial liabilities at fair value through profit or loss. After initial recognition, financial liabilities are carried at fair value or amortised cost (AC). The financial liability is derecognised when the obligation has been discharged.

Those financial liabilities that are either held for trading or irrevocably classified upon initial recognition as "designated as at fair value through profit or loss" are recognised at fair value. The latter classification is given to deposits if they are associated with investment contracts or products for which the policyholder benefit is almost identical with the investment return. For these deposits for investment contracts without a discretionary participation feature (see Note 2.14) only the withdrawals and allocations that are part of the operating result are recorded in the income statement. The risk and cost portions of premiums from policyholders are recognised in the income statement and recorded in the item "Other income". The policyholder's deposit is directly credited or debited with the investment portion of the premium.

Those financial liabilities not held for trading and also not designated as at fair value through profit or loss are recognised at amortised cost. Interest expenses for financial liabilities that are used for financing purposes are recognised in the income statement as "Finance costs". Depreciation and appreciation resulting from the amortised cost method are offset against interest expenses in the income statement.

2.14 Insurance operations

Direct business includes assumed primary business and business ceded to reinsurers. Indirect business consists of assumed reinsurance business and business retroceded to reinsurers. The actuarial items are described as "gross" before deduction of ceded business and as "net" after the deduction.

Insurance contracts as defined by IFRS comprise all products containing a significant insurance risk. The significance is assessed at product level.

Contracts that are considered insurance products in the formal sense of the law and mainly carry financial risk rather than any significant insurance risk are treated as financial instruments unless they carry a discretionary participation feature (DPF), in which case they are classified as insurance contracts. Under IFRS, discretionary participation features are contractual benefits where, in addition to the guaranteed benefit, the policyholder has a claim to the realised or unrealised investment returns on certain assets or to a share of the insurance company's profit or loss. This additional benefit must form a significant proportion of the overall contractual benefit, and its amount or timing must be at the insurance company's discretion.

2.14.1 Non-life business

The actuarial items in non-life business are established group-wide on the same principles. All non-life insurance products of Helvetia Group contain significant insurance risk and are recognised as insurance contracts.

Loss reserves are set aside for all claims incurred by the end of the accounting period. The reserves also include provisions for claims incurred but not yet reported. Actuarial methods that take account of uncertainties are applied to determine the amount of reserves. Reserves are not discounted, except for those provisions for claims for which there are payment arrangements.

Reserve estimates and the assumptions on which they are based are reviewed continuously. Valuation changes are taken to profit or loss at the time of the change.

A Liability Adequacy Test (LAT) is carried out on every reporting date to determine whether, taking into consideration expected future cash flows, the existing liabilities of each business line (property, motor vehicle, liability, transport and accident/health insurance) at all Group companies are adequately covered up to the reporting date in order to ensure a loss-free valuation. Expected future premium income is compared to expected claims expenses, expected administration and acquisition costs and expected policyholder dividends. If the expected costs exceed the expected premium income, the loss reserves are increased.

Premiums are booked at the beginning of the contract period. Earned premiums are calculated pro rata per individual contract and recorded as income for the relevant risk periods. Premium proportions relating to future business periods are accounted for as unearned premium reserves. The cost of claims is assigned to the relevant period. Helvetia Group does not defer acquisition costs in non-life business.

2.14.2 Life business

Helvetia Group classifies all life insurance products containing significant insurance risk as insurance contracts.

The valuation and accounting principles applied locally by the life companies determine the actuarial items in life business. The assumptions made in setting the reserves are based on best estimate principles that, firstly, take account of the business-specific situation, such as existing capital investments and the market situation as well as, for example, possible yields from reinvestments, and secondly, local actuarial bases of calculation (e.g. interest rates, mortality). The assumptions vary according to country, product and year of acceptance, and take account of country-specific experiences.

Unearned premium reserves and actuarial reserves are calculated using local methods. Zillmerisation is not applied to actuarial reserves in any country market apart from Germany and Austria.

All Group companies defer acquisition costs under local accounting rules. Depending on the country, either the effectively incurred acquisition costs or acquisition cost surcharges included in the premium are deferred in part.

A Liability Adequacy Test (LAT) is applied at each reporting date to examine whether existing reserves are sufficient to cover expected future needs. The reserve increases that are shown by the LAT to be necessary are calculated group-wide according to standard principles. The LAT is based on actuarial principles using best estimate assumptions. The estimate of expected needs is calculated by using the difference between the present value of the benefits (including expected administration costs and expected policyholder dividends) and the present value of expected gross premiums. If expected needs exceed existing reserves (less deferred acquisition costs not included in the actuarial reserve), the actuarial reserve is increased to the required level through profit or loss.

Policyholders with contracts containing discretionary participation features may have the right to participate in local investment returns on capital or local company results under statutory or contractual regulations. Provisions set up for that purpose in accordance with local accounting principles are not changed under IFRS rules and are included under “Provision for future policyholder participation” or under “Actuarial reserve” in the balance sheet.

Portions of the valuation differences in relation to local accounting principles allocated to contracts containing discretionary participation features which affect either the net income or unrealised gains in equity are also reserved under the aforementioned balance sheet item. The portion is equal to the percentage rate which sets the minimum participation level of policyholders in the respective revenues under local statutory or contractual regulations. This participation in income is credited or debited to the item “Provision for future policyholder participation” through profit or loss. Similarly, the portion of unrealised gains or losses is recognised in the provisions without affecting profit or loss.

The remaining gains – either through profit or loss or with no impact on the results – that relate to contracts with a discretionary participation feature (i.e. every share for which no legal or contractual obligations exist) are recorded under “Valuation reserves for contracts with participation features” within equity.

Bonuses already assigned which accrue interest are allocated to the deposits of policyholders and are contained in the balance sheet as “Financial liabilities from insurance business”.

If insurance contracts contain both an insurance and a deposit component, unbundling is carried out if the rights and obligations resulting from the deposit component cannot be fully reflected without a separate valuation of the deposit component.

Financial derivatives embedded in insurance contracts that are not closely related to the host contract are recognised at fair value. Option pricing techniques are used to assess embedded derivatives. Such embedded derivatives are accounted for under “Other financial liabilities”, separate from the actuarial reserve.

Premiums, insurance benefits and costs arising from life insurance contracts are booked as they fall due. These income and expenses are accrued or deferred so that profit from the contracts is recognised in the appropriate period.

2.14.3 Reinsurance

Reinsurance contracts are contracts between insurance companies. As in primary insurance business, there must be sufficient risk transfer for a transaction to be booked as a reinsurance contract, otherwise the contract is considered a financial instrument.

The direct business transferred to reinsurance companies is called ceded reinsurance and includes cessions from direct life and non-life business. Premiums, unearned premium reserves and premium adjustments for ceded business are recognised and shown separately from primary business in the financial statements. The accounting rules used for primary insurance business apply to ceded business.

Assets from ceded reinsurance business are regularly reviewed for potential impairment and uncollectibility. If there is objective and substantial evidence of permanent impairment at the balance sheet date, the difference between the carrying value and estimated recoverable amount is recognised in the income statement as an impairment loss.

Indirect business accepted by another insurance company is called assumed reinsurance. As in primary insurance business, technical reserves are included in the respective actuarial items on the liabilities side, and are similarly estimated using mathematical-statistical models and the most up-to-date information available. They also reflect uncertainties. Non-traditional insurance contracts are treated as financial instruments and are reported under “Reinsurance assets” or “Financial liabilities from insurance business” if no significant insurance risks have been transferred. Net commission is reported directly in the income statement.

Indirect business ceded to insurance companies outside the Group is reported as retrocession. The principles of ceded business apply in this instance.

2.15 Income taxes

Actual income tax assets and liabilities are calculated using the currently applicable tax rates. Income tax assets and liabilities are only recognised if a reimbursement or payment is expected.

Deferred income tax assets and liabilities are calculated using the tax rate changes enacted or substantively enacted as of the balance sheet date. Deferred taxes are recognised for all temporary differences between the IFRS carrying values of assets and liabilities and the tax bases of these assets and liabilities, using the liability method. Deferred tax assets from losses carried forward are recorded only to the extent that it is probable that future taxable profit can be offset against the relevant losses. Deferred tax assets and liabilities are offset when an enforceable legal right was granted by the tax authorities in question to set off actual tax assets and liabilities.

2.16 Receivables

Receivables from insurance business and other receivables are carried at amortised cost which is, in general, the nominal value of the receivables. Impairment is recognised in the income statement. The impairment loss is reported under "Other expenses" in the income statement.

Impairment for receivables from insurance business is booked as individual impairment or collective impairment. If the counterparty does not meet its payment obligations during the normal reminder procedure, the claims are impaired on the basis of the historic delinquency ratio for specific risk groups. Individual impairment is also carried out to take account of current default risks, in the event the counterparty is overindebted or threatened by bankruptcy, or in the event of foreclosure.

2.17 Accrued investment income

Interest income on interest-bearing financial investments and loans that must be allocated to the reporting year is accrued or deferred under financial assets.

2.18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term liquid investments with a maturity of 90 days or less from the date of acquisition.

2.19 Treasury shares

Treasury shares are recorded at cost, including transaction costs, and reported as a deduction from equity. In case of a sale the difference between cost and sale price is recorded as a change in capital reserves, with no impact on profit or loss. Treasury shares are exclusively shares of Helvetia Holding AG, St. Gallen.

2.20 Non-technical provisions and contingent liabilities

Non-technical provisions contain current obligations that will probably require an outflow of assets, but the extent of such obligations and the time they will be called have not yet been determined exactly. Provisions are created if, on the balance sheet date and on the basis of a past event, a current obligation exists, the probability of an outflow of assets is high and the extent of the outflow can be reliably estimated.

Any current obligations with a low probability of an outflow of assets or the extent of which cannot be reliably estimated are reported under contingent liabilities.

2.21 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits are due in full within 12 months after the end of the reporting period. They include salaries, social security contributions, holiday and sickness pay, bonuses and non-monetary benefits for active employees. Expected expenses for entitlements which can be accumulated, such as accrued holiday and overtime entitlements, are recognised as short-term liabilities at the balance sheet date.

Post-employment benefits pertain to defined contribution plans and defined benefit plans. The amount of the employers' contributions for defined contribution plans depends on the employee services rendered during the reporting period and is charged directly to the income statement. For defined benefit plans, pension obligations and related expenses are calculated at each balance sheet date by a qualified actuary, using the projected unit credit method. The actuarial assumptions applied to the calculations consider the regulations of the respective countries and Group companies. Changes in the assumptions or differences between the expected and actual return from the plan's assets are actuarial gains and losses. Actuarial gains and losses to be depreciated in the income statement are recorded for each individual plan using the "corridor method", under which recognition is only required if the balance of the accumulated, unrecognised actuarial gains and losses exceeds the greater of 10% of the present value of the defined benefit obligations and 10% of the fair value of plan assets at the end of the previous reporting period. The portion of actuarial gains and losses outside the 10%-corridor is recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

For funded benefit plans, a surplus in the plan may arise if the fair value of the plan assets exceeds the present value of the defined benefit obligations. Portions of this surplus are only recognised and recorded as an asset if an economic benefit in the form of future reductions in contributions or refunds to the employer arises. There is a contribution reduction as defined by IFRS if the employer must pay lower contributions than service cost. A review is also carried out to ensure that newly arising actuarial gains or losses do not lead to an increase or decrease in the assets on record.

Other long-term employee benefits are benefits that fall due 12 months or more after the balance sheet date. At Helvetia Group, these consist mainly of long-service awards and are calculated using actuarial principles. The amount recognised in the balance sheet is equal to the present value of the defined benefit obligation less any plan assets.

Termination benefits consist, for example, of severance pay and benefits from social schemes for redundancies. Such benefits are immediately recognised as expenses in the income statement at the time the employment relationship is terminated.

2.22 Share-based payments

Share-based payment transactions include all compensation agreements under which employees receive shares, options or similar equity instruments or the granting Group company assumes obligations that depend on the price of its shares. All share-based payment transactions with employees are recognised at fair value.

Equity instruments granted to employees through employee share purchase plans represent compensation for services already rendered for which compensation expenses arise in the granting company. The amount of the compensation expenses is based on the fair value of the equity instruments at the grant date and is expensed over the vesting period.

2.23 Other liabilities

Other liabilities are carried at amortised cost, which is generally equal to the nominal value.

2.24 Offsetting of assets and liabilities

Assets and liabilities are netted in the balance sheet when there is a legal right to set off the recognised amounts and only the net position has actually been reported.

3. Segment information

The management structure of Helvetia Group is primarily based on country markets. Each country has its own management team which is in charge of the operational management of all local business units and carries responsibility for the legal entities.

With the exception of the reinsurance business, segmentation is based on the country markets where all service-rendering activities occur. These country markets also reflect the locations where customers of Helvetia Group reside.

The operating segments of Helvetia Group derived from this structure comprise the country markets "Switzerland", "Germany", "Italy", "Spain" and "Other insurance units", including Austria, France and the global reinsurance business. The "Corporate" segment is a separate reporting segment and includes all Group activities as well as the financing companies and Helvetia Holding AG.

The following changes were made compared to the previous segment reporting pursuant to IAS 14 Segment reporting:

- Group expenses and income previously reported in the "Switzerland" segment are now included in the new "Corporate" segment.
- The financing companies and Helvetia Holding AG were moved from the former "Others" segment and the "Switzerland" segment to the new "Corporate" segment.
- Reclassification of consolidation effects between the segments.
- The "Others" segment including France, Austria and Reinsurance was renamed "Other insurance units".

For additional information, Helvetia Group classifies its activities as life business, non-life business and other activities.

In the life business, Helvetia Group offers various product lines, such as life insurance, pension plans and annuities. The non-life business includes property, motor vehicle, liability and transport insurance policies as well as health and accident insurance coverage. Units that are not involved in any actuarial business that can be allocated directly to the "life" or "non-life" segments are included in one of these two segments.

All other units as well as the assumed and ceded reinsurance business are included in "Other activities".

The accounting policies that apply to the segment reporting are the same as those described in the summary of significant accounting policies. Inter-segmental services and transfers of assets and liabilities are made on an arm's length basis. Investments in other companies and investment and interest income from subsidiaries between the segments are eliminated within the respective segment. All other inter-segmental relations and revenues within the Group are eliminated in full.

The prior-year segment reporting figures have been adjusted to the new segment structure. This does not have any effect on the consolidated income statement.

The assignment of individual Group entities to the various regional and business segments is explained in Note 19 (from page 195).

3.1 Segment information

	Switzerland		Germany		Italy	
	2009	2008	2009	2008	2009	2008
in CHF million						
Income						
Gross premiums written	3 332.6	3 052.6	859.5	874.4	925.4	510.1
Reinsurance premiums ceded	–119.9	–99.6	–100.5	–92.3	–74.4	–56.8
Net premiums written	3 212.7	2 953.0	759.0	782.1	851.0	453.3
Net change in unearned premium reserve	–1.4	2.8	–0.8	–2.6	–32.7	13.8
Net earned premiums	3 211.3	2 955.8	758.2	779.5	818.3	467.1
Interest and dividend income	477.5	486.3	86.6	96.2	141.8	76.6
Gains and losses on investments (net)	105.1	–718.4	38.6	–102.4	95.6	–64.4
Income on investment property	221.5	302.3	–9.6	1.5	1.9	1.2
Other income	14.6	20.3	4.8	4.2	36.2	33.4
Total operating income	4 030.0	3 046.3	878.6	779.0	1 093.8	513.9
of which transactions between geographical segments	71.2	69.0	77.1	75.3	31.8	38.5
Total revenues from external customers	4 101.2	3 115.3	955.7	854.3	1 125.6	552.4
Expenses						
Claims incurred including claims handling costs (non-life)	–292.2	–171.0	–363.7	–360.0	–297.2	–239.2
Claims and benefits paid (life)	–1 958.9	–2 147.4	–134.1	–135.0	–201.9	–185.5
Change in actuarial reserves	–995.0	–67.7	–141.2	–52.6	–283.9	50.7
Reinsurers' share of benefits and claims	24.6	32.8	52.3	54.8	58.4	32.5
Policyholder dividends and bonuses	–98.3	–21.2	–1.7	12.7	–10.4	5.7
Net insurance benefits and claims	–3 319.8	–2 374.5	–588.4	–480.1	–735.0	–335.8
Acquisition costs	–197.7	–198.1	–188.7	–192.3	–110.1	–91.8
Reinsurers' share of acquisition costs	18.7	18.1	23.1	20.7	18.1	14.9
Operating and administrative expenses	–235.4	–238.3	–60.7	–77.1	–78.3	–59.6
Interest payable	–29.4	–34.6	–2.9	–3.6	–4.3	–5.3
Other expenses	–22.3	–23.0	–15.9	–16.3	–149.8	–6.8
Total operating expenses	–3 785.9	–2 850.4	–833.5	–748.7	–1 059.4	–484.4
Profit or loss from operating activities	244.1	195.9	45.1	30.3	34.4	29.5
Financing costs	-	-	-	-	–1.0	–2.7
Share of profit or loss of associates	0.4	0.6	-	-	-	-
Profit or loss before tax	244.5	196.5	45.1	30.3	33.4	26.8
Income taxes	–49.9	–19.8	–11.3	–14.3	–13.9	–12.1
Profit or loss for the period	**194.6**	**176.7**	**33.8**	**16.0**	**19.5**	**14.7**

Spain		Other insurance units		Corporate		Elimination		Total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
523.9	547.7	864.2	834.0	-	-	−203.2	−191.5	6 302.4	5 627.3
−40.2	−39.5	−200.8	−182.5	-	-	203.6	193.3	−332.2	−277.4
483.7	508.2	663.4	651.5	-	-	0.4	1.8	5 970.2	5 349.9
−1.7	−6.1	−24.5	−3.2	-	-	−0.4	−1.8	−61.5	2.9
482.0	502.1	638.9	648.3	-	-	0.0	0.0	5 908.7	5 352.8
28.2	34.5	76.3	83.9	8.8	20.4	−2.0	−4.6	817.2	793.3
21.4	−59.4	8.4	−74.5	−6.5	40.7	0.0	0.0	262.6	−978.4
−2.4	5.8	24.7	15.0	-	−1.6	-	-	236.1	324.2
6.5	2.9	6.9	9.2	1.4	0.3	−3.1	−3.0	67.3	67.3
535.7	485.9	755.2	681.9	3.7	59.8	−5.1	−7.6	7 291.9	5 559.2
28.0	29.8	−211.4	−216.1	−1.8	−4.1	5.1	7.6	-	-
563.7	515.7	543.8	465.8	1.9	55.7	-	-	7 291.9	5 559.2
−237.5	−215.8	−461.5	−399.2	-	-	95.9	92.6	−1 556.2	−1 292.6
−99.2	−96.8	−150.9	−144.5	-	-	8.9	6.1	−2 536.1	−2 703.1
−34.7	−25.0	−10.4	−7.9	-	-	−1.8	−1.2	−1 467.0	−103.7
16.0	15.2	129.4	97.3	-	-	−103.0	−97.5	177.7	135.1
-	-	−6.6	2.0	-	-	-	-	−117.0	−0.8
−355.4	−322.4	−500.0	−452.3	-	-	0.0	-	−5 498.6	−3 965.1
−93.3	−88.2	−189.6	−181.0	-	-	50.9	46.9	−728.5	−704.5
8.9	9.2	44.0	42.9	-	-	−51.1	−47.6	61.7	58.2
−36.5	−42.6	−50.7	−61.0	−12.6	−44.8	0.3	0.6	−473.9	−522.8
−1.0	−3.5	−0.8	−1.2	−0.2	−0.4	3.3	5.8	−35.3	−42.8
−1.5	−0.9	−10.5	21.9	−0.5	−55.8	1.7	1.9	−198.8	−79.0
−478.8	−448.4	−707.6	−630.7	−13.3	−101.0	5.1	7.6	−6 873.4	−5 256.0
56.9	37.5	47.6	51.2	−9.6	−41.2	0.0	0.0	418.5	303.2
-	-	-	-	−6.3	−6.3	-	-	−7.3	−9.0
0.8	0.8	0.0	0.0	-	-	-	-	1.2	1.4
57.7	38.3	47.6	51.2	−15.9	−47.5	0.0	0.0	412.4	295.6
−16.1	−12.9	−5.2	−10.8	4.5	4.8	0.0	0.0	−91.9	−65.1
41.6	**25.4**	**42.4**	**40.4**	**−11.4**	**−42.7**	**0.0**	**0.0**	**320.5**	**230.5**

3.2 Information by business activities

	Life		Non-life	
	2009	2008	2009	2008
in CHF million				
Income				
Gross premiums written	3 676.5	3 061.1	2 386.5	2 351.1
Reinsurance premiums ceded	–60.1	–55.0	–319.2	–265.6
Net premiums written	3 616.4	3 006.1	2 067.3	2 085.5
Net change in unearned premium reserve	0.9	1.0	–38.2	5.7
Net earned premiums	3 617.3	3 007.1	2 029.1	2 091.2
Interest and dividend income	689.0	643.7	106.7	124.6
Gains and losses on investments (net)	259.2	–807.6	14.3	–153.5
Income on investment property	208.6	312.5	13.9	12.2
Other income	45.3	37.0	20.7	26.6
Total operating income	4 819.4	3 192.7	2 184.7	2 101.1
Expenses				
Claims incurred including claims handling costs (non-life)	-	-	–1 394.3	–1 143.9
Claims and benefits paid (life)	–2 529.4	–2 698.1	-	-
Change in actuarial reserves	–1 467.6	–100.9	-	-
Reinsurers' share of benefits and claims	22.5	21.3	169.7	129.0
Policyholder dividends and bonuses	–114.9	0.4	–2.1	–1.2
Net insurance benefits and claims	–4 089.4	–2 777.3	–1 226.7	–1 016.1
Acquisition costs	–176.0	–180.2	–503.0	–473.5
Reinsurers' share of acquisition costs	16.0	14.9	62.9	58.2
Operating and administrative expenses	–233.1	–214.8	–221.8	–256.6
Interest payable	–38.3	–46.8	–0.9	–8.3
Other expenses	–165.7	–26.2	–20.7	–26.8
Total operating expenses	–4 686.5	–3 230.4	–1 910.2	–1 723.1
Profit or loss from operating activities	132.9	–37.7	274.5	378.0
Financing costs	-	-	–1.0	–2.7
Share of profit or loss of associates	0.4	0.6	0.8	0.8
Profit or loss before tax	133.3	–37.1	274.3	376.1
Income taxes	–31.3	17.5	–64.3	–86.8
Profit or loss for the period	**102.0**	**–19.6**	**210.0**	**289.3**

Other activities		Elimination		Total	
2009	2008	2009	2008	2009	2008
457.0	418.9	−217.6	−203.8	6 302.4	5 627.3
−170.9	−162.5	218.0	205.7	−332.2	−277.4
286.1	256.4	0.4	1.9	5 970.2	5 349.9
−23.8	−1.9	−0.4	−1.9	−61.5	2.9
262.3	254.5	0.0	0.0	5 908.7	5 352.8
25.5	39.8	−4.0	−14.8	817.2	793.3
−10.9	−17.3	0.0	0.0	262.6	−978.4
13.6	−0.5	-	-	236.1	324.2
7.6	7.0	−6.3	−3.3	67.3	67.3
298.1	283.5	−10.3	−18.1	7 291.9	5 559.2
−283.1	−248.6	121.2	99.9	−1 556.2	−1 292.6
−15.7	−11.6	9.0	6.6	−2 536.1	−2 703.1
2.1	−1.6	−1.5	−1.2	−1 467.0	−103.7
114.2	90.1	−128.7	−105.3	177.7	135.1
-	-	-	-	−117.0	−0.8
−182.5	−171.7	0.0	0.0	−5 498.6	−3 965.1
−101.6	−99.2	52.1	48.4	−728.5	−704.5
35.1	34.2	−52.3	−49.1	61.7	58.2
−19.3	−52.0	0.3	0.6	−473.9	−522.8
−1.3	−3.8	5.2	16.1	−35.3	−42.8
−17.4	−28.1	5.0	2.1	−198.8	−79.0
−287.0	−320.6	10.3	18.1	−6 873.4	−5 256.0
11.1	−37.1	0.0	0.0	418.5	303.2
−6.3	−6.3	-	-	−7.3	−9.0
-	-	-	-	1.2	1.4
4.8	−43.4	0.0	0.0	412.4	295.6
3.7	4.2	0.0	0.0	−91.9	−65.1
8.5	**−39.2**	**0.0**	**0.0**	**320.5**	**230.5**

3.3 Additional information

By segment

31 December	Switzerland 2009	2008	Germany 2009	2008	Italy 2009	2008
in CHF million						
Assets by geographical segment	24 028.8	22 330.4	2 909.0	2 744.2	4 996.3	4 513.2
of which investments	22 756.1	21 178.8	2 487.0	2 300.1	4 146.5	3 732.3
of which investments in associates	45.6	45.3	14.1	8.0	-	-
Liabilities by geographical segment	22 087.0	20 686.8	2 577.7	2 441.7	4 657.5	4 222.0
of which technical provisions (gross)	20 116.1	18 983.6	2 141.6	2 017.0	2 485.8	2 143.8
Cash flow from operating activities (net)	51.5	–637.3	–21.6	29.7	–15.9	164.4
Cash flow from investing activities (net)	–77.4	94.9	11.6	–18.3	33.6	–63.9
Cash flow from financing activities (net)	157.2	378.8	–0.6	–1.4	11.6	–5.7
Acquisition of owner-occupied property, equipment and intangible assets	7.0	102.1	1.8	14.2	21.4	170.7
Depreciation and amortisation on tangible and intangible assets	–10.1	–13.6	–4.0	–3.6	–6.8	–7.3
Impairment of tangible and intangible assets affecting income	-	-	-	-	-	-
Reversal of impairment losses on tangible and intangible assets affecting income	-	-	-	-	-	-
Share-based payment transaction costs	–0.6	–4.3	-	-	-	-

By business activities

31 December	Life 2009	2008	Non-life 2009	2008
in CHF million				
Assets by business segment	30 130.5	27 946.7	5 173.2	4 817.2
Liabilities by business segment	28 686.5	26 672.3	3 537.3	3 414.7
Acquisition of owner-occupied property, equipment and intangible assets	2.8	243.6	43.1	51.4
Depreciation and amortisation on tangible and intangible assets	–8.3	–14.3	–18.1	–20.6
Impairment of tangible and intangible assets affecting income	-	-	-	-
Reversal of impairment losses on tangible and intangible assets affecting income	-	-	-	-
Share-based payment transaction costs	–0.3	–2.2	–0.3	–2.1

	Spain		Other insurance units		Corporate		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	1 411.2	1 339.8	3 111.3	2 885.2	321.3	391.7	–391.7	–421.5	36 386.2	33 783.0
	1 127.4	1 091.8	2 286.5	2 149.4	293.9	364.3	–25.0	–57.6	33 072.4	30 759.1
	2.7	2.6	0.0	0.1	-	-	-	-	62.4	56.0
	1 195.5	1 169.6	2 772.9	2 555.0	350.5	355.7	–391.7	–421.5	33 249.4	31 009.3
	1 027.5	1 011.0	2 362.7	2 221.3	-	-	–219.9	–212.0	27 913.8	26 164.7
	46.8	64.7	106.4	557.3	–79.7	251.1	255.5	17.9	343.0	447.8
	–2.5	–3.1	–27.1	–19.3	–39.6	–157.5	24.6	–159.1	–76.8	–326.3
	–33.5	–69.4	–70.3	–539.1	124.8	–96.4	–280.1	141.3	–90.9	–191.9
	3.4	4.2	23.0	8.1	0.5	0.0	-	-	57.1	299.3
	–3.3	–3.0	–5.0	–9.5	–1.8	–1.5	-	-	–31.0	–38.5
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	–0.6	–4.3

	Other activities		Elimination		Total	
	2009	2008	2009	2008	2009	2008
	1 517.6	1 464.1	–435.1	–445.0	36 386.2	33 783.0
	1 460.7	1 367.3	–435.1	–445.0	33 249.4	31 009.3
	11.2	4.3	-	-	57.1	299.3
	–4.6	–3.6	-	-	–31.0	–38.5
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	–0.6	–4.3

3.4 Gross premiums by regional and business segment

		Gross premiums		Elimination		Total		Change in %	Change in % (FX-adjusted)
		2009	2008	2009	2008	2009	2008		
in CHF million									
Switzerland	non-life	629.1	627.0	-	-	629.1	627.0	0.3	0.3
Switzerland	life	2703.5	2425.6	-	-	2703.5	2425.6	11.5	11.5
Total Switzerland		3332.6	3052.6	-	-	3332.6	3052.6	9.2	9.2
Germany	non-life	612.4	625.8	–2.9	-	609.5	625.8	–2.6	2.0
Germany	life	247.1	248.6	-	-	247.1	248.6	–0.6	4.1
Total Germany		859.5	874.4	–2.9	-	856.6	874.4	–2.0	2.6
Italy	non-life	462.0	392.5	-	-	462.0	392.5	17.7	23.3
Italy	life	463.4	117.6	-	-	463.4	117.6	294.1	312.8
Total Italy		925.4	510.1	-	-	925.4	510.1	81.4	90.0
Spain	non-life	382.9	408.3	-	-	382.9	408.3	–6.2	–1.8
Spain	life	141.0	139.4	-	-	141.0	139.4	1.2	6.0
Total Spain		523.9	547.7	-	-	523.9	547.7	–4.3	0.2
Other countries	non-life	300.1	297.5	–0.2	-	299.9	297.5	0.8	5.6
Other countries	life	121.5	129.9	-	-	121.5	129.9	–6.5	–2.1
Reinsurance		442.6	406.6	–200.1	–191.5	242.5	215.1	12.7	12.7
Total other insurance business		864.2	834.0	–200.3	–191.5	663.9	642.5	3.3	6.4
Total gross premiums		**6505.6**	**5818.8**	**–203.2**	**–191.5**	**6302.4**	**5627.3**	**12.0**	**14.3**

3.5 Gross premiums by business line

in CHF million	Gross premiums 2009	2008	Change in %	Change in % (FX-adjusted)
Individual insurance	1 433.9	927.9	54.5	58.4
Group insurance	2 065.2	1 790.6	15.3	15.6
Unit-linked life insurance	177.4	342.6	–48.2	–46.7
Gross premiums life	3 676.5	3 061.1	20.1	21.6
Property	983.1	974.7	0.9	4.0
Transport	194.1	228.4	–15.0	–11.5
Motor vehicle	770.5	745.0	3.4	7.2
Liability	258.3	249.3	3.6	6.8
Accident/health	177.4	153.7	15.4	20.9
Gross premiums non-life	2 383.4	2 351.1	1.4	4.9
Gross premiums reinsurance	242.5	215.1	12.7	12.7
Total gross premiums	**6 302.4**	**5 627.3**	**12.0**	**14.3**

3.6 Gross premiums and deposits received

In accordance with the Group's accounting policies, deposits from investment contracts are not recognised in the income statement.

	Business volume		Change in %	Change in % (FX-adjusted)
	2009	2008		
in CHF million				
Gross premiums life	3676.5	3061.1	20.1	21.6
Deposits received from investment contracts life [1]	408.6	85.0	380.7	403.4
Gross premiums and deposits received life	4085.1	3146.1	29.8	31.9
Gross premiums non-life	2383.4	2351.1	1.4	4.9
Gross premiums reinsurance	242.5	215.1	12.7	12.7
Gross premiums and deposits received	**6711.0**	**5712.3**	**17.5**	**20.1**

[1] Currently, all deposits from investment contracts life relate to the country market Italy.

4. Foreign currency translation

4.1 Exchange rates

The Euro, Swiss franc, British pound and US dollar are the functional currencies in the individual business units of Helvetia Group. The following exchange rates apply to the translation of these financial statements and foreign currency transactions:

Exchange rate at reporting date	31.12.2009	31.12.2008
1 EUR	1.4832	1.4795
1 USD	1.0338	1.0644
1 GBP	1.6694	1.5303

Annual average	2009 Jan–Dec	2008 Jan–Dec
1 EUR	1.5069	1.5781
1 USD	1.0824	1.0781
1 GBP	1.6945	1.9760

4.2 Foreign exchange gains and losses

The foreign exchange results in the 2009 consolidated income statement show a profit of CHF 6.3 million (previous year: CHF –257.4 million). The foreign exchange gains and losses from financial investments are included in "Gains and losses on investments" in the consolidated income statement and amount to CHF 3.3 million (previous year: CHF –224.2 million) excluding foreign currency translation differences from investments at fair value through profit or loss. Other foreign exchange results are reported under "Other income" and "Other expenses".

5. Property and equipment

in CHF million	Undeveloped land 2009	2008	Owner-occupied property 2009	2008	Equipment 2009	2008
Acquisition costs						
Balance as of 1 January	9.3	9.3	491.9	523.5	100.6	101.7
Change in scope of consolidation	-	-	-	-	0.3	0.1
Additions	-	-	1.5	2.2	12.8	11.6
Disposals	-	-	-	–0.3	–1.7	–4.6
Revaluation gains on transfers to investment property	-	-	0.7	1.1	-	-
Transfer	-	-	40.0	–7.7	-	-
Foreign currency translation differences	-	-	–0.2	–26.9	0.0	–8.2
Other changes	-	-	-	-	5.7	-
Balance as of 31 December	**9.3**	**9.3**	**533.9**	**491.9**	**117.7**	**100.6**
Accumulated depreciation/impairment						
Balance as of 1 January	4.0	4.0	146.9	149.3	79.5	82.3
Depreciation	-	-	9.9	8.4	9.9	7.5
Impairment	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-
Disposals depreciation/impairment	-	-	-	–0.2	–1.2	–4.0
Transfer	-	-	–4.8	–1.7	-	-
Foreign currency translation differences	-	-	0.1	–8.9	0.1	–6.3
Balance as of 31 December	**4.0**	**4.0**	**152.1**	**146.9**	**88.3**	**79.5**
Book value as of 31 December	**5.3**	**5.3**	**381.8**	**345.0**	**29.4**	**21.1**
of which assets under finance lease	-	-	54.2	-	-	-
Book value as of 1 January	5.3	5.3	345.0	374.2	21.1	19.4

[1] Due to the amendments to IAS 40 and IAS 16, a large part (CHF 184.9 million) of the “Property under construction” is now recognised as “Investment property”.

Property under construction		Total	
2009	2008	2009	2008
234.2	165.8	836.0	800.3
-	-	0.3	0.1
9.7	127.1	24.0	140.9
−0.3	-	−2.0	−4.9
-	-	0.7	1.1
-239.0[1]	−52.3	−199.0	−60.0
1.2	−6.4	1.0	−41.5
−5.7	-	-	-
0.1	**234.2**	**661.0**	**836.0**
3.6	4.1	234.0	239.7
-	-	19.8	15.9
-	-	-	-
-	-	-	-
-	-	−1.2	−4.2
−3.7	-	−8.5	−1.7
0.1	−0.5	0.2	−15.7
0.0	**3.6**	**244.3**	**234.0**
0.1	**230.6**	**416.7**	**602.0**
-	51.3	54.2	51.3
230.6	161.7	602.0	560.6

6. Goodwill and other intangible assets

in CHF million	Goodwill 2009	Goodwill 2008	Other intangible assets 2009	Other intangible assets 2008	Total 2009	Total 2008
Acquisition costs						
Balance as of 1 January	64.8	24.9	253.7	164.2	318.5	189.1
Change in the scope of consolidation	19.6	45.3	0.0	97.5	19.6	142.8
Additions	-	-	13.0	15.6	13.0	15.6
Disposals	-	-	–0.3	–6.6	–0.3	–6.6
Foreign currency translation differences	–0.3	–5.4	0.3	–17.0	0.0	–22.4
Balance as of 31 December	**84.1**	**64.8**	**266.7**	**253.7**	**350.8**	**318.5**
Accumulated amortisation/impairment						
Balance as of 1 January	0.1	0.1	135.8	124.1	135.9	124.2
Amortisation	-	-	25.1	22.6	25.1	22.6
Impairment	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-
Disposals amortisation/impairment	-	-	–0.2	–1.5	–0.2	–1.5
Foreign currency translation differences	0.0	0.0	–0.1	–9.4	–0.1	–9.4
Balance as of 31 December	**0.1**	**0.1**	**160.6**	**135.8**	**160.7**	**135.9**
Book value as of 31 December	**84.0**	**64.7**	**106.1**	**117.9**	**190.1**	**182.6**
Book value as of 1 January	64.7	24.8	117.9	40.1	182.6	64.9

In 2009, goodwill of CHF 19.6 million was recognised for the takeover of L'Européenne d'Assurance Transport S.A. (CEAT). Details are provided in Note 19 (from page 195). This goodwill primarily represents expected synergies and future growth potential in the French transport insurance market, and it has been allocated to the "Other insurance units" segment.

Goodwill is tested annually for impairment in accordance with Note 2.9 (from page 105). The goodwill impairment test was based on the following growth and discount rates, assuming cash flows in perpetuity:

Assumptions:	growth rate	Applied discounting interest rate
Helvetia Compañía Suiza S.A.	1.0%	10.26%
Chiara Vita S.p.A.	1.5%	8.00%
Padana Assicurazioni S.p.A.	1.5%	10.55%
L'Européenne d'Assurance Transport S.A. (CEAT)	1.0%	9.86%

The impairment test carried out in 2009 did not result in any impairment loss. The recoverable amount was determined by calculating the value in use. This calculation required management to make estimates of expected cashflows to be derived from the asset. These free cash flows are usually considered for a period of two to five years and are based on the budget approved by management and the strategic planning. The growth rate was set by management and is based on past experience and future expectations. The applied discounting rates are pre-tax rates and relate to the risks allocated to the business units in question. Management believes that any reasonable change in any of the key assumptions used to determine the recoverable amount of the individual segments will not result in impairment.

Helvetia Group's "Other intangible assets" mainly comprise a long-term sales agreement between Chiara Vita and Banco di Desio, the value of the acquired insurance business (present value of future payment flows from the acquisition of long-term insurance or investment contracts), and purchased and internally developed software.

7. Investments

7.1 Investment income

	Notes	2009	2008
in CHF million			
Interest and dividend income	7.1.1	817.2	793.3
Gains and losses on investments (net)	7.1.3	262.6	–978.4
Income on investment property	7.1.5	236.1	324.2
Share of profit or loss of associates		1.2	1.4
Investment income (gross)		1 317.1	140.5
Investment management expenses on financial assets		–19.3	–9.5
Investment management expenses on property		–58.6	–59.0
Investment income (net)		**1 239.2**	**72.0**

Investment management expenses are reported under "Operating and administrative expenses" in the income statement. Investment management expenses on property include all maintenance and repair costs as well as the operating expenses for property that did not generate rental income during the period. The latter amounted to CHF 1.2 million in the reporting year (previous year: CHF 2.0 million).

7.1.1 Interest and dividend income

	2009	2008
in CHF million		
Interest on bonds	583.5	514.5
Interest on loans	165.6	176.8
Interest on money market instruments	7.4	31.9
Interest income	756.5	723.2
Dividends from shares, investment funds and alternative investments	59.4	67.1
Income of securities lending	1.3	3.0
Other	0.0	0.0
Interest and dividend income	**817.2**	**793.3**

Interest income from investments at fair value through profit or loss stood at CHF 44.9 million (previous year: CHF 17.0 million).

7.1.2 Direct yield of interest-rate-sensitive financial assets

	2009	2008
in %		
Bonds	3.3	3.2
Mortgages, loans and money market instruments	2.9	3.6
Total interest rate-sensitive financial assets	**3.2**	**3.3**

7.1.3 Gains and losses on investments by category

in CHF million	2009	2008
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses		
Mortgages	0.0	–0.1
Loans	–0.8	0.2
Realised gains and losses on loans (LAR) incl. money market instruments	–0.8	0.1
Realised gains and losses on disposals of held-to-maturity (HTM) investments including foreign currency gains and losses		
Bonds	2.0	–39.3
Realised gains and losses on HTM investments	2.0	–39.3
Realised gains and losses on disposals of available-for-sale (AFS) investments including foreign currency gains and losses		
Bonds	0.3	–206.1
Shares	21.0	21.1
Investment funds	2.7	2.6
Alternative investments	–4.6	0.0
Realised gains and losses on AFS investments	19.4	–182.4
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses		
Bonds	0.1	0.4
Shares	–0.4	–6.5
Investment funds	16.7	–12.3
Derivative financial instruments	–85.1	304.4
Realised and book gains and losses on financial assets held for trading	–68.7	286.0
Realised and book gains and losses on financial assets designated as at fair value through profit or loss including foreign currency gains and losses		
Bonds	52.5	–30.2
Shares	95.0	–369.3
Investment funds	195.1	–271.7
Alternative investments	–4.4	–5.7
Realised and book gains and losses on financial assets designated as at fair value through profit or loss	338.2	–676.9
Other	0.0	–16.1
Impairment of financial assets of the period	–29.5	–351.0
Reversal of impairment losses on financial assets of the period	2.0	1.2
Total gains and losses on investments (net)	**262.6**	**–978.4**

7.1.4 Gains and losses on investments (net)

in CHF million	2009	2008
Bonds	54.9	–275.2
Shares	115.6	–354.7
Investment funds	214.5	–281.4
Alternative investments	–9.0	–5.7
Derivative financial instruments [1]	–85.1	304.4
Mortgages	0.0	–0.1
Loans	–0.8	0.2
Other	0.0	–16.1
Impairment of financial assets of the period	–29.5	–351.0
Reversal of impairment losses on financial assets of the period	2.0	1.2
Gains and losses on investments (net)	**262.6**	**–978.4**
thereof:		
Gains and losses relating to investments for the account and risk of owners of unit-linked products	179.7	–220.7
Own-account gains and losses on investments (net)	**82.9**	**–757.7**

[1] "Derivatives" comprise gains and losses on derivative financial assets and derivative financial liabilities.

7.1.5 Income on investment property

in CHF million	2009	2008
Rental income	247.0	242.5
Realised and book gains and losses	–10.9	81.7
Total income on investment property	**236.1**	**324.2**

Based on notice periods, tenancies generated operating lease receivables for Helvetia Group of CHF 54.1 million (previous year: CHF 67.6 million) due in less than one year, CHF 117.5 million (previous year: CHF 123.6 million) due between one and five years, and CHF 54.2 million (previous year: CHF 56.3 million) due in more than five years.

7.2 Investments by business segment

as of 31December 2009	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.3	45.5	16.9	-	62.4
Investment property	7.4	3910.5	437.3	3.4	4351.2
Financial assets by class	7.5				
Bonds		15542.4	2223.8	897.8	18664.0
Shares		655.9	65.9	686.4	1408.2
Investment funds		2889.1	292.5	–763.3	2418.3
Alternative investments		181.8	15.8	-	197.6
Derivative financial assets		39.6	3.8	1.3	44.7
Mortgages		3037.3	144.8	–1.7	3180.4
Policy loans		118.2	-	-	118.2
Other loans		1235.8	255.5	-	1491.3
Money market instruments		849.7	275.3	11.1	1136.1
Total Investments		**28505.8**	**3731.6**	**835.0**	**33072.4**

as of 31 December 2008 [1]	Notes	Life	Non-life	Other and elimination	Total
in CHF million					
Investments in associates	7.3	45.4	10.6	-	56.0
Investment property	7.4	3629.4	413.0	23.4	4065.8
Financial assets by class	7.5				
Bonds		13839.9	2125.2	955.0	16920.1
Shares		379.7	44.7	503.9	928.3
Investment funds		2721.4	279.7	–662.5	2338.6
Alternative investments		260.0	21.7	-	281.7
Derivative financial assets		213.0	7.1	1.7	221.8
Mortgages		2973.5	145.4	–2.0	3116.9
Policy loans		125.6	-	-	125.6
Other loans		1316.6	293.1	-	1609.7
Money market instruments		950.8	140.3	3.5	1094.6
Total Investments		**26455.3**	**3480.8**	**823.0**	**30759.1**

[1] The prior-year segment reporting figures have been adjusted to the new segment structure.

7.3 Investments in associates

Under a loan contract Helvetia Swiss Life Insurance Company Ltd, Basel is owed CHF 7.8 million by Tertianum AG, which attracts interest at usual market conditions.

Dividend income from associates totalled CHF 0.8 million (previous year: CHF 1.0 million). Income and expenses in respect of associates are reported in the income statement under "Share of profit or loss of associates".

Investments in associates accounted for under the equity method are listed in the table in Note 19 (from page 195).

7.3.1 Development of investments in associates

in CHF million	2009	2008
Balance as of 1 January	56.0	48.3
Additions	6.3	8.5
Disposals	-	0.0
Unrealised gains and losses in equity	0.1	0.0
Share of profits for the year	0.9	1.1
Dividends paid	–0.8	–1.0
Impairment (net)	-	-
Foreign currency translation differences	–0.1	–0.9
Book value as of 31 December	**62.4**	**56.0**
Impairment losses		
Accumulated impairment losses as of 1 January	7.7	7.7
Impairment losses of the period	-	-
Reversal of impairment losses of the period	-	-
Disposals	-	-
Foreign currency translation differences	-	-
Accumulated impairment losses as of 31 December	**7.7**	**7.7**

7.3.2 Aggregated financial data on associates

The table below shows an aggregated balance sheet and income statement for the investments that are accounted for under the equity method.

as of 31 December	2009	2008
in CHF million		
Assets		
Non-current assets	467.7	428.2
Current assets	35.6	28.6
Total assets	**503.3**	**456.8**
Liabilities and equity		
Equity	240.4	245.3
Long-term liabilities	45.1	170.3
Short-term liabilities	217.8	41.2
Total liabilities and equity	**503.3**	**456.8**

	2009	2008
in CHF million		
Profit for the year		
Income	133.2	133.9
Expenses	–140.9	–131.7
Profit for the year	**–7.7**	**2.2**

Helvetia Group's share in the liabilities of associates amounted to CHF 56.2 million (previous year: CHF 42.9 million). The associates have total contingent liabilities of CHF 148.1 million (previous year: CHF 13.4 million).

7.4 Investment property

	2009	2008
in CHF million		
Balance as of 1 January	4065.8	3970.4
Change in scope of consolidation	–3.3	-
Additions	69.4	16.3
Capitalised subsequent expenditure	121.4	29.5
Disposals	–82.5	–43.2
Realised and book gains and losses	–10.9	81.7
Transfer from/to property and equipment [1]	190.5	58.3
Foreign currency translation differences	0.8	–47.2
Balance as of 31 December	**4351.2**	**4065.8**

[1] Due to the amendments to IAS 40 and IAS 16, a large part (CHF 184.9 million) of the "Property under construction" is now recognised as "Investment properties".

The fair value measurement of the "investment properties" in the portfolio of the Swiss Group companies is calculated using a generally accepted discounted cash flow method. In the year under review, this was based on discounting interest rates ranging from 3.4% to 5.0% (previous year: 3.5% to 5.1%). For all other portfolios, measurement is based on valuation reports by independent experts.

7.5 Financial assets by category and class

as of 31.12.	Book value 2009	2008	Acquisition cost/ amortised cost 2009	2008
in CHF million				
Financial assets at amortised cost				
Loans and receivables (LAR)				
Bonds	2 484.0	1 868.6	2 484.0	1 868.6
Mortgages	3 180.4	3 116.9	3 180.4	3 116.9
Policy loans	118.2	125.6	118.2	125.6
Other loans	1 468.2	1 579.9	1 468.2	1 579.9
Money market instruments	1 136.1	1 094.6	1 136.1	1 094.6
Total "Loans and receivables" (LAR)[1]	8 386.9	7 785.6	8 386.9	7 785.6
Held-to-maturity investments (HTM)				
Bonds	3 047.0	3 241.2	3 047.0	3 241.2
Total financial assets at amortised cost	**11 433.9**	**11 026.8**	**11 433.9**	**11 026.8**
Financial assets at fair value				
At fair value through profit and loss (held for trading)				
Bonds	10.4	10.2	10.0	10.0
Shares	-	6.8	-	9.0
Investment funds – bonds	2.1	-	4.5	-
Investment funds – equities	2.3	0.8	2.3	1.1
Investment funds – mixed	232.6	208.7	195.5	184.2
Derivative financial assets	44.7	221.8	39.3	70.5
Total "Held for trading"	292.1	448.3	251.6	274.8
Designated as at fair value through profit or loss				
Bonds	1 256.2	1 167.5	1 270.7	1 255.3
Shares	673.2	375.8	707.6	546.3
Investment funds – bonds	16.3	46.5	16.1	45.0
Investment funds – equities	34.5	42.9	41.7	57.6
Investment funds – mixed	234.5	311.0	236.8	319.1
Investment funds for account and risk of life policyholders[2]	1 890.2	1 705.2	1 859.7	1 884.7
Alternative investments	21.4	32.3	21.7	36.1
Total "Designated"	4 126.3	3 681.2	4 154.3	4 144.1
Total "At fair value through profit and loss"	4 418.4	4 129.5	4 405.9	4 418.9
Available-for-sale				
Bonds	11 866.4	10 632.6	11 544.7	10 567.8
Shares	735.0	545.7	565.4	484.9
Investment funds – bonds	1.0	10.5	0.8	10.3
Investment funds – equities	4.0	12.2	3.2	10.3
Investment funds – mixed	0.8	0.8	0.8	0.8
Alternative investments	176.2	249.4	175.8	266.1
Loans	23.1	29.8	22.5	30.0
Total "Available-for-sale" (AFS)	12 806.5	11 481.0	12 313.2	11 370.2
Total financial assets at fair value	**17 224.9**	**15 610.5**	**16 719.1**	**15 789.1**
Total financial assets	**28 658.8**	**26 637.3**		

[1] Excl. assets receivables from insurance business and reinsurance.

[2] The position "Investment funds for account and risk of life policyholders" includes the value of shares of unit-linked products whose fund investments are managed by third-party companies.

Unrealised gains/ losses net		Fair value	
2009	2008	2009	2008
		2 494.2	1 806.7
		3 225.2	3 146.6
		118.2	125.6
		1 500.8	1 598.2
		1 136.1	1 094.6
		8 474.5	7 771.7
		3 113.5	3 246.0
		11 588.0	**11 017.7**
		10.4	10.2
		-	6.8
		2.1	-
		2.3	0.8
		232.6	208.7
		44.7	221.8
		292.1	448.3
		1 256.2	1 167.5
		673.2	375.8
		16.3	46.5
		34.5	42.9
		234.5	311.0
		1 890.2	1 705.2
		21.4	32.3
		4 126.3	3 681.2
		4 418.4	4 129.5
321.7	64.8	11 866.4	10 632.6
169.6	60.8	735.0	545.7
0.2	0.2	1.0	10.5
0.8	1.9	4.0	12.2
0.0	0.0	0.8	0.8
0.4	–16.7	176.2	249.4
0.6	–0.2	23.1	29.8
493.3	110.8	12 806.5	11 481.0
493.3	**110.8**	**17 224.9**	**15 610.5**

7.5.1 Assets in securities lending

At the reporting date, securities with a fair value of CHF 54.4 million (previous year: CHF 529.2 million) were committed to securities lending by the Group.

7.5.2 Derivative financial assets

as of 31 December	Maturity profile of contract values < 1 year	1–5 years	> 5 years	Contract value 2009	2008	Fair value 2009	2008
in CHF million							
Interest rate instruments							
Forward rate agreements	-	-	-	-	-	-	-
Swaps	-	-	4.4	4.4	4.4	0.9	0.8
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total interest rate instruments	-	-	4.4	4.4	4.4	0.9	0.8
Equity and equity-index instruments							
Forwards	-	-	-	-	26.8	-	0.0
Options (over-the-counter)	965.8	1.4	131.0	1 098.2	887.3	7.1	105.6
Options (exchange-traded)	88.1	-	-	88.1	9.6	1.3	1.7
Futures (exchange-traded)	-	-	-	-	50.4	-	0.2
Total equity and equity-index instruments	1 053.9	1.4	131.0	1 186.3	974.1	8.4	107.5
Currency instruments							
Forwards	1 834.6	-	-	1 834.6	1 869.9	35.4	113.5
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total currency instruments	1 834.6	-	-	1 834.6	1 869.9	35.4	113.5
Total derivative financial assets	**2 888.5**	**1.4**	**135.4**	**3 025.3**	**2 848.4**	**44.7**	**221.8**

7.6 Financial assets by valuation method

as of 31 December 2009	Quoted market prices Level 1	Based on market data Level 2	Not based on market data Level 3	Total fair value
in CHF million				
At fair value through profit and loss (held for trading)				
Bonds	10.4	-	-	10.4
Investment funds	237.0	-	-	237.0
Derivative financial assets	2.1	42.6	-	44.7
Total "Held for trading"	249.5	42.6	-	292.1
Designated as at fair value through profit or loss				
Bonds	265.9	990.3	-	1256.2
Shares	673.2	-	-	673.2
Investment funds	285.3	-	-	285.3
Alternative investments	-	10.9	10.5	21.4
Total "Designated"	1224.4	1001.2	10.5	2236.1
Total "At fair value through profit and loss"	1473.9	1043.8	10.5	2528.2
Available-for-sale				
Bonds	11670.7	188.4	7.3	11866.4
Shares	732.5	2.3	0.2	735.0
Investment funds	5.8	-	-	5.8
Alternative investments	0.6	175.6	-	176.2
Loans	-	23.1	-	23.1
Total "Available-for-sale" (AFS)	12409.6	389.4	7.5	12806.5
Total financial assets at fair value [1]	**13883.5**	**1433.2**	**18.0**	**15334.7**

[1] Without investment funds for account and risk of life policyholders.

There were no transfers between Level 1 and Level 2 investments in the reporting year. From last year's Level 3 investments of CHF 21.7 million, alternative investments for approximately CHF 0.2 million were sold in the reporting year, resulting in a balance of Level 3 investments of CHF 18.0 million at year end. Sensitivity analyses showed that the replacement of one or more assumptions by plausible alternatives would not have any major impact on the measurement of the Level 3 investments.

7.7 Maturity dates and impairment of financial assets

7.7.1 Analysis of past due financial assets without impairment

	<1 month		2–3 months		4–6 months		>6 months	
as of 31 December	2009	2008	2009	2008	2009	2008	2009	2008
in CHF million								
Mortgages	14.7	31.3	4.7	9.5	11.1	12.4	4.4	5.2
Other loans	-	0.1	-	-	-	-	-	-
Money market instruments	-	-	-	-	0.2	-	-	-
Total past due financial assets without impairment	**14.7**	**31.4**	**4.7**	**9.5**	**11.3**	**12.4**	**4.4**	**5.2**

Outstanding amounts are collected in the course of the normal reminder procedure and impaired if necessary (see Note 2.11.3, page 107). Mortgages and loans are renegotiated to enable the full amount to be recovered only in a few instances and this does not have a significant impact on any of the Group companies. Information on the collateral held by Helvetia Group is provided in Note 17.6 (from page 190).

7.7.2 Analysis of individual impaired financial assets at amortised cost

	Gross		Individual impairment		Net	
as of 31 December	2009	2008	2009	2008	2009	2008
in CHF million						
Mortgages	10.0	12.2	3.2	2.7	6.8	9.5
Other loans	1.2	0.5	1.2	0.5	-	-
Total	**11.2**	**12.7**	**4.4**	**3.2**	**6.8**	**9.5**

7.7.3 Change in the impairment of financial assets at amortised cost

	Mortgages		Other loans		Total	
	2009	2008	2009	2008	2009	2008
in CHF million						
Balance as of 1 January	2.7	2.7	0.5	0.5	3.2	3.2
Impairment	2.5	1.8	0.7	-	3.2	1.8
Reversal of impairment losses	–2.0	–1.2	-	-	–2.0	–1.2
Disposals impairment	0.0	–0.5	-	-	0.0	–0.5
Foreign currency translation differences	0.0	–0.1	0.0	0.0	0.0	–0.1
Balance as of 31 December	**3.2**	**2.7**	**1.2**	**0.5**	**4.4**	**3.2**

8. Financial liabilities

Helvetia Group classifies financial liabilities according to their origin as financial liabilities from financing activities, financial liabilities from insurance business and other financial liabilities. Helvetia Group's financial liabilities do not include any financial covenants that will significantly change the terms and conditions of any agreement (e.g. maturity, interest rate, securities and currency). Financial liabilities at fair value equal the amount repayable on the due date. Note 17.5.1 (see page 181) contains a maturity schedule of loans and financial liabilities.

8.1 Financial liabilities from financing activities

as of 31 December	Acquisition cost/ amortised cost 2009	2008	Fair value 2009	2008
in CHF million				
Financial liabilities at amortised cost				
Bonds	199.9	199.7	201.2	203.9
Liabilites from finance lease	45.5	45.6	45.5	45.6
Total financial liabilities from financing activities	**245.4**	**245.3**	**246.7**	**249.5**

Helvetia Holding AG, St. Gallen, issued the 3% bond 2004–2010 in the 2004 financial year. It has a nominal value of CHF 200 million and pays interest at 3% over the bond's life of six years. The effective interest rate used for the valuation is 3.14%. Repayment at nominal value is scheduled for 5 May 2010. The bond is measured at amortised cost. At the reporting date, the bond's carrying value stood at CHF 199.9 million (previous year: CHF 199.7 million). Interest expenses of CHF 6.3 million (previous year: CHF 6.3 million) for the bond were recognised in the income statement under "Finance costs".

Liabilities from finance leases include a debt that arose under a financing agreement regarding the acquisition of a property for own use. The interest costs under this agreement amount to CHF 1.0 million (previous year: CHF 2.7 million) and are recognised in the income statement under "Finance costs".

Liabilities from finance lease

	<1 year	1–5 years	>5 years	Total
in CHF million				
Future lease payments	3.3	13.3	32.5	49.1
Discounting amounts	–0.5	–1.7	–1.4	–3.6
Present value liabilities from finance lease	**2.8**	**11.6**	**31.1**	**45.5**

8.2 Financial liabilities from insurance business

as of 31 December	Book value 2009	2008	Acquisition cost/ amortised cost 2009	2008	Fair value 2009	2008
in CHF million						
Financial liabilities at amortised cost						
Deposit liabilities for credited policyholder profit participation	795.5	829.1	795.5	829.1	795.5	829.1
Deposit liabilities from reinsurance contracts	102.0	111.6	102.0	111.6	102.0	111.6
Total financial liabilities at amortised cost	897.5	940.7	897.5	940.7	897.5	940.7
Financial liabilities at fair value						
Deposits for investment contracts	1 804.1	1 675.4	1 804.1	1 675.4	1 804.1	1 675.4
Total financial liabilities at fair value	1 804.1	1 675.4	1 804.1	1 675.4	1 804.1	1 675.4
Total financial liabilities from insurance business	**2 701.6**	**2 616.1**	**2 701.6**	**2 616.1**	**2 701.6**	**2 616.1**

Deposit liabilities for credited policyholder profit participation

Deposit liabilities for credited policyholder profit participation include interest-bearing credit balances already contractually allocated to the holders of individual life insurance policies and policyholder dividends from the group life insurance business that are either available early or only when the insurance benefits fall due, depending on the applicable insurance terms and conditions.

Deposit liabilities from reinsurance contracts

Deposit liabilities from reinsurance contracts consist of reserves for unearned premiums, future loss payments and actuarial reserves for direct (ceded) and indirect (retroceded) business.

Deposits for investment contracts

Deposits for investment contracts contain deposits of policyholders owning investment contracts without discretionary participation features, predominantly from index and unit-linked products, without significant insurance risk, allowing the policyholder to directly participate in the performance of an external fund or external index. The change in fair value is solely due to changes in the performance of the underlying investment fund or index. There is no change in fair value that is attributable to changes in the credit risk component of these liabilities. Amounts paid into or from these deposits do not affect revenues and are not entered in the income statement, but are offset against the deposit. The features of these products are very similar to those of insurance contracts, apart from the fact that there is hardly any insurance risk. Insurance conditions and risks are described in Note 17 (from page 172). The income earned from the management of deposits for investment contracts reported in the income statement amounted to CHF 14.7 million in the reporting year (previous year: CHF 3.4 million).

8.3 Other financial liabilities

as of 31 December	Notes	Acquisition cost/ amortised cost 2009	2008	Fair value 2009	2008
in CHF million					
Financial liabilities at amortised cost					
Other		75.0	103.9	75.0	103.9
Total financial liabilities at amortised cost		75.0	103.9	75.0	103.9
Financial liabilities at fair value					
Derivative financial liabilities	8.3.1	7.9	37.7	10.4	31.2
Other		2.5	4.0	2.5	4.0
Total financial liabilities at fair value		10.4	41.7	12.9	35.2
Total other financial liabilities		**85.4**	**145.6**	**87.9**	**139.1**

The line item “Other” at amortised cost also contains the collateral received for ongoing derivatives transactions.

8.3.1 Derivative financial liabilities

as of 31 December	Maturity profile of contract values <1 year	1–5 years	>5 years	Contract value 2009	2008	Fair value 2009	2008
in CHF million							
Interest rate instruments							
Forward rate agreements	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total interest rate instruments	-	-	-	-	-	-	-
Equity and equity-index instruments							
Forwards	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	285.6	-	14.4
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	61.3	-	0.8
Total equity and equity-index instruments	-	-	-	-	346.9	-	15.2
Currency instruments							
Forwards	69.3	-	-	69.3	-	2.5	-
Swaps	-	-	-	-	-	-	-
Options (over-the-counter)	-	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-	-
Futures (exchange-traded)	-	-	-	-	-	-	-
Total currency instruments	69.3	-	-	69.3	-	2.5	-
Derivatives from life policies	43.5	124.0	148.6	316.1	123.5	7.9	16.0
Total derivative financial liabilities [1]	**112.8**	**124.0**	**148.6**	**385.4**	**470.4**	**10.4**	**31.2**

[1] At fair value through profit and loss (held for trading)

8.4 Financial liabilities by valuation method

as of 31 December 2009	Quoted market prices Level 1	Based on market data Level 2	Not based on market data Level 3	Total fair value
in CHF million				
Financial liabilities at fair value				
Derivative financial liabilities [1]	-	2.5	-	2.5
Other	-	-	-	-
Total financial liabilities at fair value	**-**	**2.5**	**-**	**2.5**

[1] Derivatives from life policies are not included.

9. Insurance business

9.1 Reserves for insurance contracts and investment contracts with discretionary participation features

as of 31 December	Notes	Gross 2009	2008	Reinsurance assets 2009	2008	Net 2009	2008
in CHF million							
Actuarial reserves for insurance contracts life		22 037.4	20 847.2	112.9	124.9	21 924.5	20 722.3
Actuarial reserves for investment contracts		1 487.4	1 206.6	-	-	1 487.4	1 206.6
Total actuarial reserves		23 524.8	22 053.8	112.9	124.9	23 411.9	21 928.9
Provision for policyholder participation – non-life contracts		24.8	24.4	-	-	24.8	24.4
Provision for policyholder participation – life contracts		708.8	547.7	-	-	708.8	547.7
Provision for policyholder participation – investment contracts		10.1	– 18.4	-	-	10.1	– 18.4
Total provision for future policyholder participation		743.7	553.7	-	-	743.7	553.7
Loss reserves for insurance contracts non-life	9.3.1	2 681.5	2 665.1	292.6	256.2	2 388.9	2 408.9
Total loss reserves		2 681.5	2 665.1	292.6	256.2	2 388.9	2 408.9
Unearned premium reserve for insurance contracts non-life		805.4	732.7	17.8	19.0	787.6	713.7
Unearned premium reserve for insurance contracts life		158.4	159.4	10.2	10.2	148.2	149.2
Total unearned premium reserve		963.8	892.1	28.0	29.2	935.8	862.9
Reserves for insurance and investment contracts		**27 913.8**	**26 164.7**	**433.5**	**410.3**	**27 480.3**	**25 754.4**
Reinsurance deposit receivables				60.1	60.1		
Reinsurance assets				**493.6**	**470.4**		

Reinsurance deposit receivables are classified as “Loans and receivables” (LAR). They include deposits held by the ceding direct insurer in respect of unearned premiums, future loss payments and actuarial reserves for assumed indirect business. The fair value at the reporting date equals the reported carrying values. There was no impairment of deposit receivables.

Further details on actuarial reserves for life and non-life business can be found in the following tables. A maturity analysis of the reserves for insurance contracts and investment contracts is provided in Note 17.5.1 (page 181).

9.2 Change in the reserves for insurance contracts and investment contracts with discretionary participation

in CHF million	Actuarial reserves 2009	Actuarial reserves 2008	Provision for future policyholder participation 2009	Provision for future policyholder participation 2008
Reserves for insurance contracts non-life (gross)				
Balance as of 1 January			24.4	24.4
Change in the scope of consolidation			0.3	-
Allocation/Release			1.3	0.9
Used amounts			–1.2	–0.8
Foreign currency translation differences			0.0	–0.1
Balance as of 31 December			**24.8**	**24.4**
Reserves for insurance contracts life (gross)				
Balance as of 1 January	20 847.2	21 082.4	547.7	680.7
Change in the scope of consolidation	-	17.4	-	-
Allocation/Release	3 556.0	2 705.0	293.1	14.2
Used amounts	–2 371.6	–2 548.0	–131.9	–137.0
Foreign currency translation differences	5.8	–409.6	–0.1	–10.2
Balance as of 31 December	**22 037.4**	**20 847.2**	**708.8**	**547.7**
Reserves for investment contracts (gross)				
Balance as of 1 January	1 206.6	642.6	–18.4	–11.9
Change in the scope of consolidation	-	724.5	-	–9.4
Allocation/Release	452.3	98.3	29.1	1.3
Used amounts	–169.9	–151.5	–0.1	–0.3
Foreign currency translation differences	–1.6	–107.3	–0.5	1.9
Balance as of 31 December	**1 487.4**	**1 206.6**	**10.1**	**–18.4**
Reinsurers' share in reserves for insurance contracts				
Balance as of 1 January	124.9	148.2		
Change in the scope of consolidation	-	2.3		
Allocation/Release	16.8	17.2		
Used amounts	–29.3	–28.2		
Foreign currency translation differences	0.5	–14.6		
Balance as of 31 December	**112.9**	**124.9**		

Loss reserves		Unearned premium reserve		Total	
2009	2008	2009	2008	2009	2008
2 665.1	3 017.8	732.7	781.1	3 422.2	3 823.3
9.3	85.5	3.8	28.6	13.4	114.1
724.6	473.8	68.7	–6.9	794.6	467.8
–720.4	–703.3	-	-	–721.6	–704.1
2.9	–208.7	0.2	–70.1	3.1	–278.9
2 681.5	**2 665.1**	**805.4**	**732.7**	**3 511.7**	**3 422.2**
		159.4	163.6	21 554.3	21 926.7
		-	-	-	17.4
		–1.1	0.0	3 848.0	2 719.2
		-	-	–2 503.5	–2 685.0
		0.1	–4.2	5.8	–424.0
		158.4	**159.4**	**22 904.6**	**21 554.3**
		-	-	1 188.2	630.7
		-	-	-	715.1
		-	-	481.4	99.6
		-	-	–170.0	–151.8
		-	-	–2.1	–105.4
		-	**-**	**1 497.5**	**1 188.2**
256.2	277.4	29.2	30.4	410.3	456.0
-	2.1	-	1.2	-	5.6
65.4	30.1	–1.3	0.5	80.9	47.8
–29.3	–33.2	-	-	–58.6	–61.4
0.3	–20.2	0.1	–2.9	0.9	–37.7
292.6	**256.2**	**28.0**	**29.2**	**433.5**	**410.3**

9.3 Non-life business

Actuarial methods derived from many years of claims experience that take account of uncertainties associated with claims estimates are applied to determine the required loss reserves. These reserve loadings are reviewed periodically. In 2008 the reserve loadings were reduced, and this resulted in an increase in profit before taxes of CHF 202.1 million. The assumptions applied to determine the required loss reserves did not change substantially in the reporting year. No acquisition costs are deferred in non-life business.

The Liability Adequacy Test (LAT) for non-life business resulted in an additional increase in loss reserves of CHF 16.8 million as per 31 December 2009 (previous year: CHF 15.2 million).

Insurance conditions and risks in non-life business are described in Note 17.2 (from page 174). The following table sets out the development of loss reserves for the previous eight years.

9.3.1 Claims development

Year of loss occurrence	before 2002	2002	2003	2004	2005	2006
in CHF million						
Run-off year 1		1 717.6	1 599.7	1 660.0	1 789.2	1 626.3
Run-off year 2		1 628.9	1 517.9	1 625.7	1 739.7	1 603.9
Run-off year 3		1 599.2	1 462.7	1 558.8	1 659.4	1 494.3
Run-off year 4		1 577.6	1 445.4	1 506.2	1 610.8	1 484.4
Run-off year 5		1 568.2	1 400.0	1 451.0	1 613.9	
Run-off year 6		1 542.9	1 373.0	1 452.4		
Run-off year 7		1 527.3	1 371.9			
Run-off year 8		1 533.1				
Estimated claims after year of loss occurence		1 533.1	1 371.9	1 452.4	1 613.9	1 484.4
Accumulated claims paid as of 31 December		–1 427.3	–1 267.4	–1 234.7	–1 466.0	–1 269.8
Estimated loss reserves as of 31 December	298.2	105.8	104.5	217.7	147.9	214.6
Increase of loss reserves based on LAT						
Claims handling costs						
Other technical reserves non-life						
Loss reserves as of 31 December						
Group reinsurance share						
Loss reserves as of 31 December						

[1] The increase in loss reserves for the contract year 2008 in the second run-off year is mainly the result of the normal increase in loss reserves for assumed reinsurance (accrual effect for proportional contracts) and the initial consolidation of CEAT.

The table above regarding the claims development in non-life business shows:

– Claims development is very stable.
– All existing actuarial liabilities are covered at an early stage by sufficient reserves.
– The fluctuation of the annual claims incurred is small overall for the well-diversified portfolio even before reinsurance.

9.4 Life business

The actuarial reserve is normally calculated in a three-step process. In a first step, the actuarial reserve is computed based on local standards. These include applicable local parameters such as interest rates, mortality, surrender rates, expenses and additional biometric parameters which are usually set at the time of contract conclusion and vary by country, year of issuance and product.

If the reserves prove to be insufficient from a local point of view, they are increased in most countries in a second step. A required reserve increase may be spread over several years in the local financial statements, depending on local requirements and circumstances.

In a third step, the Liability Adequacy Test (LAT) finally applies Group-wide uniform standards to test whether the actuarial reserves included in the local financial statements (including additional reserve increases less deferred acquisition costs) are sufficient. Across the Group the LAT required an allocation of additional actuarial reserves of CHF 38.6 million as of 31 December 2009 (previous year: CHF 39.4 million).

In the Swiss life business, the actuarial reserves increased by CHF 176.8 million due to changes to the local actuarial assumptions, in particular assumptions regarding mortality, expected claims for disability and the maximum interest rate for reserves, within the framework of the standard periodic review.

Insurance conditions and risks in life business are described in Note 17.3 (from page 176). Sensitivities of actuarial reserves are outlined in Note 17.3.3 (from page 177).

2007	2008	2009	Total
1 808.6	1 639.4	1 738.7	
1 741.6	1 696.3[1]		
1 685.1			
1 685.1	1 696.3	1 738.7	
– 1 423.6	– 1 258.9	– 800.2	
261.5	437.4	938.5	2 726.1
			16.8
			117.1
			2.0
			2 862.0
			– 180.5
			2 681.5

9.4.1 Deferred acquisition costs (life)

in CHF million	2009	2008
Balance as of 1 January	224.0	223.2
Capitalised in the period	26.5	26.7
Amortised in the period	–23.3	–22.9
Impairment in the period	-	-
Foreign currency translation differences	0.0	–3.0
Balance as of 31 December	**227.2**	**224.0**

Helvetia Group defers acquisition costs only in individual life business and such deferrals follow local accounting regulations. Impairment of deferred acquisition costs is checked as part of the Liability Adequacy Test. The share of "Deferred acquisition costs" classified as short-term is CHF 51.9 million (previous year: CHF 44.4 million).

9.5 Receivables and liabilities from insurance business

	Receivables (LAR)		Liabilities at amortised cost	
as of 31 December	2009	2008	2009	2008
in CHF million				
Due from/to policyholders	548.6	332.5	1 052.9	681.7
Due from/to agents and brokers	119.1	86.2	104.9	53.8
Due from/to insurance companies	307.2	261.5	63.3	30.8
Total receivables/liabilities	**974.9**	**680.2**	**1 221.1**	**766.3**

The receivables and liabilities from insurance business are primarily short-term. A maturity analysis of the liabilities is provided in Note 17.5.1 (page 181). The amortised cost of the receivables usually equals the fair value.

9.5.1 Analysis of past due receivables without individual impairment

	<1 month		2–3 months		4–6 months		>6 months	
as of 31 December	2009	2008	2009	2008	2009	2008	2009	2008
in CHF million								
Due from policyholders	99.4	89.3	25.2	29.4	9.8	9.5	24.4	23.8
Due from agents and brokers	11.5	9.1	9.7	10.7	4.0	5.7	4.8	3.6
Due from insurance companies	3.3	3.9	1.9	2.4	0.7	0.9	1.3	2.9
Total past due receivables from insurance business without individual impairment	**114.2**	**102.3**	**36.8**	**42.5**	**14.5**	**16.1**	**30.5**	**30.3**

The analysis of past due receivables contains all past due receivables that were not impaired as well as impairments in the portfolio.

9.5.2 Change in the allowance accounts for receivables

	Individual impairment		Collective impairment		Total	
	2009	2008	2009	2008	2009	2008
in CHF million						
Balance as of 1 January	14.7	16.6	21.3	20.5	36.0	37.1
Change in the scope of consolidation	0.4	0.2	0.2	1.4	0.6	1.6
Impairment	8.3	0.8	2.5	1.1	10.8	1.9
Reversal of iompairment loss	–3.0	–0.2	–3.7	-	–6.7	–0.2
Disposals	–0.4	–0.9	-	–0.1	–0.4	–1.0
Foreign currency translation differences	0.0	–1.8	0.0	–1.6	0.0	–3.4
Balance as of 31 December	**20.0**	**14.7**	**20.3**	**21.3**	**40.3**	**36.0**

Past due receivables from policyholders are usually impaired on a collective basis. Individual impairment is mostly applied to specific receivables from agents and brokers and from insurance companies.

9.5.3 Analysis of individually impaired receivables

	Gross		Individual impairment		Net	
as of 31 December	2009	2008	2009	2008	2009	2008
in CHF million						
Due from policyholders	1.6	0.0	1.5	0.0	0.1	-
Due from agents and brokers	17.3	13.7	17.3	13.2	-	0.5
Due from insurance companies	2.7	2.9	1.2	1.5	1.5	1.4
Total	**21.6**	**16.6**	**20.0**	**14.7**	**1.6**	**1.9**

10. Income taxes

10.1 Current and deferred income taxes

in CHF million	2009	2008
Current tax	77.4	38.7
Deferred tax	14.5	26.4
Total income taxes	**91.9**	**65.1**

10.2 Change in the deferred tax assets and liabilities (net)

in CHF million	2009	2008
Balance as of 1 January	406.1	356.1
Change in the scope of consolidation	0.4	37.8
Deferred taxes recognised in equity	42.7	−4.5
Deferred taxes recognised in the income statement	14.5	26.4
Foreign currency translation differences	0.1	−9.7
Balance as of 31 December	**463.8**	**406.1**

10.3 Expected and actual income taxes

in CHF million	2009	2008
Expected income taxes	99.5	68.1
Increase/reduction in taxes resulting from:		
tax-exempt interest and dividends	−1.4	−1.1
tax-exempt gains from shares and investments [1]	−8.0	8.4
non-deductible expenses	10.0	13.9
Back taxes	0.0	−0.7
Change in tax rates	−3.8	−17.5
Tax elements related to other periods	−4.5	−5.8
Use of previously unrecognized losses carried forward	0.2	−0.7
Other	−0.1	0.5
Actual income taxes	**91.9**	**65.1**

[1] Increase in prior-year figures due to losses on shares and investments that are not tax-deductible.

The expected tax rate applicable to Helvetia Group was 24.1% for 2009 (previous year: 23.0%). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

The reason for the increase in the weighted average tax rates lies in the geographical allocation of the profits on the one hand, and the different tax rates that apply in the individual territories on the other.

10.4 Tax on expenses and income recognised directly in equity

in CHF million	Before tax 2009	2008	Deferred taxes 2009	2008	After tax 2009	2008
Fair value revaluation of investments	382.6	–32.8	–92.9	9.6	289.7	–23.2
Share of associates' net profit recognised directly in equity	0.1	–0.1	0.0	0.0	0.1	–0.1
Revaluation from reclassification of property and equipment	0.7	0.0	–0.2	0.1	0.5	0.1
Foreign currency translation differences	0.8	–122.0	-	-	0.8	–122.0
Change in liabilities for contracts with participation features	–196.0	16.6	50.6	–3.2	–145.4	13.4
Other comprehensive income	**188.2**	**–138.3**	**–42.5**	**6.5**	**145.7**	**–131.8**

10.5 Deferred tax assets and liabilities

as of 31 December in CHF million	Notes	Tax assets 2009	2008	Tax liabilities 2009	2008
Unearned premium reserve		14.6	14.0	2.7	1.3
Loss reserves		3.7	12.3	210.8	202.2
Actuarial reserves		11.8	11.5	0.2	1.5
Provision for future policyholder participation		74.0	25.7	4.3	7.0
Investments		24.9	22.4	392.6	291.9
Deferred acquisition costs (life)		10.4	0.8	-	-
Property, equipment and intangible assets		5.7	5.3	47.5	51.1
Financial liabilities		23.4	20.2	5.9	0.0
Non-actuarial provisions		0.5	0.1	9.1	10.0
Employee benefits		21.0	17.7	2.0	0.2
Tax assets from losses carried forward	10.6.1	1.1	1.3	-	-
Other		57.8	61.2	37.5	33.4
Deferred taxes (gross)		**248.9**	**192.5**	**712.6**	**598.6**
Offset		–214.7	–155.9	–214.7	–155.9
Deferred taxes (net)		**34.2**	**36.6**	**497.9**	**442.7**

No deferred tax liabilities were recognised for withholding tax and other taxes that would be payable on the unremitted income from certain subsidiaries, as these amounts are retained.

10.6 Losses carried forward

10.6.1 Net tax assets from losses carried forward

as of 31 December	2009	2008
in CHF million		
Expire within 1 year	-	0.7
Expire between 2 and 3 years	-	-
Expire between 4 and 7 years	5.7	7.5
Without expiration	4.3	1.2
Total recognised losses carried forward	10.0	9.4
Resulting tax assets	1.1	1.3
Net tax assets from losses carried forward	**1.1**	**1.3**

10.6.2 No tax assets for losses carried forward

As of 31 December 2009, no tax assets were recognised for losses carried forward of CHF 36.3 million (previous year: CHF 29.7 million). Of this amount, CHF 9.4 million will expire after four years or more and CHF 26.9 million do not have an expiry date. Tax rates applicable to significant losses carried forward for which no tax assets were recognised are between 29% and 33%.

11. Equity

11.1 Share capital and treasury shares

The fully paid up registered shares of Helvetia Holding AG have a nominal value of CHF 0.10 (previous year: CHF 0.10).

The purchase of Helvetia Holding AG registered shares is not subject to any restrictions. Shareholders who purchase the shares in their own name and on their own behalf are entered in the share register with voting rights for a maximum of 5% of the issued registered shares. Individuals who do not explicitly certify in the registration application that they acquired the shares on their own behalf are entered in the share register for a maximum of 3%.

In the reporting year, 38,058 treasury shares were sold. The number of treasury shares thus fell to 32,254 shares. The CHF 3.8 million gain arising from the sale was credited to the capital reserve.

The treasury shares that were granted to Helvetia Group employees at favourable terms under the Helvetia employee share purchase plan did not come from the company's own stock but were acquired on the market. This resulted in a loss of CHF 0.6 million (previous year: CHF 4.3 million), which was charged to the capital reserve without affecting profit or loss. This amount represents the difference between the market purchase price and the reduced price for employees.

In the reporting year, Patria Genossenschaft paid CHF 16.0 million (previous year: CHF 32.0 million) into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG. This was credited to equity without affecting profit or loss and allocated in total to "Provision for future policyholder participation" under liabilities in accordance with its objective.

	Number of shares	Share capital in CHF million
Share capital		
As of 1 January 2008	8 652 875	86.5
As of 31 December 2008	8 652 875	0.9
As of 31 December 2009	**8 652 875**	**0.9**
Treasury shares		
As of 1 January 2008	70 312	0.7
As of 31 December 2008	70 312	0.0
As of 31 December 2009	**32 254**	**0.0**
Shares outstanding		
As of 1 January 2008	8 582 563	85.8
As of 31 December 2008	8 582 563	0.9
As of 31 December 2009	**8 620 621**	**0.9**

11.2 Reserves

11.2.1 Capital reserve

The capital reserve consists of assets paid in by third parties. The capital reserve primarily comprises the share premium of shares issued by Helvetia Holding AG and the result from treasury share transactions.

11.2.2 Retained earnings

Accumulated non-distributed earnings of Helvetia Group are recognised in the balance sheet as “Retained earnings”. Besides freely disposable funds, they also comprise statutory reserves and reserves bound by the articles of association which are sustained by the net profit for the year and subject to restrictions on distributions.

11.2.3 Reserve for “Foreign currency translation differences”

The reserve for “Foreign currency translation differences” results from the translation of financial statements prepared in foreign currency into the Group’s reporting currency (Swiss franc).

11.2.4 Reserve for “Unrealised gains and losses”

The reserve for “Unrealised gains and losses” includes fair value changes of available-for-sale investments (AFS), the portion of unrealised gains and losses of associates, as well as value changes resulting from the transfer of owner-occupied property.

The reserve is adjusted at the balance sheet date by the portion relating to contracts with discretionary participation features and deferred taxes. The portion reserved for the owners of contracts with mandatory participation features is transferred to “Liabilities”. This item plus foreign exchange influences amounts to CHF –196.0 million (previous year: CHF –16.6 million) for the period. The remaining portion regarding contracts with discretionary participation features is allocated to the “Valuation reserves for contracts with participation features in equity” (see Note 11.2.5, page 156).

In the year under review, CHF 0.1 million earned on the sale of owner-occupied properties transferred to investment properties was allocated to retained earnings.

Unrealised gains and losses in equity

	Notes	Available-for-sale investments 2009	2008
in CHF Mio.			
Balance as of 1 January		110.8	143.6
Fair value revaluation incl. foreign currency translation differences		345.3	16.3
Revaluation from reclassification of property and equipment		-	-
Gains reclassified to the retained earnings due to disposals		-	-
Gains reclassified to the income statement due to disposals		–40.5	–108.8
Losses reclassified to the income statement due to disposals		59.8	37.8
Impairment losses reclassified to the income statement		17.9	21.9
Balance as of 31 December		493.3	110.8
less:			
Obligations for contracts with participation features in “Liabilities”			
Valuation reserves for contracts with participation features in “Equity” (gross)	11.2.5		
Minority interests			
Deferred taxes on remaining portion			
Unrealised gains and losses (net) as of 31 December			

Associates 2009	2008	Transfer of owner-occupied property 2009	2008	Total unrealised gains and losses 2009	2008
0.1	0.2	13.9	13.9	124.8	157.7
0.1	–0.1	0.0	–1.1	345.4	15.1
-	-	0.7	1.1	0.7	1.1
-	-	–0.1	-	–0.1	-
-	-	-	-	–40.5	–108.8
-	-	-	-	59.8	37.8
-	-	-	-	17.9	21.9
0.2	0.1	14.5	13.9	508.0	124.8
				–202.8	–13.2
				–138.0	–41.5
				–10.9	–2.5
				–37.4	–18.5
				118.9	**49.1**

11.2.5 Valuation reserve for contracts with participation features

The valuation reserves for contracts with participation features are created for bonuses from insurance and investment contracts that arise from IFRS-related adjustments, impact either net income or unrealised gains, and are not considered a liability for policyholders under country-defined "legal quotas" governing minimum distributions to policyholders. The reserves comprise the share of unrealised gains and losses on investments relating to contracts with profit participation recognised directly in equity, and portions from retained earnings arising from valuation differences relating to the same contracts. The use of the reserves is at the insurer's discretion (see Note 2.14.2, from page 109).

Valuation reserve for contracts with participation features

in CHF million	2009	2008
Unrealised gains and losses on contracts with participation features		
Balance as of 1 January	41.5	58.4
Change in unrealised gains and losses	96.7	–17.0
Foreign currency translation differences	–0.2	0.1
Balance as of 31 December	138.0	41.5
less:		
Deferred taxes	–32.0	–9.1
Unrealised gains and losses as of 31 December	106.0	32.4
Retained earnings on contracts with participation features		
Balance as of 1 January	481.2	501.0
Share of profit for the year	48.0	–20.3
Reclassifications	1.4	0.5
Retained earnings as of 31 December	530.6	481.2
Valuation reserves for contracts with participation features as of 31 December	**636.6**	**513.6**

Reclassification of the retained earnings on contracts with discretionary participation features is required under local regulations for the appropriation of profit in Italy. The amounts are transferred to retained earnings.

11.3 Deferred taxes recognised directly in equity

Deferred taxes recognised directly in equity arise from valuation differences that primarily result from the fair value valuation of AFS financial assets and value changes related to the transfer of property. On the reporting date, they amounted to a total of CHF 70.9 million (previous year: CHF 28.4 million).

11.4 Earnings per share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding of Helvetia Holding AG and the portion of the Group's net profit for the year attributable to shareholders. Diluted earnings for both reporting periods correspond to the basic earnings, as no no convertible instruments or options that could have a dilutive effect are outstanding.

Earnings per share

	2009	2008
in CHF		
Profit for the year less minority interests	317 082 283	230 536 858
Weighted average number of shares outstanding	8 614 265	8 582 563
Earnings per share	**36.81**	**26.86**

11.5 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 16 April 2010 to pay a dividend per share of CHF 14.50 (previous year: CHF 13.50) with the total payout amounting to CHF 125.5 million (previous year: CHF 116.8 million). The proposed dividend will not be distributed before it has been approved by the ordinary Shareholders' Meeting. The dividend distribution is only recognised when approved by the Shareholders' Meeting.

The Swiss subsidiaries are subject to the restrictions of the Swiss Code of Obligations with regard to the dividends that may be distributed to the parent company. The Code requires 5% of profit to be allocated to the statutory reserve fund until its amount equals 20% of the paid-in share capital. In addition, 10% of the amount that is paid out as a policyholder dividend after payment of a dividend of 5% must be allocated to the reserve fund, even after the latter has reached the statutory level. Other countries where subsidiaries of Helvetia Group operate have similar rules, and company law restricts the dividend payment to the parent company.

In addition to the aforementioned regulations, the payment of dividends by subsidiaries of Helvetia Group may be restricted by minimum capital or solvency requirements imposed by supervisory authorities.

All insurance units of the Helvetia Group must meet minimum solvency margins (so-called Solvency I), calculated in accordance with Art. 24 et seq. of the Swiss Supervision Ordinance (AVO) for life insurance and Art. 27 et seq. AVO for non-life insurance.

Helvetia Group is required to report to the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland. FINMA also acts as the European Supervisory Office.

11.6 Capital management

Helvetia Group manages its invested capital in accordance with the IFRS. Helvetia Group's capital management strategy is unchanged to the prior year and focuses on the following objectives:

– ensuring compliance with regulatory capital requirements at all times;
– securing the capital required to underwrite new business;
– optimising the earning power of its equity;
– supporting the planned strategic growth;
– optimising the Group's financial flexibility.

These objectives are kept in balance by taking account of risk capacity and cost/benefit arguments. Therefore the Group targets an interactive rating of at least "A–".

The regulatory coverage ratio under Solvency I reported at Group level is in line with the strategic objectives described above.

as of 31 December	2009	2008
in CHF million		
Equity	3 136.8	2 773.7
Available capital under Solvency I	3 119.6	2 810.0
Required capital under Solvency I	1 396.9	1 353.1
Solvency I coverage ratio	**223.3%**	**207.7%**

The increase in the coverage ratio of 15.6 percentage points is dominated by the increase in IFRS equity by CHF 363.1 million. The increase is diluted by the decrease of the final profit participation fund of CHF 33.9 million and the increase in the required capital of CHF 43.8 million. More information can be derived from the consolidated statement of equity.

In the prior year, the decrease in the coverage ratio by –9.7 percentage points was dominated by the reduction in equity by CHF 76.9 million, the increase in goodwill and intangible assets (which cannot be credited towards Solvency I) of CHF 117.7 million, and the reduction in the dividend compared to 2007 by CHF 98.7 million (of which CHF 85.6 million is due to the one-off par value reduction in 2008).

As of 31 December 2009, all Group legal entities fulfilled the regulatory capital requirements.

12. Provisions and other commitments

12.1 Non-actuarial provisions

in CHF million	2009	2008
Balance as of 1 January	73.9	77.5
Change in the scope of consolidation	0.3	0.1
Allocation	49.1	27.6
Release	–10.0	–3.4
Used amounts	–26.5	–24.7
Foreign currency translation differences	0.1	–3.2
Balance as of 31 December	**86.9**	**73.9**

No significant new provisions were raised in the reporting year. At the balance sheet date, there were no provisions for restructuring expenses. The "Non-actuarial provisions" item primarily consists of provisions for liabilities due to authorities arising from other tax obligations and liabilities due to agents. The share of provisions classified as current is CHF 80.5 million (previous year: CHF 53.4 million).

12.2 Contingent liabilities and other commitments

The following contingent liabilities are not recognised in the balance sheet:

Capital commitments

At the balance sheet date there were no financial commitments for the future acquisition of investments (previous year: CHF 0.9 million).

Assets pledged or assigned

Helvetia Group has pledged assets of CHF 54.7 million (previous year: CHF 53.5 million) as security for liabilities. They all relate to financial assets pledged to cover liabilities arising from the underwriting business.

Operating leasing liabilities

Helvetia Group is a lessee in a number of different operating leases. As a result, future leasing liabilities expiring in less than one year amount to CHF 3.3 million (previous year: CHF 1.3 million), in one to five years CHF 8.0 million (previous year: CHF 2.4 million), and in more than five years CHF 3.5 million (previous year: CHF 0.0 million).

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation that are mostly related to its insurance operations. However, Group management is not aware of any case that could significantly impact the Group's asset, financial and income situation.

Other contingent liabilities

Helvetia Group has guaranteed letters of credit for CHF 44.4 million (previous year: CHF 48.4 million) to third-party insurance companies as security for reinsurance business. These guarantees have been issued by a bank. Under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), Helvetia Swiss Life Insurance Company Ltd, Basel, has given a guarantee agreement towards collective foundations for CHF 0.5 million (previous year: CHF 0.5 million). Additional contingent liabilities amounted to CHF 17.9 million (previous year: CHF 18.4 million) as of the balance sheet date.

13. Employee benefits

Helvetia Group had 4,511 employees as of 31 December 2009 (previous year: 4,591). Total personnel costs are shown in the table below.

13.1 Personnel costs

	Notes	2009	2008
in CHF million			
Commissions [1]		111.2	112.6
Salaries		330.5	330.8
Social security costs		62.7	62.8
Pension costs – defined contribution plans		3.3	2.8
Pension costs – defined benefit plans	13.3.4	41.1	49.8
Other long-term employee benefit expenses		1.2	0.8
Termination benefits		2.5	5.8
Share-based payment transaction costs		0.6	4.3
Other personnel costs		22.9	25.1
Total personnel costs		**576.0**	**594.8**

[1] In the reporting year, the accrual of commissions between the own and external sales forces was redefined, leading to a change of CHF –99.2 million in the prior-year figures.

13.2 Employee benefit receivables and obligations

		Receivables		Liabilities	
as of 31 December	Notes	2009	2008	2009	2008
in CHF million					
Kind of benefit					
Defined benefit plans	13.3.1	-	-	217.0	208.9
Other long-term employee benefits		-	-	14.0	14.1
Short-term employee benefits		0.8	0.9	51.0	46.7
Total employee benefit receivables and obligations		**0.8**	**0.9**	**282.0**	**269.7**

"Other long-term employee benefits" principally contain liabilities for service awards. There were no employee contingent obligations or employee contingent receivables.

13.3 Defined benefit plans

The employees of Helvetia Group are covered under several pension plans in Switzerland and abroad.

In Switzerland, employees are covered by the "Pensionskasse der Helvetia Versicherungen" foundation (Pension Fund of Helvetia Insurance) with registered office in St. Gallen. It was founded with the purpose of providing occupational benefits to employees on retirement and disability as well as after their death to their surviving dependants in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The benefits provided by the pension fund meet at least the statutory minimum required by the BVG. Contributions to the pension fund are set as a percentage of the employee's pensionable annual salary, deducted from the salary by the employer and transferred every month to the pension fund, together with the employer's contributions. In the reporting year there were no significant transactions between the pension fund and Helvetia Group that are not directly related to employee benefits. The Group investments included in the plan assets are set out in Note 13.3.6 (page 164).

Unfunded defined benefit plans are in place in Germany, Austria, Italy, Spain and France. The accumulated pension obligations are recorded as pension liabilities in the balance sheet of the employer. These pension plans cover benefits for retirement, death, disability or termination of the employment contract with consideration given to local labour laws and social legislation in the individual countries. The benefits are fully financed by the employer.

13.3.1 Reconciliation of balance sheet

as of 31 December	2009	2008
in CHF million		
Present value of funded obligations (+)	1 388.2	1 372.7
Fair value of plan assets	– 1 372.2	– 1 295.7
	16.0	77.0
Present value of unfunded obligations (+)	109.7	116.6
Unrecognised actuarial gains (+) or losses (–)	15.9	– 3.5
Unrecognised past service cost (–)	-	-
Amounts not recognised as assets	75.4	18.8
Net liability[1] for defined benefit plans	**217.0**	**208.9**

[1] The "Net liabilities" position does not contain any reimbursement rights.

13.3.2 Movement in the defined benefit obligation

in CHF million	2009	2008
Defined benefit obligation as of 1 January	1 489.3	1 469.2
Service cost	46.8	47.9
Interest cost	52.2	49.9
Actuarial gains (–) / losses (+)	–16.7	19.3
Benefits paid	–97.1	–83.7
Past service cost	6.6	-
Change in the scope of consolidation	0.6	1.3
Other amounts	18.1	17.7
Curtailments and Settlements	–0.5	-
Foreign currency translation differences	–1.4	–32.3
Defined benefit obligation as of 31 December	**1 497.9**	**1 489.3**

13.3.3 Movement in the fair value of plan assets

in CHF million	2009	2008
Fair value of plan assets as of 1 January	1 295.7	1 418.6
Expected return on plan assets	60.1	68.1
Actuarial gains (+) / losses (–)	47.6	–167.9
Employer contributions	25.2	27.6
Employee contributions	16.1	13.9
Benefits paid	–87.5	–75.2
Other amounts	18.1	17.7
Foreign currency translation differences	–3.1	–7.1
Fair value of plan assets as of 31 December	**1 372.2**	**1 295.7**

The “Other amounts” item contains vested benefits brought into the pension fund.

13.3.4 Net pension costs

	2009	2008
in CHF million		
Current service cost	46.8	47.9
Interest cost	52.2	49.9
Expected return on plan assets	–60.1	–68.1
Actuarial gains and losses	–44.4	203.6
Employee contributions	–16.1	–13.9
Change in amounts not recognised as assets	56.6	–169.6
Past service cost	6.6	-
Effect of curtailments or settlements	–0.5	-
Net pension costs for defined beneit plans	**41.1**	**49.8**
Actual return on plan assets	107.7	–99.8

Net pension costs for defined benefit plans are recognised in the income statement under “Operating and administrative expenses”. Expected employer contributions toward defined benefit plans for the next year amount to CHF 32.3 million.

13.3.5 Actuarial assumptions

	Switzerland		Abroad	
Weighted averages	2009	2008	2009	2008
in %				
Discount rate	3.3	3.3	5.0	5.0
Expected rate of return on plan assets	3.6	4.7	4.0	4.0
Expected salary increases	2.3	2.6	2.8	3.0
Expected pension increases	0.8	0.8	1.9	2.1

13.3.6 Actual plan asset allocation

Weighted averages	2009	2008
in %		
Equity instruments	27	20
Debt instruments	52	55
Real estate	19	21
Other	2	4
Total	**100**	**100**

Plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 51.3 million as of 31 December 2009 (previous year: CHF 40.3 million). Plan assets do not include any of the Group’s owner-occupied properties.

13.3.7 Long-term target plan asset allocation

Weighted averages	2009			2008		
in %	from		to	from		to
Equity instruments	14	-	32	14	-	32
Debt instruments	43	-	65	44	-	65
Real estate	14	-	24	14	-	24
Other	0	-	4	0	-	4

As far as investment policy and strategy are concerned, occupational benefit plans in Switzerland focus on total returns. The strategic goal is to optimise rates of return on plan assets, benefit costs and the funding ratio of benefit plans with a diversified mix of shares, bonds, real estate and other investments.

Expected long-term rates of return on plan assets are based on the long-term expected interest rates and risk premiums and on the target plan asset allocation. These estimates are based on historic rates of return for individual asset classes and are made by specialists in the field and pension actuaries.

Actual plan asset allocation depends on the current economic and market situation and fluctuates within pre-determined ranges. Alternative investments, such as hedge funds, are used to improve long-term rates of return and portfolio diversification.

The investment risk is monitored through the periodic review of the assets and liabilities as well as quarterly reviews of the investment portfolio.

13.3.8 Multi-year overview of defined benefit plans

as of 31 December	2009	2008	2007	2006	2005
in CHF million					
Present value of defined benefit obligation (–)	–1 497.9	–1 489.3	–1 469.2	–1 395.7	–1 379.0
Fair value of plan assets (+)	1 372.2	1 295.7	1 418.6	1 402.4	1 274.0
Surplus (+) / deficit (–)	**–125.7**	**–193.6**	**–50.6**	**6.7**	**–105.0**
Experience adjustments on plan liabilities	5.7	–15.0	–74.8	0.9	–46.2
Experience adjustments on plan assets	43.2	–168.0	–27.1	91.0	19.7

14. Share-based payments

14.1 Employees of Helvetia Group in Switzerland

The Helvetia employee share purchase plan enables employees to acquire registered Helvetia Holding AG shares at lower prices. The plan therefore allows employees to directly and voluntarily participate in the added value created by the Group. All employees of Helvetia in Switzerland are eligible if they are in regular employment (not on notice) and entitled to variable compensation. The Board of Directors determines the number of shares that are offered to eligible employees, which is dependent on the individual's respective function. All acquired shares are blocked for a period of three years. The shares are vested immediately at the grant date, so that the personnel costs associated with the share-based payments of CHF 0.6 million (previous year: CHF 4.3 million) are recognised in the income statement.

14.2 Members of the Executive boards of the foreign subsidiaries

The variable component of the salary which is dependent on the business results is paid to the members of the executive boards of the foreign subsidiaries (without voting rights) in the form of shares only. These shares are blocked for a period of three years. The share-based payments for the 2009 financial year amounted to CHF 0.7 million (previous year: CHF 0.5 million).

14.3 Members of the Executive Management of the Group and Switzerland

The Board's Compensation Committee may allocate a special bonus in the form of shares to members of the Group Executive Management and the Executive Management for Switzerland in the event of very good business performance. In the 2009 financial year, special bonuses amounting to CHF 0.4 million (previous year: none) were paid in the form of vesting shares. The relevant value is the market value of the share on the date on which the special bonus is calculated. These shares are blocked for three years from the same date.

14.4 Members of the Board of Directors

The variable component of the salary which is dependent on the business results is paid to the members of the Board of Directors (without voting rights) in the form of shares only. The relevant value is the market value of the share on the date on which the variable payment is calculated. These shares are blocked for three years from the same date. The members of the Board of Directors do not participate in any share purchase plans for Helvetia employees. A variable payment of CHF 0.2 million (previous year: CHF 0.2 million) was approved for the Board of Directors for the 2009 financial year.

15. Related party transactions

This section sets out the relationships to related companies and persons. More information on the compensation paid to the members of the Board of Directors and the Executive Management is provided in Note 16 "Remuneration paid to the Board of Directors and the Executive Management".

15.1 Transactions with related companies

"Related companies" are the cooperation partners represented in the shareholder pool and on the Board of Directors of Helvetia Group, i.e. Patria Genossenschaft, Vontobel Beteiligungen AG and Raiffeisen Switzerland (see page 41, Note 1.2 [a]) as well as the pension funds and all associates of Helvetia Group. The latter two are discussed in Note 13.3 "Defined benefit plans" (page 162) and Note 7.3 "Investments in associates" (page 132).

Helvetia has normal business relationships in the areas of advisory services, the sale of financial and insurance services and asset management services with the members of the shareholder pool. All transactions are executed at normal market conditions. There are no other significant business relationships apart from these regular cooperation activities.

Urs Widmer and Pierin Vincenz are members of the boards of directors of Vontobel Holding AG and Helvetia Holding AG. There are no other cross ties or board mandates with the boards of directors of listed companies. With the exception of Patria Genossenschaft (the Patria cooperative society), transactions with cooperation partners are not material for Helvetia Group either as a single transaction or overall. The dividend payment of CHF 35.2 million (previous year: CHF 64.8 million) to Patria Genossenschaft and the contribution of CHF 16.0 million (previous year: CHF 32.0 million) by Patria Genossenschaft to Helvetia Schweizerische Lebensversicherungsgesellschaft AG were the only significant transactions in the reporting period.

15.2 Transactions with related persons

"Related persons" include the members of the Board of Directors and Executive Management of Helvetia Group as well as their close family members (partners and financially dependent children).

Members of the Group Executive Management may close insurance contracts, loans and other services on the terms and conditions currently in effect for employees. Members of the Board of Directors are not entitled to preferential employee conditions.

Board members or persons closely related to them do not have any significant personal business relationships with Helvetia Group and also did not bill the Group for any fees or remuneration relating to additional services.

16. Remuneration paid to the Board of Directors and the Executive Group Management

This section provides information on the compensation, shares and loans granted to the members of the Board of Directors and the Executive Management of Helvetia Group in the year under review. The key elements of the remuneration system are set out in the compensation report on page 51 et seq. Both parts comply with the requirements of the Swiss Code of Best Practice for Corporate Governance and with the Swiss Code of Obligations. Together, these sections comprise the compensation report of Helvetia Holding AG.

16.1 Remuneration Board of Directors

The members of the Board of Directors received the following variable payments that depend on the 2009 business result and the performance of the share which will be paid in the form of a total of 630 shares at a market price of CHF 346.0 on 10 March 2010. These shares are subject to a vesting period of three years from the same date. The fixed salary includes all allowances, meeting attendance fees and expenses set out in the compensation regulations.

	Fixed salary		Variable compensation [1]		Total componsation	
	2009	2008	2009	2008	2009	2008
in CHF						
Erich Walser (Chairman)	602 000	602 000	24 220	18 093	626 220	620 093
Ueli Forster (Vice-Chairman) [2]	-	75 668	-	6 031	-	81 699
Silvio Borner (Vice-Chairman)	213 000	215 000	24 220	18 093	237 220	233 093
Hans-Jürg Bernet (member)	148 000	139 333	24 220	18 093	172 220	157 426
Paola Ghillani (member) [2]	114 000	80 666	24 220	12 062	138 220	92 728
Christoph Lechner (member)	122 000	122 000	24 220	18 093	146 220	140 093
John Martin Manser (member)	166 000	166 000	24 220	18 093	190 220	184 093
Doris Russi Schurter (member) [2]	120 000	84 666	24 220	12 062	144 220	96 728
Pierin Vincenz (member)	146 000	148 000	24 220	18 093	170 220	166 093
Olivier Vodoz (member) [2]	-	50 001	-	6 031	-	56 032
Urs Widmer (member)	140 000	140 000	24 220	18 093	164220	158 093
Total	**1 771 000**	**1 823 334**	**217 980**	**162 837**	**1 988 980**	**1 986 171**

[1] In shares.
[2] The changes in the Board of Directors took place on 25 April 2008.

16.1.1 Shares

The shares held by the members of the Board of Directors and persons closely related to them as of 31 December 2009 are listed in the following table. Some of these shares vest on different dates. The members of the Board of Directors did not take part in any option programmes. They also do not participate in the employee share purchase plan.

as of 31 December	2009	2008
Number of shares		
Erich Walser (Chairman)	2 167	2 056
Silvio Borner (Vice-Chairman)	655	584
Hans-Jürg Bernet (member)	738	627
Paola Ghillani (member)	94	20
Christoph Lechner (member)	293	182
John Martin Manser (member)	525	414
Doris Russi Schurter (member)	649	275
Pierin Vincenz (member)	1 020	909
Urs Widmer (member)	701	590
Total	**6 842**	**5 657**

16.1.2 Loans, guarantees

No loans or guarantees were granted to or taken over from members of the Board of Directors or persons closely related to them.

16.1.3 Other services

Board members or persons closely related to them do not have any significant personal business relationships with Helvetia Group and also did not bill the Group for any fees or remuneration relating to additional services.

16.1.4 Payments to resigning Board members

Resigning Board members did not receive any payments.

16.2 Remuneration Group Executive Management

as of 31 December	2009	2008 [1]
in CHF		
Salaries and other short-term employee benefits:		
– fixed salaries (incl. expenses allowances, child/education allowances, long service awards, company car)	3 695 478	3 234 922
– variable compensation	1 775 134	1 287 459
Share-based payments [2]	301 325	25 217
Discounts under the share programme "150 years Helvetia" [3]	-	64 512
Employer contributions to pension funds [4]	1 047 339	692 300 [5]
Other long-term and non-monetary benefits	-	-
Total	**6 819 276**	**5 304 410**

1 Incl. payment to Markus Gemperle, member of the Group Executive Management since 1 September 2008.
2 Includes the special bonuses and the discount of 16.038% on share purchases under the share purchasing plan.
3 Voluntary share purchase option for all Helvetia employees in Switzerland and the members of the Group Executive Management as part of the "150 years Helvetia" celebrations.
4 Includes the contributions for financing any early retirements in 2009 for the first time.
5 In order to guarantee comparability, the prior year's figures were adjusted by CHF 215,064 in pension benefits.

16.2.1 Shares

As of 31 December 2009, the members of the Group Executive Management and persons closely related to them held the shares listed in the following table, some of which were acquired under the employee share purchase plan and which have a vesting period of three years from the purchase date. There is no share option plan.

as of 31 December	2009	2008
Number of shares		
Stefan Loacker	351	351
Markus Gemperle	449	313
Philipp Gmür	1 403	1 253
Ralph-Th. Honegger	730	580
Markus Isenrich	1 520	1 393
Paul Norton	295	195
Wolfram Wrabetz	475	475
Total	**5 223**	**4 560**

16.2.2 Insurance contracts, loans, guarantees

Members of the Group Executive Management may close insurance contracts, loans and other services on the terms and conditions currently in effect for employees. At the reporting date, mortgage loans to three members of the Group Executive Management to the amount of CHF 1,686,952 (previous year: CHF 2,460,442 for four ExM members) were outstanding, of which CHF 1,000,000 for Philipp Gmür, CEO of Helvetia Switzerland (previous year: for Philipp Gmür CHF 1,000,000) was the largest amount owed by an individual member of the Group Executive Management. During the reporting period, loans granted as variable or fixed-rate mortgages at regular interest rates bore interest at rates between 1.47% and 3.72% (previous year: 2.75% to 3.72%). There are no other insurance contracts, loans or guarantees.

16.2.3 Other benefits in kind or additional services

During the reporting year, members of the Group Executive Management received non-monetary benefits as part of the company car programme to the amount of CHF 16,905 (previous year: CHF 14,460). This amount is included in the fixed salaries given above. None of the members of the Group Executive Management or any closely related persons have significant personal business relationships with Helvetia Group. They did not receive any other benefits in kind or bill the company for any additional services. Normal market conditions apply to transactions with members of the Group Executive Management that are not subject to preferential employee conditions.

16.3 Total compensation

The following table lists the total compensation paid to the members of the Board of Directors and the Group Executive Management.

as of 31 December	2009	2008 [1]
in CHF		
Salaries and other short-term employee benefits:		
– fixed salaries (incl. expenses allowances, child/education allowances, long service awards, company car)	5 466 478	5 058 256
– variable compensation	1 775 134	1 287 459
Share-based payments [2]	519 305	188 054
Discounts under the share programme "150 years Helvetia" [3]	-	64 512
Employer contributions to pension funds [4]	1 047 339	692 300 [5]
Other long-term and non-monetary benefits	-	-
Total	**8 808 256**	**7 290 581**

[1] Incl. payment to Markus Gemperle, member of the Group Executive Management since 1 September 2008.
[2] Includes the special bonuses and the discount of 16.038% on share purchases under the share purchasing plan.
[3] Voluntary share purchase option for all Helvetia employees in Switzerland and the members of the Group Executive Management as part of the "150 years Helvetia" celebrations.
[4] Includes the contributions for financing any early retirements in 2009 for the first time.
[5] In order to guarantee comparability, the prior year's figures were adjusted by CHF 215,064 in pension benefits.

16.4 Highest compensation paid to an individual

The highest individual amount paid out in the reporting year was paid to Stefan Loacker (CEO). This amounted to CHF 1,144,658 in total, comprising the following: total salary of CHF 978,107 (fixed salary CHF 659,605, variable component CHF 318,502), share-based payments of CHF 69,200 as a special bonus in the form of vesting shares, and employer contributions to pension funds of CHF 97,351.

17. Risk management

17.1 Objectives of risk management

Integrated risk management at Helvetia Group must always ensure that the main risks can be detected, recorded and assessed at an early stage, and that they can be appropriately controlled and monitored. The risks are managed in compliance with the requirements of the relevant stakeholders, and the concepts and methods of risk identification, management and analysis are also in line with these requirements.

17.1.1 Risk management organisation

The Board of Directors of Helvetia Holding AG and the Group Executive Management are the supreme risk owners of Helvetia Group. The Board of Directors of Helvetia Holding AG is responsible for establishing and maintaining appropriate internal controls and the risk management organisation of Helvetia Group. It is the Board's responsibility in particular to:

- set risk policy principles that support the development of risk awareness and a risk-and-control culture in the Group companies;
- determine a risk strategy/partial risk strategies that cover/s the risk management objectives of all essential business activities;
- set risk tolerance limits and monitor the risk profile of the Group and the individual business units;
- ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
- ensure appropriate monitoring of the effectiveness of the internal control systems by the Executive Management.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and insurance risks are delegated to the Investment and Risk Committee (IRC). The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks in particular are delegated to the Audit Committee. The strategic risks are monitored by the Strategy and Governance Committee.

The Executive Management is responsible for risk management implementation and compliance with the strategies, business principles and risk limits determined by the Board of Directors. The Risk Committee supports the Executive Management in an advisory capacity. It coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. The Risk Committee meets at least once a quarter and is chaired by the Head of Corporate Finance & Risk Management. Other permanent members are the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Investment Officer (CIO), the Head of Group Portfolio Strategy, and the Group actuaries for life and non-life. Other specialists can be invited to attend a meeting when required and depending on the topic. The Corporate Finance & Risk Management department, which reports to the CFO and exercises the Group's risk monitoring function, ensures the necessary risk transparency:

- The Risk Map informs the Executive Management and Board of Directors of the most important risks, any changes to them and the strategies used to manage these risks.
- The quarterly Risk and Capital Report and the associated monthly analsyses support the Risk Committee and risk owners by providing them with detailed information.

The internal audit unit, an independent in-house team reporting directly to the Chairman of the Board of Directors, monitors the course of operations and business, the internal control system and the efficiency of the Group's risk management system. While the risk controlling functions are responsible for the ongoing monitoring of the Group's risk management system, the internal audit unit monitors the effectiveness, appropriateness and efficiency of the risk management measures at irregular intervals and identifies weaknesses.

17.1.2 Risk management process

The risk management process includes all activities related to the systematic processing of risks at Helvetia Group. The essential components of this process include the identification, analysis and management of risks, the operational monitoring of the success of the risk management measures, the monitoring of the effectiveness and appropriateness of the risk management measures, and reporting and communication. Helvetia Group distinguishes between the following types of risk that are included in the Group's risk management process: actuarial risks, market risks (including the share price, real estate price, interest and currency risks as well as long-term liquidity risks), medium- and short-term liquidity risks, counterparty risks, operational risks (including reputational risks as an impacting dimension), strategic and latent risks.

The market, counterparty and actuarial risks belong to the traditional risks of an insurance company and are consciously accepted as part of the selected business model. They tie up risk capital in an operational context and can be influenced through hedging instruments, product design, reinsurance cover and other risk management measures. Taking account of the overall risk profile, it is ensured that these risks are always covered by the Group's risk-bearing capital. In this regard, the capital adequacy requirement depends on the risk tolerance limits chosen.

Helvetia Group controls the actuarial life and non-life risks with a number of actuarial methods, risk-appropriate rates, a selective underwriting approach, pro-active claims settlement and a prudent reinsurance policy.

Helvetia Group manages market risks using the ALM process, which enables the company to control the manifold impact of market risks in an integrated way and which defines both the investment strategy and the hedging policy. The following points of view are taken into account:

- local statutory accounting policies in order to comply with local regulatory requirements;
- consolidated IFRS accounting to ensure that the entire Group meets all regulatory requirements;
- fair-value approach to secure compliance with regulatory requirements deriving from SST and Solvency II and consideration of the economic perspective.

Long-term liquidity risks are deemed to fall under market risks and are treated in the same manner. Risks that arise from the insufficient liquidity of the assets are partially taken into consideration, where appropriate, in market price models. Short-term liquidity risks are managed as part of the cash management process. Non-probabilistic methods are used to analyse the medium-term liquidity risks.

Counterparty risks are managed via the investment and reinsurance policies and are monitored on the basis of exposure analyses. Counterparty risk is minimised by investing in a range of creditworthy counterparties who are continuously monitored and who are subject to a strict limit system for managing risk clusters.

17.2 Insurance risks (non-life)

The random occurrence of an insured event and uncertainty about the amount of the resulting liability create insurance risks in non-life business. The most important non-life segments of Helvetia Group are property, transport and casualty insurance (liability, accident, collision). The latter consists largely of motor insurance and, to a lesser extent, liability, health and accident insurance. In 2009, 73.6% (previous year: 73.3%) of Helvetia Group's direct non-life business was generated outside of Switzerland. The business segments accounted for the following percentages of gross premiums written: Switzerland 26.4% (previous year: 26.7%), Germany 25.5% (previous year: 26.6%), Italy 19.4% (previous year: 16.7%), Spain 16.1% (previous year: 17.4%), Austria 9.0% (previous year: 8.8%), and France 3.6% (previous year: 3.9%).

Gross premiums by business line and region in the non-life business

2009	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Property	344.2	302.9	106.8	147.1	82.1	983.1
Transport	27.3	60.6	3.7	21.6	80.9	194.1
Motor vehicle	170.3	130.2	230.8	151.6	87.6	770.5
Liability	87.3	76.6	35.1	28.0	31.3	258.3
Accident/health	0.0	39.2	85.6	34.6	18.0	177.4
Gross premiums non-life	**629.1**	**609.5**	**462.0**	**382.9**	**299.9**	**2 383.4**

2008	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Property	339.2	306.4	94.9	156.9	77.3	974.7
Transport	37.5	67.4	4.0	26.8	92.7	228.4
Motor vehicle	170.7	139.5	201.8	155.5	77.5	745.0
Liability	79.6	72.6	35.3	30.7	31.1	249.3
Accident/health	0.0	39.9	56.5	38.4	18.9	153.7
Gross premiums non-life	**627.0**	**625.8**	**392.5**	**408.3**	**297.5**	**2 351.1**

This table was prepared in accordance with the principles of segment reporting described in Note 3.

Helvetia Group's consistent focus on a geographically well-diversified portfolio of mainly small risks (private customers and SMEs) encourages risk equalisation and reduces the risk that the cost of claims that are covered by existing contracts but have not yet occurred will be higher than expected (prospective risks). For example, a change in the net claims ratio by ±5 percentage points would result in a decrease or increase of CHF 101.5 million (previous year: CHF 104.6 million) in the income statement (without taking account of deferred taxes). In relation to insured events that have already occurred there is a risk that the amount of existing liabilities might exceed expectations and that the reserves set aside will be insufficient to cover future claim payments (retrospective risks). The Group responds to prospective and retrospective risks with actuarial control measures, by setting up reserves designed to meet requirements, and by diversification. Risk balancing through diversification, however, does not totally eliminate the occurrence of isolated risk clusters (for example in the form of individual large risks) or cumulative risks (such as those resulting from multi-portfolio exposure to natural disasters). This risk potential is monitored Group-wide and hedged through reinsurance in a coordinated way (see also Note 17.4, page 179).

From a Group-wide perspective, the insurance risks in the non-life business are dominated by natural hazards. Reinsurance cover reduces the residual claims from a natural disaster or individual risk at Group level to a maximum of CHF 25 million in most cases.

More information on the quality of the reinsurance cover and the claims development over the last five years can be found in Notes 17.6 "Counterparty risks" and 9 "Insurance business". In 2009, 13.4% (previous year: 11.3%) of the premiums written in non-life business were ceded to reinsurers.

17.2.1 Casualty insurance

Helvetia Group underwrites liability cover for individual customers, motor vehicles and companies. Liability claims result from action or neglect leading to bodily injury and/or property damage to third parties. Collision cover is also underwritten within the motor insurance sector. The volume of accident insurance business at Group level is small.

Terms of the contract, guarantees and underwriting practices

Helvetia Group controls the insurance risks to which it is exposed through risk-appropriate rates, selective underwriting, pro-active claims settlement and a prudent reinsurance policy. The underwriting process ensures that the assumed risks in terms of type, exposure, customer segment and location meet the necessary quality criteria. One example is the decrease in employer's liability claims as a result of the Group's stricter underwriting policy since 1999.

Risks arising from clusters, accumulations and trend changes

The mainly European portfolio is well-diversified with a higher weighting in Switzerland and Germany. Large risks are usually hedged through non-proportional treaty reinsurance.

Uncertainties in estimating future loss payments

In the liability business in particular, quite some time can pass between the occurrence and the reporting of a claim. In order to cover existing liabilities not yet asserted by policyholders, Helvetia Group sets up incurred but not reported reserves, which are determined with actuarial methods on the basis of many years of claims experience and with consideration to current developments and given uncertainties.

17.2.2 Property insurance

Property insurance contracts cover damage to or the loss of the property of the insured through insured events or damage to or loss of third-party property as a result of negligent actions or neglect by policyholders.

Terms of the contract, guarantees and underwriting practices

The reinsurance contracts set out the general conditions under which the newly underwritten risks will be covered by the specific reinsurance contract. Individual large risks which are not covered by the corresponding treaty reinsurance are reinsured on an optional basis. Large risks are generally not underwritten unless appropriate reinsurance cover can be purchased. This approach allows for comprehensive risk control. Risk-oriented underwriting of large risks provides additional risk control.

Risks arising from clusters, accumulations and trend changes

Apart from assumed reinsurance and Helvetia International, property insurance is limited to Europe. The insurance risks are geographically well-diversified and there is a good balance between commercial and private customers in the total property portfolio. The geographical distribution of risks has not changed significantly compared to the previous year.

By definition, the property insurance portfolio is exposed to natural disasters, such as flooding, earthquakes, wind storms and hail. Major events and man-made disasters may result in large total losses. Examples include explosions, fire and terrorism. The number and extent of disasters that can occur in a certain period are by definition unforeseeable. Helvetia Group effectively guards against catastrophe losses through a multi-level reinsurance programme and its selective underwriting policy.

Uncertainties in estimating future loss payments

Property insurance claims are usually settled in the year of the claim or in the following year.

17.2.3 Transport insurance

Helvetia Group offers transport insurance as a niche market in France and to a lesser extent in Switzerland, Germany and Austria. Helvetia Group mainly focuses on cargo/hull insurance, which carries a comparatively low level of risk. Risk exposure is managed by the application of local underwriting guidelines and through the close relationship – made possible by the small volume – with the insurance broker and the customer.

17.3 Insurance risk (life)

Helvetia Group offers a comprehensive range of life insurance products. They include risk and pension solutions and are aimed at private individuals (individual life insurance) and companies (group life insurance). The risks associated with these products are explained in detail in the following notes. There is also a small assumed reinsurance portfolio that is no longer included in the following description due to its lack of size. Life insurance is mostly operated from Switzerland, where 73.5% (previous year: 79.2%) of the Group's gross premium volume in the life insurance sector is generated. The following table shows the distribution of gross premium income by business line and region. In total, 1.6% (previous year: 1.8%) of the life premiums written was ceded to reinsurers in 2009.

Gross premiums by business line and region in the life business

2009	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Individual insurance	677.9	117.8	434.3	92.2	111.7	1433.9
Group insurance	1956.8	33.4	29.1	45.9	-	2065.2
Unit-linked life insurance	68.8	95.9	-	2.9	9.8	177.4
Gross premiums life	**2703.5**	**247.1**	**463.4**	**141.0**	**121.5**	**3676.5**

2008	Switzerland	Germany	Italy	Spain	Other	Total
in CHF million						
Individual insurance	501.4	116.9	97.7	93.3	118.6	927.9
Group insurance	1696.8	30.8	19.9	43.1	-	1790.6
Unit-linked life insurance	227.4	100.9	-	3.0	11.3	342.6
Gross premiums life	**2425.6**	**248.6**	**117.6**	**139.4**	**129.9**	**3061.1**

17.3.1 Individual insurance and unit-linked life insurance

Helvetia Group offers private individuals term insurance, endowment and annuity insurance as well as index- and unit-linked products. Depending on the product, premiums are paid as single or regular premiums. Most of the products include a discretionary participation feature for which regulations in certain countries stipulate the minimum amount of profit participation to be paid out to policyholders. Individual life insurance accounts for 39.0% (previous year: 30.3%) of the Group's gross premium volume in the life insurance sector, with 47.3% (previous year: 54.0%) generated in Switzerland. The share of unit-linked life insurance amounts to 4.8% (previous year: 11.2%) of the Group's gross premium volume, with 38.8% (previous year: 66.4%) generated in Switzerland.

Terms of the contract, guarantees and profit participation

Most of the products include a premium guarantee which means that the assumptions on mortality, disability, interest rates and expenses used to calculate the premiums are guaranteed. These fundamentals are therefore set prudently at the time the contract is underwritten. If the contract develops as expected, profits accrue which are paid out in part to the policyholder in the form of policyholder dividends. There are two important exceptions to note with regard to the guaranteed assumptions. Firstly, there are no interest-rate guarantees for unit-linked insurance, however, some products may guarantee a minimum benefit payout on maturity. Secondly, premiums in Switzerland for disability benefit policies concluded after mid-1997 are not guaranteed and may be adjusted.

Underwriting and reinsurance

An insurance policy covering death or disability risk may only be taken out at regular terms and conditions if the insured is in good health. Compliance with this condition is checked during verification of the application. The check is based on the answers to the health questionnaire, and from a specific insured risk amount, a medical examination is required.

Large risks for insured individuals are ceded to various reinsurers through excess-of-loss reinsurance with the deductible varying by country. Helvetia Switzerland and – for a few specific risks - Helvetia Italy are also reinsured against catastrophes which may concurrently cause several casualties and claim several lives.

17.3.2 Group life insurance

Group life insurance accounts for 56.2% (previous year: 58.5%) of the Group's gross premium volume in the life insurance sector, with 94.8% (previous year: 94.8%) generated in Switzerland. Outside of Switzerland and in a small run-off portfolio within Switzerland, group life insurance products are very similar to individual insurance policies. For this reason we focus on business with occupational benefit plans in Switzerland when referring to group life insurance below. In Switzerland, companies are required under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) to insure their employees against the risks of death and disability and for retirement benefits. Helvetia Group offers products that cover these risks. The majority of these products include a discretionary participation feature with the minimum amount being stipulated by law or by contract.

Terms of the contract, guarantees and profit articipation

Rate guarantees do not apply to the risk premiums for death and disability and to the expense loadings for most of these products. These premiums may therefore be adjusted annually by Helvetia Group. After a loss has occurred, the benefits that fall due are either guaranteed until the agreed expiry date or for life.

Annual interest is credited to the investment portion of the premiums. The interest rate on the mandatory savings portion is set by the Swiss Federal Council, while the interest rate on the extra-mandatory portion is determined by Helvetia Group. At the end of 2007, the interest rate for the mandatory insurance was 2.5%, and this was increased to 2.75% for 2008. The interest rate was lowered to 2% from 2009. The interest rate for the extra-mandatory insurance determined by Helvetia Group for 2009 was also 2%.

On retirement, a policyholder may choose to have the retirement capital paid out as a lump sum or converted into a retirement pension. The conversion of the mandatory savings capital follows the BVG conversion rate set by the government, while Helvetia Group determines the conversion rate for the extra-mandatory capital. After conversion, retirement pensions and any survivors' benefits are guaranteed for life.

Statutory regulations stipulate for the majority of products that a minimum of 90% of revenue must be used for the benefit of the policyholder. For example, the return on capital exceeding the guaranteed minimum interest rates must be returned to customers partly in the form of policyholder dividends. Similar rules are stipulated in the insurance contract for most of the products which are not subject to this statutory regulation.

Underwriting and reinsurance

As far as the mandatory insurance is concerned, enrolment with an employer's pension fund cannot be refused on the grounds of ill health. However, certain benefits may be excluded or a higher premium charged for the extra-mandatory cover. There is no obligation to insure a specific company. During the underwriting process it is determined whether and under which terms the company will be insured on the basis of past losses caused by that company and based on estimates of future loss potential.

Large risks for insured individuals are ceded to various reinsurers through excess-of-loss reinsurance as for individual insurance. Reinsurance for disaster events also covers group life insurance.

17.3.3 Risks arising from trend changes and sensitivity analysis

Helvetia Group employs a wide range of actuarial methods to monitor existing and new products with regard to underwriting policy, the setting of the necessary reserves and risk-appropriate pricing. Retrospective methods compare original expectations with actual developments. Prospective methods allow early recognition and analysis of the impact of new trends. Most of those calculations use parameter sensitivities to monitor the impact of unfavourable developments in investment returns, mortality, lapse rates and other parameters. All tools combined allow the Group to respond early and actively to adverse trends. If a certain risk takes a worse than expected course, the profit participation is usually the first to be reduced in most of the products. If a product shows evidence of an insufficient security margin, the premiums are adjusted, either for new business only or, if permissible, also for the existing portfolio.

Helvetia Group establishes reserves for its life insurance business to cover its estimated guaranteed and discretionary payments. The amount of the life insurance reserves depends on the interest rates applied as well as on actuarial and other parameters. Additionally, the Liability Adequacy Test (LAT) examines whether the reserves in combination with expected premiums are sufficient to finance future benefits. Should this not be the case, local reserves are strengthened accordingly.

If the assumptions have to be changed, the reserve reinforcements are either increased or decreased accordingly. A decrease in reserves flows largely back to the policyholders as a result of the discretionary participation feature. Policyholder dividends are reduced in a first step to compensate for a required increase in reserves, with shareholders bearing the remaining increase. In the local statutory balance sheet, reserve reinforcements recognised as necessary may be spread over several years and, if possible, compensated by gradually lessening the allocation to the provisions for future profit participation or by the release of undisclosed reserves on investments. In the consolidated financial statements, however, required reinforcement of reserves must be immediately recognised in profit or loss, while offsetting against differences in valuation to the local balance sheet (especially for investments) is allowed in the consolidated financial statement before the deferred profit participation is determined for contracts with discretionary profit participation.

Therefore, a 10% increase in mortality in the LAT of all companies of Helvetia Group would have no impact on the reserves. This is because the margins are sufficient, even after the increase in mortality. A reduction in mortality by 10% would only have an impact on the reserves for annuity insurance. This scenario would lead to a reserve reinforcement that would burden the income statement by CHF 35.4 million (previous year: CHF 32.0 million). However, it should be noted that these sensitivities are usually nonlinear, so that extrapolation is not possible. See Note 17.5.2 (from page 184) for the impact of an interest rate change on equity and the income statement.

Various impacting factors are described individually below.

Mortality risk

If the death rate exceeds expectations, shareholders may suffer losses once the buffer of profit participation has been exhausted. Analysis shows this risk to be very low for both individual and group life sectors. Helvetia Group sees no necessity for reserve reinforcements for this particular risk.

Longevity risk

If the death rate in individual insurance remains below expectations and policyholders live longer than expected, shareholders may suffer losses. Given the fact that life expectancy is continuously rising, the current mortality rate as well as expected trends regarding increases in life expectancy are taken into account when setting up reserves. These reserves are very sensitive to assumed life expectancies and interest rates.

In addition to these considerations, which also apply to group life insurance, the high statutory BVG conversion rate results in losses in the group life sector that are built into reserves at the expense of policyholders' profit participation. Besides reacting to interest rates and life expectancy, these reserves are also particularly sensitive to the assumed number of policyholders choosing a pension over a lump-sum payment on retirement.

Disability risk

Losses may occur for shareholders if the number of active policyholders becoming disabled exceeds expectations or if fewer disabled policyholders than expected recover and the profit participation system is insufficient to cushion the impact of these variances. As disability benefit policies are almost exclusively taken out in Switzerland and premiums in the group life sector and individual life business may be adjusted for disability benefit contracts sold after mid-1997, the risk in Switzerland is limited to disability benefit policies sold before mid-1997. Here, the portfolio losses that are expected to occur are covered in full by local reserve reinforcements. These reserves are sensitive to the assumed expected loss burden in particular.

Interest rate risk

Shareholders may have to bear losses if the guaranteed interest included in premiums and reserves cannot be generated. This could happen, for example, when interest rates remain very low for a long period. To counteract such a development, both the technical interest rate for new individual insurance contracts and the BVG minimum interest rate for new and existing contracts are adjusted to the new interest rate level. At the end of 2009, the individual life segment in Spain had the highest interest-rate guarantees as older policies still included guaranteed minimum interest rates of up to 6%. These guarantees are partly covered by corresponding assets and the residual risk is covered by supplementary reserves. In the other countries, the maximum guaranteed return is 4% in EUR and 3.5% in CHF. Rising interest rates may lead to higher lapse rates of endowment contracts. This risk, however, is considered to be low for two reasons. Firstly, most countries enforce high tax consequences for premature contract terminations, and secondly, a deduction is usually made on highly interest-sensitive products at the time the contract is cancelled to reflect the lower fair values of the underlying investments.

Long-term interest guarantees on reserves for current benefits are in place in group life business. The BVG minimum interest rate on the mandatory accrued savings assets of the insured is reviewed annually by the Swiss Federal Council. This minimum interest rate was 2.5% from 1 January 2005 and was increased to 2.75% with effect from 1 January 2008. This rate was cut to 2% for 2009. Rising rates may lead to higher lapse rates in the group life segment and thus cause losses. Since 2004, no deductions can be made from nominally defined surrender values that reflect the fact that the fair value of the corresponding fixed-income securities may be below the (local) carrying value for contracts that have been in Helvetia Group's portfolio for more than five years.

Risk in embedded derivatives

The return for policyholders of index-linked insurance contracts depends on an external index. Unit-linked insurance products may include a guaranteed survival benefit. These product components must be separated as embedded derivatives and recognised at fair value. The majority of these guarantees and index-dependent payouts are serviced by and at the risk of external partners. There are only a few products in Switzerland where this does not apply and the risk is assumed by Helvetia Group, but these are covered by appropriate reserves. Their amount is determined especially by the volatility of the underlying assets as well as by the level of the risk-free interest rate. A change in the reserve is charged to profit and loss and cannot be compensated with a profit participation component.

Summary

In summary, there is a wide range of various and product-specific risks in life insurance, which Helvetia Group monitors using a number of actuarial methods and then offsets where necessary with an appropriate increase in reserves. In compliance with IFRS 4, Helvetia Group also has free reserves at its disposal for future policyholder dividends. These reserves can also be used to cover insurance risks.

17.4 Insurance risk in reinsurance

By tradition, Helvetia Group owns a small assumed reinsurance portfolio which is limited in size in compliance with its business strategy. Assumed reinsurance is managed by Helvetia Schweizerische Versicherungsgesellschaft AG headquartered in St.Gallen.

The business philosophy positions assumed reinsurance as a "follower" with typically only small shares in reinsurance contracts. This policy of small shares, combined with broad diversification by geographical and business segment, creates a well-diversified reinsurance portfolio without major risk clusters.

Within the reinsurance segment, Group Reinsurance serves as a group reinsurer. It ensures that the individual business units receive appropriate contractual reinsurance cover, and transfers the assumed risks to the reinsurance market, taking account of risk correlation and diversification. This centralisation process means that uniform reinsurance standards are applied on a group-wide basis, in particular as regards the hedging level, as well as to cost savings at process level. Based on the Group's risk appetite and conditions on the reinsurance markets, Group Reinsurance ensures efficient use of the risk capacity available at Group level and optimally manages purchases of reinsurance cover.

Gross premiums by business line and country in reinsurance business

2009	Non Life	Life
in CHF million		
Gross premiums written	434.5	22.5
Reinsurance premiums ceded	–160.8	–10.1

2008	Non Life	Life
in CHF million		
Gross premiums written	396.1	22.8
Reinsurance premiums ceded	–152.7	–9.8

Terms of the contract, guarantees and underwriting

The small size of the assumed reinsurance portfolio allows for detailed tracking of customer relations and the strict control of risks and commitments from business written. An actuarial department specialising in reinsurance handles price and reserve calculations.

Risks arising from clusters, accumulations and trend changes

The assumed reinsurance business is geographically dominated by companies located in the OECD area. A management information system has been set up to manage major claims. Besides managing risk exposure, cumulative risks arising from natural disasters are monitored and quantified using actuarial methods, and are also covered by retro insurance.

Notes 17.6 "Counterparty risks" and 9 "Insurance business" provide more information about the quality of reinsurance and claims management over the past five years.

17.5 Market risks and ALM

As at 31 December 2009, Helvetia Group managed assets of CHF 33.1 billion (previous year: CHF 30.8 billion).

The most important market risks to which the Group is exposed are interest rate risks, exchange rate risks and share price risks. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Market risks influence the income statement as well as the balance sheet. The Group manages its real estate, mortgages and securities in-house. Smaller shares of the portfolio are invested in hedge funds or convertible bonds and are managed by external asset managers. Savings accumulated in unit-linked policies are invested in a wide range of funds and managed by third parties. The market risks associated with these funds are borne by Helvetia's insurance customers.

Asset & Liability Management (ALM; see also Note 17.1.2) at Helvetia Group is geared towards accounting, especially protecting the income statement and balance sheet, as well as towards fair value considerations on risk limitation. Besides matching the investment strategy to liabilities, derivatives are selectively used to hedge foreign exchange risks and to control the risk of losses on equity investments. The instruments mostly employed are options, forwards and futures on both equity investments and foreign exchange underlyings. As of 31 December 2009, the risk of losses on equities was controlled with options, and foreign exchange exposure was largely hedged. More information is available in tables 7.6.2 "Derivative financial assets" and 8.3.1 "Derivative financial liabilities".

17.5.1 Liquidity risk

Helvetia Group has sufficient liquid assets at its disposal to meet unforeseen outflows of funds at all times. The proportion of liquid assets (cash, premiums to be invested, liquid shares and bonds) exceeds the scale of annual net flows of funds many times over. Additionally, the Group manages assets and liabilities in terms of their liquidity. The liabilities side of the balance sheet does not contain any significant individual items. Part of the Group's investment portfolio consists of investments in assets which are not easily realisable, such as real estate or mortgages. These investments can only be realised over a longer period of time.

Maturity schedule of recognised insurance liabilities

as of 31 December 2009	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	2807.3	7717.6	5038.4	7950.8	10.7	23524.8
Provision for future policyholder participation	115.5	18.6	-	-	609.6	743.7
Loss reserves (gross)	1086.3	1058.1	367.0	169.9	0.2	2681.5
Unearned premium reserve (gross)	963.8	-	-	-	-	963.8
Total reserves for insurance and investment contracts (gross)	4972.9	8794.3	5405.4	8120.7	620.5	27913.8
Reinsurers' share	128.2	159.4	89.6	56.0	0.3	433.5
Total reserves for insurance and investment contracts (net)	**4844.7**	**8634.9**	**5315.8**	**8064.7**	**620.2**	**27480.3**

as of 31 December 2008	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million						
Actuarial reserves (gross)	2271.6	7571.8	4869.1	7284.1	57.2	22053.8
Provision for future policyholder participation	156.2	18.7	0.0	0.0	378.8	553.7
Loss reserves (gross)	1077.5	1066.6	354.9	164.6	1.5	2665.1
Unearned premium reserve (gross)	892.1	-	-	-	-	892.1
Total reserves for insurance and investment contracts (gross)	4397.4	8657.1	5224.0	7448.7	437.5	26164.7
Reinsurers' share	95.0	155.2	92.1	68.0	-	410.3
Total reserves for insurance and investment contracts (net)	**4302.4**	**8501.9**	**5131.9**	**7380.7**	**437.5**	**25754.4**

In the above tables, the expected maturity of the amounts reported in the balance sheet is shown.

Maturity schedule of financial and other liabilities (without derivative financial instruments)

as of 31 December 2009	Callable at any time	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	2 599.6	44.6	0.1	0.0	0.1	57.2	2 701.6
Financial liabilities from financing activities	-	209.3	13.3	28.9	-	-	251.5
Liabilities from insurance business	299.6	920.6	-	-	-	0.9	1 221.1
Other financial and other liabilities	1.0	113.5	-	-	-	1.9	116.4
Total financial and other liabilities	**2 900.2**	**1 288.0**	**13.4**	**28.9**	**0.1**	**60.0**	**4 290.6**

as of 31 December 2008	Callable at any time	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million							
Financial liabilities from insurance business	2 504.5	12.1	12.7	14.7	11.2	60.9	2 616.1
Financial liabilities from financing activities	-	10.0	222.0	25.6	-	-	257.6
Liabilities from insurance business	281.8	484.5	-	-	-	-	766.3
Other financial and other liabilities	1.0	246.5	4.7	-	-	-	252.2
Total financial and other liabilities	**2 787.3**	**753.1**	**239.4**	**40.3**	**11.2**	**60.9**	**3 892.2**

The figures given above may not reconcile to the amounts reported in the balance sheet, as these represent non-discounted flows of funds. Allocation to the category "Callable at any time" is based on the counterparty's right to cancel that is contained in the contracts. Most of these contracts, both life and non-life, can be terminated within one year at the latest.

Maturity schedule of derivative financial instruments

as of 31 December 2009	Fair value	Maturity of non-discounted flows of funds <1 year	1–5 years	5–10 years	>10 years
in CHF million					
Derivative financial assets					
Interest rate swaps	0.9	0.2	0.8	1.0	0.2
Forward exchange transactions	35.4				
Inflow		2 002.3	-	-	-
Outflow		–1 966.6	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (excercise not planned)	8.4				
Total derivative financial assets	**44.7**	**35.9**	**0.8**	**1.0**	**0.2**
Derivative financial liabilities					
Interest rate swaps	-	-	-	-	-
Forward exchange transactions	2.5				
Inflow		–249.0	-	-	-
Outflow		251.2	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (excercise not planned)	7.9				
Total derivative financial liabilities	**10.4**	**2.2**	**-**	**-**	**-**

as of 31 December 2008	Fair value	Maturity of non-discounted flows of funds <1 year	1–5 years	5–10 years	>10 years
in CHF million					
Derivative financial assets					
Interest rate swaps	0.8	0.1	0.5	0.6	0.3
Forward exchange transactions	113.5				
Inflow		1 869.9	-	-	-
Outflow		–1 756.4	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (excercise not planned)	107.5				
Total derivative financial assets	**221.8**	**113.6**	**0.5**	**0.6**	**0.3**
Derivative financial liabilities					
Interest rate swaps	-	-	-	-	-
Forward exchange transactions	-				
Inflow		-	-	-	-
Outflow		-	-	-	-
Options (planned exercise)	-	-	-	-	-
Other (excercise not planned)	31.2				
Total derivative financial liabilities	**31.2**				

17.5.2 Interest rate risk

Helvetia Group's results are affected by changes in interest rates. A prolonged period of low interest rates reduces the return on fixed-income investments such as bonds and mortgages. On the other hand, the return increases with rising interest rates. Information on current investment returns can be found in Note 7.1 (from page 128).

As with most investments, the value of Helvetia Group's liabilities depends on interest rate levels. Generally speaking, the higher the interest rate, the lower the present value of assets and liabilities. The extent of this change in values depends, among other things, on the time pattern of cash flows. To manage the volatility of net positions (assets – net liabilities, i.e. AL mismatch) the Group compares the maturities of cash flows arising from liabilities with those resulting from assets, and analyses them for maturity matching. The derived risk is managed as part of the asset & liability management process. Risk capacity, on one side, and the capacity to finance guaranteed benefits or to generate surpluses, on the other, are balanced.

Maturity schedule of financial assets

as of 31 December 2009	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	2039.1	2632.4	1738.6	1956.3	20.5	8386.9
Held-to-maturity investments (HTM)	232.0	895.4	912.5	1007.1	-	3047.0
Available-for-sale investments (AFS)	621.1	5626.7	3958.3	1683.5	916.9	12806.5
Financial assets at fair value through profit or loss	225.6	956.9	53.5	75.2	3107.2	4418.4
Total financial assets	**3117.8**	**10111.4**	**6662.9**	**4722.1**	**4044.6**	**28658.8**

as of 31 December 2008	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
in CHF million						
Loans (LAR) incl. money market instruments	2623.8	1921.1	1744.7	1370.8	125.2	7785.6
Held-to-maturity investments (HTM)	262.8	897.1	909.1	1172.2	-	3241.2
Available-for-sale investments (AFS)	628.6	4966.9	3511.0	1555.8	818.7	11481.0
Financial assets at fair value through profit or loss	464.9	828.8	40.0	64.7	2731.1	4129.5
Total financial assets	**3980.1**	**8613.9**	**6204.8**	**4163.5**	**3675.0**	**26637.3**

A statement on the ALM situation of a portfolio can be made by comparing the guaranteed interest rates with yields. Aggregated information on interest guarantees is given in the following diagram. The interest guarantees range from 1% to 6%. Less than 0.8% of Helvetia Group's actuarial reserves carry an interest guarantee of more than 4%.

Interest guarantees

as of 31 December 2009	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts excluding interest guarantee	809.9	-	254.7	-
Actuarial reserves for insurance and investment contracts with 0% interest guarantee	394.0	-	139.3	18.3
Actuarial reserves for insurance and investment contracts with positive interest guarantee	17 041.5	123.4	4 734.1	9.6
Average interest guarantee in per cent	**2.49**	**2.83**	**2.67**	**1.03**

as of 31 December 2008	Direct business Switzerland CHF	Direct business Switzerland Other currencies	Direct business EU EUR	Reinsurance
in CHF million				
Actuarial reserves for insurance and investment contracts excluding interest guarantee	747.2	-	189.2	-
Actuarial reserves for insurance and investment contracts with 0% interest guarantee	377.2	-	99.4	18.0
Actuarial reserves for insurance and investment contracts with positive interest guarantee	16 173.4	76.1	4 362.7	10.6
Average interest guarantee in per cent	**2.79**	**2.87**	**2.77**	**1.11**

Interest rate risk sensitivities

	Interest rate level 2009		Interest rate level 2008	
as of 31 December	+10 bp	–10 bp	+10 bp	–10 bp
in CHF million				
Income statement	1.2	–1.3	2.0	–2.3
Equity	–24.1	24.3	–24.9	25.1
Gross, not taking into account the latency calculation and derivatives	–61.5	62.1	–59.4	57.1

The above table analyses the impact of a change in interest rate on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis also takes account of the investments at fair value through profit and loss, fixed-interest available-for-sale investments, derivatives, the actuarial reserve, deposits for investment contracts and the interest earned on variable-rate investments. The "look through" principle was used for significant shares in mixed funds. The impact of a change in interest rate on impairments was not analysed.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible interest rate changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

17.5.3 Share price risk

Investments in shares are used to generate long-term surpluses. Funds are mostly invested in large caps traded on the major stock exchanges. Helvetia Group holds a well-diversified portfolio (mainly stocks traded on the exchanges in Switzerland, Europe and the USA). The share of each individual position is less than 5% of the total portfolio (direct investments in equity), with the exception of Allreal, a highly diversified real estate company which accounts for 14.0% of the total exposure to direct investments in equity. Market risk is constantly monitored and, if necessary, reduced through sales or the use of hedging instruments in order to meet the strict internal requirements on risk capacity.

Market risks are decreased through hedging strategies. Out-of-the-money put options are largely used to comply with internal loss limits. Direct investments in equities constitute 4.9% (before hedging) of the Group's investments. A substantial proportion is hedged against the risk of significant losses.

Share price risk sensitivities

	Equity price risk sensitivities 2009		Equity price risk sensitivities 2008	
as of 31 December	+10%	–10%	+10%	–10%
in CHF million				
Income statement	33.2	–24.3	–3.5	5.1
Equity	34.0	–34.0	26.9	–26.9
Gross, not taking into account the latency calculation and derivatives	158.4	–157.7	113.3	–112.5

The above table analyses the impact of a change in share price on Helvetia Group's equity and income statement, taking account of deferred taxes and the legal quota. The analysis covers direct equity investments, derivatives, equity funds and one part of mixed funds. In contrast to the previous year, the "look through" principle was used for significant shares in mixed funds. The impact of a change in share price on impairments was not analysed.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible share price changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

17.5.4 Foreign exchange risk

Most of the Group's assets, including its investments, and most of its liabilities are denominated in Swiss francs and Euros. With the exception of the Swiss business, most liabilities are hedged through investments in matching currencies. In the Swiss business, investments to hedge liabilities in Swiss francs are held in both Swiss francs and Euros for reasons of return and liquidity. The resulting currency risks are hedged to a great extent, using forward exchange transactions on the most important balance sheet currencies (EUR, USD) against the Swiss franc.

Foreign exchange risk sensitivities

	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
as of 31 December 2009	+2%	–2%	+2%	–2%	+2%	–2%
in CHF million						
Income statement	–0.9	0.8	–2.7	2.7	–0.5	0.5

	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
as of 31 December 2008	+2%	–2%	+2%	–2%	+2%	–2%
in CHF million						
Income statement	8.1	–8.2	–1.4	1.4	–0.1	0.1

The above table analyses the impact of an exchange rate change on Helvetia Group's income statement, taking account of deferred taxes and the legal quota. In accordance with the IFRS, only monetary financial instruments and insurance liabilities in non-functional currencies and derivative financial instruments were included in the analysis.

A "reasonable possible change" in the risk factors affecting the sensitivity analysis is defined as every bracket that covers a range of possible exchange rate changes where the probability of its occurring over a period of one year is between 10% and 90%. Sensitivities are shown for the borders of the chosen bracket that meets these conditions.

Consolidated exposure to currency risk 2009

as of 31 December 2009	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	200.3	216.4	-	-	416.7
Goodwill and other intangible assets	11.1	179.0	-	-	190.1
Investments in associates	45.5	16.9	-	-	62.4
Investment property	3 934.1	417.1	-	-	4 351.2
Financial assets	17 089.0	10 970.4	446.4	153.0	28 658.8
Receivables from insurance business	331.2	575.8	47.7	20.2	974.9
Deferred acquisition costs (life)	194.2	33.0	-	-	227.2
Reinsurance assets	109.2	366.1	13.3	5.0	493.6
Deferred tax assets	0.1	34.1	-	-	34.2
Current income tax assets	1.6	14.6	-	-	16.2
Other assets	30.5	123.4	1.2	-	155.1
Accrued investment income	182.8	162.1	0.8	0.0	345.7
Cash and cash equivalents	179.4	263.2	12.3	5.2	460.1
Total assets	**22 309.0**	**13 372.1**	**521.7**	**183.4**	**36 386.2**

as of 31 December 2009	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	18 254.7	5 251.6	18.5	-	23 524.8
Provision for future policyholder participation	646.7	97.0	-	-	743.7
Loss reserves (gross)	897.9	1 653.7	89.1	40.8	2 681.5
Unearned premium reserve (gross)	268.5	637.9	43.1	14.3	963.8
Financial liabilities from financing activities	199.9	45.5	-	-	245.4
Financial liabilities from insurance business	733.9	1 966.7	1.0	0.0	2 701.6
Other financial liabilities	85.3	2.6	0.0	-	87.9
Liabilities from insurance business	992.8	222.4	4.5	1.4	1 221.1
Non-actuarial provisions	62.9	24.0	-	-	86.9
Employee benefit obligations	34.9	247.1	-	-	282.0
Deferred tax liabilities	344.6	153.3	-	-	497.9
Current income tax liabilities	19.4	27.5	-	-	46.9
Other liabilities and accruals	40.6	124.8	–0.2	0.7	165.9
Total liabilities	**22 582.1**	**10 454.1**	**156.0**	**57.2**	**33 249.4**

Consolidated exposure to currency risk 2008

as of 31 December 2008	CHF	EUR	USD	Others	Total
in CHF million					
Assets					
Property and equipment	375.6	226.4	-	-	602.0
Goodwill and other intangible assets	15.5	167.1	-	-	182.6
Investments in associates	45.3	10.7	-	-	56.0
Investment property	3664.6	401.2	-	-	4065.8
Financial assets	16023.1	10273.6	214.9	125.7	26637.3
Receivables from insurance business	148.1	494.5	22.9	14.7	680.2
Deferred acquisition costs (life)	196.5	27.5	-	-	224.0
Reinsurance assets	101.9	351.9	12.1	4.5	470.4
Deferred tax assets	0.1	36.5	-	-	36.6
Current income tax assets	0.4	12.3	-	-	12.7
Other assets	57.7	136.3	1.0	0.2	195.2
Accrued investment income	175.3	159.2	0.8	-	335.3
Cash and cash equivalents	64.6	207.7	6.7	5.9	284.9
Total assets	**20868.7**	**12504.9**	**258.4**	**151.0**	**33783.0**

as of 31 December 2008	CHF	EUR	USD	Others	Total
in CHF million					
Liabilities					
Actuarial reserves (gross)	17306.3	4728.9	18.6	-	22053.8
Provision for future policyholder participation	500.0	53.7	-	-	553.7
Loss reserves (gross)	904.4	1647.7	80.1	32.9	2665.1
Unearned premium reserve (gross)	261.3	595.7	23.3	11.8	892.1
Financial liabilities from financing activities	199.7	45.6	-	-	245.3
Financial liabilities from insurance business	768.8	1845.2	2.1	-	2616.1
Other financial liabilities	126.2	9.0	2.0	1.9	139.1
Liabilities from insurance business	633.3	126.7	5.5	0.8	766.3
Non-actuarial provisions	46.2	27.7	-	-	73.9
Employee benefit obligations	32.9	236.8	-	-	269.7
Deferred tax liabilities	297.6	145.1	-	-	442.7
Current income tax liabilities	15.9	28.8	-	-	44.7
Other liabilities and accruals	48.4	199.9	–1.7	0.2	246.8
Total liabilities	**21141.0**	**9690.8**	**129.9**	**47.6**	**31009.3**

17.6 Counterparty risk

Counterparty risk includes risks of default and changes in value. The risk of default refers to the possibility of the counterparty becoming insolvent, while the risk of changes in value is related to the possibility of a financial loss due to a change in the counterparty's credit rating or a change in credit spreads in general. The risk of counterparties failing to meet their obligations is continuously monitored. Helvetia Insurance works with various counterparties with good credit ratings in order to minimise counterparty risk.

17.6.1 Risk exposure

Helvetia Group is exposed to counterparty risk in the following areas in particular:
- Counterparty risks from bonds and money market instruments.
- Counterparty risk from granted loans and mortgages: The largest positions in the loans asset class consist of borrower's note loans and policy loans. Policy loans are hedged through life insurance policies. As a loan is only granted against a certain percentage of the accumulated savings capital (< 100%), this asset class can be qualified as "fully secured". The significance of the gross exposure (without taking account of collateral) for the valuation of counterparty risk from the mortgage business is also relatively small: mortgages are secured by a real estate lien and are often also partly secured by a pledged life insurance policy, with the result that the loss rate is correspondingly low. Against this background the counterparty risk from mortgages must be described as small.
- Counterparty risk from transactions involving derivative financial instruments: 70% of the derivative financial instruments are either traded on a stock exchange or secured by cash collateral, which means that these positions do not harbour any counterparty risk. There is also no counterparty risk for a further 11% of the derivatives, as these were concluded with issuers who have a government guarantee. The remaining 19%, all of them over-the-counter (OTC) derivatives without cash collateral, carry a counterparty risk. However, these are mostly short-term derivatives, which means that this exposure is short-term with a correspondingly reduced risk.
- Counterparty risk from ceded reinsurance: Helvetia Group transfers part of its risk exposure to others under reinsurance contracts. If the reinsurer defaults, the Group continues to be liable for the reinsured liabilities. The Group therefore periodically analyses the balance sheets and credit ratings of its reinsurers. The Group places its reinsurance contracts with several first-class companies to reduce dependency on one single reinsurance company.
- Counterparty risk from insurance business: The default of other counterparties (policyholders, agents and brokers, insurance companies) can lead to the loss of receivables from insurance business. On the balance sheet, the maximum gross exposure would correspond to the items shown in Note 9 "Receivables due from policyholders, agents and brokers and insurance companies" (after deduction of receivables due from reinsurance companies recognised under "Credit risk exposure from ceded reinsurance"). These receivables, however, are usually mostly short-term. On the other hand, receivables due from policyholders is the largest item in this category. As policyholders pay their premiums in advance and insurance cover is directly dependent on customers' fulfilment of their contractual obligations, counterparty risk from both non-life and life insurance business plays a minor role.
- Counterparty risk from financial guarantees and credit approval: Detailed information on contingent liabilities can be found in Note 12 (page 159).

Rating of interest rate instruments, loans and derivative financial instruments

as of 31 December 2009	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	9.8	111.3	842.3	0.0	-	172.7	1 136.1
Derivative financial assets	0.0	32.0	10.6	-	-	2.1	44.7
Bonds	10 877.2	5 086.9	2 270.4	118.6	-	310.9	18 664.0
Mortgages	-	-	-	-	-	3 180.4	3 180.4
Borrower's note loans	489.3	614.4	107.8	17.8	-	180.4	1 409.7
Policy and other loans	-	-	59.5	11.2	-	129.1	199.8
Total	**11 376.3**	**5 844.6**	**3 290.6**	**147.6**	**-**	**3 975.6**	**24 634.7**

as of 31 December 2008	AAA	AA	A	BBB	BB and lower	Not rated	Total
in CHF million							
Money market instruments	90.0	37.8	733.4	-	-	233.4	1 094.6
Derivative financial assets	0.0	103.7	116.2	-	-	1.9	221.8
Bonds	9 994.3	4 891.2	1 803.6	157.8	-	73.2	16 920.1
Mortgages	-	-	-	-	-	3 116.9	3 116.9
Borrower's note loans	510.3	791.9	187.7	-	-	28.7	1 518.6
Policy and other loans	7.6	-	74.1	-	-	135.0	216.7
Total	**10 602.2**	**5 824.6**	**2 915.0**	**157.8**	**-**	**3 589.1**	**23 088.7**

The above analysis shows the gross exposure to interest rate instruments, loans and derivative financial instruments, without taking account of collateral. The credit quality analysis uses the securities and issuer ratings of Standard & Poor's, Moody's and Fitch, as well as the issuer ratings of Fedafin. In contrast to the previous year, the ratings of Credit Suisse, UBS and Zurich Cantonal Bank are no longer taken into account.

Credit risk from ceded reinsurance

as of 31 December 2009	Exposure	Share in %
in CHF million		
AAA	10.4	1.8
AA	251.3	43.1
A	309.1	53.0
BBB	0.6	0.1
BB and lower	0.1	0.0
Not rated	11.4	2.0
Total	**582.9**	**100.0**

as of 31 December 2008	Exposure	Share in %
in CHF million		
AAA	10.4	1.8
AA	425.0	74.3
A	120.4	21.0
BBB	1.2	0.2
BB and lower	0.0	0.0
Not rated	15.2	2.7
Total	**572.2**	**100.0**

The 10 largest counterparties

The ten largest counterparties by credit risk exposure as disclosed in the tables "Rating of interest rate instruments, loans and derivative financial instruments" and "Credit risk from ceded reinsurance".

as of 31 December 2009	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 106.4	2 098.9
Germany	AAA	1 041.7	860.6
Italy	A	873.4	-
Austria	AAA	860.5	551.5
France	AAA	612.3	578.4
Commerzbank AG	A	541.7	518.3
Mortgage Bond Bank of the Swiss Mortgage Institution	AAA	511.3	511.3
Netherlands	AAA	403.2	396.6
Spain	AA	387.9	324.4
UBS AG	A	380.8	27.8

as of 31 December 2008	Issuer rating	Book value IFRS total	AAA
in CHF million			
Switzerland	AAA	2 157.8	2 152.7
Germany	AAA	825.4	655.8
Italy	A	754.2	-
Commerzbank AG	A	602.5	537.5
Austria	AAA	599.9	522.4
Bayerische Landesbank	A	536.5	235.6
Mortgage Bond Bank of the Swiss Mortgage Institution	not rated	469.2	469.2
Spain	AAA	423.2	267.4
France	AAA	397.8	383.0
Credit Suisse Group	A	317.8	-

Securities rating bonds AA	A	BBB	Money market instruments	Derivative financial assets	Borrowert's note loans	Other loans
-	7.5	-	-	-	-	-
69.9	-	-	-	-	111.2	-
543.4	330.0	-	-	-	-	-
226.4	21.9	0.4	-	-	60.3	-
33.7	0.2	-	-	-	-	-
-	-	-	1.1	-	22.3	-
-	-	-	-	-	-	-
6.6	-	-	-	-	-	-
53.7	-	-	9.8	-	-	-
-	76.1	-	270.0	6.9	-	-

Securities rating bonds AA	A	BBB	Money market instruments	Derivative financial assets	Borrowert's note loans	Other loans
-	5.1	-	-	-	-	-
58.6	-	-	-	-	111.0	-
456.7	297.5	-	-	-	-	-
-	26.6	-	1.2	-	29.6	7.6
50.0	3.5	-	-	-	24.0	-
180.1	38.4	-	-	-	82.4	-
-	-	-	-	-	-	-
65.8	-	-	90.0	-	-	-
14.7	0.1	-	-	-	-	-
28.4	8.2	-	281.2	0.0	-	-

18. Events after the reporting date

No important events occurred before or on 11 March 2010, the date on which these consolidated financial statements were completed, that are likely to have a significant impact on the financial statements as a whole.

19. Scope of consolidation

The following events in the reporting year led to changes in the scope of consolidation:

- On 1 January 2009, Helvetia Group sold its stake of 75% in Rhydorf AG, Widnau, for CHF 2.3 million. The gain on the disposal of CHF 1.4 million is included in "Other income".
- Padana Assicuraziani S.p.A., Milan, acquired 60% of APSA S.r.L., Milan, on 12 January 2009. The purchase price was EUR 60,000. No goodwill was recognised on this acquisition.
- Helvetia Service AG, St.Gallen was established on 22 May 2009 as a subsidiary of Helvetia Schweizerische Versicherungsgesellschaft AG, St.Gallen, with a share capital of CHF 100,000.
- ecenter solutions ag, Zurich, merged with its parent company Helvetia Beteiligungen AG in St.Gallen on 1 July 2009.
- On 1 July 2009, a share capital increase of EUR 4.1 million by Helvetia increased Helvetia's stake in PS Beteiligungs- u. Verwaltungsgesellschaft mgH & Co. KG from 26% to 38.33%.
- On 30 September 2009, Helvetia Schweizerische Versicherungsgesellschaft AG bought 100% of Européenne d'Assurance Transport (CEAT). This French company specialises in accidental damage insurance for transport vehicles.
- In the reporting period, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 7.9 million.

The acquisitions made during the reporting year that were insignificant when seen individually are presented in a summarised format. The following table presents an overview of the fair value of the acquired assets and liabilities:

in CHF million	Carrying value before acquisition	IFRS carrying value after acquisition
Assets		
Property and equipment	0.4	0.3
Intangible assets	0.0	0.0
Capital investments	29.2	31.2
Receivables from insurance business	5.3	5.3
Tax assets	0.0	0.2
Other assets and accruals (incl. cash and cash equivalents)	2.1	2.1
Liabilites		
Actuarial provisions	13.5	13.5
Financial liabilities	0.0	-
Tax liabilities	2.0	2.6
Other liabilities and accruals	3.6	4.0
Acquired net assets		
Acquired identified assets (net)	17.9	19.0
Goodwill		19.6
Total acquisition costs [1] (all paid in cash)		**38.6**

[1] The purchase price allocation in the above table is provisional.

The acquisition costs include the actual purchase price plus all costs directly attributable to the acquisition such as legal fees, taxes and due diligence costs.

CEAT contributed a gain of CHF 1.3 million and APSA a gain of CHF 1.2 million for the Group in the reporting period.

If the acquisitions had been finalised on 1 January 2009, the Group's gross premiums for the reporting period would have totalled CHF 6,324.8 million and the consolidated net profit CHF 323.1 million.

The profit and goodwill of CEAT are reported in full in the "Other insurance units" segment. The profit of APSA is allocated to the "Italy" segment.

Complete list of Group companies

as of 31 December 2009	Business activities	Holding in %	Method of consolidation	Currency	Company's capital in million
Switzerland					
Helvetia Schweizerische Versicherungsgesellschaft AG, St.Gallen [1]	Non-life	100.00	full	CHF	77.5
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	Life	100.00	full	CHF	50.0
Patria Schweizerische Lebensversicherungs-Gesellschaft AG, St.Gallen	Life	100.00	full	CHF	0.1
Helvetia Consulta AG, Basel	Other	100.00	full	CHF	0.1
Helvetia Service AG, St.Gallen	Other	100.00	full	CHF	0.1
Tertianum AG, Berlingen		20.00	equity	CHF	-
Prevo-System AG, Basel		24.00	equity	CHF	-
Germany					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Deutschland, Frankfurt a.M. [2]	Non-life	100.00	full	EUR	-
HELVETIA INTERNATIONAL Versicherungs-AG, Frankfurt a.M.	Non-life	100.00	full	EUR	8.0
HELVETIA Schweizerische Lebensversicherungs-AG, Frankfurt a.M.	Life	100.00	full	EUR	6.5
Der ANKER Vermögensverwaltung GmbH, Frankfurt a.M.	Other	100.00	full	EUR	0.0
Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt a.M.	Life	100.00	full	EUR	36.7
Helvetia Grundstücksverwaltung GmbH, Frankfurt a.M.	Life	100.00	full	EUR	0.0
Hamburger Assekuranz GmbH, Frankfurt a.M.	Other	100.00	full	EUR	3.1
Helvetia Leben Maklerservice GmbH, Frankfurt a.M.	Life	100.00	full	EUR	0.0
Helvetia Versicherungs- u. Finanzdienstleistungsvermittlung GmbH, Frankfurt a.M.	Other	100.00	full	EUR	0.0
PS Beteiligungs- und Verwaltungsgesellschaft mbH & Co. KG, Frankfurt a.M.		38.33	equity	EUR	
PS Verwaltungs-GmbH, Frankfurt a.M.		26.00	equity	EUR	
DFV Deutsche Familienversicherung AG, Frankfurt a.M.		38.33	equity	EUR	
Italy					
Helvetia Compagnia Svizzera d'Assicurazioni S.A., Rappresentanza Generale e Direzione per l'Italia, Milan [2]	Non-life	100.00	full	EUR	-
Helvetia Vita - Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A., Milan	Life	100.00	full	EUR	13.4
Chiara Vita S.p.A., Milan	Life	70.00	full	EUR	34.2
Padana Assicurazioni S.p.A., Milan	Non-life	100.00	full	EUR	15.6
APSA s.r.L., Milan	Non-life	60.00	full	EUR	0.1
GE.SI.ASS Società Consortile a R.L., Milan	Other	55.00	full	EUR	0.0

Spain					
Helvetia Holding Suizo, S.A., Madrid	Other	100.00	full	EUR	90.3
Helvetia Compañía Suiza, Sociedad Anónima de Seguros y Reaseguros, Seville	Life and non-life	98.95	full	EUR	21.4
Previcia, Sociedad de Inversión de Capital Variable, S.A. (SICAV), Seville	Other	99.95	full	EUR	2.4
Previsur Agencia de Seguros S.L., Seville	Other	100.00	full	EUR	0.0
Gesnorte S.A., S.G.I.I.C., Madrid		31.73	equity	EUR	
Gesnorte de Pensiones, S.A., Entidad Gestora de Fondos de Pensiones, Madrid		24.00	equity	EUR	
Gesnorte de Servicios, S.A., Madrid		28.00	equity	EUR	
Other insurance units					
Austria					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna [2]	Non-life	100.00	full	EUR	-
Helvetia Versicherungen AG, Vienna	Life and non-life	100.00	full	EUR	12.7
Römertor Versicherungsmakler, Immobilien und Bau GmbH, Vienna	Other	100.00	full	EUR	0.0
Marc Aurel Liegenschaftsverwaltung GmbH, Vienna	Other	100.00	full	EUR	0.0
Helvetia Financial Services AG, Vienna	Other	100.00	full	EUR	0.6
ZSG Kfz-Zulassungsservice GmbH, Vienna		33.33	equity	EUR	
France					
Helvetia Compagnie Suisse d'Assurances S.A., Direction pour la France, Paris [2]	Non-life	100.00	full	EUR	-
L'Européenne d'Assurance Transport (CEAT), Paris	Non-life	100.00	full	EUR	2.4
Worldwide					
Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St.Gallen [2]	Other	100.00	full	CHF	-
Corporate					
Switzerland					
Helvetia Holding AG, St.Gallen	Other	-	-	CHF	0.9
Helvetia Beteiligungen AG, St.Gallen	Other	100.00	full	CHF	225.7
Helvetia Consulting AG, St.Gallen	Other	100.00	full	CHF	0.1
Helvetia I Funds North America	Other	100.00	full	USD	-
Helvetia I Funds Great Britain	Other	100.00	full	GBP	-
Helvetia I Funds Europe	Other	100.00	full	EUR	-
Germany					
DeAM Fonds DFD 1 (Europa)	Other	100.00	full	EUR	-
Jersey					
Helvetia Finance Ltd., St Helier	Other	100.00	full	CHF	0.1
Luxembourg					
Helvetia Europe S.A., Luxembourg	Other	100.00	full	EUR	11.5
VP SICAV Helvetia Fund Euro Bonds	Other	100.00	full	EUR	-
VP SICAV Helvetia Fund European Equity	Other	100.00	full	EUR	-
VP SICAV Helvetia Fund International Equity	Other	100.00	full	EUR	-

[1] Group costs are included in "Corporate" segment.

[2] Branches.

Report of the Group Auditors

Report of the Group Auditor on the Financial Statements to the General Meeting of Helvetia Holding AG, St.Gallen

As Group auditor, we have audited the consolidated financial statements given on pages 93 to 197 of Helvetia Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes for the financial year ended 31 December 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

Christian Fleig
Licenced Audit Expert

Zurich, 11 March 2010

Financial statements of Helvetia Holding AG

Income statement

in CHF million	2009	2008	Change
Dividend income	129.4	71.1	
Loan interest income	3.4	5.8	
Loan interest expenses	–6.0	–6.0	
Trademark expenses	–1.8	–3.0	
Profit for the period before tax	125.0	67.9	84.1%
Taxes	0.0	0.0	
Profit for the period	**125.0**	**67.9**	**84.1%**

Balance sheet

	2009	2008	Change
Assets			
Investments	803.7	803.7	
Loans to Group companies	35.7	53.7	
Intangible assets	0.0	1.8	
Non-current assets	839.4	859.2	–2.3%
Cash and cash equivalents	0.0	0.0	
Balances receivable from Group companies	189.5	161.5	
Current assets	189.5	161.5	17.3%
Total assets	**1 028.9**	**1 020.7**	**0.8%**
Liabilities and equity			
Share capital	0.9	0.9	
Reserve for treasury shares	6.9	17.1	
Other statutory reserves	346.6	346.6	
Free reserves	340.2	330.0	
Profit carried forward	5.4	54.3	
Profit for the period	125.0	67.9	
Total equity	825.0	816.8	1.0%
Bonds	200.0	200.0	
Provisions	0.0	0.0	
Accruals	3.9	3.9	
Borrowed capital	203.9	203.9	0.0%
Total liabilities and equity	**1 028.9**	**1 020.7**	**0.8%**

Proposed appropriation of profit

	2009	2008
Profit for the period	125.0	67.9
Profit carried forward	5.4	54.3
Profit available for distribution	130.4	122.2
Dividend [1]	125.5	116.8
Allocation to free reserves	0.0	0.0
Profit carried forward to new account	**4.9**	**5.4**

[1] 2009: CHF 14.50; 2008: CHF 13.50 per registered share.

Notes to the annual financial statements of Helvetia Holding AG

1. Investments

On the balance sheet date, Helvetia Holding AG owned the following direct investments:

Investments Helvetia Holding AG

	Reported company capital 31.12.2009	Holding as of 31.12.2009	Reported company capital 31.12.2008	Holding as of 31.12.2008
in CHF million				
Helvetia Schweizerische Versicherungsgesellschaft AG, St.Gallen	77.5	100.00%	77.5	100.00%
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	50.0	100.00%	50.0	100.00%
Helvetia Finance Limited, Jersey	0.1	100.00%	0.1	100.00%

2. Dividend income

The reported dividend income of Helvetia Holding AG represents the dividend paid simultaneously to Helvetia Holding AG by the subsidiaries Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG from their respective net profits for 2009.

3. Bonds

The 3% bond 2004–2010 of Helvetia Holding AG has a nominal value of CHF 200,000,000 and was issued on 5 May 2004. It must be repaid at nominal value on 5 May 2010. The bond has a coupon rate of 3%, which is paid annually on 5 May. The par value and bond terms did not change compared to the previous year.

4. Treasury shares

On the balance sheet date, subsidiaries of Helvetia Holding AG held 32,254 registered shares of Helvetia Holding AG (previous year: 70,312). The reserve for treasury shares was reduced in favour of the free reserves.

	31.12.2009	31.12.2008
Number of treasury shares	32 254	70 312
Reserve for treasury shares in CHF	6 899 526	17 105 789

5. Shareholders with interests of more than 3%

On the balance sheet date, the following shareholders owning more than 3% of the share capital were recorded in the share register: Patria Genossenschaft 30.1% (previous year 30.1%), Vontobel Beteiligungen AG 4.0% (previous year 4.0%), Raiffeisen Switzerland 4.0% (previous year 4.0%), Munich Re 8.16% (previous year 8.16%) and Basler Lebens-Versicherungs-Gesellschaft, Basel, 3.93% (previous year 3.12%).

On the balance sheet date, the shareholder pool comprised the following shareholders:
- Patria Genossenschaft with 29.79% (previous year 29.79%) (with an additional 0.3% outside the pool)
- Vontobel Beteiligungen AG with 4.0% (previous year 4.0%)
- Raiffeisen Switzerland with 4.0% (previous year 4.0%)

6. Additional information for companies listed on the stock exchange (transparency law)

The information on payments to and investments of the members of the Board of Directors and the Executive Management required under Art. 663b bis and Art. 663c par. 3 of the Swiss Code of Obligations is provided in the notes to the consolidated financial statements of Helvetia Group in Note 16 (from page 168).

7. Notes on the risk assessment

Risk management helps to ensure that the fundamental company objectives are achieved, and contributes to the effective safeguarding of Helvetia's equity base. Risk management is part of the systematic risk management process of Helvetia Group and comprises all Group companies.

The risk management process is synonymous with the systematic processing of all risks. The essential components of this process include the identification, analysis and management of risks, the operational monitoring of the success of the risk management measures, the monitoring of the effectiveness and appropriateness of the risk management measures, and reporting and communication.

The company distinguishes between the following types of risk that are included in the risk management process: market risks (including the interest rate and currency risks associated with the liabilities and long-term liquidity risks), medium and short-term liquidity risks, counterparty risks, insurance risks, operational risks, strategic and latent risks.

The risk management process also puts particular emphasis on the operational risks, which are defined as the risk of losses resulting from the inappropriateness or failure of internal procedures, people and systems, or from external events. Operational risk includes the impact of reputational risks.

The risk management process is carried out by Helvetia Group's risk management organisation.

Helvetia Holding AG is fully integrated in the risk management process of Helvetia Group. This Group-wide risk management process and organisation also takes account of the type and scope of the business activities and specific risks of Helvetia Holding AG.

The Board of Directors of Helvetia Holding AG and the Executive Management are the supreme risk owners of Helvetia Group and its Group companies. The Board of Directors of Helvetia Holding AG is responsible for establishing and maintaining appropriate internal controls and the risk management organisation of Helvetia Group and its Group companies. It is the Board's responsibility in particular to:
- set risk policy principles that support the development of risk awareness and a risk-and-control culture in the Group companies;
- ensure appropriate control of the effectiveness of internal control systems by the Executive Board;
- ensure the implementation and application of a comprehensive risk management approach, including an internal control system, that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Board;
- determine a risk strategy/partial risk strategies that cover the risk management objectives of all essential business activities;
- set risk tolerance limits and monitor the risk profile of the Group and the individual business units.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management. For example, the monitoring of the Group's risk profile and in particular the monitoring of the market, liquidity, counterparty and insurance risks are delegated to the Investment and Risk Committee (IRC). The structural aspects of risk management (structure of the risk management organisation and the internal control system) and the monitoring of operational risks in particular are delegated to the Audit Committee. The strategic risks are monitored by the Strategy and Governance Committee.

The Executive Board of Helvetia Group is responsible for implementing and complying with the strategies, business principles and risk limits determined by the Board of Directors for Helvetia Group and its Group companies. The Risk Committee supports the Executive Management in an advisory capacity. It coordinates, monitors and assesses the risk decisions and financing and hedging measures of all business units. The Risk Committee meets at least once a quarter and is chaired by the Head of Corporate Finance & Risk Management. Other permanent members are the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Investment Officer (CIO), the Head of Group Portfolio Strategy, and the Group actuaries for life and non-life. Other specialists can be invited to attend a meeting when required and depending on the topic. The Corporate Finance & Risk Management department, which reports to the CFO and exercises the Group's risk monitoring function, ensures the necessary risk transparency by, among other things, preparing a quarterly risk and capital report.

The risk management process and risk management organisation at Group level are copied at the level of the individual business units. Responsibility for the implementation of and compliance with the strategies, business principles and risk limits at business unit level is delegated by the Group Executive Board to the local Executive Boards.

The internal audit unit of Helvetia Group, an independent in-house team reporting directly to the Chairman of the Board of Directors of Helvetia Holding AG, monitors the course of operations and business, the internal control system and the efficiency of the risk management system of the Group and its Group companies. While the risk controlling functions are responsible for the ongoing monitoring of the Group's risk management system, the internal audit unit monitors the effectiveness, appropriateness and efficiency of the risk management measures at irregular intervals and identifies weaknesses.

Report of the Statutory Auditors

Report of the Statutory Auditors on the Financial Statements to the General Meeting of Helvetia Holding AG, St.Gallen

As statutory auditors, we have audited the financial statements given on pages 200 to 203 of Helvetia Holding AG, which comprise the income statement, balance sheet and notes for the financial year ended 31 December 2009.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

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

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a par. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG Ltd

Hieronymus T. Dormann
Licenced Audit Expert, Auditor in Charge

Christian Fleig
Licenced Audit Expert

Zurich, 11 March 2010

Embedded Value

Embedded Value

Helvetia Group's life business is doing very well in the current difficult economic environment, with both the business volume and the value of the life insurance portfolio improving noticeably.

Embedded value measures the shareholder value of the life insurance portfolio and is made up of
- the adjusted equity
- plus the value of the insurance portfolio
- less the solvency costs.

The adjusted equity comprises the statutory equity and the shareholders' interest in the valuation reserves. The value of the insurance portfolio corresponds to the present value of all expected future statutory earnings after tax from the life insurance portfolio as of the reporting date. Solvency costs, i.e. the costs of solvency capital provided by the shareholder, are deducted from the embedded value.

In order to calculate embedded value, different best estimate assumptions are made, notably concerning return on investments, costs, claims experience and policyholder profit participation. The key assumptions are listed in a table on the following page. The embedded value depends on these assumptions, while the sensitivities are shown in the table "Sensitivities". The embedded value that Helvetia has published here was calculated in accordance with the traditional method.

Deloitte audited the calculation method selected by Helvetia Group as well as the assumptions applied to the calculation of the embedded value as at 31 December 2009. Deloitte considers the calculation method applied by Helvetia Group and the assumptions to be appropriate and reasonable and the disclosures on embedded value given below and based on the selected calculation method and corresponding assumptions to be in proper form. For the purpose of this report, Deloitte reviewed data on a test basis, relying, however, on the financial information published in the financial report.

At the end of 2009, the embedded value of Helvetia Group amounted to CHF 2,213.7 million, which represents an increase of CHF 176.5 million or 8.7 per cent compared to December 2008. This increase is due to a strong improvement in the value of new business and positive operating results. The good risk experience, positive cost development effects and higher volumes contributed to this encouraging result. The persistently low interest rates meant that the economic divergences are very small at + CHF 4.8 million and hardly have any impact on the embedded value. The annual contribution by Patria Genossenschaft to promoting the interests of Helvetia's life policyholders was half as much as in the anniversary year, during which an increased contribution was made. In 2009, CHF 16.0 million was added to the profit reserves.

Although the value of new business written benefited from large volume growth, new business profitability fell slightly year on year, primarily as a result of demand-driven changes to the product mix, a decline in unit-linked insurance business and growth in the traditional life insurance segment.

Given that the economic environment is very challenging, these developments are quite satisfactory overall.

in CHF million	2009	2008
Embedded Value after tax		
Switzerland	**1 750.4**	**1 577.0**
of which value of insurance portfolio	1 103.5	1 005.3
of which adjusted equity	1 055.2	950.5
of which solvency costs	–408.3	–378.8
EU	**463.3**	**460.2**
of which value of insurance portfolio	281.8	297.0
of which adjusted equity	282.9	260.6
of which solvency costs	–101.4	–97.4
Total [1]	**2 213.7**	**2 037.2**
of which value of insurance portfolio	1 385.3	1 302.3
of which adjusted equity	1 338.1	1 211.1
of which solvency costs	–509.7	–476.2

[1] of which minority interests CHF 34.4 million as of 31 December 2009

Assumptions		
Switzerland		
Risk discount rate	7.0%	7.0%
Yield on bonds	2.4%–3.2%	2.6%–3.0%
Yield on equities	6.5%	6.5%
Yield on real estate	4.5%	4.5%
EU		
Risk discount rate	8.0%	8.0%
Yield on bonds	4.3%–5.1%	4.2%–4.8%
Yield on equities	7.5%	7.5%
Yield on real estate	4.4%	4.6%

in CHF million	2009	2008
Development of embedded value after tax		
Embedded value as of 1 January	2 037.2	2 223.8
Operationg profit from insurance portfolio and adjusted equity	169.5	244.0
Value of new business	38.4	30.0
Economic changes, including changes to unrealised gains and losses on investments (equity and real estate)	4.8	–516.8
Dividends and movement of capital	–7.7	–31.1
Model changes compared to previous year	–29.6	53.6
Foreign currency translation differences	1.1	–44.2
Embedded value as of 31 December	**2 213.7**	**1959.3** [1]

[1] Previous year's figures excluding new acquisitions (Chiara Vita)

in %		
Sensitivities		
+1% change to risk discount rate	–7.5%	–7.7%
–1% change to risk discount rate	9.1%	9.3%
–10% change to fair value of equities	–2.8%	–1.9%
–10% change to fair value of real estate	–9.2%	–9.3%
+1% change to new money rate	6.5%	7.6%
–1% change to new money rate	–6.4%	–7.6%

in CHF million		
New Business		
Switzerland		
Value of new business	22.4	19.8
Annual Premium Equivalent (APE)	164.6	123.7
Value of new business (APE) in %	13.6%	16.0%
Present value of new business premiums (PVNBP)	1 628.7	1 193.6
Value of new business (PVNBP) in %	1.4%	1.7%
EU		
Value of new business	16.0	10.2
Annual Premium Equivalent (APE)	129.8	72.6
Value of new business (APE) in %	12.3%	14.0%
Present value of new business premiums (PVNBP)	1 145.9	525.0
Value of new business (PVNBP) in %	1.4%	1.9%
Total		
Value of new business	38.4	30.0
Annual Premium Equivalent (APE)	294.4	196.3
Value of new business (APE) in %	13.0%	15.3%
Present value of new business premiums (PVNBP)	2 774.6	1 718.6
Value of new business (PVNBP) in %	1.4%	1.7%

Annual Premium Equivalent (APE): 100% annual new business premium + 10% single new business premium
PVNBP: Present Value of New Business Premium

Service

Service

Glossary

Actuarial reserves
Underwriting reserves for life insurance which are calculated on the basis of official guidelines and, together with future premiums, serve to ensure that sufficient funds are available to pay all benefits to which an insured person may be entitled.

Amortised cost
The amortised cost value of an investment is the amount at which the asset is first valued, less any impairments and plus or minus the difference between the original cost price and the redemption amount on maturity (premium/discount), with the difference being amortised over the term.

Annual premium equivalent (APE)
(See "Volume of new business").

Asset liability concept
A means of balancing assets and liabilities on our customers' behalf in such a way as to ensure that all the Group's insurance commitments can be met with maximum security at any time.

Available solvency
Capital funds available to cover the required level of solvency.

Cash generating unit
The smallest identifiable group of a company's assets that generates cash inflows that are largely independent of cash flows from other assets.

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

CIO
Chief Investment Officer.

CSO
Chief Strategy Officer.

Claims ratio
The ratio of claims incurred to net premiums earned.

Collateral
Assets (generally securities) which are deposited or pledged as a financial surety.

Combined ratio
The sum of the net expense ratio and the claims ratio is used to evaluate the profitability of non-life insurance business before underwriting interest income is taken into consideration.

Contingent liabilities
Liabilities with little probability of occurring or low probability of causing an outflow of funds. They are not included in the balance sheet, but are mentioned in the notes to the consolidated financial statements.

Cost ratio
The ratio of net underwriting expenditure to net premiums written.

Deferred acquisition costs
Costs arising in connection with the conclusion of new insurance contracts or the extension of existing insurance contracts. Such costs are reflected as an asset in the balance sheet and are allocated across the term of the contract as an expense in the income statement.

Deferred taxation
Deferred taxes arise due to temporary taxable differences in value between the local tax balance sheet and the IFRS balance sheet. They are determined for each balance sheet item and are either taxes owing or tax credits when viewed from the perspective of the balance sheet date.

Deposits from investment contracts
The amounts paid in during the reporting year from contracts without a significant insurance risk.

Direct business
All insurance policies concluded by Helvetia with customers who are not insurers themselves.

Effective interest method
Allocates the difference between the cost price and redemption amount (premium/discount) over the expected life of the corresponding asset using the present value method, thus achieving a consistent interest rate.

Embedded value
Embedded value measures the shareholder value of the life insurance portfolio and is made up of
- the adjusted equity;
- plus the value of the insurance portfolio;
- less the solvency costs.

Equity ratio
Profit/loss after tax as a proportion of the average shareholders' equity as shown in the consolidated balance sheet.

Equity valuation
Balance sheet practice for measurement of holdings in associated companies. The valuation of the holding in the balance sheet corresponds to the shareholders' equity in this company held by the Group. In the context of ongoing evaluation, this valuation is projected forward to take account of changes in proportional shareholders' equity, while allocating the proportional annual earnings to the Group results.

Fair value asset valuation
Valuation of assets at fair market value. This is the value at which an asset may be exchanged between two specialist and independent business partners who are willing to enter into a contract. As a rule, this is the price that can be achieved on an active market.

Finance leasing
Leasing contracts under which all the risks and opportunities associated with the property are essentially transferred to the leasing customer.

Fixed-income investments
Securities (such as bonds, medium-term notes) on which a fixed and constant interest is paid for their entire term.

Fund-linked life insurance policies
(See "Unit-linked life insurance policies").

Gross premiums
The premiums written in the financial year before deduction of premiums ceded to reinsurers.

Group insurance
Insurance contracts concluded for a company's employees.

Hedge accounting
A special IFRS balance sheet practice for hedging transactions which aims to present hedging instruments and underlying transactions using the same valuation methods in order to reduce the potential volatility of results.

Impairment
Impairment is deemed to be the amount by which the net carrying value of an asset permanently exceeds its recoverable amount (the higher of its net selling price and the net present value of cash flows which are expected to be generated from the use of the asset).

Index-linked products
Endowment life insurance policies which are linked to stock market indices (e.g. the Swiss Market Index) or to a securities portfolio. The insurance benefits are increased by a bonus, the amount of which is dependent on the performance of the index.

Indirect business
Companies involved in direct business – primary insurers – often do not bear the entire risk alone but pass on some of it to a reinsurer. Like many companies active in direct insurance business, Helvetia also acts as a reinsurer and assumes part of the risk of other primary insurers. These reinsurance transactions are known as indirect business.

Individual insurance
Insurance contracts concluded for individuals.

Insurance benefits
Amounts paid by the insurer in the financial year for claims incurred in respect of insured events.

Investment deposits
(See "Deposits from investment contracts").

Legal quota
Legal or contractual obligation to credit the policyholder with a minimum amount of the income or profits from an insurance portfolio in the form of dividends.

Liability Adequacy Test
Adequacy test that checks whether the carrying value of an insurance liability is sufficient to cover estimated future requirements.

Loss reserves
Since not all claims will be settled by the end of the financial year in which they arise, provisions must be made in the balance sheet for these outstanding claims or claims likely to be incurred but not yet notified. Such provisions are known as loss reserves or reserves for claims outstanding. Changes to the loss reserves are shown in the income statement.

Net earned premiums
Net premiums written in the financial year, taking into account changes in the reserves for unearned premiums.

Net insurance benefits and claims
Total of all benefits paid in the financial year and all changes to technical reserves, less benefits covered by reinsurers.

Net premiums written
If a risk is reinsured, the reinsurer will receive a part of the gross premium in proportion to the risk assumed. The other part is used to finance the risk that remains for the primary insurer. Net premiums thus correspond to gross premiums from total business less the premiums ceded proportionally to reinsurers.

Operating lease
Lease agreements under which the risks and opportunities associated with the property remain with the lessor.

Plan assets
Assets that serve to cover employee benefits by means of a long-term fund.

Policyholders' dividend
The positive difference between actual and guaranteed interest income, and between a policy's calculated and actual benefits or costs, is credited to the policyholder as a dividend (particularly applies to life insurance business).

Premium
Amount to be paid by the policyholder to the insurer for the provision of insurance cover.

Premium reimbursements
Some insurance policies provide that part of the premium may be repaid to the client as a policyholder's dividend at times when few claims have been incurred.

Provisions
Amounts set aside in the balance sheet to meet likely future commitments.

Regular premiums
Amount paid for the provision of insurance cover, in the form of recurring payments.

Reinsurance premiums
Amount paid by the insurer to the reinsurer in exchange for the latter's assumption of risks.

Reinsurer
Insurance company that assumes part of the risks entered into by a primary insurer.

Required solvency
The minimum amount of capital funds an insurance company is calculated to need to ensure that it can meet its liabilities from insurance policies.

Run-off portfolio
An insurance portfolio that is being wound up, i.e. no new contracts are concluded for this portfolio and no existing contracts from this portfolio are extended.

Securities lending
The lending of securities for a fixed or unlimited period in exchange for a commission and adequate sureties.

Single premium
Amount paid for the provision of insurance cover, in the form of a one-time payment on commencement of the insurance.

Technical reserves
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholder dividends and other technical reserves that appear under liabilities on the balance sheet.

Total benefits
Sum of all the benefits insured (particularly applies to life insurance business).

Total business
Direct and indirect business combined.

Total business volume
Sum of the gross premiums written and deposits from investment contracts in the reporting year.

Unearned premium reserve
In many cases, the insurance period for which a premium is paid in advance and during which the insurance company bears the risk does not correspond with the financial year. The part of the premium relating to the insurance period falling in the next financial year has not been earned by the end of the current year, and must be transferred to reserves at the end of the financial year. This is the unearned premium reserve which appears in the balance sheet under technical reserves. Changes to the unearned premium reserve are shown in the income statement.

Unit-linked life insurance policies
Life insurance policies in which the insurer invests the policyholder's savings capital for the account of and at the risk of the latter. Most unit-linked life insurance policies are fund-linked products where the policyholder can determine the type of investment by choosing a particular fund.

Unit-linked products
(See "Unit-linked life insurance policies").

Volume of new business
The volume of new business is the new business written in the reporting year. The annual premium equivalent (APE) is a measure used to compare single premiums and regular premiums and is calculated as the new annual premiums plus 10 per cent of the new single premiums.

Zillmering
Balancing of an account with part of the unamortised acquisition costs taken into consideration.

Important addresses

Group Head Office

Helvetia Holding AG, Dufourstrasse 40, CH-9001 St. Gallen
Tel. +41 58 280 50 00, Fax +41 58 280 50 01, www.helvetia.com, info@helvetia.com

Group Executive Management

Stefan Loacker	Chief Executive Officer Group
Markus Gemperle	Head of Strategy and Operations
Philipp Gmür	Chief Executive Officer Switzerland
Ralph-Thomas Honegger	Chief Investment Officer
Markus Isenrich	Head of Human Resources and Services
Paul Norton	Chief Financial Officer
Wolfram Wrabetz	Chief Executive Officer Germany

National offices

Helvetia Versicherungen Executive Management Switzerland	Philipp Gmür CEO	St. Alban-Anlage 26 CH-4002 Basel
Helvetia Versicherungen Management Board Germany	Wolfram Wrabetz General Manager	Berliner Strasse 56–58 D-60311 Frankfurt a.M.
Helvetia Versicherungen Management Board Austria	Georg Krenkel General Manager	Jasomirgottstrasse 2 A-1010 Vienna
Helvetia Assicurazioni Management Board Italy	Fabio De Puppi General Manager	Via G.B. Cassinis 21 I-20139 Milan
Helvetia Assurances Management Board France	Alain Tintelin General Manager	2, rue Sainte Marie F-92415 Courbevoie/Paris

Subsidiaries

Helvetia Schweizerische Lebensversicherungs-AG	Wolfram Wrabetz Chairman of the Board of Directors	Weissadlergasse 2 D-60311 Frankfurt a.M.
Helvetia International Versicherungs-AG	Wolfram Wrabetz Chairman of the Board of Directors	Berliner Strasse 56–58 D-60311 Frankfurt a.M.
Helvetia Versicherungen AG	Burkhard Gantenbein Chairman of the Board of Directors	Hoher Markt 10–11 A-1011 Vienna
Helvetia Vita Compagnia Italo Svizzera di Assicurazioni sulla Vita S.p.A.	Fabio Bastia Director General	Via G.B. Cassinis 21 I-20139 Milan
Padana Assicurazioni S.p.A.	Michele Colio Director General	Via Maastricht 1 I-20097 San Donato Milanese
Chiara Vita S.p.A.	Fabio Bastia Director General	Via Pietro Gaggia 4 I-20139 Milan
Helvetia Compañía Suiza Sociedad Anónima de Seguros y Reaseguros	Jozef M. Paagman Director General	Paseo de Cristóbal Colón, 26 E-41001 Seville
CEAT Assurance	Alain Tintelin Director General	21, Avenue de l'Opéra F-75001 Paris
Helvetia Europe S.A.		9, Parc d'Activité Syrdall L-5365 Münsbach
Helvetia Finance Ltd		La Motte Chambers St. Helier, Jersey, JE1 1BJ

Headquarters Switzerland

Helvetia Versicherungen, St. Alban-Anlage 26, CH-4002 Basel
Tel. 058 280 10 00 (24h), Fax 058 280 10 01, www.helvetia.ch, info@helvetia.ch

Helvetia Service Center

St. Alban-Anlage 26, CH-4002 Basel, Tel. 058 280 10 00 (24h)

Executive Management Switzerland

Philipp Gmür	Chief Executive Officer Switzerland
Andreas Bolzern	Chief Financial Officer Switzerland
Donald Desax	Head of Market Area Group Life Companies
Beat Müller	Head of Actuarial Department / ALM
René Stocker	Head of Sales Switzerland
Hermann Sutter	Head of Market Area Property & Casualty
Angela Winkelmann	Head of Market Area Private Pension Provision

Helvetia Versicherungen general agencies in Switzerland

5400 Baden	Mellingerstrasse 1	058 280 34 11	Hanspeter Koch
4052 Basel	Münchensteinerstrasse 41	058 280 36 11	Alexander Ebi, Max Lieberherr
6500 Bellinzona	Viale Portone 12	058 280 62 11	Mauro Canevascini
3001 Berne	Länggassstrasse 7	058 280 74 11	Daniel-Henri Günther
2502 Bienne	Johann-Verresius-Strasse 18	058 280 79 11	Giovanni Campanile
3900 Brig	Kronengasse 6	058 280 67 11	Andreas Schmid
5033 Buchs (AG)	Mitteldorfstrasse 37	058 280 33 11	Bruno Wälle
7000 Chur	Helvetia Passage, Bahnhofstrasse 7	058 280 38 11	Felix Hunger
2800 Delémont	Rue de l'Avenir 2	058 280 73 11	Franco Della Corte
8500 Frauenfeld	Altweg 16	058 280 39 11	Adolf Koch
1211 Geneva	Bd Georges-Favon 18	058 280 69 11	Serge Basterra
1762 Givisiez	Route du Mont Carmel 2	058 280 71 11	Thierry Schaerer
8810 Horgen	Dammstrasse 12	058 280 81 11	René Vuille-dit Bille
8302 Kloten	Schaffhauserstrasse 121	058 280 65 11	Andreas Naef
1003 Lausanne	Avenue de la Gare 1	058 280 70 11	Glenn Zanetti
4410 Liestal	Wasserturmplatz 1	058 280 35 11	Roger Kamber
6900 Lugano	Via d'Alberti 1	058 280 61 11	Tito Solari, Giordano Zeli
6002 Lucerne, Ob-/Nidwalden	Brünigstrasse 20	058 280 77 11	Jörg Riebli
2000 Neuchâtel	Rue du Concert 6	058 280 75 11	Patrick Riquen
8640 Rapperswil	Kniestrasse 29	058 280 60 11	Pascal Diethelm
9445 Rebstein	ri-nova impulszentrum	058 280 63 11	Jürg Schwarber
1950 Sion	Rue de la Dent-Blanche 20	058 280 68 11	Jean-Maurice Favre
4500 Solothurn	Dornacherplatz 7	058 280 76 11	René Hohl
9000 St.Gallen-Appenzell	Rosenbergstrasse 20	058 280 44 11	Ulrich Bänziger
6210 Sursee	Bahnhofstrasse 42	058 280 37 11	Lothar Arnold
3600 Thun	Hinter der Burg 2	058 280 78 11	Kurt Nyffenegger
8400 Winterthur	Lagerhausstrasse 9	058 280 66 11	Helmuth Kunz
6300 Zug	Baarerstrasse 133	058 280 64 11	Heinz Schumacher
8048 Zurich	Hohlstrasse 560	058 280 85 85	Donato Carlucci, Peter Bickel

Brokers in Switzerland

8048 Zurich	Hohlstrasse 560	058 280 83 95	Broker Centre German-speaking Switzerland
1762 Givisiez	Route du Mont Carmel 2	058 280 72 84	Broker Centre French-speaking Switzerland
6900 Lugano	Via d'Alberti 1	058 280 61 83	Broker Centre Ticino

Helvetia Consulting AG

9001 St.Gallen	Dufourstrasse 40, P.O. Box	058 280 53 63	Peter Bächtiger

Helvetia Investment Foundation

4002 Basel	St. Alban-Anlage 26	058 280 21 73	Dunja Schwander

Helvetia Consulta Gesellschaft für Vorsorgeberatung AG

4002 Basel	St. Alban-Anlage 26	058 280 18 05	Peter Gubser

Multi-year overview

	2005	2006	2007	2008	2009
Key share data Helvetia Holding AG					
Group profit for the period per share in CHF	36.2	49.3	46.7	26.9	36.8
Consolidated equity per share in CHF	290.0	319.1	332.1	323.2	363.9
Price of Helvetia registered shares at the reporting date in CHF	278.0	401.5	407.0	228.9	320.8
Market capitalisation at the reporting date in CHF million	2 405.5	3 474.1	3 521.7	1 980.6	2 775.4
Number of shares issued	8 652 875	8 652 875	8 652 875	8 652 875	8 652 875

in CHF million					
Business volume					
Gross premiums life	2 788.1	2 827.9	2 887.5	3 061.1	3 676.5
Deposits received life	9.1	2.0	16.3	85.0	408.6
Gross premiums non-life	2 159.5	2 234.6	2 363.3	2 351.1	2 383.4
Assumed reinsurance	229.2	193.2	238.1	215.1	242.5
Business volume	5 185.9	5 257.7	5 505.2	5 712.3	6 711.0
Key performance figures					
Result life[1]	105.4	134.4	158.6	–19.6	102.0
Result non-life[1]	186.1	239.9	217.7	289.3	210.0
Result other business[1]	10.4	49.5	25.7	–39.2	8.5
Group profit for the period after tax	301.9	423.8	402.0	230.5	320.5
Profit from investments	1 301.5	1 109.3	1 040.0	72.0	1 239.2
Key balance sheet figures					
Consolidated equity	2 480.8	2 738.4	2 850.6	2 773.7	3 136.8
Reserves for insurance and investment contracts (net)	23 969.9	25 094.6	25 924.7	25 754.4	27 480.3
Investments	27 783.2	28 927.7	29 381.5	30 759.1	33 072.4
Ratios					
Return on equity	13.4%	16.2%	14.4%	8.2%	10.8%
Reserve to premium ratio non-life	138.4%	145.7%	144.2%	125.2%	128.4%
Combined ratio (gross)[1]	95.2%	93.2%	94.9%	87.0%	89.5%
Combined ratio (net)[1]	94.0%	94.1%	94.5%	89.1%	91.8%
Direct yield	3.2%	3.1%	3.3%	3.3%	3.2%
Investment performance	5.5%	3.1%	2.4%	0.9%	4.8%
Solvency margin	204%	222%	217%	208%	223%
Employees					
Helvetia Group	4 619	4 595	4 607	4 591	4 511
of which Switzerland	2 236	2 239	2 262	2 235	2 160

[1] For 2005-2007 according to old segmentation

Important dates

16 April 2010	Ordinary Shareholders' Meeting in St. Gallen
2 September 2010	Publication of half-year financial results for 2010
10 March 2011	Financial results for 2010: analysts' and media conference

Cautionary note regarding forward-looking statements

This document was prepared by Helvetia Group and may not be copied, altered, offered, sold or otherwise distributed to any other person by any recipient without the consent of Helvetia Group. Although all reasonable effort has been made to ensure that the facts stated herein are correct and the opinions contained herein are fair and reasonable, this document is selective in nature and is intended to provide an introduction to and an overview of the business of Helvetia Group. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed as accurate by Helvetia Group. Neither Helvetia Group nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this information. The facts and information contained in this document are as up to date as is reasonably possible and may be subject to revision in the future. Neither Helvetia Group nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document.

This document may contain projections or other forward-looking statements related to Helvetia Group which by their very nature involve inherent risks and uncertainties, both general and specific, and there is a risk that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These include (1) changes in general economic conditions, in particular in the markets in which we operate; (2) the performance of financial markets; (3) changes in interest rates; (4) changes in currency exchange rates; (5) changes in laws and regulations, including accounting policies or practices; (6) risks associated with implementing our business strategies; (7) the frequency, magnitude and general development of insured events; (8) mortality and morbidity rates; (9) policy renewal and lapse rates. We caution you that the foregoing list of important factors is not exhaustive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties. All forward-looking statements are based on information available to Helvetia Group on the date of its publication and Helvetia Group assumes no obligation to update such statements unless otherwise required by applicable law.

The purpose of this document is to inform Helvetia Group's shareholders and the public of the business activities of Helvetia Group during the financial year ending on 31 December 2009. This document does not constitute an offer or a solicitation to exchange, buy or subscribe to securities, nor does it constitute an offering circular as defined by Art. 652a of the Swiss Code of Obligations or a listing prospectus as defined by the listing rules of the SIX Swiss Exchange. Should Helvetia Group make in the future one or more capital increases, investors should make their decision to buy or to subscribe for new shares or other securities solely based on the relevant offering circular.

This document is also available in German and French. The German version is binding.