Annual Report 2007

helvetia

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About the pictures

"Same time, different places". This is the theme for the photos used in this year's Annual Report. For the 150th anniversary we sent two photographers to every "Helvetia country" and to the Head Office of Helvetia Group to take pictures of employees during their working day.

Switzerland, St. Gallen – 2.16 p.m.
Mario Lutz, Head Apprentice Training Programmes Switzerland, discussing work issues with Jasmin Christen, Assistant Apprentice Training Programmes Switzerland.

At a glance

Key share data Helvetia Holding AG

	2007	2006	Change
Group profit for the period per share in CHF	46.7	49.3	–5.3%
Consolidated equity per share in CHF	332.1	319.1	4.1%
Year-end price of Helvetia registered share in CHF	407.0	401.5	1.4%
Market capitalisation at year-end price in CHF million	3 521.7	3 474.1	1.4%
Price/earnings ratio	8.7	8.1	
Dividend per share[1] in CHF	15.00	13.50	11.1%
Reduction of the par value per share[1] in CHF	9.90	–	100.0%
Number of shares issued	8 652 875	8 652 875	

[1] Based on the proposal made at the Shareholders' Meeting

Key data

Income statement in CHF million

	2007	2006	Change
Gross premiums written	5 488.9	5 255.7	4.4%
– of which life	2 893.9	2 832.4	2.2%
– of which non-life	2 595.0	2 423.3	7.1%
Investment income	1 040.0	1 109.3	–6.2%
Profit before tax	505.5	562.2	–10.1%
– of which life	190.6	184.6	3.3%
– of which non-life	286.5	321.6	–10.9%
– of which other	28.4	56.0	–49.3%
Group profit for the period after tax	402.0	423.8	–5.1%

Balance sheet in CHF million

	2007	2006	Change
Investments	29 381.5	28 927.7	1.6%
Reserves for insurance and investment contracts (net)	25 924.7	25 094.6	3.3%
Consolidated equity	2 850.6	2 738.4	4.1%
Return on equity (%)	14.4%	16.2%	

Key figures

Life in CHF million

	2007	2006	Change
Embedded value total	2 223.8	1 881.7	18.2%
– of which value of new business	32.3	21.7	48.8%

Non-life (%)

	2007	2006	Change
Funding ratio	152.3%	154.6%	
Combined ratio (gross)	94.9%	93.2%	
Combined ratio (net)	94.5%	94.1%	

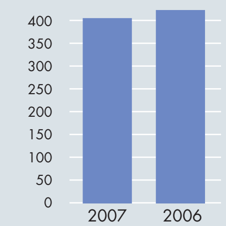
Investments (%)

	2007	2006	Change
Direct yield	3.3%	3.1%	
Investment performance	2.4%	3.1%	

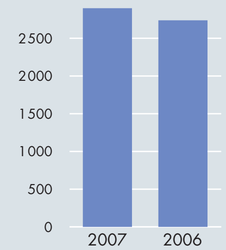
Employees

	2007	2006	Change
Helvetia Group total	4 607	4 595	0.2%
– of which in Switzerland	2 262	2 239	1.0%

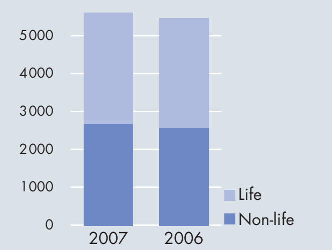
Profit (in CHF million)



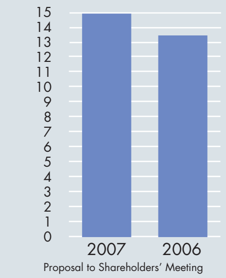
Equity (in CHF million)



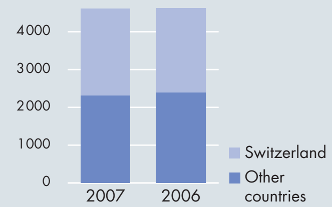
Premium volume (in CHF million)



Dividend per share (in CHF)



Employees



The financial year 2007

Ladies and Gentlemen,

Helvetia Group produced in a convincing performance in the 2007 financial year. The annual profit of CHF 402.0 million represents the second-best result in Helvetia's 150-year history. This is even more remarkable as the market environment in 2007 was very challenging. The past business year was shaped by substantial major claims, stronger competition in the insurance business and much volatility on financial markets.

However, Helvetia Group's earning power is strongly anchored: we posted a good non-life result, the life result improved from an already high level, and the investment result was excellent once again. All the Group's business units contributed at least double-digit millions of francs to this outstanding result, with the country markets Switzerland, Spain and Germany making the largest contributions.

Focus on quality pays off

Our consistent focus on quality once again proved to be one of Helvetia Group's biggest strengths. Helvetia managed to maintain its risk-adequate underwriting policy even in a very competitive market, and thus maintain the quality of the country market portfolios at a high level.

Thanks to its prudent investment strategy and a uniform approach to risk management, Helvetia Group was again able to post strong capital gains, thereby also confirming its requirement to maintain quality on investments, which retain their high credit ratings. Helvetia has no direct investments in subprime-related instruments and is consequently not directly affected by the US real-estate crisis.

Record life result, good non-life profit
Helvetia posted a record result for its life business of CHF 190.6 million, which represents a 3.3% improvement on the prior year. The Group generated most of this sound result in the Swiss domestic market, but the foreign markets also made a valuable contribution. In view of the difficult market environment, the 2.2% growth recorded in the life segment is satisfactory, while the 13.1% increase in new business is very gratifying. The country markets Germany and Spain in particular were very successful and achieved currency-adjusted growth rates of 35.0% and 12.4%, respectively.

In the non-life segment Helvetia could not repeat the record performance of 2006, but the profit of CHF 286.5 million is still very high. All in all, the net combined ratio of 94.5% confirms that our insurance business is still extremely profitable. As expected, the combined ratio quickly recovered from the three-digit ratio reported at the end of the first half year. The efficiency of our sales channels means that Helvetia's non-life business can maintain its healthy growth momentum, even in a market that has become more challenging. In 2007, premium volumes were up by 7.1%.

Strong earning power reflected in special anniversary dividend
Thanks to Helvetia's sustained strong earning power, the Group's equity rose once more to CHF 2.85 billion (previous year: CHF 2.74 billion), ensuring full compliance with solvency requirements. As part of the active management of our capital base, we want our shareholders to share in our success. The Shareholders' Meeting will therefore be requested to approve an increase in the dividend to CHF 15.00 per share. In addition, we propose making our shareholders a one-off anniversary payment of CHF 85.7 million or CHF 9.90 per share in the form of a reduction of the par value. These measures live up to our principle of active capital management and at the same time improve the conditions for attractive future returns on equity.

Strategic ambition
We can be satisfied with our performance in the 2007 financial year. Our objective is to create sustained added value for our shareholders, customers and employees.

We are aiming to achieve an attractive return on equity of around 15% in the medium term. With a return on equity of 14.4% and substantially more equity, our 2007 results confirm that we are well on our way to achieving this goal. We are also striving for healthy growth in our insurance markets, focusing on organic growth supplemented by strategically sensible acquisitions in our existing markets.

150 years of experience and our excellent shape lay a strong foundation for an ambitious future.

Erich Walser
Chairman of the Board of Directors

Stefan Loacker
Chief Executive Officer

Group strategy

The year 2007 was the first year of the new strategy period running from 2007 to 2010 for Helvetia Group. As such, the focus fell on the consistent launch and implementation of the important initiatives and the first confirmation of the course the Group has taken. Under the new management, the Group's strategic focus was strengthened by continuously developing the strategy and highlighting the most important aspects in its implementation.

Further strengthening the central success factors

Helvetia is a distinctive and unique company in its approach to and understanding of business as well as regards its corporate culture.

We do not want to offer "everything for everybody", but are sharply focused in all our country markets: a provider of insurance products to discerning private and corporate customers in the best of the Swiss tradition. We distinguish ourselves by providing our customers and partners with individual, personal and competent services and striving to offer them the best and most straightforward solutions possible.

We are convinced that we are creating sustained added value for our shareholders by continuing to consistently implement our strategy.

Ambitious financial targets

The Helvetia Group is in fine health. This fact coupled with the strategic programmes we have initiated enables us to set ambitious financial targets:

- In the medium term we aim to achieve a return on equity of around 15 per cent;
- We want to maintain the Group's financial strength and keep our current rating;
- We want to continue to enjoy healthy growth in the next few years and strengthen our market position step by step.

Accelerated growth

Even though the market environment is likely to become ever more difficult in the coming years, our position in our country markets and as a group means that we are well equipped to continue to follow a strategy that focuses on healthy growth. At country level we want to grow by making our sales systems more dynamic, exploiting new co-operation opportunities, and consistently renewing and expanding our range of products. Improvements in the efficiency and efficacy of the sales systems must be targeted. A cross-national Group project has been launched to support the business units in this endeavour. The objective is to transfer successful sales models or practices from one country market to another. In Switzerland, our successful collaboration with the Raiffeisen Group needs to be refined and optimised and our collaboration with the cantonal banks put on a sustained foundation.

Expansion of foreign life business

In the medium to long term, the life insurance business outside of Switzerland promises special opportunities for growth. In Germany, Austria, Italy and Spain, the shift from government pension schemes to personal retirement provision and occupational pension schemes set up by employers harbours much potential. With our "Helvetia" brand and our expertise in the life insurance sector, we can and will profit from this trend. To underline its strategic thrust in the life business, the Group has launched a cross-national project designed to trigger additional growth momentum in unit-linked life insurance business in the local markets with new products and new sales models.

Active acquisition strategy

An active acquisition strategy allows us to investigate and realise strategic and financially auspicious opportunities quickly. The focus falls on complementary acquisitions within the Group's existing markets, in particular also in an effort to improve our access to the markets and the customers. We do not plan to expand into new geographic markets during the next few years.

Improved operating performance

In the past few years Helvetia has substantially improved its operating performance. As in previous years, this had a positive effect on our result for the year under review. To ensure that the Group can hold its own in increasingly competitive market conditions in future, we plan to improve our cost ratios. Consistent exploitation of the potential for efficiency gains in the country units is covered by a Group-wide initiative investigating and, where feasible, making the best use of cross-border synergies.

Efficient utilisation of capital
In addition to our spotless reputation and motivated and skilled employees, the equity capital of the company is one of our most important resources. This resource must therefore be managed carefully and efficiently. To this end we will continue to systematically monitor and govern the allocation of capital in our business portfolio.

Successful implementation
Helvetia is well on course with its clearly defined strategic programmes after the first year of the new strategy period. The expectations of our most important stakeholder groups give us the impetus to do our very best. This motivation and our confidence in our strengths and skills will also ensure our continued success in the future.

Group structure

The structure of Helvetia Group

Switzerland	Germany	Austria	Italy	Spain	France	Other countries
1 Helvetia Holding AG St. Gallen						
2 Helvetia Leben Basel 100%						
2 Helvetia Versicherungen St. Gallen 100%	**3** Helvetia Germany Frankfurt	**3** Helvetia Austria Vienna	**3** Helvetia Italy Milan		**3** Helvetia France Paris	
4 Helvetia Beteiligungen AG St. Gallen 100%	**4** Helvetia Leben Frankfurt 100%	**6** Helvetia Versicherungen Vienna 100%	**6** Helvetia Vita Milan 100%	**5** Helvetia Holding Suizo Madrid 100%		**2** Helvetia Finance St. Helier (Jersey) 100%
	4 Helvetia International Frankfurt 100%			**7** Helvetia Compañía Suiza Seville 99%		**5** Helvetia Europe Luxembourg 100%

- **1** Helvetia Holding AG
- **2** Subsidiaries of Helvetia Holding AG
- **3** Branches of Helvetia Versicherungen outside Switzerland
- **4** Subsidiaries of Helvetia Versicherungen
- **5** Subsidiaries of Helvetia Beteiligungen AG
- **6** Subsidiaries of Helvetia Europe
- **7** Subsidiary of Helvetia Holding Suizo

For minority interests, see pages 185 and 186 (Notes to the consolidated financial statements of Helvetia Group).
Status: March 2008

France, Paris – 2.27 p.m.
Jeanne Castaing-Donat, Head Human Resources and Services, on her way to her English course at 'La Défense', Paris.

"The course taken has been proven."

Interview with Erich Walser, Chairman of the Board of Directors, and Stefan Loacker, Chief Executive Officer

Mr Walser, Mr Loacker, what are your views on the business result achieved in 2007?

Erich Walser: We achieved excellent results in spite of some major loss events and much volatility in the financial markets. The course taken by the Group as part of its 'Strategy 2010' has been proven. Our customer orientation, consistent focus on quality and avoidance of risks that cannot be calculated have once again been rewarded by profitable growth in most segments. The good annual result puts the Board of Directors in a position to propose another generous dividend to the Shareholders' Meeting. With a proposed dividend of CHF 15.00 and a reduction of the par value of our shares in the form of a one-off anniversary payment, we are confirming our continuous income-oriented distribution policy and proving to our shareholders that Helvetia is a worthwhile long-term investment.

Stefan Loacker: Overall, I am satisfied with our earnings performance, especially as we once again had to cope with extraordinary claims in 2007. The Group has a broad earning base and is on very solid foundations.

We managed to reach most of our growth targets in our home market, but our other European markets are even more dynamic. In Germany and Spain in particular we posted above-average growth, with the life business achieving double-digit growth rates. This illustrates once again that our market portfolio has healthy growth potential, also in the medium and long term, and that our 'Helvetia' brand with its convincing insurance and pension products is well positioned to successfully exploit these markets.

Competitive pressure is rising and the price war has intensified. How does Helvetia cope with the greater challenges in the sector?

Stefan Loacker: In some instances, a competitive environment causes risk awareness to decrease while pressure on premiums grows. Helvetia is continuing its healthy and quality-centric underwriting policy. We want to be a reliable partner for our customers and will only accept risks that we can control. A short-term price offensive followed by a cleaning-up period is not part of our business policy. We continue to place our faith in our traditional strengths: high quality, distribution strength based on closeness to our customers, and professional and fast claims handling processes. Efficiency gains and cost optimisation enable us to go on offering attractive products to our customers and to earn sustainable profits for our shareholders.

Erich Walser: Key indicators such as return on equity and the combined ratio point towards a healthy and profitable company. This, of course, is good news for our shareholders, who, together with our customers, are the focus of our commitment. The determination and skills of our management team and our employees also convince me that we are equipped to meet all future challenges.

How can Helvetia survive in a market where large companies are increasing the pressure?

Erich Walser: We have certainly proved that we are doing the right thing in remaining independent. Helvetia Group is a European company rich in tradition with Swiss roots that has consistently proven its successful business policy. We have the required size to inspire confidence on the market, but we remain close to our customers. Helvetia is listed on the stock exchange, has a stable Standard & Poor's rating, and remains an interesting investment for investors with a long-term investment horizon. We are not only willing but also able to continue to operate in the market independently and successfully. The successful change in top management, which was nothing less than a generation change, also strengthened our position.

Stefan Loacker: Helvetia Group builds on its international orientation to exploit the growth potential in the European insurance market, but focuses its

efforts in this regard. We will speed up growth in the pension business by progressively expanding our sales channels in the country markets and further developing our attractive international range of products. In the non-life segment we want to put the earning power already achieved on a sustained footing. Cost efficiency and sales productivity will play a key role in these endeavours.

Helvetia is celebrating its 150th anniversary in 2008. What are your personal feelings about this event?

Stefan Loacker: It is really very special being part of a company that has been in business successfully for so long. I combine this with the knowledge that I am responsible for ensuring that Helvetia has a prosperous future. And of course I am very happy that I will be able to celebrate this very special anniversary with our shareholders, customers, employees and interested members of the public. Over all this time Helvetia has enjoyed an excellent reputation – an asset which all employees will continue to protect on behalf of our customers and shareholders and in strict compliance with our values of "trust", "dynamism" and "enthusiasm".

Erich Walser: I am proud of Helvetia and grateful to everybody who helped bring Helvetia to where it is today. Over the past 150 years we have grown from various Swiss and foreign companies into a successful insurance group. Our history has been shaped by permanent change. We were able to safeguard our identity and success by keeping a balance between our pursuit of security and our need for entrepreneurial freedom.

However, even 150 years of success do not guarantee a successful future. This is why I am happy that Helvetia can celebrate its anniversary while it is in such good shape. I know that the Group is in the hands of a committed management team and motivated employees, all of whom I would like to thank sincerely. I would also like to thank our customers and business partners who gave us a chance to prove our service efficiency as well as our shareholders who have given us their confidence.

This interview was conducted by Martin Nellen, Head of Corporate Communications and Brand Management at Helvetia Group.

Austria, Vienna – 2.21 p.m.
Susanne Bleim, member of the Marketing team, talking in the Piazza to Thomas Stellfeld, ZVO/EDV Sales Systems.

The Board of Directors of Helvetia Holding AG

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 exploit 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 organisation regulations: "www.helvetia.com/en/gruppe/governance".

Election

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 terms of office of Silvio Borner, Ueli Forster and Olivier Vodoz will end at the 2008 Shareholders' Meeting. Silvio Borner will stand for re-election, but the other two Board members have resigned with effect from the 2008 Shareholders' Meeting.

Ueli Forster has been on the board of the former Helvetia since 1984 and the board of the merged company (after the merger with Patria) since 1996, where he made an important contribution with his great store of political and business knowledge. He is well versed in the intricacies and challenges of the insurance business in general and Helvetia in particular. His commitment to the company and dedication to the Board of Directors in his role as Vice-Chairman and as a member of various committees as well as Lead Director during the time that Erich Walser served both as chairman of the Board and CEO were exemplary.

Olivier Vodoz is also a politician and businessman. Thanks to his legal expertise and many international functions, he made an important contribution to Helvetia as a Board member and a member of the Audit Committee. The Board of Directors would like to express its sincere thanks to these two retiring members for their much valued contribution.

	Office	Joined	Current term expires	Committee memberships SGC	CC[1]	IRC	AC
Erich Walser	Chairman (also CEO until August 2007)	2001	2010	••	+	•	+
Ueli Forster	Vice-Chairman (Lead Director until August 2007)	1996	2008	•	•		•
Silvio Borner	Vice-Chairman	1996	2008	•	••		
Hans-Jürg Bernet	Member	2006	2009				•
Christoph Lechner	Member	2006	2010			•	
John Martin Manser	Member	1996	2009		•	••	
Pierin Vincenz	Member	2000	2009	•		•	
Olivier Vodoz	Member	2001	2008		•		•
Urs Widmer	Member	2005	2010				••

• SGC = Strategy and Governance Committee
• CC = Compensation Committee[1]
• IRC = Investment and Risk Committee
• AC = Audit Committee

○○ Chair
\+ May join meetings at own request and in an advisory capacity.
1 Previously the Nomination and Compensation Committee. Nominations are now handled by the Strategy and Governance Committee.

From left to right:
Pierin Vincenz,
Urs Widmer,
Ueli Forster,
Erich Walser,
Christoph Lechner,
Silvio Borner,
John Martin Manser,
Olivier Vodoz,
Hans-Jürg Bernet

The Board of Directors of Helvetia Holding AG

Erich Walser (1947)
a Rehetobel, Swiss
b lic. oec. HSG, lic. iur.
c Chairman of the Board of Directors, until 1978 various positions at Swiss Bank Corporation (now UBS) and Schweizerische Volksbank; 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;
d in particular Chairman of the Swiss Insurance Association, Zurich; member of the Presidential Council 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 five board member mandates at non-listed companies and three board of trustee mandates.

Until the Shareholders' Meeting 2008
Ueli Forster (1939)
a St. Gallen, Swiss
b lic. oec. HSG
c Chairman of the board of directors of Forster Rohner AG, St. Gallen, Chairman of the Welfare Fund and Pension Commission of the Forster Rohner Group;
d in particular member of the Bank Council, Swiss National Bank, Berne; member of the board of the Swiss Textile Federation, Zurich, and Chairman of the board of directors of one non-listed company.

Silvio Borner (1941)
a Basel, Swiss
b Prof. Dr. oec.; Dean of the Faculty of Economics at the University of Basel
c 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;
d 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 (1949)
a St. Gallen, Swiss
b Dr. oec. HSG
c 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;
d in particular member of the board of directors of the St. Gallen Cantonal Bank, two board mandates at non-listed companies and two board of trustee mandates.

Christoph Lechner (1967)
a Hettlingen, German
b Prof. Dr. oec.
c 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 interests; since 2004 Professor for Strategic Management at the University of St. Gallen, Director of the Institute for Business Management;
d in particular member of the board of directors of Hügli Holding AG, Steinach.

John Martin Manser (1947)
a Riehen, Swiss
b MBA; Financial Consulting
c 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;
d in particular Chairman of the board of directors of Ciba-Vision AG, Embrach; member of the board of trustees of CS Investment Foundation, Zurich.

Pierin Vincenz (1956)

a Teufen, Swiss
b Dr. oec. HSG
c 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;
d 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 Telekurs Holding 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.

Until the Shareholders' Meeting 2008

Olivier Vodoz (1943)

a Geneva, Swiss
b lic. iur., lawyer
c Member of the Government Council of the Canton of Geneva (1989–1997, 1994/95 as its President);
d in particular Chairman of the Delegate Conference of Patria Genossenschaft, Basel; Vice-Chairman of the International Committee of the Red Cross, Geneva; member of the board of directors of Union Bancaire Privée UBP, Geneva; member of the board of directors of Heritage Bank, Geneva; three further board mandates in non-listed companies and 13 board of trustee mandates.

Urs Widmer (1941)

a Küsnacht, Swiss
b Dr. iur., lawyer (with own law firm)
c 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;
d 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: **Thomas Oesch**, Dr. iur., lawyer

a Place of residence, nationality
b Education, title
c Professional background, executive responsibilities
d Significant business relationships, mandates, official functions, political functions

Executive Management of Helvetia Group

The Executive Management is the highest executive body of Helvetia Group and is responsible for implementing the strategy adopted by the Board of Directors. 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. This management structure – with international, functional responsibilities – is extremely effective and it enables rapid decision-making, enhances transparency and avoids duplication.

Changes in the Group Executive Management

At the end of August 2007 Erich Walser stepped down from his position as CEO of Helvetia Group after 16 years at the helm of the Group. Erich Walser remains closely associated with Helvetia in his position as Chairman of the Board of Directors where he makes sure that the successful strategy adopted by the Group is consistently continued. He was followed as CEO of Helvetia Group by Stefan Loacker, who took up this function on 1 September 2007. Stefan Loacker held various management functions at Helvetia during the past ten years and is totally conversant with the company and its operations, so he will ensure the company's solidity and continuity.

Roland Geissmann retired from his position as CFO on 30 June 2007 at his own request. He joined the former Patria in 1983. He was CFO and Deputy Chief Executive Officer since 1986, first in the Executive Management of Patria and then in the present Helvetia Group. Paul Norton took over as CFO and member of the Executive Management of Helvetia Group on 1 July 2007.

Helvetia's top management team gained two proven insurance professionals in the persons of Stefan Loacker and Paul Norton. Their appointments also marked the completion of a generation change at the top of Helvetia Group that has been long in the planning.

Changes in the country executive management teams

After the change in Group management, the remit of the Finance department was reviewed. It was reorganised and two new departments were set up for the country market Switzerland. Beat Müller, former Chief Actuary Switzerland, took over as Head of the Actuarial/ALM department. Andreas Bolzern, the former Head of Accounting, took over as CFO Switzerland. They were both appointed members of the Executive Management Switzerland. All these changes took effect on 1 September 2007.

Burkhard Gantenbein succeeded Stefan Loacker as CEO Austria on 1 June 2007. He was on the board of a large Austrian insurance company for several years and is an expert in the Austrian insurance market.

In Italy, Michele Colio took over as Head of Sales in mid-December 2007 and is a member of the Executive Management.

We would like to take this opportunity to congratulate all the new members of the Executive Management on their appointment and wish them continued success for the future.

Changes in Helvetia Group's management reporting chain

The country market France under the successful management of Alain Tintelin which previously reported to the Head of Finance has been reporting directly to the Chairman of the Group Executive Management, Stefan Loacker, since 1 July 2007. Central brand management has been added to the remit of the Corporate Communications department and the new department is now called Corporate Communications and Brand Management. In order to do justice to the importance of this area, the department head now also reports directly to the Group CEO.

Management structure of Helvetia Group

CEO
Stefan Loacker*

General Secretariat
Thomas Oesch

Internal Audit
Willi Staubli

Corporate Communications and Brand Management
Martin Nellen

Corporate Center
Christophe Niquille

Switzerland
Philipp Gmür*

Andreas Bolzern
Finance

Donald Desax
Group Life

Markus Gemperle
Operations & Partners

Beat Müller
Actuarial Department/Asset Liability Management

René Stocker
Sales Management

Hermann Sutter
Property & Casualty Insurance

Angela Winkelmann
Private Pensions

Germany
Wolfram Wrabetz*

Dietger Classen
Corporate Business

Jürgen Horstmann
Life

Werner Kraft
Services

Jürgen Kutzora
Organisation/Sales

Ingo Reiss
Information Technology

Harald Warning
Investments

Bernd Wegerich
Private Customers and Commercial/Trade Business

Austria
Burkhard Gantenbein

Markus Bänziger
Life/Finance

Gerhard Jeidler
Sales

Rolf Kuhn
Non-Life

Austrian Branch
Georg Krenkel

Italy
Fabio De Puppi

Franco Armeni
Actuarial Department Life

Michele Colio
Sales

Rita Gesuele
Sales Force

Antonio Minichiello
Finance/Services

Claudio Rampin
Actuarial Department Non-Life

Spain
Jozef Marie Paagman

Susana Blanco
Finance

Javier García García
Marketing/Communication

José García Perez
Sales

Javier Gómez
Customer Service

Victor Lizarraga
Information Technology

Iñigo Soto
Actuarial Department

France
Alain Tintelin

Abdelghani Benazzouz
Information Technology

Jeanne Castaing
Human Resources and Services

Jacques Fenêtre
Transportation Courbevoie

Finance
Paul Norton*

Rolf Affolter
Reinsurance

Michael Angehrn
Taxes

Peter Bamert
Corporate Finance and Risk Management

Nicola Breitschopf
Investor Relations

Rolf Ochsner
Group Controlling

Stefan Rützler
Group Accounting

Martino Vanetta
Group Actuarial Department Life

Investments
Ralph-Thomas Honegger*

Andreas Gronbach
Portfolio Controlling and Administration

Jean-Louis Hertenstein
Portfolio Management

Peter Hirt
Real Estate Management

John Noorlander
Portfolio Strategy Group

Dominic Speiser
Real Estate Portfolio Management

Hans-Ulrich Tschirren
Mortgages Switzerland

Human Resources and Services
Markus Isenrich*

Martin Beck-Wörner
Management Development

Fernando Ferrari
Personnel Management

Roger Gander
HR Systems and Employee Benefits

Martin Müller
Legal Services

Urs Schaffhauser
Logistics

Sandra von Allmen Burki/Hans-Caspar Schegg
Personnel Development and Training

* Member of Group Executive Management as at March 2008

The Members of the Executive Management of Helvetia Group

Until 31 August 2007

Erich Walser (1947)

a Rehetobel, Swiss

b lic. oec. HSG, lic. iur.

c Chairman of the Board of Directors and Chief Executive Officer of Helvetia Group, Head of the national markets of Italy, Spain and Austria with various mandates with Helvetia Group's foreign subsidiaries. For more information, see Board of Directors, page 18.

From 1 September 2007

Stefan Loacker (1969)

a Speicher, Austrian

b lic. oec. HSG; Mag. rer. soc. oec., Vienna University of Economics and Business Administration

c Chief Executive Officer of Helvetia Group;

d 1994–1997 Rentenanstalt/Swiss Life: corporate planning department;
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 1.9.2007 in current position with various mandates at subsidiaries of Helvetia Group outside Switzerland;

e in particular member of the board of the Swiss Insurance Association, Zurich.

Until 30 June 2007

Roland Geissmann (1948)

a Binningen, Swiss

b Postgraduate Professional Diploma in Business Economics, Swiss Certified Accountant

c Deputy CEO of Helvetia Group, Head of Finance (CFO), responsible for country market France and for Reinsurance, Corporate Communications and Investor Relations;

d various management positions at KPMG (formerly Fides) as an accountant and consultant; 1983 joined Patria: various management positions, including: Head of Staff Division of General Management, Member of the Management Committee, Head of Finance and Investments, Member of the Executive Management and later Deputy Chief Executive Officer of Patria; 1994 Member of Management and Deputy Chief Executive Officer of the Helvetia Patria Group: Head of Finance and Investments; from 1999 also responsible for Reinsurance; 2002 Spin-off and set-up of an independent investment division, restructuring of the CFO function as per section c with various mandates for subsidiaries of Helvetia Group in Switzerland and abroad;

e in particular member of the boards 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; member of the board of directors of Swisscanto Verwaltungs AG, Basel; member of the Economy and Finance Committee of the Swiss Insurance Association, Zurich.

From 1 July 2007

Paul Norton (1961)

a Zurich, British citizen
b B.A. History (University of Reading/UK); Chartered Accountant
c Head of Finance at Helvetia Group (CFO);
d 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 1.7.2007; member of Group Executive Management with various mandates at subsidiaries of Helvetia Group in Switzerland and abroad;
e in particular member of the Economy and Financial Affairs Committee of the Swiss Insurance Association, Zurich.

Philipp Gmür (1963)

a Lucerne, Swiss
b Dr. iur., lawyer, LL.M.
c Chief Executive Officer of Helvetia Switzerland;
d 1988–1990 Positions at district courts, administration and legal practice;
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;
e 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 Swisscanto Verwaltungs AG, Basel; member of the board of directors of Coop Rechtsschutz AG, Aarau and two other board mandates at non-listed companies and three board of trustee mandates.

Ralph-Thomas Honegger (1959)

a Aesch, Swiss
b Dr. rer. pol.
c Head of Investments (CIO);
d 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;
e 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 Bank; member of the board of directors of Swisscanto Verwaltungs-AG, Basel; 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, Berlingen.

Markus Isenrich (1953)

a St. Gallen, Swiss
b lic. oec. HSG, lic. iur.
c Head of Human Resources and Services;
d 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;
e 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.

Wolfram Wrabetz (1950)

a D-Bad Soden, German
b Prof. Dr. iur., Certified Business Administrator
c Chief Executive Officer of Helvetia Germany;
d 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 the Helvetia Patria Group in current position;
e in particular member of the Chairman's and Professional Committee for Property Insurance 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.

a Place of residence, nationality
b Education, title
c Function
d Professional background; date of employment and former functions at Helvetia Versicherungen
e Other significant activities and interests, including mandates, official functions, political functions

Germany, Frankfurt – 2.26 p.m.
Ralf Meister at a project commission meeting.

Corporate governance

Helvetia wants to meet the demanding legal and ethical expectations of all 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 are to further strengthen confidence in Helvetia Group, to safeguard the interests of our shareholders, and to sustainably enhance the value of the Group. We ensure that the principles of good corporate governance are consistently implemented and continually optimised throughout the Group.

For the Board of Directors, Executive Management and all employees of Helvetia, corporate governance is an ongoing process that is periodically reviewed and adapted in line with new developments, findings and requirements. The appointment of a "Corporate Governance Officer" underlines the Group's 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 8 and 9.

With this strategic focus, Helvetia wants to comply with the applicable standards of the Swiss Code of Best Practice for Corporate Governance and the SWX Swiss Exchange Guidelines concerning Information on Corporate Governance dated 1.7.2002, including appendices. The comments concerning our corporate governance principles therefore follow the order of content of the above Guidelines. Important information can also be found in Note 15 to the financial statements, 'Related party transactions', on pages 152 to 156. 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 association and the organisation regulations with appendices have been published on our website www.helvetia.com/en/gruppe/governance, which also contains plenty of additional interesting and up-to-date information.

1. Group structure and shareholder base

1.1 Group structure

Helvetia is an internationally active Swiss all-lines 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 21. 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 10.

Helvetia Holding AG has its head office in St. Gallen and is listed on the SWX Swiss Exchange in Zurich: security no./ticker 1 227 168/HELN. Key data for investors is given on pages 74 to 76 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 185 and 186. 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 on pages 54 to 56, and in the Notes on page 190.

1.2 Major shareholders

The controlled opening of the Helvetia Holding AG shareholder base was initiated in 2000. In 2002, the holdings of the shareholder pool were reduced in a regrouping process from 50.9% to 45%. In 2004 these were reduced again to 40% following a share capital increase and, by the end of 2006, the holdings were reduced to 37.8%. The aim behind these and other measures was (and remains) to underscore our policy of increasing the volume of tradeable shares so that other investors with a long-term investment horizon can hold a stake in Helvetia Holding AG. As of the reporting date, the following major or otherwise notable holdings were entered in the share register of Helvetia Holding AG:

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

The pool agreement strengthens and promotes Helvetia's strategic focus on co-operation in areas outside its core business (insurance), and supports the activities of the Group in crucial areas such as sales. It unites the co-operation partners of Helvetia Group in their capacity as long-term investors with a strategic focus who share a common interest in ensuring that Helvetia remains independent and self-sufficient in its relationships with third parties as well as pool members, and is able to continue to develop going into the future in accordance with its adopted strategy and without undesirable negative influences. Pool members may only sell their holdings of Helvetia shares with the consent of the other members, who also enjoy the right of first refusal at market conditions. Beyond the scope of normal co-operation 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 – and wish to continue to maintain – with Münchener Rückversicherungs-Gesellschaft (Munich Re), Munich, a holding of 8.2% has been agreed with this company. 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) The Bâloise Group, Basel, has disclosed a holding of 4.0% in Helvetia Group but is only registered for 3.1%.

d) The Pension Fund of Helvetia Versicherungen holds 2.4% of the shares of Helvetia Holding AG.

e) Helvetia Beteiligungen AG, St. Gallen, holds 0.8% of Helvetia shares classified as 'treasury shares'.

1.3 Cross-holdings
There are no cross-holdings that exceed 3% of the capital or voting rights.

2. Capital structure

2.1 Share capital
The share capital of Helvetia Holding AG amounts to CHF 86,528,750.

2.2 Conditional capital
The share capital can be increased by a maximum of CHF 12,979,320 by issuing a maximum of 1,297,932 registered shares with a nominal value of CHF 10.00 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 association.

2.3 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 share split at the ratio of 1:4 to CHF 10.00 per share.

In 2002, the share capital was reduced by 4.61% 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 2.2.

Changes in equity are presented on pages 86 and 87, those for the 2005 financial year are presented on page 140 et seq. of the Annual Report 2005, and those for 2006 are presented on page 136 et seq. of the Annual Report 2006.

2.4/2.5 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 10.00 each. There are no preferential rights, participation certificates or dividend-right certificates. For more details concerning the Helvetia share, please refer to pages 74 to 76.

2.6 Restriction on transferability, nominee registration

The Board of Directors may refuse to approve registration with voting rights if an individual should own more than 5% 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% of the total share capital. The registration regulations are described in detail in Art. 7 of the articles of association.

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

2.7 Convertible bonds and options

a) Convertible bond:
Helvetia Group issued a convertible bond via Helvetia Finance Ltd, Jersey, which was redeemed as of 6.6.2005 (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

See also the diagram and information provided on pages 16 to 19.

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 or 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, and social skills. 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 mainly 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. Each 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 16 to 19.

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.

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 Olivier Vodoz represent Patria Genossenschaft, Pierin Vincenz represents the Raiffeisen Group, and Urs Widmer represents the Vontobel Group, where he is also Chairman of the board of directors of Vontobel Holding AG.
- Silvio Borner is also a member of the Board of Directors, and Olivier Vodoz is President of the Delegate Conference 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 co-operation partners in the areas of consulting and the sale of financial services. Both groups are therefore members of the shareholder pool together with Patria Genossenschaft.

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 co-ordinated 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 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 16.

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 16. The Board of Directors appoints the Chairman, Vice-Chairman 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, Investment and Risk Committee, Audit Committee and Compensation Committee. The duties and powers of these committees are described in detail in the by-laws, and the composition of each committee is presented on page 16.

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, and deals with mergers, takeovers and disposals of companies or major portfolios, including the preparation of 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 the 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, articles of association 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 2007, the Strategy and Governance Committee held five meetings, all of which were attended by all its members. Most of these meetings lasted approximately half a day.

b) The **Compensation Committee**, which consists only of independent members, puts forward proposals regarding the structure of the remuneration 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 2007, it held five meetings, all of which were attended by all its members. It also passed resolutions by circular letter twice. Most of the meetings lasted approximately half a day. 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 a supervisory capacity insofar as topics concerning Executive Management are affected.

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, and supervises operational aspects of risk management, including reporting. 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 takes part in a supervisory capacity. In 2007, the Investment and Risk Committee held four meetings, which, except for a single absence, were all attended by all members. Most of these 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, and monitors the functional capacity and effectiveness of external and internal control systems, including risk management and compliance, insofar as tasks and powers have not been delegated to another executive body of the company. It also verifies the independence and quality of the audits by the internal and external auditors. It ensures optimal co-operation 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 and Group 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, Group CFO, representatives of the external auditors and the head of Internal Audit attend its meetings in an advisory capacity. The attendance rate was 100% 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 2007, the Audit Committee held three meetings, and one member was absent from one of them. Most of the meetings lasted approximately half a day.

Chairman of the Board of Directors, and CEO until 31 August 2007

On 12 December 2003, the CEO of Helvetia Group at that time, Erich Walser, was elected Chairman of the Board of Directors. He exercised the joint function of Chairman of the Board and CEO of Helvetia Group until the position of CEO was taken over by Stefan Loacker on 1 September 2007. In keeping with the principles of good corporate governance and the provisions of the Swiss Code of Best Practice for Corporate Governance, the Board of Directors introduced a variety of control mechanisms, including the function of Lead Director which was exercised by Ueli Forster until 30 August 2007.

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. 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 in hierarchical as well as practical terms, assesses requests for information, a hearing or inspection of documents from members of the Board of Directors, 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 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 made by circular letter. 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, six meetings were held, with the absence of one member of the Board of Directors at one meeting while 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 association and the internal by-laws 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 and the implementation of its resolutions,
- Approval of major legal transactions.

Appendix I of the by-laws 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 on 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 risks, any changes to them and risk management measures that have been taken or are planned (see also pages 159 et seq.),
- 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. As a rule, they also receive regular 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 by-laws: 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, risk management and compliance.

4. Executive Management

See also pages 20 to 24.

4.1 Members of the Executive Management

The members of the Executive Management are listed on pages 22 to 24. The Executive Management of Helvetia Group was chaired by Erich Walser in his function as CEO and Chairman of the Board of Directors since its establishment on 12 December 2003 until 31 August 2007. Stefan Loacker took over as CEO of Helvetia on 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 22 to 24.

4.2 Other activities and interests

See pages 22 to 24.

4.3 Management contracts

There are no management contracts.

5. Compensation, shares and loans

This section describes the general principles and essential features of the compensation system, participations and the terms and conditions that apply to loans for the members of the Board of Directors and the Executive Management. The application of these in the past financial year and specific transactions are described in Note 15 'Related party transactions' on pages 152 et seq. This section complies with the Swiss Code of Best Practice for Corporate Governance as well as the Swiss Code of Obligations, including its new articles 663b^{bis} and 663 c par. 3. Together, these sections comprise the compensation report addressed to the shareholders and other investors in Helvetia Holding AG, who can comment on this compensation report at the Shareholders' Meeting.

5.1 Board of Directors

a) Basic principles

The remuneration principles, individual components and procedure when determining performance-related payments are set out in the remuneration regulations issued by the Board of Directors. These regulations are based on the principle that the compensation paid to the Board of Directors must be appropriate and competitive compared to the salaries paid by other companies in the same economic sector. To this end the Board studies the information published in the annual reports and investor relations reports of such companies as well as comparisons published by various associations (for example 'Ethos') and in the media. The individual members of the Board of Directors also contribute experience and knowledge gained from their activities in their own or third-party companies. The compensation should also be commensurate to the Board members' responsibility and workload and relative to the sustained earning power of the Group. The rules should be simple and transparent.

b) Fixed and variable components
Compensation is paid in the form of fixed and variable components. 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.

The fixed compensation comprises several components consisting of fixed amounts for the Chairman and the members of the Board of Directors. The Vice-Chairman and the chairmen and members of the committees also receive an additional allowance. The compensation of the individual Board members calculated in this manner is paid out in cash.

The fixed salary is supplemented by a variable component which depends on the business result and amounts to a maximum of 30% of the fixed salary for members of the Board of Directors. Once the business result is known and the individual financial and actuarial components of the result as well as the development of the share price have been evaluated, the Compensation Committee determines the percentage of objective attainment that will apply to the variable payment, for example 80%. This percentage applies to the members of the Board of Directors, the Executive Management and all employees of Helvetia in Switzerland. The variable component is paid out to the members of the Board of Directors in shares only. The relevant value is the market value of the share on the date that the variable salary component is calculated. The shares are blocked for three years from this date.

c) Meeting attendance fees and expenses
The compensation regulations govern the meeting attendance fees and expenses.

d) Shares and options
The members of the Board of Directors receive shares in payment of the variable component of their salaries (see b above). Board members do not participate in any employee share purchase plans, but may voluntarily buy or sell shares at current market prices. The Board members also did not participate in any share option programmes.

e) Severance pay and loans
As a general rule no severance payments are granted. Loans are granted at usual market conditions.

5.2 Executive Management

a) Basic principles
The Compensation Committee determines the salaries of the members of the Executive Committee every year. These salaries must be appropriate and competitive compared to the salaries paid by other companies in the same economic sector. To this end the Compensation Committee studies the information published in the annual reports and investor relations reports of such companies as well as comparisons published by various associations (for example 'Ethos') and in the media. The individual members of the Compensation Committee also contribute experience and knowledge gained from their activities in their own or third-party companies. The salaries should be relative to the Group's sustained earning power. The rules should be simple and transparent.

b) Fixed and variable components
The members of the Executive Management are paid a fixed and a variable salary which is determined every year by the Compensation Committee. Both components are paid out in cash.

The fixed salary is individual 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, expenses allowances and anniversary bonuses paid.

The amount of the variable component, which is usually limited to 50% of the fixed component, is based on the financial results (30%) and the degree of attainment of the personal objectives agreed with the immediate superior (20%). These objectives can contain quantitative and/or qualitative components. 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 actuarial components of the result as well as the development of the share price have been evaluated, for example 80%. This percentage applies to the members of the Board of Directors, the Executive Management and all employees of Helvetia in Switzerland.

c) Special bonus
If the business result is very good, 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.

d) Expenses and benefits in kind
The payment of expenses is governed by written regulations. If required, 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 provided in Note 15 on pages 152 et seq.

e) Shares and options
The members of the Executive Management 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 5.3). There is no share option plan.

f) Severance pay and loans
As a general rule 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 15 on pages 152 et seq.

5.3 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 acquired under this plan are blocked for three years, which allows for a discount of 16.038%. The members of the Executive Management can also take part in this programme, but the members of the Board of Directors may not.

6. Co-determination rights of shareholders

Helvetia observes the principle of equal treatment of all shareholders.

6.1 Voting right restrictions, 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% of the share capital.

At the 2007 Shareholders' Meeting, no shareholder with voting rights represented more than 10% of the voting rights, other than 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 do 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% 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.

6.2 Statutory quorum

The Shareholders' Meeting is quorate regardless of the number of shareholders in attendance and votes represented by proxy. Unless stipulated otherwise by statutory provisions or the articles of association, 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 association, the premature termination of office of more than one member of the Board of Directors, and the liquidation of the company.

6.3 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 or May, 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% 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.

6.4 Addition of items to the agenda

Shareholders with voting rights who together represent shares to the nominal value of at least CHF 200,000 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.

6.5 Registration of shares

The right to attend the Shareholders' Meeting (25.4.2008) 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 (11.4.2008) specified by the Board of Directors and announced in the Swiss Commercial Gazette and various other newspapers. In the period between the above cut-off date and a few days (22.4.2008) prior to the Shareholders' Meeting, shares will still be registered in the register but no additional invitations to the Shareholders' Meeting will be issued. Shareholders are entitled to a dividend for the 2007 financial year until this date. The share register is only blocked for a few days from 23.4.2008 to 2.5.2008; during this period no changes can be registered. 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 share register entitles the holder to cast one vote.

7. Change in control, protection measures

7.1 Obligation to announce takeover bids
Art. 30 of the articles of association 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% or more of the voting rights.

7.2 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, during which contractual salary and bonus arrangements remain applicable.

8. Auditors

8.1 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 the consolidated subsidiaries since 2005. The auditors' mandate must be renewed by the Shareholders' Meeting every year.

The KPMG Ltd audit team for the 2007 financial year consisted of:

- Hieronymus T. Dormann, Swiss Certified Accountant, partner audit financial services, lead auditor;
- Christian Fleig, Swiss Certified Accountant, senior manager audit financial services.

8.2 Audit fees
In the year under review, the fees charged by the auditors amounted to:

CHF 2,167,411.

8.3 Fees for additional advisory services
CHF 37,145.

These fees primarily concern services associated with the implementation of new software and tax consulting services.

8.4 Supervision and control of audit

External auditors

The Audit Committee prepares the election of company and Group 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 e.g., 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 section 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 Internal Audit.

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 during meetings of the Board of Directors it reports on its activities. In the year under review, three meetings were held, whereby the external auditors attended the meetings on the annual and interim accounts. The third Audit Committee meeting was held outside Switzerland without the external auditors. Discussions between the external auditors, the Chairman of the Board of Directors, the Chairman of the Audit Committee, the CEO and the Group CFO take place annually. Meetings or an exchange of experiences with specialists from the areas of accounting, risk management, legal and compliance, the 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.

9. Information policy

As a rule, Helvetia provides its shareholders with information twice a year – in the scope of the periodic reporting on annual and interim results – in the form of a detailed letter to 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 given at the end of this report as well as on our homepage). 150 years of Helvetia – Just ask us!

Spotlight – Anniversary ‘150 years Helvetia’

Helvetia turns 150 years – an occasion on which to look back over the past, think deeply about the present and dare to forecast the future. Since the 19th century, our world has seen many profound changes in all areas of society, whether technological, economical or cultural. The same is true for the insurance industry, which had to constantly adapt to changing circumstances and new risks. From the beginning, our company was exposed to fast and constant change.

Helvetia is celebrating 150 years of success

Today’s Helvetia traces its roots back to Allgemeine Versicherungs-Gesellschaft Helvetia, which was established in St. Gallen on 6 December 1858. It was the first transport insurer in the Swiss market and was therefore in an excellent position to serve the growing transport industry and to benefit from the increased mobility of the population.

Helvetia’s corporate history has been very eventful and diverse. Today it is a strong and internationally renowned all-lines insurer with a reputation for providing top quality products and services. In this our anniversary year we wish to pay tribute to our success story.

Helvetia’s anniversary offers a unique opportunity to strengthen the Helvetia brand and profile. The foundations have already been laid: Helvetia is a healthy company that is successfully going its own way.

High visibility throughout the anniversary year

This year Helvetia is attracting more attention than usual with a wide range of activities. The Shareholders’ Meeting will take place in a very celebratory atmosphere and Helvetia will be honoured to welcome Federal Councillor Hans-Rudolf Merz as the main speaker.

The broad public will be targeted with a health initiative. Helvetia wants to motivate as many people as possible to start moving more and is giving away almost 300,000 step counters. 31 July is ‘Helvetia Day’ when the company will establish close contact with the Swiss population. More than 280 Helvetia employees will surprise people at the 37 busiest railway stations in the country with a small gift.

In 2008 the company will also intensify its focus on its traditional youth promotion programme. The Helvetia Patria Jeunesse Foundation will donate CHF 500,000 to the national camp of the Swiss Guide and Scout Movement (Contura ’08) which will take place at the end of July.

Helvetia’s customers can benefit from an innovative new fund product, ‘Helvetia Jubi+’, a unit-linked life insurance product with attractive preferential conditions which has been on the market since 18 February.

Our society will continue to experience fast and constant socio-political change in the next years that will pose enormous challenges to market players. Helvetia, however, can look to the future with confidence and anticipation. With its clear and strong positioning, highly developed actuarial expertise and the right combintion of continuity and innovation, Helvetia is perfectly equipped to continue its success in the next years and decades.

Italy, Milan – 2.22 p.m.
Elda Barbui, Sales Force, having lunch with Vittorino Sanvito, an agent from Meda, at the 'La Plancia' restaurant.

Human resources management

"Our employees are highly motivated and committed to achieving our corporate objectives. They possess an ideal combination of personal and specialist skills, and they adhere to ethical and judicial principles." This quotation comes from Helvetia Group's HR policy, which was updated in the past business year. Another aspect which is just as important is what it is that unites the people working for Helvetia Group: "Together we focus on the three values 'trust', 'dynamism' and 'enthusiasm'." This common understanding of the principles and values that define all employees and their personal commitment are the main drivers of our corporate success. At a strategic level, forward-looking human resources management is designed to strengthen the Group's management and business units and help them achieve their business goals. If we want to continue to grow above the market in the next years in a highly competitive environment, we must achieve not only cost efficiency, but also provide professional customer service and pursue qualified human resources management.

Group-wide co-operation on the rise

The future success of Helvetia Group will depend to a large extent on the optimum use of our human resources and their skills. Line managers as well as employees are supported by HR staff who take on a position of trust and act as advisor, partner and service provider in everyday business life to all parties. In so doing, HR staff adhere to the new HR policy as well as a uniform HR process model which is constantly improved and developed further in line with our quality management procedures.

At management level, the spotlight falls on the implementation of the strategic Group initiatives that were defined this year. These projects require more intensive co-operation between all country markets. The project managers are therefore supported by HR management and the Management Development (MD) team with a number of change measures, including the selection of qualified managers, the improvement of skills and the provision of the tools required for successful cross-country projects.

Strengthening of management capacity

In order to give managers and specialists with special qualifications more opportunities to work on international, cross-market projects, the Management Development team will launch a new exchange programme this year. This should secure the sustained success of the strategic initiatives that have already been started and also offer a new generation of managers the opportunity to gain practical and Group-wide management and project experience in this field.

In a bid to bolster these cross-country strategies and projects, all 150 senior Helvetia managers will attend two four-day practical strategy seminars over the next two years, offered as part of the redesigned International Executive Programme (IEP): the 'Leadership' and 'Think Tank' modules. These seminars are organised by the Management Development team in collaboration with two research institutes of the University of St. Gallen. At these seminars, managers will learn how strategic general management navigator (GMN) concepts can be used to solve practical, market-relevant problems.

Expansion of continuing education in the country markets

The various business units are responsible for improving the specialist and management skills of their employees. In the German-speaking areas, Helvetia successfully increased the number of apprenticeships for young professionals by more than 10% to a total of 220. Helvetia Switzerland generally offers permanent employment contracts to almost 60% of its former apprentices. The company also focuses on training courses designed to improve communication processes and motivation, to deepen understanding of the company's core values, and to improve the use of assessment tools – for example the agreements on objectives and assessment interviews with employees. In Switzerland, Austria and Italy, new leadership programmes for managers were launched or continued with new modules. While Helvetia Italy focused on change management and internal communication, Helvetia Austria with the support of the Group's Management Development team introduced a third three-day seminar on management communication and the application of key management indicators for its almost 90 managers and specialists. In Switzerland the first of the eight modules in the new Helvetia Leadership Programme (HLP) has started. This module aims to help the more than 400 managers and specialists with the implementation of the new strategy and values. The costs associated with all these continuing education measures introduced by the different business units are expected to run into the double-digit CHF million range.

Little change in the total headcount

The total number of Group employees remained constant compared to the previous year, although there were slight shifts as regards the individual country markets. Thanks to further improvements to the business processes and/or structural changes in our business units in Germany and Austria, the number of employees in these business units could be reduced slightly, while the development of Group business in Italy, France and Switzerland required a slight increase in the number of employees in these business units. At Helvetia Spain the headcount is more or less on a par with last year, which was also made possible by the improvement in business processes following the merger of the former companies. The rate of termination of employment is between 3.8% and 11.3% in all business units.

Farsighted generational policy

Helvetia generally positions itself as an appealing employer with a farsighted generational policy for employees in all age groups. The main emphasis falls on the consistent implementation of equal opportunities – the success of the Group's policy of paying performance-related salaries was recently confirmed with a survey on pay parity – and on the active promotion of collaboration between the generations in answer to current demographic challenges. Helvetia promotes a policy of 'challenging and supporting' its employees in all age groups. The basic belief is that employees are personally responsible for their professional development. Our employees' strong motivation and productive capacity should be enhanced during all of their careers, mainly by ensuring that lifelong learning is encouraged with suitable tasks and working arrangements, family-friendly working conditions, health management measures, advice on providing for the future, situation analyses and career planning.

At Helvetia Group, women constitute about one-third of all staff, except in France (54%) and Italy (44%). In order to gradually increase this percentage in Switzerland over the next few years, the Executive Management has launched a mentoring programme for women who are interested in following a career with Helvetia. The first 14 teams consisting of a mentor and a mentee have already been set up. The Executive Management also started a programme under which employees from the age of 45 can voluntarily apply for a personal situation analysis. On the first announcement of this programme, more than 60 persons applied, of which 20 are women.

Modern data management

The constant expansion of HR Controlling means that HR managers and other line managers now have access to valuable information enabling detailed staff analyses. In the current business year, an interactive electronic tool was used for

Number of employees

	CH	DE	AT	ES	IT	FR	Total
As at 31.12.2006	2 239	789	634	547	300	86	4 595
Departures	256	42	33	36	12	10	389
Entries	279	26	22	33	24	17	401
As at 31.12.2007	2 262	773	623	544	312	93	4 607

the first time in Switzerland to capture individual salary adjustments. In the medium term all managers should have password-protected access to an electronic portal which will serve as an interactive management tool. Helvetia Germany and Italy have similar plans.

Most employees in the business units give Helvetia good marks, and our employee surveys again reflected a high level of employee satisfaction. At 79%, employee commitment in Switzerland is again above average, and the same applies to overall satisfaction which reached 76%. With these results Helvetia once again ranked as the best insurance company among the 25 leading employers in Switzerland. In order to compare employee survey results in all business units, HR managers are investigating the possibility of using the same questionnaire for all Group units this year.

Switzerland, Basel – 2.30 p.m.
Martina Sommer, Claims Inspector, investigating a construction site in Münchenstein.

Group results

Helvetia posted a profit of CHF 402.0 million, the second-best result in its 150-year history. This confirms the high earning power demonstrated in the previous year. All business units contributed double-digit millions of francs to this good result, with the country markets Switzerland, Spain and Germany contributing the most. At 4.4% premium growth was also very satisfactory, especially in view of the challenging market conditions. In terms of growth, the non-life segment as a whole outperformed the market. Group-wide growth in direct non-life business reached a convincing level of 5.7%. In view of the difficult market environment, the growth of 2.1% recorded in direct life business is also satisfactory, while the increase in new business measured in Annual Premium Equivalent (APE) of 13.1% is very pleasing. Helvetia posted impressive growth for unit-linked life insurance in particular. Despite volatile markets, our investment portfolio once again made a substantial contribution to Group profit.

Gross premiums

	Gross premiums (CHF million)		Growth in CHF (%)	
	2007	2006	2007	2006
Direct business total	5 249.3	5 062.5	3.7%	2.3%
– life	2 887.0	2 827.9	2.1%	1.4%
– non-life	2 362.3	2 234.6	5.7%	3.5%
Assumed reinsurance total	239.6	193.2	24.1%	–15.7%
Helvetia Group	5 488.9	5 255.7	4.4%	1.5%

Helvetia achieved a record result in the life business. Pre-tax profit rose 3.3% year-on-year to CHF 190.6 million, the highest profit ever recorded in this segment. This is remarkable in view of the volatility in the capital markets. Particularly pleasing was the development in embedded value, which increased to CHF 2,223.8 million or 18.2%. The profitability of new business also improved by 3.8% to 15.9%.

In spite of major claims and bad weather in the first half of the year, the non-life technical result was on a par with the previous year's good performance. The net combined ratio of 94.5% is just slightly higher than the past financial year and recovered clearly and quickly after the negative claims experience in the first half of the year. At CHF 286.5 million, the segment result is 10.9% below the excellent result posted in the previous year. The 'Others' segment which mainly consists of Helvetia Holding AG and the finance companies contributed CHF 28.4 million to the pre-tax profit. This is less than in 2006, primarily as a result of the extraordinary capital gains recorded in the previous year.

Group results in CHF million

	2007	2006	%
Profit before tax, total	505.5	562.2	–10.1%
– life	190.6	184.6	3.3%
– non-life	286.5	321.6	–10.9%
– other	28.4	56.0	–49.3%
Taxes	103.5	138.4	–25.2%
Profit for the period (after taxes)	402.0	423.8	–5.1%

Equity base strengthened further

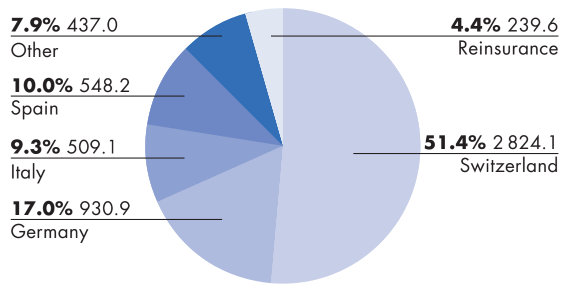
The equity base was strengthened by CHF 112.2 million or 4.1% to CHF 2,850.6 million. This increase is due to the good result partially offset by the dividend payment, changes in the fair value of the investments recognised in equity, and realised gains on shares. These gains were made possible by our prudent investment policy and correct assessment of the markets. At 14.4%, the return on equity is within reach of the strategic target of around 15%. This is 1.8% lower than in the excellent prior year, due to a slightly lower after-tax profit and higher equity. Solvency is also excellent our 217.4% and within our target area.

Record life result

At CHF 190.6 million, profit for the life business was up 3.3% from the previous year. This is the best pre-tax result for this segment in the company's history. The record result was possible thanks to improvements in the technical result and the investment result for the account of Helvetia Group shareholders. This excellent performance makes it possible to allocate a substantial amount to the profit reserves for policyholder participation. The allocation to policyholder dividends and bonuses improved 6.2% year-on-year. Apart from Austria which further improved its pre-tax profit, all units involved in direct insurance posted profits in the double-digit CHF million range. Of the pre-tax profit, Switzerland once again contributed more than half (57%), while Spain managed to significantly increase its share in the Group profit, thus ensuring that the life business is not only dependent on profit dynamics in Switzerland.

The embedded value also developed very well and improved by 18.2% to CHF 2,223.8 million, achieving an excellent yield of 21.3%. This improvement is also a result of the increased value of new business which was up almost 50% year-on-year from CHF 21.7 million to CHF 32.3 million. This is due on the one hand to an increase in new business of 13.1% and on the other to the excellent new business margin which rose from 12.1% to 15.9%. The volume of new business

Gross premiums written 2007 in CHF million



in the countries outside of Switzerland is showing first signs of the success of our growth strategy. In the EU markets, the volume of new business was up substantially by 34.1% while the value of new business improved by as much as 121.7%. Details on the embedded value are provided on pages 70 to 72 of the Annual Report.

Direct life business grew by 2.1% and, as in the previous year, benefited particularly from strong development in Germany (35.0% in original currency) and in Spain (12.4% in original currency). As mentioned above we are very pleased with the volume of new business, which improved from CHF 179.1 million to CHF 202.6 million for the Group as a whole. We should also point out the growth posted by unit-linked life insurance, which improved 20.8% for the Group as a whole and 43.6% in original currency in Germany. In the group life business the growth posted in Germany (164.2% in original currency) is of particular note, although this includes a single premium of CHF 47 million. In contrast, life premiums in Switzerland (–0.5%) and Italy (–28.5% in original currency) fell due to a decrease in single premiums. For reasons of profitability, Helvetia Switzerland did not launch single premium special offers for individual life policies to the same extent as its competitors. The growth rate for the group life business was better than the market average. As mentioned last year, Italy's quality-centric and profit-oriented underwriting policy for contracts financed by high single premiums was responsible for the decline in premiums and led to a substantial year-on-year increase in the embedded value in Italy.

Profit contribution from non-life remains high

At CHF 286.5 million, the pre-tax non-life profit is still very high even though the segment result is 10.9% below last year's excellent result. This can be attributed to the slight decline in the investment result and high project costs, among others for our 150th anniversary. On the other hand the technical result hardly weakened, in spite of the large charges in the first half of the year related to the winter storm Cyril and other major claims. Compared to the end of the first half year, the net combined ratio normalised during the second half thanks to the excellent claims experience and loss development result and at 94.5% is just 0.4% above the 2006 ratio. The gross combined ratio is 94.9%, up from 93.2% in the previous year. This is primarily due to the loss related to Cyril, which also explains why the gross claims ratio is 63% or 1.7% higher year-on-year.

All country markets once again contributed to the good non-life result, with Spain – as in the life business – gaining in importance. This led to a further improvement in geographic diversification, which also had a positive impact on the recovery of the technical result after the bad weather in the first semester.

In the direct non-life business which grew by 5.7%, most regions gained market shares. This is especially pleasing in view of the price competition in all markets and in particular in the motor vehicle insurance business. Growth by region was strongest in Spain (4.4% in original currency) and Germany (3.3% in original currency). It is notable that all segments (with the exception of France which faced a currency-adjusted decline in premiums of CHF 6.3 million) contributed to this growth. In terms of business lines, property insurance, the largest line, posted currency-adjusted growth of 3.8%, while just the liability insurance, smaller in terms of volume only, exceeded this remarkable growth with 4.9% (in original currency).

Combined ratio net	Helvetia Group	CH	DE	IT	ES	Others
2007	94.5%	89.5%	100.4%	99.4%	85.3%	94.2%
2006	94.1%	89.1%	99.0%	98.4%	90.5%	92.3%
2005	94.0%	95.4%	95.7%	98.0%	86.5%	92.8%

Successful country markets

As in the previous year, all operational business units contributed at least double-digit millions of francs to the Group's pre-tax profit of CHF 505.5 million. Switzerland again contributed the largest amount (CHF 221.8 million). Germany's result was on a par with the previous year. The German non-life segment performed very well in spite of the burden of the winter storm Cyril and made up for the slightly lower life result. The improvement in Italy's pre-tax profit was driven by the life business which posted both higher financial earnings and technical progress, while the non-life result was in line with the previous year's result. In Spain, technical improvements in both the life and non-life segments led to higher contributions in both segments. As mentioned before, Spain is gaining in importance next to Switzerland. In the 'Other' segment, Austria in particular made excellent progress in both segments in spite of one-off costs.

Profit for the period (before tax) in CHF million

	2007	2006	%
Switzerland	221.8	289.0	–23.3%
Germany	50.2	51.4	–2.3%
Italy	35.1	27.7	26.7%
Spain	125.5	110.1	14.0%
Other[1]	72.9	84.0	–13.2%
Helvetia Group	505.5	562.2	–10.1%

[1] Austria, France, reinsurance, Luxembourg and Jersey

Technical account non-life in CHF million

2007	Gross	Reinsurers' share	Net
Earned premiums	2 554.0	–238.5	2 315.5
Insurance claims	–1 610.1	183.4	–1 426.7
Technical costs	–814.2	52.5	–761.7
Technical profit/loss	129.7	–2.6	127.1
Investment income (net)			206.5
Other non-actuarial income and expenses			–47.1
Profit before tax			286.5
Claims ratio (incl. policyholder dividend)	63.0%		61.6%
Cost ratio	31.9%		32.9%
Combined ratio	94.9%		94.5%

2006	Gross	Reinsurers' share	Net
Earned premiums	2 395.5	–226.3	2 169.2
Insurance claims	–1 468.5	135.0	–1 333.5
Technical costs	–764.1	55.7	–708.4
Technical profit/loss	162.9	–35.6	127.3
Investment income (net)			216.9
Other non-actuarial income and expenses			–22.6
Profit before tax			321.6
Claims ratio (incl. policyholder dividend)	61.3%		61.5%
Cost ratio	31.9%		32.6%
Combined ratio	93.2%		94.1%

Investment business

The 2007 investment year can be divided into two very different halves. In a phase of robust global economic growth many equity markets reached new record highs until the end of May, while interest rates rose substantially. In the second half of the year, the ever increasing effects of the subprime and credit crisis abruptly ended the good mood. Growing uncertainty and a loss of confidence crowded out the earlier euphoria. Except for the Far East and Germany, the equity markets gave up their gains and interest rates started falling. The central banks managed to ward off the worst of the crisis with liquidity measures, but still did not manage to counter the unstable market conditions.

Against this background we continued our solvency-focused investment policy launched in 2006, while at the same time keeping a close eye on real-time risk management.

The duration of the life insurance portfolio was increased again, which allowed us to further reduce the maturities mismatch between the interest-bearing investments and our life insurance liabilities. The rising interest rates intensified this effect and led to a welcome increase in direct earnings. In order to cushion the balance sheet risks associated with the longer maturities, new interest-bearing investments were mostly classified as 'held-to-maturity' investments or as 'loans and receivables'. The share of these valuation categories is 50.4% of all bonds.

The asset allocation remained more or less unchanged. The equity component is 8%, and the bond weighting was increased by almost 1% to the debit of the money market investments. The investment property and mortgage components were almost the same as last year at 14.0% and 11.0%, respectively. All asset classes comply with the strategic target bandwidths.

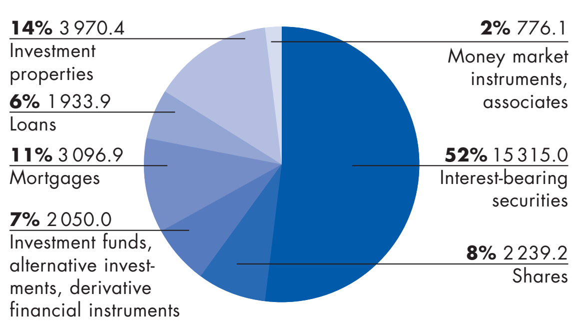
Real-time risk management

Strategic risk management begins with sustainable asset allocation which takes account of the insurance liabilities and the company's risk capacity. Operational risk management means managing the risks associated with the investment portfolio in consideration of current market developments and assessments.

In view of the fact that the euro became increasingly overvalued as the year progressed, we hedged most of our euro exposure with forward contracts and options. We also hedged our dollar exposure to a large extent in the face of growing uncertainties about the economy and the subprime crisis. As the crisis became more pronounced in the second half of the year, we stepped up transactions to hedge our equity holdings, but we mostly refrained from hedging our bond exposure. Thanks to its high quality, the bond portfolio withstood the 'stress test' of the accelerating credit crisis. Helvetia has no direct exposure in the problematic subprime sector, neither in the field of mortgages nor credit cards. We also do not use credit derivatives. Only a few securities in the portfolio were affected by downgrading, and only a very few investments were downgraded to a rating less than the 'A' rating required by our internal investment guidelines. This did not, however, have a negative impact on the high quality of our bond portfolio.

Hedging costs totalled around CHF 74 million. This is an increase of CHF 11 million compared to the previous year.

Investments 2007 in CHF million



Higher direct investment income
Interest and dividend income totalling CHF 793.8 million and rental income totalling CHF 231.6 million was up compared to the previous year by a substantial CHF 94.4 million. The increase is due to the higher investment volume, the strong euro, the longer duration of the portfolio, and rising interest rates. Rising interest rates not only resulted in higher bond yields, but also led to an increase in rental income from the real estate portfolio.

In view of the unstable market situation, investment performance was good at 2.4%. Falling bond prices due to rising interest rates and the weaker equity markets in the second semester prevented a better performance. In this difficult environment, investment property and mortgages once again proved to be an important mainstay of our total earnings.

Interest and dividend income in CHF million

	2007	2006
Interest on interest-bearing securities	499.6	453.3
Interest income from loans	178.2	176.0
Interest income from money market instruments	26.9	19.0
Interest income	704.7	648.3
Dividends on shares, unit certificates and alternative instruments	86.8	54.8
Interest on securities lending	2.3	1.2
Other	0.0	0.1
Interest and dividend income	793.8	704.4

Gains and losses on investments (net) in CHF million

	2007	2006
Interest-bearing securities	27.0	63.4
Shares	168.8	228.6
Investment funds	–23.8	71.8
Alternative instruments	37.9	29.6
Derivative financial instruments	–73.7	–102.9
Mortgages	0.0	0.1
Loans	–1.0	0.4
Money market instruments	–	0.5
Other investments	1.5	2.1
Impairment of financial assets of the period	–9.0	–4.1
Reversal of impairment losses of financial assets	2.5	1.9
Total gains and losses on investments (net)	130.2	291.4

Outlook
After the continued global economic upswing of the past few years, the current economic picture is irregular. While many analysts fear that the US has already slid into a recession, economic growth in the Far East in particular but also in Europe seems intact. The question therefore is whether these economic regions will be able to distance themselves from developments in the US. Many things will depend on the outcome of the still smouldering credit crisis. The quicker acceptable solutions can be found, the faster the economy will recover.

In this difficult environment we will continue to focus our investment policy on consistency and security, and we will react to any new market turbulence with appropriate hedging measures.

Spain, Seville-Aljarafe – 2.21 p.m.
Enrique Arévalo Serrano at Torre del Oro, one of the most important buildings in Seville, on his way to visit a customer.

Switzerland

In 2007 the Swiss economy did very well for the fourth consecutive year thanks to across-the-board impetus provided by exports and private consumption. However, economic growth in the EU and Switzerland is likely to start slowing down slightly in view of the foreseeable cooling of the world economy. Given the good development in the second half year, first estimates point towards GDP growth of 3.1% for 2007. Unemployment fell further thanks to the good economic climate and the unemployment rate was 2.6% adjusted for seasonal differences at the end of November 2007.

Insurance market

The number of claims rose slightly compared to the previous year, mostly as a result of the winter storm Cyril. According to projections by the Swiss Insurance Association (SIA), life premiums (individual and group life) rose by a total of 1.5% last year. For the non-life market the SIA expects premium growth of 1.2% for 2007. The discussions regarding the pension conversion rate and the legal quota are continuing unabated. The project regarding the introduction of compulsory earthquake insurance in Switzerland suffered a slight delay and will not be implemented before 1 January 2010. A number of other laws are also currently under examination, such as amendments regarding improved transparency and the position of insurance brokers.

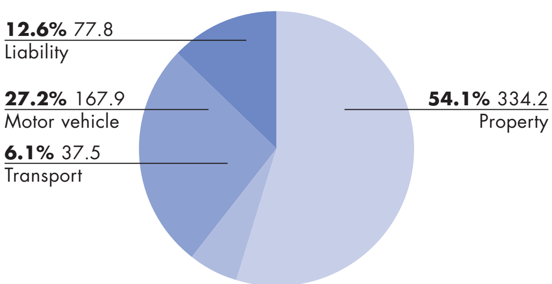
Successful start of new strategy period

During the previous strategy period 2004–2006, Helvetia focused consistently on sustained returns. The new strategy 2007–2010 targets ambitious growth rates in addition to the high earnings targets, which is reflected in our slogan "First in growth, profitability and customer loyalty". With the start of the new strategy period at the beginning of 2007, we defined ten strategic thrusts and launched value programmes based on our core expertise in insurance and pension provision in support of our target attainment. The focus falls on the exploitation of new customer channels by improving our sales network, simplifying our products and strengthening our brand. We will also improve our business processes and expand and further optimise the existing e-business solutions.

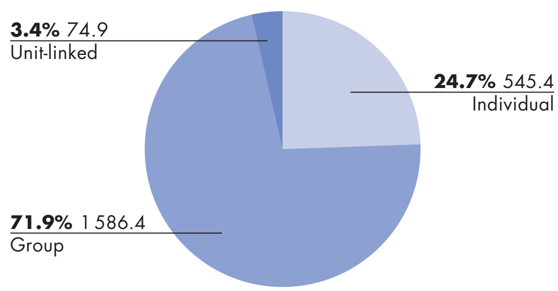
Good technical result and stronger market position

Following the previous year's excellent performance, Helvetia Switzerland again achieved very good results in 2007. The pre-tax profit was CHF 221.8 million. Life business performance was pleasing in spite of the difficult capital markets and proved its profitability. This allows us to allocate a substantial amount to the profit reserves of our policyholders. The non-life technical result remained stable compared to 2006 in spite of a number of major claims in the first semester. The 'Switzerland' segment was influenced by the

Gross premiums in 2007 from direct non-life business in Switzerland in CHF million



Gross premiums in 2007 from direct life business in Switzerland in CHF million



slightly weaker financial result of the investment portfolio managed outside of the underwriting units and to special factors, mostly project costs.

The change to the brand name 'Helvetia' in 2006 and our extremely successful sponsoring of skiing allowed us to differentiate ourselves more strongly in insurance market communication. "It's simple. Just ask us." This is the slogan for our new brand campaign and our promise to our customers. With this campaign we appear on the market as a partner for security and high-quality service and promise our customers simplicity as an added benefit in an ever more complex world. We are also expanding our sales network – in addition to full market coverage by our own sales force and market access through brokers, we rely on our cooperation with the Raiffeisen Group in the private customer business. Thanks to this unique partnership we were able to include our buildings insurance and builder's risk insurance in the mortgage advisory process of the Raiffeisen banks. The Raiffeisen Group contributed around 10% of new business in the individual life segment. Co-operation in non-life business started in 2006 and has already made a substantial contribution in some lines. In occupational benefits insurance we continue to build on our co-operation with the Association of Swiss Cantonal Banks. Under the label 'Swisscanto' we offer group pension solutions via the cantonal banks that contributed to the growth posted in the group life business.

Profitable life business

In the group life business, Helvetia continued to focus on sustained growth while maintaining its risk-oriented underwriting policy in 2007. Regular premiums grew by 3.4% year-on-year and enabled us to increase our market share to more than 9%. This pleasing development is also due to our new and innovative 'BVG Invest' product and our participation in the Generali Employee Benefit Programme as a Swiss network partner.

Gross premiums from direct business in Switzerland in CHF million

	2007	2006	Change
Non-life			
Property	334.2	332.5	0.5%
Transport	37.5	36.4	3.0%
Motor vehicle	167.9	162.4	3.4%
Liability	77.8	76.2	2.1%
Total	617.4	607.5	1.6%
Life			
Individual	545.4	577.1	–5.5%
Group	1 586.4	1 555.3	2.0%
Unit-linked	74.9	84.6	–11.5%
Total	2 206.7	2 217.0	–0.5%

Individual life premiums did not reach the same level as in the previous year. The decline can be explained by the market conditions in the traditional individual life segment. The share of equity-protecting, unit-linked life insurance products financed by regular premiums improved substantially and according to plan, but the share of these products financed by single premiums has declined. In a bid to counter this development we launched our new product 'Helvetia fund investment with insurance coverage' in the 4th quarter of 2007. In the single premium business we profited from another new issue of our index-linked product 'Swiss Trend', which was open for subscription for a short time only. The 'terzAvita' initiative was expanded as part of our strategy of managing our target groups and focusing on the 50-plus customer segment. Specialised terzAvita advisors use a three-step advisory approach to identify the special needs of persons older than 50 who are beginning to prepare for their retirement. A completely new quotation system for the sales channels was launched as part of the successful implementation of our new individual life market strategy, and products and sales documentation for customers and distribution partners were simplified. In this way Helvetia promoted its strategy of simplifying its products and services.

Seen overall, the technical results were very good, mainly as a result of an underwriting policy that focuses consistently on earnings, the high quality of our portfolio and the decline – partly for economic reasons – in the number of people who become disabled or, formulated differently, the rise in the number of people who are reintegrated into the workforce, which improved our disability results.

Successful non-life business
The non-life business continued to be affected by intense competition and prices that trended lower in all three business lines private customers, motor vehicle insurance and corporate customers. It is therefore all the more pleasing that we still achieved a good performance. Premium growth amounted to 1.6% in total, with property insurance improving by 0.5% and motor vehicle insurance by 3.4%. We thus further improved our market position in both the private and the corporate customer segments. In the corporate customer business we managed to access some niche markets such as photovoltaics and jewellery.

From an actuarial viewpoint the Swiss non-life unit is strong in spite of special charges in the first half of the year. The claims ratio rose slightly due to major claims and bad weather and could not be compensated entirely by the reduction in the cost ratio. As a result the combined ratio for 2007 increased slightly but to the still excellent 89.5%, which is only 0.4% higher than in the excellent prior year.

Striving for service excellence
We are a quality insurer and as such have high demands as regards the quality of our services. We are convinced that a high standard of quality is indispensable for differentiation in the market. The importance of this increases as competition becomes ever more fierce in an already saturated market. Our successful efforts to achieve quality and service were again independently praised in 2007. The Helvetia Call Centre was ranked first by the company Teleperformance for the Swiss Service Barometer for insurance companies for the fourth consecutive year.

Efficient management of the business portfolio
We employ capital efficiently and continue to focus on lucrative segments. Private customers and SMEs are the central customer groups. The goal is to expand property insurance the non-life segment and to introduce products with little impact on equity and corresponding innovative force in the life segment.

Improved actuarial performance
In order to continuously improve our technical results we focus specifically on efficiency, throughput times and service quality. In further developing our business model, we emphasise product simplification and the optimisation of business processes, the continued development of e-business solutions and continuous improvements in the quality and service mentality. Our growth strategy is supported by the launch in our anniversary year of a unique individual life product with an attractive yield and by promising projects focusing on the exploitation of new sales channels and customer groups.

Germany

The German economy continued to develop positively last year. GDP for 2007 was 2.5%, which also contributed to the improvement of the situation on the labour market. The economy was supported by corporate investments and exports, while private consumption stagnated and will even decline by 0.1%. Real income was unchanged again in 2007.

Stagnation of growth in insurance

The German insurance market did not benefit from the improved economic mood of the past two years. The only slightly improved financial situation of private households, sector-specific factors such as strong competition and the effects of political reforms once again dampened premium growth. This is likely to apply to the entire insurance sector for 2007, more or less the same as in the previous year.

Life premiums are stagnating, and the trend against endowment insurance and in favour of annuity insurance and unit-linked life insurance is continuing.

Following the decline in the previous year, non-life premiums will likely fall by another 0.4%. This can be attributed to the fact that the market remains highly competitive with some market players introducing substantial price cuts and expanded insurance coverage.

The decline in premiums in 2007 is opposed by a substantial increase in claims payments in the reporting year, not least due to the damage caused by the winter storm Cyril.

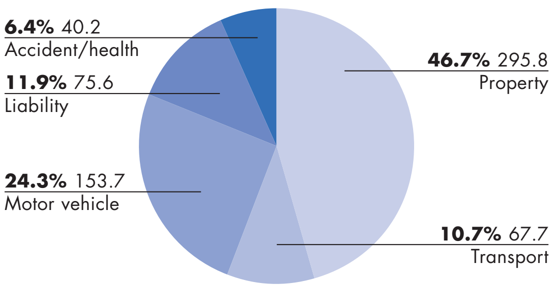
Sustainable result in spite of Cyril

Helvetia Germany posted a profit of CHF 50.2 million for the reporting year. This is in line with the previous year's result. The non-life segment performed very well in spite of the cost of the winter storm Cyril and, supported by investment income, even managed to compensate for the slightly weaker life result. In spite of the bad weather in the first half of the year the net combined ratio of 100.4% is just slightly higher than in 2006. This is mainly due to our balanced underwriting and reinsurance policy, strict cost management, and efficiency gains. The latter included a new private customer portfolio management system and the implementation of a flatter sales hierarchy (regional offices in the new Bundesländer and in Hamburg) as defined by the 2007–2010 strategy. All German units now have a uniform organisational structure. In order to boost growth and further improve the quality of the advice provided to our customers, we invested in the expansion of the exclusive broker sales channels. A large number of new brokers have already been recruited. As part of our 'Quality + Service' project we introduced the sales support tool 'Profil.as', which allows us to provide better and more selective support to our third-party brokers.

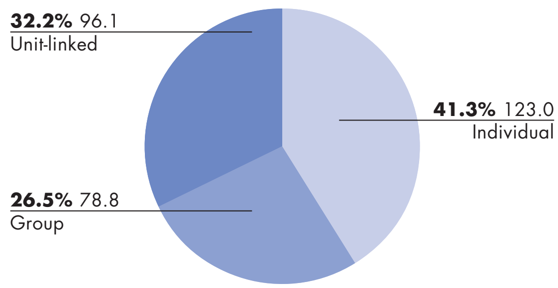
Strong growth in life and non-life segments

With premium growth of 40.9% (35.0% in original currency), our life business outperformed the overall market by far. This dynamic growth is mainly due to the success of our 'CleVesto' unit-linked

Gross premiums in 2007 from direct non-life business in Germany in CHF million



Gross premiums in 2007 from direct life business in Germany in CHF million



insurance products and the excellent performance of products financed by a single premium, although the result of the single premium business in the group life segment was strongly influenced by a one-off effect in the reporting year. We also profited from investments in the systematic expansion of our sales channels. Contrary to the general market trend we also achieved significant premium growth of 7.9% (3.3% in original currency) in the non-life segment. Our core non-life business line, property insurance, improved by as much as 10.4% (5.7% in original currency).

Quality award

We have been continuously improving the quality of our services for customers and brokers for many years. The success of these measures and the progress made was assessed by a neutral organisation in 2007. Helvetia is the first insurance company in Germany to take part in the Levels of Excellence programme of the European Foundation for Quality Management, and to reach the second level. In addition to the 'Committed to Excellence' certificate earned previously, we now also comply with the quality requirements of the 'Recognised for Excellence' level and proceeded to the final round for the German quality prize in the large corporates category.

Gross premiums from direct business Germany in CHF million

	2007	2006	Change
Non-life			
Property	295.8	268.0	10.4%
Transport	67.7	60.1	12.6%
Motor vehicle	153.7	149.1	3.1%
Liability	75.6	72.2	4.7%
Accident/health	40.2	37.5	7.2%
Total	633.0	586.9	7.9%
Life			
Individual	123.0	118.6	3.7%
Group	78.8	28.6	175.5%
Unit-linked	96.1	64.1	49.9%
Total	297.9	211.3	40.9%

Positive outlook

The boundary conditions for the German insurance industry will be influenced in the long term by the current economic forecasts for 2008 and in particular by the new insurance contract law which entered into force on 1 January 2008. However, we are confident that the introduction of new rates for occupational pensions and the systematic revision and development of our product range will enable us to continue to achieve our ambitious growth targets in the life business.

In the non-life business we see positive opportunities for growth and good results in the strategic expansion of our sales power and the introduction of new products such as the MultiLine policy for doctors. Measures to improve efficiency that are planned as part of the implementation of our strategy will also contribute to our success.

Austria, Vienna – 2.15 p.m.
Thomas Jaklin at a production meeting.

Italy

The Italian economy grew stronger last year than in the previous years. GDP is expected to rise by around 1.7%. The inflation rate was higher and was 2.6% at the end of the year as a result of the strong increase in prices for consumer goods and in particular for oil. At the same time unemployment declined further and at an estimated 7.4% the unemployment rate is at a historic low. The political will to institute reform continued in 2007 and a large number of new laws and rules were approved. These measures had a big effect in the financial sector.

Slight growth and increased regulatory activity in the insurance market

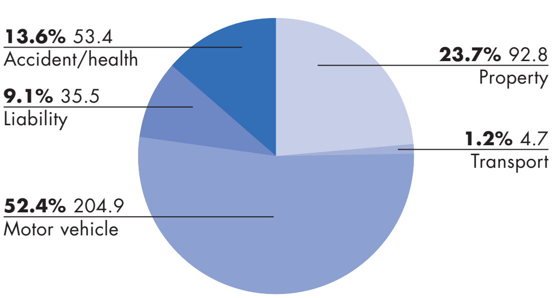
The Italian insurance market saw a slight trend reversal last year. While growth for the market as a whole was slightly negative in 2006, the Italian insurance market is expected to have returned to slight growth in 2007. Non-life business grew by around 2% last year, but this trend was seriously dampened by increasing competitive pressure in the motor vehicle segment. The life business will post declining premium volumes for the second year in a row, even though the negative growth rate is likely to be much improved. The declining growth is primarily due to uncertainties regarding the continued outsourcing of pension funds to insurance companies.

Last year, a large number of new laws and rules were approved that will also affect our business activities. For example, we will benefit from the new EU agent guidelines under which exclusive broker agreements are forbidden with effect from 2008, as we never worked with exclusive agents in the past. The introduction of transparency standards such as the disclosure of commission payments in the motor vehicle business require us to invest in our systems. At the beginning of 2007 a new system of claims settlement in motor vehicle insurance was introduced across the market, which is radically changing the existing system. Under the new system the insurer must first pay compensation to its own insured after an accident (and not the counterparty as before) before it can recover from the insurance company of the person who caused the accident.

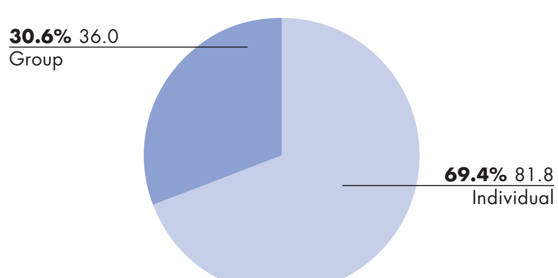
Continued high earning power

The pre-tax profit confirms our growing profitability even in an increasingly competitive market. It is clear that our focus on quality products is paying off. At CHF 35.1 million, the overall pre-tax profit is around 26.7% better than in the previous year, with the non-life business posting a slight decline and the life business a healthy improvement. The decline in the non-life business can be attributed to the slightly higher net combined ratio of 99.4% (previous year 98.4%). The life technical result improved compared to the previous year, mainly thanks to the positive development of the risk result and good earnings on investments income.

Gross premiums in 2007 from direct non-life business in Italy in CHF million



Gross premiums in 2007 from direct life business in Italy in CHF million



Helvetia achieves success with its strategy 2010

Even though life profit was higher than in the previous year, premium income in the life segment declined. After the strong growth posted in previous years, Helvetia Vita continued to focus on profit-oriented consolidation in 2007, as a result of which overall premiums declined by 25.3% (28.5% in original currency). This was also due in part to income considerations, as we were very cautious in concluding policies with high single premiums. In 2007 two new index-linked products were launched which developed in line with our expectations.

In 2007, Helvetia Italy once again achieved above-average non-life premium growth of 7.2% (2.6% in original currency). This growth was driven by property insurance which improved by 18.8% (13.7% in original currency). Although motor vehicle insurance is still slipping slightly, new business is showing first positive trends. Non-life growth was also boosted by the premiums generated by the banking channel. We still consider the business mix between motor vehicle insurance on the one hand and the other non-life segments on the other as reasonable and promising. Geographically, the focus of our business activities remains on the economically interesting northern regions of the country.

Gross premiums from direct business Italy in CHF million

	2007	2006	Change
Non-life			
Property	92.8	78.1	18.8%
Transport	4.7	4.6	2.2%
Motor vehicle	204.9	203.3	0.8%
Liability	35.5	31.0	14.5%
Accident/health	53.4	48.0	11.3%
Total	391.3	365.0	7.2%
Life			
Individual	81.8	137.4	–40.5%
Group	36.0	20.4	76.5%
Total	117.8	157.8	–25.3%

Outlook

As part of the strategy 2010, significant restructuring measures were introduced last year:

- Restructuring of the broker business by integrating the life and non-life segments
- Creation of a new strategic marketing department
- Restructuring of the IT department which will have a significant impact on business efficiency
- Strengthening and selective improvement in the age profile of the local management team.

As far as the objectives of the strategy 2010 are concerned, Helvetia Italy is well on course. We are convinced that, as a focused player and specialised provider in the private customer and SME segments, we will continue to operate successfully and grow profitably in the future. In view of the Italian business unit's good performance in the past few years and the measures that have been introduced, we are facing the future with confidence.

Spain

Last year the Spanish economy continued its dynamic trend; according to the latest projection, the increase in the GDP was 3.8%. However, by the end of the year rising interest rates and the negative impact of the subprime crisis triggered by difficulties in the US real estate market had left their mark on private consumption and the home construction industry, with the result that the GDP growth forecast for 2008 is more restrained. At an estimated 4.2%, inflation was above the European Union mean.

Momentum in the insurance market

According to initial estimates, the Spanish insurance market grew slightly less in 2007 than in the previous years, but with an anticipated growth rate of 6% to 7% growth momentum is still above average.

As tax privileges for life insurance policies were abolished under the tax reform, the life segment generally reported only moderate growth. The growth drivers were risk life insurance and unit-linked products, which as alternative types of investment managed to benefit from the cooling experienced in the real estate market.

As in previous years, non-life growth was satisfactory, and liability and health insurance in particular posted very pleasing growth rates. The motor vehicle segment continued to be plagued by price pressure, among other things as a result of entry to the market by new competitors and a reduction in car sales. The household contents insurance and corporate customer segments also found it more difficult to continue the successes of the past.

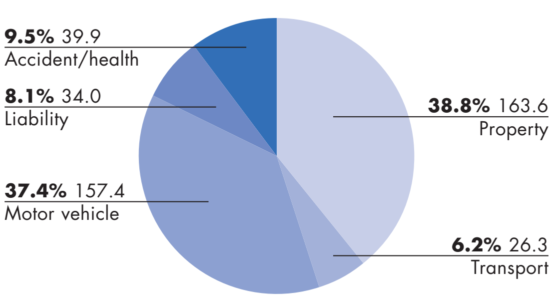
In the life business the Spanish insurance market continues to hold enormous growth potential – the premiums per capita and insurance penetration (percentage of premiums in GDP) are still significantly lower than the western European mean.

In 2007 a number of new regulatory provisions had a direct impact on the insurance business. In the past year, the financial brokers managed to hold on to their market position, but bank sales channels suffered from the real estate crisis and sold fewer mortgage-related insurance products, while the entry of the banks to the non-life market and the correspondingly high level of investments also brought additional competitive pressure to the industry.

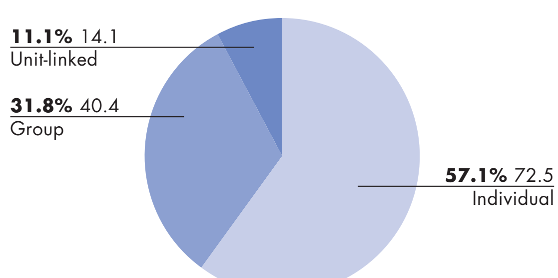
Excellent earning trends

In 2007 the pre-tax profit rose by around 14% to an excellent level of CHF 125.5 million, with both the life and non-life segments contributing to this success. The improvement in the life business, which posted an excellent underwriting result, was due to the good risk experience. The non-life segment also saw a significant improvement in the result, even though the prior year result was boosted by one-off special effects related to the valuation of the investment property portfolio. Claims experience in the non-life business has further improved compared to the already good experience in 2006. The excellent net combined ratio of 85.3% was below the previous year's level, with all business lines reporting a very positive trend.

Gross premiums in 2007 from direct non-life business in Spain in CHF million



Gross premiums in 2007 from direct life business in Spain in CHF million



Excellent business development in 2007

Last year Helvetia achieved double-digit premium growth of 17.3% (12.4% in original currency) in the life segment, which is far better than the sector average. The most important growth drivers included traditional risk insurance and family financial provision, but funeral expenses insurance and unit-linked products in particular also reported excellent growth.

Non-life growth came in at 9.0% (4.4% in original currency) for 2007 even though for income considerations we refrained from joining the price war in the household contents and industrial insurance segments. Helvetia therefore had to accept losses in these business lines. Overall, however, property insurance grew by 8.0% (3.4% in original currency). In contrast to the previous years, motor vehicle insurance did very well and we posted growth of 9.2% (4.6% in original currency) for this line and even gained market share. At +17.2% (11.8% in original currency) Helvetia also achieved very pleasing growth in general liability insurance. Transport insurance was up by 14.3% (9.9% in original currency) and is growing at a steady pace after it was classified as a niche product under the new strategy.

Strategic focus

Helvetia Spain started the strategy 2010 period very successfully, as is confirmed by the figures for the past business year. In the coming years we will accelerate growth and sustainably increase the market share of Helvetia Spain without endangering our excellent level of earnings. The exploitation of the potential for cutting internal costs and an increase in volumes should help us to further improve our cost ratio. This will be done with strategic local programmes launched directly by Helvetia Spain as well as with new Group-wide strategic initiatives designed to reduce our cost ratios and to push growth.

We are convinced that we are in an excellent position to exploit the growth opportunities in the Spanish insurance market to our benefit by using the various measures at our disposal. The growth potential of the Spanish economy, which can still be assessed as very favourable, and the development potential of the life segment paint a very positive picture.

Gross premiums from direct business
Spain in CHF million

	2007	2006	Change
Non-life			
Property	163.6	151.5	8.0%
Transport	26.3	23.0	14.3%
Motor vehicle	157.4	144.1	9.2%
Liability	34.0	29.0	17.2%
Accident/health	39.9	38.9	2.6%
Total	421.2	386.5	9.0%
Life			
Individual	72.5	65.3	11.0%
Group	40.4	34.6	16.8%
Unit-linked	14.1	8.4	67.9%
Total	127.0	108.3	17.3%

Austria

The Austrian economy grew by 3.4% in 2007, thus continuing the dynamic trend of 2006. Lively exports remain one of the pillars of the economy, with Austria benefiting in particular from expansion and the sustained momentum enjoyed by the central and eastern European markets. However, the unfavourable trends in the global economy seem to predict that the Austrian economy has already peaked.

Competitive environment

Following volume growth of 1.9% in 2006, growth for the Austrian insurance industry came in at 1.9% in the business year, which is less than for the economy as a whole. Thanks to dynamic changes in the property insurance market, non-life insurance grew by a total of 3.1%. At +0.4%, the life segment fell short of expectations. The slight growth rate can be partly explained by the 6.6% decline in single premium business. Life insurance growth was again driven by unit-linked life products – double-digit growth was reported for regular premiums as well as for single premiums.

Successful change

In Austria, 2007 was the year in which we focused on strengthening our position under the new brand. Country-wide image campaigns helped to increase brand recognition. There was also a change in top management, with Burkhard Gantenbein taking over as CEO of Helvetia Austria on 1 June 2007. He succeeded Stefan Loacker, who was appointed CEO of Helvetia Group in St. Gallen following his success in Austria.

Improvement of profit contribution

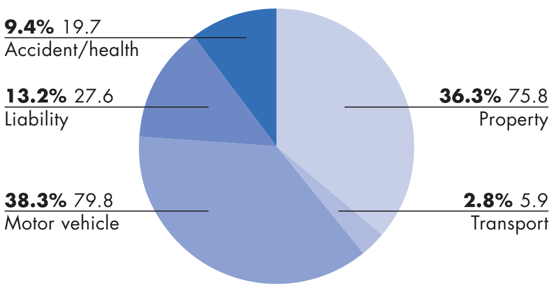
The Austrian group companies improved their results in both the life and non-life segments.

The life segment's substantial contribution to profit was higher than last year in spite of extraordinary charges following a judgement by the Austrian Superior Court which ordered the Austrian insurance industry to pay claims related to reversal discounts and acquisition costs. This positive development is mainly due to the financial result which improved despite the volatility on the equity markets.

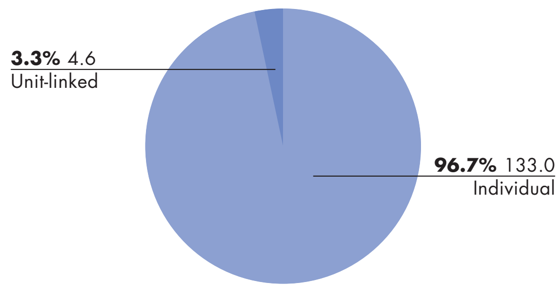
The ongoing improvement of the earnings situation in non-life business was continued in the business year. Portfolio quality is still excellent and diversification ensures that even natural disasters such as the winter storm Cyril have not increased volatility on an annual basis. The net claims ratio improved substantially compared to 2006 and now equals the average of the past three years. Seen overall, at 100.1% the net combined ratio is robust despite Cyril and slightly lower year-on-year.

The good financial result is pleasing and according to plan thanks to our conservative investment policy. Generally speaking, Helvetia Austria successfully continued to improve its operating earning power in the business year.

Gross premiums in 2007 from direct non-life business in Austria in CHF million



Gross premiums in 2007 from direct life business in Austria in CHF million



Good premium growth in non-life business and unit-linked products

In line with the general market trend, the development of new business in the traditional life insurance segment was restrained while more and more customers surrendered their policies or shifted to unit-linked products. At +3.1% or –1.3% in original currency, life premiums are falling. Our product range was successfully expanded and completed by the introduction of the unit-linked CleVesto life product. Product comparisons carried out by independent test institutions confirm that Helvetia has introduced a very flexible and cost-transparent product that gives an excellent performance. Although the CleVesto product outstripped our expectations, life products financed by regular premiums still declined due to the restrained growth of the traditional life segment. Income from single premiums, however, was up by 34.2% (28.5% in local currency) against the general market trend thanks to the momentum provided by unit-linked life products and the strengthening of our broker relationships.

Non-life business posted premium growth over all business lines of 6.6% (2.1% in original currency) and reached a premium volume of CHF 208.8 million. After the good performance in 2006, motor vehicle insurance again outperformed the market in terms of premium growth. The target group approach applied to the private customer business is also bearing fruit, and the profitable property segment achieved premium growth of 6.8% (2.2% in original currency) in the business year.

Gross premiums from direct business Austria in CHF million

	2007	2006	Change
Non-life			
Property	75.8	71.0	6.8%
Transport	5.9	5.3	10.1%
Motor vehicle	79.8	74.3	7.5%
Liability	27.6	26.2	5.4%
Accident/health	19.7	19.1	3.2%
Total	208.8	195.9	6.6%
Life			
Individual	133.0	133.5	–0.4%
Unit-linked	4.6	0.0	100.0%
Total	137.6	133.5	3.1%

Strong niche business

The Austrian Helvetia branch specialises in transport insurance and has been known for its efficient, flexible and smooth handling of claims for more than 130 years.

In accordance with the strategy, the focus in the reporting year was again on the strengthening of sales cooperation programmes. The 2007 results were excellent and in line with expectations.

Positive outlook

The conditions for further profitable growth in Austria remain good. The completion of the product range with the new unit-linked life product and new approaches in the industrial business have contributed to this, as well as the implementation of measures to improve sales productivity and the strengthening of emphasis for quality-oriented advisory services. In 2008 we want to continue to push Helvetia's growth in Austria. We are also convinced that our 150 years of success in the insurance market will give us enough power in our anniversary year to outperform the market in terms of growth.

France

In France, last year's growth in gross domestic product is expected to have been almost 2%. Due to rising energy costs and higher prices for consumer durables, consumer prices probably rose by around 2.5%. Unemployment decreased substantially by around 8% for the second year running. In contrast to the trend on the world markets, the French economy was relatively robust at the end of the year.

Difficult transport insurance market
Although the entire French insurance market was on a growth trajectory, the transport segment was in decline again in spite of the increase in international trade. The situation in the transport insurance market was negatively affected by strong international competition as well as the weakness of the dollar.

Helvetia once again very profitable
Helvetia France has been concentrating exclusively on transport insurance for more than 15 years. In the past we strengthened our position in this market with several acquisitions, but in the business year we focused on organic development.

With a gross premium income of CHF 90.6 million in 2007 and a market share of around 6%, Helvetia remains the fifth largest transport insurer in France. In 2007, premium volume fell 2.4% year-on-year (–6.5% in original currency). This was caused by the fact that we follow an income-oriented policy within a field which has become very competitive internationally.

Gross premiums from direct business
France in CHF million

	2007	2006	Change
Transport	87.5	92.8	–5.7%
Liability	3.1	0.0	100.0%
Total	90.6	92.8	–2.4%

Around 56% of total premiums were derived from cargo insurance and around 40% from shipper's liability insurance. The other transport segments generated around 4% of the total.

In 2007, the transport business was in good shape again and the net combined ratio was again less than 85%.

Helvetia on target with its strategy
Last year Helvetia introduced several new products to the market to round off its product range and prepared the launch in 2008 of several products that are even better tailored to the needs of its customers. Management also saw future-oriented changes and administrative processes were streamlined in a bid to prepare the company for profitable growth. The opening of another regional agency will also enable us to achieve better market penetration and to push future growth.

We are absolutely convinced that Helvetia France will continue to operate successfully in the highly competitive transport insurance market and that it will generate profitable growth.

France, Paris – 2.16 p.m.
Valérie Guéguen-Corne, in charge of marketing and communication, returning from the canteen at the head office in Courbevoie in the company of her colleagues.

Germany, Frankfurt – 2.23 p.m.
Claims Agent Norbert Kroner on his way to inspect a claim.

Assumed reinsurance

Primary insurers and reinsurers posted record results in 2006 as the claims experience was very good, mostly because there were no natural disasters. As a result, the renewal round for reinsurance contracts for 2007 went hand in hand with price reductions, in particular for non-proportional catastrophe coverage. In most of the other segments prices and conditions remained attractive.

Excellent annual result for 2007

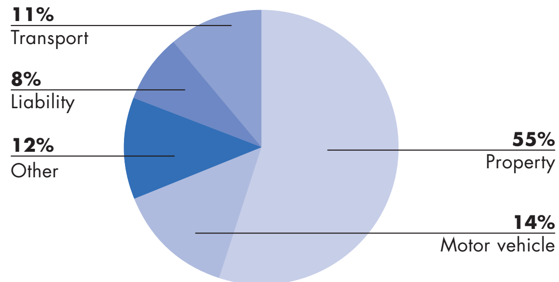
Assumed reinsurance had another excellent year and, in spite of the claims related to the winter storm Cyril, the result is only marginally below the record result for 2006, which was a year of very low claims. This is even more impressive if we remember that global claims related to natural disasters in 2007 were almost double that of the previous year.

The good result in the double-digit CHF million range is again based on a strict profit-oriented underwriting policy and a well-diversified portfolio as well as a cost ratio which is very low compared to the market.

Premium development

The 2007 renewal round confirmed that Helvetia's assumed reinsurance business is well-positioned to exploit market opportunities and has a very good franchise. Premium volume increased by as much as 24.1% year-on-year to CHF 239.6 million in spite of our withdrawal from the North American market. This increase is due on the one hand to the interactive S&P 'A–' rating with stable outlook received at the end of 2006, as this had a positive impact on the expansion of existing relationships as well as on new business, and on the other to currency effects and follow-up premiums for earlier years.

Gross premium according to sector 2007 in %



Property insurance accounted for around 55% of premium income and remains the major component in our well-proportioned portfolio. Pure catastrophe insurance only contributed 3% to the total volume.

Outlook for 2008

We were generally satisfied with the 2008 renewal round. Although increased competition and a positive claims experience meant that some segments saw a slight softening of the market, reinsurance prices and conditions remained at a level that will allow us to achieve a positive underwriting result. As we terminated contracts that no longer met our profit expectations, premium volume for 2008 is expected to be slightly lower, which once again confirms our profit-oriented approach.

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 solvency costs.

The adjusted equity includes 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 are the costs incurred to cover the solvency requirements of the business.

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 on page 72.

The embedded value that Helvetia has published here was calculated in accordance with the traditional method. In contrast, the European embedded value incorporates other variables, such as guarantees and options included in the business. Both embedded value methods are closely connected to shareholder value and are useful to company management. Future new business is not taken into consideration in either of the calculation methods.

Deloitte & Touche LLP audited the calculation method selected by Helvetia Group as well as the assumptions applied to the calculation of the embedded value as at 31.12.2007. 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 some of the data provided by Helvetia on a test basis, relying, however, on the financial information published in the financial report.

The embedded value was determined in full for all Helvetia Group companies that handle life business. Therefore the life business in Switzerland and the life business in the EU countries Germany, Austria, Spain and Italy were considered.

At the end of 2007, the embedded value of Helvetia Group amounted to CHF 2,223.8 million, which represents an increase of CHF 342.1 million or 18.2% year-on-year. This strong increase is mostly due to a higher yield on new investments in bonds as well as the positive claims experience. Two additional insurance portfolios also contributed CHF 81.2 million to the increase. The value of new business written improved by 49% thanks to a higher volume of new business and the fact that new business is more profitable due to the higher new money rate.

Embedded value after tax as per 31.12. in CHF million	2007	2006
Switzerland	1 793.0	1 519.4
of which value of insurance portfolio	1 024.9	801.0
of which adjusted equity	1 130.5	1 089.0
of which solvency costs	–362.4	–370.6
EU	430.8	362.3
of which value of insurance portfolio	289.4	225.5
of which adjusted equity	233.0	224.8
of which solvency costs	–91.6	–88.0
Total	2 223.8	1 881.7
of which value of insurance portfolio	1 314.3	1 026.5
of which adjusted equity	1 363.5	1 313.8
of which solvency costs	–454.0	–458.6

Assumptions	2007	2006
Switzerland		
Risk discount rate	7.0%	7.0%
Yield on bonds	3.4% – 3.7%	2.8%
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	4.7% – 5.2%	4.0% – 4.2%
Yield on equities	7.5%	7.5%
Yield on real estate	4.6%	5.1%

Development of embedded value after tax in CHF million	2007	2006
Embedded value as of 1 January	1 881.7	1 673.6
Operating profit from insurance portfolio and adjusted equity	155.3	138.2
Value of new business	32.3	21.7
Economic changes, including changes to unrealised gains and losses on investments (equities and real estate)	120.3	64.9
Dividends and movement of capital	–58.6	–27.3
Portfolios added since last year	81.2	–
Foreign currency translation differences	11.6	10.6
Embedded value as of 31 December	2 223.8	1 881.7

Sensitivities in percentage		2007	2006
+1%	change to risk discount rate	–7.1%	–7.1%
–1%	change to risk discount rate	+8.6%	+8.7%
–10%	change to fair value of equities	–3.5%	–3.1%
–10%	change to fair value of real estate	–8.0%	–8.3%
+1%	change to new money rate	+6.2%	+7.3%
–1%	change to new money rate	–6.6%	–9.6%

New business	2007	2006
Switzerland		
Value of new business in CHF million	22.1	17.1
Annual premium equivalent (APE) in CHF million	119.3	117.0
Value of new business (APE) in %	18.5%	14.6%
Present value of new business premiums (PVNBP) in CHF million	1 034.7	1 183.0
Value of new business (PVNBP) in %	2.1%	1.4%
EU		
Value of new business in CHF million	10.2	4.6
Annual premium equivalent (APE) in CHF million	83.3	62.1
Value of new business (APE) in %	12.2%	7.4%
Present value of new business premiums (PVNBP) in CHF million	614.3	441.9
Value of new business (PVNBP) in %	1.7%	1.0%
Total		
Value of new business in CHF million	32.3	21.7
Annual premium equivalent (APE) in CHF million	202.6	179.1
Value of new business (APE) in %	15.9%	12.1%
Present value of new business premiums (PVNBP) in CHF million	1 649.0	1 624.9
Value of new business (PVNBP) in %	2.0%	1.3%

APE: 100% annual new business premium +10% single new business premium
PVNBP: present value of new business premiums

Switzerland, Basel – 2.18 p.m.
Désirée Schwendemann of the Service Centre at her desk talking on the phone to a customer.

Investor information

The 2007 stock exchange year was shaped by contrary developments. Driven by a persistently booming economy in the Far East and growing takeover speculation, many equity markets exceeded the previous record highs in the fifth bull year after the new economy bubble burst.

In the second half of the year, however, the subprime and credit crisis put the euphoria to an abrupt end. Illiquid money and credit markets and a serious loss of confidence caused volatility on the equity markets, and only courageous action by the central banks avoided off worse.

In spite of the severe turbulence the US markets closed well into positive territory, while Japan once again did not manage to meet expectations. Thanks to sustained economic growth, the emerging markets of the Far East mostly achieved double-digit gains. The leader of the pack was the Chinese stock exchange with a performance of more than 160%.

Europe performed irregularly. Germany was the undisputed forerunner with a performance of 22%. Switzerland, however, closed in negative territory due to the comparatively tight market and the high weighting of the financial sector.

Stable share price

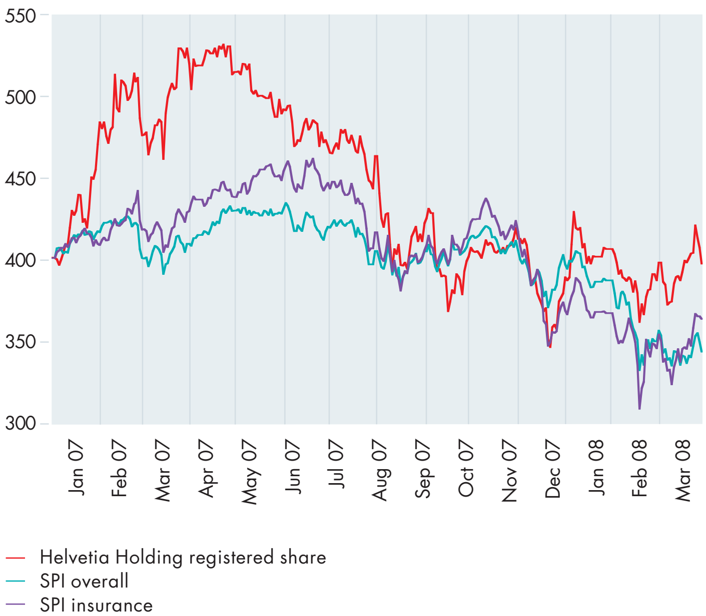
The Helvetia share was up 1.37% at the end of the 2007 stock exchange year. The year-end price was CHF 407.00 after a volatile year of being sucked into the vortex of the market during which the share price fluctuated between a high of CHF 540.00 in April and a low of CHF 340.00 in November. Compared to the Swiss Performance Index (–0.05%) and the insurance index (–8.32%), our share performed very well in an environment that was largely unfriendly towards financial stocks. This confirms our investors' confidence in our company.

Key figures for investors

	2007	2006
Helvetia Group		
Consolidated equity in CHF million	2 850.6	2 738.4
Consolidated equity per share in CHF	332.1	319.1
Group profit for the period per share in CHF	46.7	49.3
Return on equity (ROE)	14.4%	16.2%
Helvetia Holding registered share		
Stock exchange price		
■ Year-end in CHF	407.0	401.5
■ High for the year in CHF	540.0	404.5
■ Low for the year in CHF	340.0	271.0
Market capitalisation at year-end price in CHF million	3 521.7	3 474.1
Ratio market capitalisation/consolidated equity	124%	127%
Ratio market capitalisation/gross premiums	64%	66%
Number of shareholders as of reporting date	5 838	4 366
Annual dividend per share[1] in CHF	15.00	13.50
Dividend yield[2]	3.7%	3.4%
P/E ratio[2]	8.7	8.1
Payout ratio	32%	28%

[1] Proposal to the Shareholders' Meeting
[2] Based on year-end price

Share price trend 1.1.2007 to 29.2.2008 in CHF



Significant shareholder growth

Last year the number of investors holding Helvetia Holding shares increased by more than 25%. Our shareholder structure changed only slightly in the business year, which means that our ownership base is very stable. As of 31.12.2007, a total of 5,838 registered shareholders were entered in the share register. The investor groups comprise:

Shares of investor groups

	31.12.2007	31.12.2006
Private individuals	10.53%	12.8%
Banks and insurance companies	27.93%	24.8%
Other institutional investors	61.54%	62.4%

At the balance sheet date of 31.12.2007, 92.6% of investors were based in Switzerland, while 7.4% were based abroad. According to the new disclosure requirements of the SWX Swiss Exchange dated 1.12.2007 we have to disclose holdings of more than 3% separately. The free float did not change compared to the previous year.

Shareholder structure

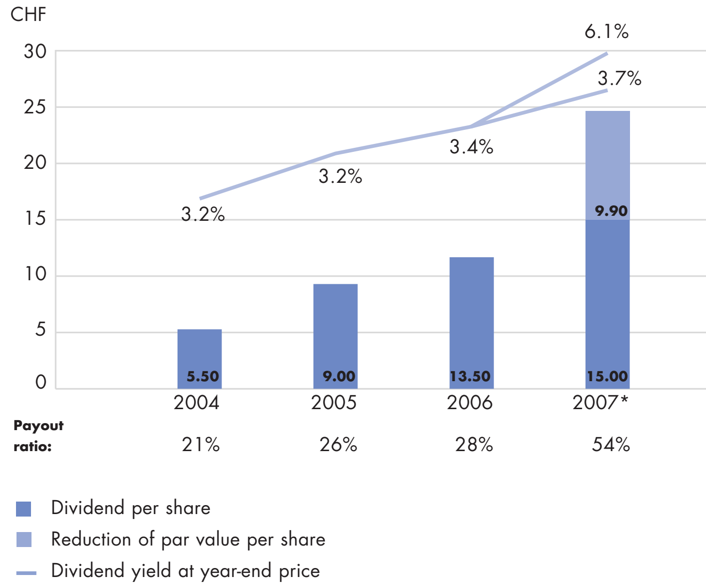
	31.12.2007	31.12.2006
Patria Genossenschaft	30.1%	30.1%
Vontobel	4.0%	4.0%
Raiffeisen	4.0%	4.0%
Munich Re	8.2%	8.2%
Bâloise Group	4.04%	n/a
Total holdings <3%	49.66%	53.7%

The purchase of registered Helvetia shares is not subject to any restrictions. Shareholders who purchase the shares in their own name and on their own behalf will be entered in the share register for up to a maximum of 5% of the total number of issued registered shares with voting rights.

Outstanding bond

- Amount: CHF 200 million
- Interest rate: 3% p.a.
- Term: 5.5.2004–5.5.2010
- Securities number: 1.839.765

Sustained dividend policy
Helvetia has been pursuing an income-oriented, continuous distribution policy for many years. The Group's excellent operating performance and good earning power enable the Board of Directors to request the Shareholders' Meeting of 25 April 2008 to approve the distribution of a dividend of CHF 15.00 per share for the 2007 financial year. This is 11.1% more than the dividend of CHF 13.50 paid out for the 2006 financial year. In addition we will request a reduction of the par value of the Helvetia shares which will be paid out in the form of a one-off anniversary payment to our shareholders amounting to CHF 85.7 million or CHF 9.90 per share. These measures live up to our principle of active equity management and at the same time set the stage for attractive future returns on equity.



* Proposal to the Shareholders' Meeting for a dividend payment and reduction in par value

Italy, Milan – 2.28 p.m.
Gianpaolo Boffini of the Sales Force in conversation with Alessandra Brusegan.

Our commitment to the environment

Helvetia actively promotes the conservation of the environment and views sustainable conduct as an important investment in its future. Environmental sensitivity is part and parcel of the daily working lives of all our employees. The following is a description of the most important measures implemented in our country markets Switzerland and Germany last year. We also introduce some products that reward ecological consciousness.

Market and environmentally compatible products

Photovoltaic insurance

In a time when raw materials are becoming ever scarcer, climate change is an important topic of conversation and the future security of electricity supply in Switzerland is in question, the alternative energies market is growing dynamically. The ten leading providers in the field of solar power plants (photovoltaic plants) share around 90% of the market in Switzerland. Helvetia has developed a new insurance product that covers the specific risks associated with photovoltaic plants and is only sold in combination with such plants. A framework agreement has since been concluded with six of the leading providers in this market.

Helvetia was also nominated as one of the top providers in the German market in 2007. The current climate discussion in Europe which puts the onus on every individual company to increase the share of renewable energies in the EU in the next few years will boost the photovoltaic market and promises a good future for Helvetia's photovoltaic insurance.

Green discount for alternative fuel

Helvetia introduced a green discount for alternative-fuel vehicles on 14 May 2007. Vehicles using alternative technologies or ecological fuel are insured at lower rates. Consumers who choose a hybrid car or a car powered by alternative fuel, e.g., natural gas instead of petrol, will in future benefit from a discount of up to 15% on liability and collision damage insurance. Helvetia has been insuring electric cars at 'green rates' for more than ten years. In this case the premium reduction on various insurance policies is sometimes as much as 50%.

Measures that benefit our customers

In Germany, environment-related changes were introduced in household contents insurance. The compensation limit for damage caused by overvoltage was increased substantially and the deductible for expanded natural disaster coverage was reduced.

Commitment and ideas are rewarded

Helvetia has been supporting the WWF eastern Switzerland environmental award 'Der Grüne Zweig' (The Green Branch) for the past five years. This prize honours outstanding environmental concepts developed by families, school classes, groups and private persons who display great commitment to preserving the environment in which we live. The eastern Switzerland environmental award for 2007 was given to Class 2a of the school in Jonschwil and the 'Waldkinder' [Forest Children]. The school class and the forest children exhibited impressive commitment to the preservation of our environment.

Latest energy saving construction standards in Germany

In summer 2007 Helvetia celebrated the topping-out ceremony for one of its largest construction projects in Germany, the 'Altenhagener Weg' in Hamburg. This project consists of the total refurbishment or new construction of 156 apartments on a site of 22,200 square metres. Helvetia attaches special importance to applying the latest energy-saving standards. All buildings will retain the typical Hamburg architectural style with traditional brick façades. Effective thermal insulation and state-of-the-art heating technology guarantee low operating costs.

Corporate responsibility

In awareness of its corporate responsibility, Helvetia supported numerous non-profit projects and organisations in 2007. Donations were mainly given to charitable and social institutions. We also focus on projects aimed at helping young people and promoting the arts. The public authorities also benefited from Helvetia's support as we paid CHF 97.2 million in direct taxes last year.

Foundation for promoting Swiss youth
Helvetia Patria Jeunesse is a foundation that promotes Swiss youth groups, clubs and youth projects in keeping with the foundation's purpose. It donated around CHF 718,000 to 54 institutions in the year under review. This includes a special anniversary donation in 2008 of CHF 500,000 to the national camp of the Swiss Guide and Scout Movement (Contura 08).

'Jugendliches Theater 2000' is provided with CHF 30,000 a year. The aim of this initiative of the Helvetia Patria-Paul Bürgi fund is to motivate young people between the ages of 16 and 20 to take advantage of the cultural offerings of the city theatre in St. Gallen.

Sponsoring activities
The year 2007 was the third year of Helvetia's successful partnership with Swiss-Ski. Helvetia proudly supports Switzerland as a ski nation and views this commitment as an investment in the next generation of Swiss skiers. This sponsorship improved our visibility and strengthened the market position of the 'Helvetia' brand. We will continue this partnership in the same vein. Internationally, Helvetia Germany continued its commitment to winter sport as one of the official main sponsors of the Four Hills Tournament, which is also the focus of Helvetia Austria's sponsorship activities.

As our head office is located in St. Gallen, Helvetia once again acted as a main sponsor of the St. Gallen Festival. The open-air production of 'Cavalleria Rusticana' was set against the historical backdrop of the monastery and served as the venue for two exclusive customer events.

Helvetia also supported cultural events such as the Volta Show in Basel (a side show to Art Basel), the Blue Balls festival in Lucerne, the Montreux Jazz Festival and the Menuhin festival in Gstaad. Numerous customers attended these events at our invitation. Helvetia's commitment to the Swiss Wrestling and Alpine Festival is quite unique. This event in Aarau was attended by more than 200,000 spectators, among them 800 guests invited to this extremely successful customer event by Helvetia.

Helvetia was a chief sponsor in financial and logistics terms of the third World Ageing and Generations Congress at the University of St. Gallen in autumn 2007. Experts from all over the world gathered in St. Gallen to engage in high-level discussions on possible solutions to demographic trends. Helvetia also supported the two generations forums of the WDA (World Demographic Association) in Baden and St. Gallen and used them as a platform for customer events.

Helvetia added two commitments in the Swiss SME segment to its portfolio of sponsorships and supported the Swiss Venture Club's third entrepreneur's award for northern Switzerland and the fifth SME seminar in St. Gallen.

Corporate responsibility
Helvetia Germany also used music to express its commitment to humanitarian issues at two big events. It organised a unique pop/classical concert to promote international union and combat racism together with the German Red Cross, and supported a top-class cultural event, the German Opera Ball in Frankfurt. All donations to this event are used for accident prevention and to help accident victims who suffered brain damage.

Switzerland, St. Gallen – 2.28 p.m.
Florian Salzgeber and Kaspar Hartmann of the Corporate Centre working on a presentation on the current corporate strategy.

Financial statements

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Consolidated income statement

Income in CHF million

	Notes	2007	2006
Gross premiums written	3	5 488.9	5 255.7
Reinsurance premiums ceded		–288.7	–272.0
Net premiums written		5 200.2	4 983.7
Net change in unearned premium reserve		–35.6	–24.6
Net earned premiums		5 164.6	4 959.1
Interest and dividend income	7.1.1	793.8	704.4
Gains and losses on investments (net)	7.1.3	130.2	291.4
Income on investment property	7.1.4	194.4	186.4
Other income		89.1	89.4
Total operating income		6 372.1	6 230.7

Expenses in CHF million

	Notes	2007	2006
Claims incurred including claims-handling costs (non-life)		–1 610.9	–1 465.8
Claims and benefits paid (life)		–2 369.8	–2 226.3
Change in actuarial reserve		–591.1	–738.0
Reinsurers´ share of benefits and claims		205.9	160.8
Policyholder dividends and bonuses		–173.4	–166.7
Insurance benefits and claims (net)		–4 539.3	–4 436.0
Acquisition costs		–692.4	–647.4
Operating and administrative expenses		–534.2	–509.8
Interest payable		–44.6	–41.8
Other expenses		–51.7	–29.3
Total operating expenses		–5 862.2	–5 664.3
Profit or loss from operating activities		509.9	566.4
Finance costs	8.1	–7.2	–6.0
Share of profit or loss of associates		2.8	1.8
Profit or loss before tax		505.5	562.2
Income taxes	10	–103.5	–138.4
Profit or loss for the period		402.0	423.8
Attributable to:			
Shareholders of Helvetia Holding AG[1]		401.0	423.0
Minority interests		1.0	0.8
Earnings per share:			
Basic earnings per share (in CHF)	11.4	46.72	49.35
Diluted earnings per share (in CHF)	11.4	46.72	49.35

[1] Details on this item can be found under 'Consolidated statement of equity'.

Consolidated balance sheet

Assets in CHF million

as of 31.12.	Notes	2007	2006
Property and equipment	5	560.6	526.2
Goodwill and other intangible assets	6	64.9	68.6
Investments in associates	7.3	48.3	46.2
Investment property	7.4	3 970.4	3 890.0
Financial assets[1]	7.5	25 362.8	24 991.5
Receivables from insurance business	9.5	696.4	638.1
Deferred acquisition costs (life)	9.4.1	223.2	219.8
Reinsurance assets	9.1	688.5	782.4
Deferred tax assets	10.4	49.8	49.6
Current income tax assets		6.2	1.5
Other assets		157.5	151.7
Accrued investment income		340.2	323.3
Cash and cash equivalents		375.9	121.2
Total assets		32 544.7	31 810.1

[1] This position contains the previous year's positions 'Loans and receivables (LAR) incl. money market instruments', 'Held-to-maturity investments (HTM)', 'Available-for-sale investments (AFS)' and 'Financial assets at fair value through profit or loss'.

Liabilities and equity in CHF million

as of 31.12.	Notes	2007	2006
Share capital	11.1	86.5	86.5
Capital reserves		636.1	636.1
Treasury shares		–17.1	–17.1
Unrealised gains and losses (net)	11.2.4	48.2	127.9
Foreign currency translation differences		20.9	15.6
Retained earnings		1 526.4	1 277.2
Valuation reserves for contracts with participation features	11.2.5	545.8	608.8
Equity of Helvetia Holding AG shareholders		2 846.8	2 735.0
Minority interests		3.8	3.4
Total equity		2 850.6	2 738.4
Actuarial reserve (gross)	9	21 725.0	21 019.0
Provision for future policyholder participation	9	693.2	742.2
Loss reserves (gross)	9	3 017.8	2 886.1
Unearned premium reserve (gross)	9	944.7	890.5
Financial liabilities from financing activities	8.1	234.2	199.1
Financial liabilities from insurance business	8.2	1 295.3	1 489.5
Other financial liabilities	8.3	21.4	37.2
Liabilities from insurance business	9.5	737.1	703.5
Non-actuarial provisions	12.1	77.5	64.1
Employee benefit obligations	13.2	286.6	272.1
Deferred tax liabilities	10.4	405.9	465.7
Current income tax liabilities		129.5	115.9
Other liabilities and accruals		125.9	186.8
Total liabilities		29 694.1	29 071.7
Total liabilities and equity		32 544.7	31 810.1

Consolidated statement of equity

in CHF million	Notes	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
		Equity attributable to shareholders of Helvetia Holding AG			
	Notes	11.1			11.2.4
Balance as of 1 January 2006		86.5	628.1	–24.4	182.3
Fair value revaluation of investments		–	–	–	–125.5
Change in liabilities for contracts with participation features		–	–	–	48.3
Foreign currency translation differences		–	–	–	–
Deferred taxes		–	–	–	22.4
Gains/losses recognised directly in equity (net)		–	–	–	–54.8
Profit for the period		–	–	–	–
Total recognised income		–	–	–	–54.8
Transfer from/to retained earnings		–	–	–	0.4
Change in minority interests		–	–	–	0.0
Treasury share transactions		–	2.3	7.3	–
Share-based payments		–	0.7	–	–
Dividends		–	–	–	–
Shareholders' contribution		–	5.0	–	–
Balance as of 31 December 2006		86.5	636.1	–17.1	127.9
Balance as of 1 January 2007		86.5	636.1	–17.1	127.9
Fair value revaluation of investments		–	–	–	–226.6
Change in liabilities for contracts with participation features		–	–	–	122.5
Foreign currency translation differences		–	–	–	–
Deferred taxes		–	–	–	25.6
Gains/losses recognised directly in equity (net)		–	–	–	–78.5
Profit for the period		–	–	–	–
Total recognised income		–	–	–	–78.5
Transfer from/to retained earnings		–	–	–	–1.2
Change in minority interests		–	–	–	0.0
Treasury share transactions		–	–0.7	–	–
Share-based payments		–	0.7	–	–
Dividends		–	–	–	–
Shareholders' contribution		–	9.0	–	–
Allocation of shareholders' contribution		–	–9.0	–	–
Balance as of 31 December 2007		86.5	636.1	–17.1	48.2

Foreign currency reserve	Retained earnings	Valuation reserves for contracts with participation features	Total before minority interests	Minority interests	Total equity
		11.2.5			
0.1	1 016.5	588.6	2 477.7	3.1	2 480.8
–	–	–84.5	–210.0	–0.2	–210.2
–	–	–	48.3	–	48.3
15.5	0.0	–	15.5	0.1	15.6
–	–	20.0	42.4	0.1	42.5
15.5	0.0	–64.5	–103.8	0.0	–103.8
–	338.5	84.5	423.0	0.8	423.8
15.5	338.5	20.0	319.2	0.8	320.0
–	–0.6	0.2	0.0	–	0.0
0.0	0.0	–	0.0	–0.1	–0.1
–	–	–	9.6	–	9.6
–	–	–	0.7	–	0.7
–	–77.2	–	–77.2	–0.4	–77.6
–	–	–	5.0	–	5.0
15.6	1 277.2	608.8	2 735.0	3.4	2 738.4
15.6	1 277.2	608.8	2 735.0	3.4	2 738.4
–	–	–135.1	–361.7	–0.2	–361.9
–	–	–	122.5	–	122.5
5.3	–	–	5.3	0.1	5.4
–	–	34.8	60.4	0.0	60.4
5.3	0.0	–100.3	–173.5	–0.1	–173.6
–	363.6	37.4	401.0	1.0	402.0
5.3	363.6	–62.9	227.5	0.9	228.4
–	1.3	–0.1	0.0	–	0.0
0.0	0.0	–	0.0	0.0	0.0
–	–	–	–0.7	–	–0.7
–	–	–	0.7	–	0.7
–	–115.7	–	–115.7	–0.5	–116.2
–	–	–	9.0	–	9.0
–	–	–	–9.0	–	–9.0
20.9	1 526.4	545.8	2 846.8	3.8	2 850.6

Consolidated cash flow statement

Cash flow from operating activities in CHF million

	2007	2006
Profit before tax	505.5	562.2
Reclassifications to investing and financing activities (affecting cash):		
Realised gains and losses on property, equipment and intangible assets	0.4	0.2
Realised gains and losses on sale of associates	–	0.0
Dividends from associates	–0.6	–0.6
Adjustments:		
Depreciation/amortisation of property, equipment and intangible assets	37.9	31.8
Realised gains and losses on financial assets and investment property[1]	–51.4	–65.0
Unrealised gains and losses on investments in associates	–2.0	–0.9
Unrealised gains and losses on investment property[1]	43.9	47.2
Unrealised gains and losses on financial instruments	6.5	–77.2
Share-based payments for employees	0.7	0.8
Foreign currency gains and losses	–53.0	–87.4
Other income and expenses not affecting cash[2]	88.9	13.9
Change in operating assets and liabilities:		
Deferred acquisition costs (life)	–2.9	2.4
Reinsurance assets	99.9	128.0
Actuarial reserve	590.7	738.8
Provisions for future policyholder participation	61.5	98.7
Loss reserves	87.1	44.8
Unearned premium reserve	38.0	27.5
Financial liabilities from insurance business	–292.5	–256.7
Changes in other operating assets and liabilities[1]	–35.7	–39.7
Purchase of investment property	–61.3	–81.9
Sale of investment property	38.5	30.8
Purchase of bonds	–3 403.5	–5 483.9
Repayment/sale of bonds	2 653.3	4 768.8
Purchase of shares, investment fund units and alternative investments	–2 185.8	–1 287.7
Sale of shares, investment fund units and alternative investments	2 123.5	1 332.8
Purchase of derivatives	–117.4	–135.7
Sale of derivatives	4.1	0.1
Origination of mortgages and loans	–349.4	–366.5
Repayment of mortages and loans	398.1	337.0
Purchase of money market instruments	–17 735.6	–55 129.1
Repayment of money market instruments	18 114.1	55 041.2
Cash flow from operating activities (gross)	601.5	194.7
Income taxes paid	–97.2	–81.2
Cash flow from operating activities (net)	504.3	113.5

[1] The change to the previous year's figures for these positions results from the new and more precise allocation of the cash flows related to the new balance sheet structure.

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

Cash flow from investing activities in CHF million

	2007	2006
Purchase of property and equipment	–135.7	–86.1
Sale of property and equipment	3.7	1.4
Purchase of intangible assets	–12.5	–20.4
Sale of intangible assets	0.1	0.0
Purchase of investments in subsidiaries, net of cash and cash equivalents	0.0	0.0
Sale of investments in subsidiaries, net of cash and cash equivalents	–	–
Dividends from associates	0.6	0.6
Cash flow from investing activities (net)	–143.8	–104.5

Cash flow from financing activities in CHF million

	2007	2006
Sale of treasury shares	–	9.6
Purchase of treasury shares	–0.7	–
Shareholders' contribution	9.0	5.0
Dividends paid	–116.2	–77.6
Lease payments under finance lease	–	0.0
Cash flow from financing activities (net)	–107.9	–63.0
Effect of exchange rate differences on cash and cash equivalents	2.1	2.8
Total change in cash and cash equivalents	254.7	–51.2

Cash and cash equivalents in CHF million

	2007	2006
Cash and cash equivalents as of 1 January	121.2	172.4
Change in cash and cash equivalents	254.7	–51.2
Cash and cash equivalents as of 31 December	375.9	121.2

Composition of cash and cash equivalents in CHF million

	2007	2006
Cash	0.7	1.6
Due from banks	375.0	119.4
Other cash equivalents with a maturity of less than three months	0.2	0.2
Balance as of 31 December	375.9	121.2

Other disclosures on cash flow from operating activities:

Interest received	726.8	694.0
Dividends received	86.8	54.8
Interest paid	11.6	10.4

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1. General information

Helvetia Group is an all-lines insurance group which operates in many life and non-life business lines 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 SWX 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 (UK).

The Board of Directors approved the consolidated financial statements and authorised them for issue on 13.3.2008. The financial statements will be submitted to the shareholders for approval at the Shareholders' Meeting on 25.4.2008.

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 2.4 (page 95).

2.1 Changes in accounting policies

2.1.1 Standards applied for the first time in the reporting year

In the 2007 reporting year, the following sector-relevant standards, interpretations (IFRIC) and amendments to standards came into force:

- IFRS 7 – Financial instruments: disclosures
- Amendments to IAS 1 – Capital disclosures
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of embedded derivatives
- IFRIC 10 – Interim financial reporting and impairment

Adoption of the standards did not lead to any significant adjustments to accounting policies. The amendments that are relevant to Helvetia Group are explained below:

IFRS 7 – Financial instruments: disclosures

The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 (Financial instruments: presentation) and IAS 39 (Financial instruments: recognition and measurement). IFRS 7 requires entities to disclose the significance of financial instruments for the entity's financial position and performance and to report on the risks arising from financial instruments. The regulations in IFRS 7 primarily relate to disclosure and therefore have no financial implications for Helvetia Group.

Amendment to IAS 1 – Capital disclosures
This amendment provides for additional information regarding equity in the annual report. The amendment relates exclusively to disclosure and therefore has no financial implications for Helvetia Group.

IFRIC 8 – Scope of IFRS 2
This interpretation investigates whether IFRS 2 should be applied to transactions where the Group cannot identify some or all of the specific goods or services received. Helvetia Group does not have any transactions that would be affected by this interpretation.

IFRIC 9 – Reassessment of embedded derivatives
This interpretation clarifies that embedded derivatives must be accounted for separately from the host contract and may only be reassessed when there has been a change in the terms of the contract that significantly modifies the related cash flows. The application of this interpretation has no impact on the assessment practice of Helvetia Group.

IFRIC 10 – Interim financial reporting and impairment
This interpretation addresses the interaction between the requirements of IAS 34 (Interim financial reporting) and the recognition of impairment losses on goodwill in IAS 36 (Impairment of assets), and the effect of this interaction on specific financial assets (IAS 39). IFRIC 10 concludes that an entity may not reverse an impairment loss recognised in a previous interim period in respect of goodwill for which a reversal is not allowed in IAS 36 and IAS 39 in subsequent consolidated financial statements. In previous periods Helvetia Group already dealt with impairment losses in accordance with this interpretation. The application of this interpretation therefore does not affect the Group.

2.1.2 Standards not yet applied in the reporting year
Due to the effective dates on which they enter into force, the following published standards, interpretations and amendments to standards were not applied to the 2007 consolidated financial statements:

	Effective date: to be applied for annual periods beginning on/after
■ IFRS 8 – Operating segments	1.1.2009
■ Amendments to IAS 1 – Presentation of financial statements	1.1.2009
■ Amendments to IAS 23 – Borrowing costs	1.1.2009
■ IFRIC 11 – IFRS 2 Group and treasury share transactions	1.3.2007
■ IFRIC 12 – Service concession arrangements	1.1.2008
■ IFRIC 13 – Customer loyalty programmes	1.7.2008
■ IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1.1.2008
■ Amendments to IFRS 2 – Vesting conditions and cancellations	1.1.2009
■ Amendments to IFRS 3/IAS 27 Phase II – business combinations	1.7.2009

Helvetia Group does not expect the first-time application of the new standards to have any significant impact on the consolidated financial statements, as this will primarily affect the type and extent of disclosure. The other new amendments to standards and interpretations are not expected to have any significant impact on the financial statements.

2.2 Consolidation principles

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.

Associates
Associates 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 185).

All of 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 31.12.

2.3 Foreign currency translation

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

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 114).

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.

2.4 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:

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 those 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.

If no market value in an active market is available, the fair value is determined using valuation methods such as the discounted cash flow (DCF) method, comparison with current market transactions, with reference to transactions with similar instruments, and option price models. Such methods are considerably influenced by assumptions that have to be made, which can lead to varying fair value estimates. This affects the following positions in particular:

- *Alternative investments:* The fair value of private equity investments is calculated using the 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.

- *Mortgages and loans:* The fair value of mortgages and borrower's loan notes 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 range of possible fair values is very large and reliable estimates cannot be made, the financial instrument is valued at cost, less any value adjustments (impairment).

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 analysts' 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.

Fair value of investment property
The fair value of investment properties is calculated in Switzerland using a model-supported valuation method (see Note 2.10.1, page 98). In order to determine the fair value, different capitalisation rates are used, which are subject to assessment by Group management. The capitalisation rates applied in the reporting period are set out in Note 7.4 (page 121). 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.

Accounting estimates specific to insurance
The estimate uncertainties in the area of actuarial practise are explained in Note 2.13 (from page 101). Any significant change to the parameters used for reserve calculation is documented in Notes 9.3 (non-life business) and 9.4 (life business).

Impairment of goodwill
Capitalised goodwill is tested annually for impairment. The procedure is described in Note 2.9 (page 98). The recoverable amount is calculated on the basis of several assumptions, which are disclosed in Note 6 (page 116).

2.5 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 are considered to be non-current and liabilities.

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 positions are of a mixed nature. The differentiation between current and non-current balances of relevant positions is set out in the notes. The maturity schedule of financial assets, financial liabilities and other liabilities and reserves for insurance and investment contracts is described in Note 17.4 (from page 169) as part of the risk assessment process.

2.6 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 offset against 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 2.9).

2.7 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.

2.8 Goodwill and other intangible assets

Acquired intangible assets are recognised at cost and amortised on a straight-line basis over their useful life, normally three to ten years. Other intangible assets also include intangible assets developed by the company, principally internally developed software that is recorded at cost and amortised from the date on which it enters service. Amortisation is recognised in the income statement in the position 'Operating and administrative expenses'. Intangible assets with an indefinite useful life are not amortised, but are reviewed annually for impairment (see Note 2.9).

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.

2.9 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 carrying value exceeds the recoverable amount, the difference is recognised in the income statement as an impairment loss and reported under '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 arising from events 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. These are in general identical to the legal entities of Helvetia Group. 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 method (DCF), 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.

2.10 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 2.2, page 94, under 'Consolidation principles'.

2.10.1 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 model-supported valuation method, whereas all other countries use independent experts to determine market estimates at least every three years. These estimates are updated between valuation dates.

The model-supported valuation method considers various factors: building type, extent of renovations, loss in value due to age, expected rental income as well as location, desirability, rents for comparable objects, maintenance needs, operating costs and future expectations with regard to the environment. The portfolio is regularly reviewed and appraisal reports are prepared by independent experts.

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.

2.10.2 Financial assets

The recognition and valuation 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 which 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 position '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'.

2.10.3 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 2.4). 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.

2.11 Financial derivatives

Derivative financial instruments are classified as 'Financial assets held for trading' and are shown in the position '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 159).

Derivatives may also be embedded in financial instruments, insurance contracts or other contracts. They are valued either together with their host contract or separately at fair value. The underlying security and derivative are valued 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.

2.12 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 2.13), 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 position '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.

2.13 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.

2.13.1 Non-life business

The insurance technical 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 reported 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 provided. 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.

2.13.2 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. Zillmerization 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 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 position '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.

2.13.3 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 recorded as 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 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 from another insurance company is reported as 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 carried directly to 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.

2.14 Income taxes

Deferred 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 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.

2.15 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.

2.16 Accrued investment income

Interest income on interest-bearing financial investments and loans is accrued or deferred under financial assets.

2.17 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.

2.18 Treasury shares

Treasury shares are recorded at cost, including transaction costs, and reported as a deduction from equity. The difference between cost and sales 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.

2.19 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.

2.20 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 ten per cent of the present value of the defined benefit obligations and ten per cent of the fair value of plan assets at the end of the previous reporting period. The portion of actuarial gains and losses outside the ten-per-cent 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. A review is 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.

2.21 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 expense is based on the fair value of the equity instruments at the grant date and is expensed over the vesting period.

2.22 Other liabilities

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

2.23 Offsetting of assets and liabilities

Assets and liabilities are offset 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. This has led to the following reporting segments:

Primary segmentation at Helvetia Group is structured by geographical area and follows the reporting responsibility: Switzerland, Germany, Italy, Spain and Others. The segment 'Others' covers the country markets of Austria and France, the financing companies in the UK and Luxembourg, as well as the Group's assumed and ceded reinsurance business. Special purpose entities are assigned to the individual countries in proportion to their ownership structure. With the exception of the reinsurance business, the geographical segmentation is based on the location of the legal entity where all service-rendering activities occur. This segmentation also reflects the locations where customers of Helvetia Group reside.

Secondary segmentation is based on the business segments of Helvetia Group: life and non-life business and other activities. In the life segment, Helvetia Group offers various product lines, such as life insurance, pension plans and annuities. The non-life segment offers property, motor vehicle, liability and transport insurance policies as well as health and accident insurance coverage. Other activities refer to the reporting of the non-underwriting activities of the Group's service, distribution and real estate companies. Special purpose entities are proportionally assigned to the life and non-life segments. Reinsurance contracts are reported in the life or non-life segments depending on the type of contract.

The accounting policies that apply to the segment reporting are the same as those described in the summary of significant accounting policies. Intersegmental services and transfers of assets and liabilities are made on an arm's length basis. Investments and investment-and–interest income from subsidiaries between the segments are eliminated within the respective segment. All other intersegmental relations and revenues within the Group are eliminated in full. Current and deferred income taxes are not components of segment result or segment assets or liabilities, and are therefore not allocated to the individual segments.

The assignment of individual Group entities to the various business and geographical segments is explained in Note 19 (from page 185).

3.1 Segment information by geographical segment in CHF million

Income	Switzerland		Germany	
	2007	2006	2007	2006
Gross premiums written	2 824.1	2 824.5	930.9	798.2
Reinsurance premiums ceded	–91.5	–88.1	–99.6	–84.2
Net premiums written	2 732.6	2 736.4	831.3	714.0
Net change in unearned premium reserve	–0.3	–7.8	–2.9	–0.2
Net earned premiums	2 732.3	2 728.6	828.4	713.8
Interest and dividend income	528.1	464.5	100.8	95.0
Gains and losses on investments (net)	92.9	234.5	20.8	30.3
Income on investment property	158.9	123.7	4.8	7.3
Other income	32.4	32.7	25.3	22.1
Total operating income	3 544.6	3 584.0	980.1	868.5
of which transactions between geographical segments	37.4	39.1	61.2	51.6
Expenses				
Claims incurred including claims-handling costs (non-life)	–378.5	–325.3	–432.1	–355.6
Claims and benefits paid (life)	–1 956.1	–1 862.1	–124.3	–120.0
Change in actuarial reserve	–333.2	–480.8	–159.2	–85.6
Reinsurers' share of benefits and claims	62.2	19.8	94.0	43.9
Policyholder dividends and bonuses	–164.1	–142.8	–18.8	–29.4
Net insurance benefits and claims	–2 769.7	–2 791.2	–640.4	–546.7
Acquisition costs	–200.9	–192.2	–188.9	–168.0
Operating and administrative expenses	–298.3	–272.4	–82.5	–85.2
Interest payable	–37.2	–34.2	–3.8	–3.9
Other expenses	–12.2	0.1	–14.3	–13.3
Total operating expenses	–3 318.3	–3 289.9	–929.9	–817.1
Profit or loss from operating activities	226.3	294.1	50.2	51.4
Finance costs	–6.3	–6.0	–	–
Share of profit or loss of associates	1.8	0.9	–	–
Profit or loss before tax	221.8	289.0	50.2	51.4
Income taxes				
Profit or loss for the period				
Other disclosures:				
Assets by geographical segment as of 31.12.	23 588.4	23 383.4	3 067.5	2 787.7
of which investments	22 098.6	22 011.5	2 612.6	2 381.7
of which investments in associates	45.1	43.6	–	–
Liabilities by geographical segment as of 31.12.	21 420.1	21 271.1	2 705.8	2 422.6
of which technical provisions (gross)	19 136.9	18 764.6	2 271.3	2 025.6
Cash flow from operating activities (net)	334.1	29.6	42.7	59.9
Cash flow from investing activities (net)	–54.9	–69.8	–32.5	–59.9
Cash flow from financing activities (net)	–69.0	–10.1	–1.4	–1.3
Acquisition of owner-occupied property, equipment and intangible assets	100.9	81.3	13.2	7.5
Depreciation and amortisation of tangible and intangible assets	–15.6	–15.6	–3.8	–3.9
Impairment of tangible and intangible assets affecting income	–2.1	–	–	–
Reversal of impairment losses on tangible and intangible assets affecting income	0.0	–	–	–
Share-based payment transaction costs	–0.7	–0.8	–	–

Italy		Spain		Others		Elimination and non-allocated items		Total	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
509.1	522.8	548.2	494.8	891.3	830.6	−214.7	−215.2	5 488.9	5 255.7
−72.6	−68.9	−42.8	−60.5	−196.8	−184.5	214.6	214.2	−288.7	−272.0
436.5	453.9	505.4	434.3	694.5	646.1	−0.1	−1.0	5 200.2	4 983.7
−16.9	−11.1	−12.9	−11.2	−2.7	4.7	0.1	1.0	−35.6	−24.6
419.6	442.8	492.5	423.1	691.8	650.8	0.0	0.0	5 164.6	4 959.1
59.7	51.6	35.7	30.2	69.5	63.1	–	–	793.8	704.4
7.3	9.0	10.5	22.7	−1.3	−5.1	–	–	130.2	291.4
1.6	0.8	6.1	33.3	23.0	21.3	–	–	194.4	186.4
24.6	18.4	12.4	16.6	49.2	53.0	−54.8	−53.4	89.1	89.4
512.8	522.6	557.2	525.9	832.2	783.1	−54.8	−53.4	6 372.1	6 230.7
34.8	32.9	21.2	36.2	−209.4	−213.2	54.8	53.4		
−237.6	−234.5	−208.8	−225.1	−497.3	−421.6	143.4	96.3	−1 610.9	−1 465.8
−87.9	−74.4	−74.9	−67.3	−133.9	−111.0	7.3	8.5	−2 369.8	−2 226.3
−40.0	−93.0	−14.2	−18.5	−45.6	−59.4	1.1	−0.7	−591.1	−738.0
35.7	45.5	12.1	35.3	153.7	120.4	−151.8	−104.1	205.9	160.8
5.9	4.3	–	–	3.6	1.2	–	–	−173.4	−166.7
−323.9	−352.1	−285.8	−275.6	−519.5	−470.4	0.0	0.0	−4 539.3	−4 436.0
−90.1	−80.8	−88.1	−75.4	−177.2	−182.8	52.8	51.8	−692.4	−647.4
−55.5	−49.2	−54.7	−63.1	−43.2	−39.5	0.0	−0.4	−534.2	−509.8
−2.9	−2.9	−0.1	−0.1	−0.6	−0.7	–	–	−44.6	−41.8
−4.4	−9.9	−4.0	−2.5	−18.8	−5.7	2.0	2.0	−51.7	−29.3
−476.8	−494.9	−432.7	−416.7	−759.3	−699.1	54.8	53.4	−5 862.2	−5 664.3
36.0	27.7	124.5	109.2	72.9	84.0	0.0	0.0	509.9	566.4
−0.9	–	–	–	–	–	–	–	−7.2	−6.0
–	–	1.0	0.9	0.0	0.0	–	–	2.8	1.8
35.1	27.7	125.5	110.1	72.9	84.0	0.0	0.0	505.5	562.2
						−103.5	−138.4	−103.5	−138.4
								402.0	423.8
2 021.1	1 893.5	1 592.2	1 513.8	2 638.4	2 567.4	−362.9	−335.7	32 544.7	31 810.1
1 544.0	1 498.5	1 290.7	1 224.8	1 835.6	1 811.2	0.0	0.0	29 381.5	28 927.7
–	–	3.1	2.6	0.1	0.0	–	–	48.3	46.2
2 041.8	1 907.9	1 242.5	1 207.5	2 167.4	2 067.7	116.5	194.9	29 694.1	29 071.7
1 606.4	1 518.3	1 147.2	1 105.8	2 467.5	2 362.0	−248.6	−238.5	26 380.7	25 537.8
45.9	−34.8	60.9	34.8	30.7	33.7	−10.0	−9.7	504.3	113.5
−12.4	26.2	−3.3	−5.2	−3.3	−3.9	−37.4	8.1	−143.8	−104.5
0.8	0.0	−46.4	−26.7	−38.5	−26.5	46.6	1.6	−107.9	−63.0
25.2	7.3	4.2	5.8	4.7	4.6			148.2	106.5
−3.0	−2.5	−2.8	−2.3	−8.3	−7.5			−33.5	−31.8
−2.3	–	–	–	–	–			−4.4	–
–	–	–	–	–	–			0.0	–
–	–	–	–	–	–			−0.7	−0.8

3.2 Segment information by business segment in CHF million

Income	Life 2007	Life 2006	Non-life 2007	Non-life 2006
Gross premiums written	2 893.9	2 832.4	2 595.0	2 423.3
Reinsurance premiums ceded	–46.7	–41.6	–242.0	–230.4
Net premiums written	2 847.2	2 790.8	2 353.0	2 192.9
Net change in unearned premium reserve	1.9	–0.9	–37.5	–23.7
Net earned premiums	2 849.1	2 789.9	2 315.5	2 169.2
Interest and dividend income	639.8	568.0	141.8	124.0
Gains and losses on investments (net)	86.1	214.8	26.1	33.0
Income on investment property	157.6	123.4	38.6	59.9
Other income	23.7	17.7	65.5	71.6
Total operating income	3 756.3	3 713.8	2 587.5	2 457.7
of which transactions between business segments	0.4	0.5	–0.7	–0.8
Expenses				
Claims incurred including claims handling costs (non-life)	–	–	–1 610.9	–1 465.8
Claims and benefits paid (life)	–2 369.8	–2 226.3	–	–
Change in actuarial reserve	–591.1	–738.0	–	–
Reinsurers' share of benefits and claims	22.5	25.8	183.4	135.0
Policyholder dividends and bonuses	–174.2	–164.0	0.8	–2.7
Net insurance benefits and claims	–3 112.6	–3 102.5	–1 426.7	–1 333.5
Acquisition costs	–168.9	–156.7	–523.5	–490.7
Operating and administrative expenses	–228.7	–215.4	–302.4	–292.0
Interest payable	–42.2	–40.0	–2.4	–1.5
Other expenses	–15.0	–15.5	–46.2	–19.3
Total operating expenses	–3 567.4	–3 530.1	–2 301.2	–2 137.0
Profit or loss from operating activities	188.9	183.7	286.3	320.7
Finance costs	–	–	–0.9	–
Share of profit or loss of associates	1.7	0.9	1.1	0.9
Profit or loss before tax	190.6	184.6	286.5	321.6
Income taxes				
Profit or loss for the period				
Other disclosures:				
Assets by business segment as of 31.12.	25 843.7	25 423.7	6 102.2	5 833.7
Liabilities by business segment as of 31.12.	24 444.9	23 956.6	4 587.5	4 346.9
Acquisition of owner-occupied property, equipment and intangible assets	87.7	61.7	43.9	28.3
Depreciation and amortisation on tangible and intangible assets	–10.2	–10.0	–19.5	–18.5
Impairment of tangible and intangible assets affecting income	0.0	–	–4.4	–
Reversal of impairment losses on tangible and intangible assets affecting income	–	–	0.0	–

Others		Elimination and non-allocated items		Total	
2007	2006	2007	2006	2007	2006
–	–	–	–	5 488.9	5 255.7
–	–	–	–	–288.7	–272.0
–	–	–	–	5 200.2	4 983.7
–	–	–	–	–35.6	–24.6
–	–	–	–	5 164.6	4 959.1
12.2	12.4	–	–	793.8	704.4
18.0	43.6	–	–	130.2	291.4
–1.8	3.1	–	–	194.4	186.4
4.4	0.4	–4.5	–0.3	89.1	89.4
32.8	59.5	–4.5	–0.3	6 372.1	6 230.7
–4.2	–	4.5	0.3		
–	–	–	–	–1 610.9	–1 465.8
–	–	–	–	–2 369.8	–2 226.3
–	–	–	–	–591.1	–738.0
–	–	–	–	205.9	160.8
–	–	–	–	–173.4	–166.7
–	–	–	–	–4 539.3	–4 436.0
–	–	–	–	–692.4	–647.4
–3.1	–2.4	0.0	0.0	–534.2	–509.8
0.0	–0.3	–	–	–44.6	–41.8
5.0	5.2	4.5	0.3	–51.7	–29.3
1.9	2.5	4.5	0.3	–5 862.2	–5 664.3
34.7	62.0	0.0	0.0	509.9	566.4
–6.3	–6.0	–	–	–7.2	–6.0
–	–	–	–	2.8	1.8
28.4	56.0	0.0	0.0	505.5	562.2
		–103.5	–138.4	–103.5	–138.4
				402.0	423.8
585.3	546.3	13.5	6.4	32 544.7	31 810.1
168.8	231.3	492.9	536.9	29 694.1	29 071.7
16.6	16.5			148.2	106.5
–3.8	–3.3			–33.5	–31.8
0.0	–			–4.4	–
–	–			0.0	–

3.3 Gross premiums by geographical and business segment in CHF million

	Gross premiums		Elimination		Total consolidated		Change in %	Change in % (FX-adjusted)
	2007	2006	2007	2006	2007	2006		
Switzerland non-life	617.4	607.5	–	–	617.4	607.5	1.6	1.6
Switzerland life	2 206.7	2 217.0	–	–	2 206.7	2 217.0	–0.5	–0.5
Total Switzerland	2 824.1	2 824.5	–	–	2 824.1	2 824.5	0.0	0.0
Germany non-life	633.0	586.9	–	–	633.0	586.9	7.9	3.3
Germany life	297.9	211.3	–	–	297.9	211.3	40.9	35.0
Total Germany	930.9	798.2	–	–	930.9	798.2	16.6	11.7
Italy non-life	391.3	365.0	–	–	391.3	365.0	7.2	2.6
Italy life	117.8	157.8	–	–	117.8	157.8	–25.3	–28.5
Total Italy	509.1	522.8	–	–	509.1	522.8	–2.6	–6.8
Spain non-life	421.2	386.5	–	–	421.2	386.5	9.0	4.4
Spain life	127.0	108.3	–	–	127.0	108.3	17.3	12.4
Total Spain	548.2	494.8	–	–	548.2	494.8	10.8	6.1
Others non-life:								
Other countries	299.4	288.7	–	–	299.4	288.7	3.7	–0.7
Reinsurance	432.9	391.2	–200.2	–202.5	232.7	188.7	23.4	23.4
Others life:								
Other countries	137.6	133.5	–	–	137.6	133.5	3.1	–1.3
Reinsurance	21.3	17.2	–14.4	–12.7	6.9	4.5	55.0	55.0
Total others	891.2	830.6	–214.6	–215.2	676.6	615.4	10.0	6.9
Total gross premiums	5 703.5	5 470.9	–214.6	–215.2	5 488.9	5 255.7	4.4	2.5

3.4 Gross premiums by business line in CHF million

	Gross premiums 2007	2006	Change in %	Change in % (FX-adjusted)
Individual insurance	955.7	1 031.9	–7.4	–9.1
Group insurance	1 741.6	1 638.9	6.3	5.9
Unit-linked life insurance	189.7	157.1	20.8	17.7
Reinsurance life	6.9	4.5	55.0	55.0
Gross premiums life	2 893.9	2 832.4	2.2	1.2
Property	962.3	901.2	6.8	3.8
Transport	229.6	222.1	3.4	–0.3
Motor vehicle	763.7	733.2	4.2	0.7
Liability	253.5	234.6	8.1	4.9
Accident/health	153.2	143.5	6.8	2.2
Reinsurance non-life	232.7	188.7	23.4	23.4
Gross premiums non-life	2 595.0	2 423.3	7.1	4.0
Total gross premiums	5 488.9	5 255.7	4.4	2.5

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	31.12.2007	31.12.2006
1 EUR	1.6553	1.6097
1 USD	1.1322	1.2207
1 GBP	2.2537	2.3891

Annual average	2007 Jan–Dec	2006 Jan–Dec
1 EUR	1.6463	1.5765
1 USD	1.1956	1.2470
1 GBP	2.3977	2.3121

4.2 Foreign exchange gains and losses

The foreign exchange results in the 2007 consolidated income statement show a profit of CHF 68.9 million (previous year: CHF 97.7 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 61.8 million (previous year: CHF 80.0 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 2007	2006	Owner-occupied property 2007	2006	Equipment 2007	2006	Property under construction 2007	2006	Total 2007	2006
Acquisition costs:										
Balance as of 1 January	5.4	5.4	514.3	510.6	103.7	96.0	129.0	22.9	752.4	634.9
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	–
Additions	–	–	1.6	1.4	7.6	7.7	126.5	77.0	135.7	86.1
Disposals	–0.1	–	–3.9	–1.4	–11.8	–2.8	–1.2	–0.1	–17.0	–4.3
Revaluation gains on transfers to investment property	–	–	0.2	5.6	–	–	–	–	0.2	5.6
Transfer	–	–	4.3	–10.4	–	–	–89.3	28.6	–85.0	18.2
Foreign currency translation differences	–	–	7.0	8.5	2.2	2.8	0.8	0.6	10.0	11.9
Other changes	4.0	–	–	0.0	0.0	0.0	–	–	4.0	0.0
Balance as of 31 December	9.3	5.4	523.5	514.3	101.7	103.7	165.8	129.0	800.3	752.4
Accumulated depreciation/impairment:										
Balance as of 1 January	–	–	141.3	133.9	83.3	74.9	1.6	0.0	226.2	208.8
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	–
Depreciation	–	–	8.5	7.9	7.9	8.3	–	–	16.4	16.2
Impairment	–	–	–	–	0.0	–	4.3	–	4.3	–
Reversal of impairment losses	0.0	–	–	–	–	–	–	–	0.0	–
Disposals depreciation/ impairment	–	–	–2.3	–0.6	–10.6	–2.1	–	–	–12.9	–2.7
Transfer	–	–	–0.4	–2.6	–	–	–2.0	1.7	–2.4	–0.9
Foreign currency translation differences	–	–	2.2	2.7	1.7	2.2	0.2	–0.1	4.1	4.8
Other changes	4.0	–	–	0.0	0.0	0.0	–	–	4.0	–
Balance as of 31 December	4.0	–	149.3	141.3	82.3	83.3	4.1	1.6	239.7	226.2
Book value as of 31 December	5.3	5.4	374.2	373.0	19.4	20.4	161.7	127.4	560.6	526.2
Book value as of 1 January	5.4	5.4	373.0	376.7	20.4	21.1	127.4	22.9	526.2	426.1

6. Goodwill and other intangible assets

in CHF million	Goodwill 2007	2006	Other intangible assets 2007	2006	Total 2007	2006
Acquisition costs:						
Balance as of 1 January	24.3	23.4	150.4	127.2	174.7	150.6
Change in the scope of consolidation	–	–	–	–	–	–
Additions	–	–	12.5	20.4	12.5	20.4
Disposals	–	–	–1.3	–0.1	–1.3	–0.1
Foreign currency translation differences	0.6	0.9	2.6	2.9	3.2	3.8
Balance as of 31 December	24.9	24.3	164.2	150.4	189.1	174.7
Accumulated amortisation/impairment:						
Balance as of 1 January	0.1	0.1	106.0	88.2	106.1	88.3
Change in the scope of consolidation	–	–	–	–	–	–
Amortisation	–	–	17.1	15.6	17.1	15.6
Impairment	–	–	0.1	–	0.1	–
Reversal of impairment losses	–	–	–	–	–	–
Disposals amortisation/impairment	–	–	–1.2	–0.1	–1.2	–0.1
Foreign currency translation differences	0.0	0.0	2.1	2.3	2.1	2.3
Balance as of 31 December	0.1	0.1	124.1	106.0	124.2	106.1
Book value as of 31 December	24.8	24.2	40.1	44.4	64.9	68.6
Book value as of 1 January	24.2	23.3	44.4	39.0	68.6	62.3

'Other intangible assets' of Helvetia Group largely consist of purchased and internally developed software. Helvetia Group has currently not capitalised any other intangible assets with an indefinite useful life.

'Goodwill' comprises the goodwill resulting from the acquisition of Helvetia Compañía Suiza S.A. (formerly: Previsión Española S.A.), Seville, in 2000. The book value of the resulting goodwill stood at CHF 24.8 million on the balance sheet date (previous year: CHF 24.2 million). The change compared to the previous year results exclusively from currency influences. For the purpose of impairment testing, goodwill is fully assigned to the cash generating unit (CGU) Helvetia Compañía Suiza, which is part of the geographical segment Spain. Goodwill is tested annually for impairment in accordance with Note 2.9 (page 98).

The impairment test carried out in 2007 did not result in an impairment loss for the cash generating unit. The recoverable amount was determined by calculating the value in use. This calculation required management to make estimates of expected returns. 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 calculations are based on the following growth and discount rates, assuming cash flows in perpetuity:

Assumptions:	
Growth rate	1%
Risk-adjusted discount rate after taxes	12.05%

The growth rate was set by management and is based on past experience and future expectations. The risk-free capital market interest rate plus a risk premium were used to determine the discount rate.

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.

7. Investments

7.1 Investment income in CHF million

	Notes	2007	2006
Interest and dividend income	7.1.1	793.8	704.4
Gains and losses on investments (net)	7.1.3	130.2	291.4
Income on investment property	7.1.4	194.4	186.4
Share of profit or loss of associates		2.8	1.8
Investment income (gross)		1 121.2	1 184.0
Asset management expenses on financial assets		–15.6	–10.2
Asset management expenses on property		–65.6	–64.5
Investment income (net)		1 040.0	1 109.3

Asset management expenses are reported under 'Operating and administrative expenses' in the income statement. Asset 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 1.4 million in the reporting year (previous year: CHF 2.8 million).

7.1.1 Interest and dividend income in CHF million

	2007	2006
Interest on bonds	499.6	453.3
Interest on loans	178.2	176.0
Interest on money market instruments	26.9	19.0
Interest income	704.7	648.3
Dividends from shares, investment funds and alternative investments	86.8	54.8
Income from securities lending	2.3	1.2
Other investments	0.0	0.1
Interest and dividend income	793.8	704.4

Interest income from investments at fair value through profit or loss stood at CHF 11.0 million (previous year: CHF 11.4 million).

7.1.2 Direct yield of interest-rate-sensitive financial assets in per cent

	2007	2006
Bonds	3.3	3.1
Mortgages, loans and money market instruments	3.4	3.2
Total interest-rate-sensitive financial assets	3.4	3.2

7.1.3 Gains and losses on investments (net) in CHF million

	2007	2006
Bonds	27.0	63.4
Shares	168.8	228.6
Investment funds	–23.8	71.8
Alternative investments	37.9	29.6
Derivative financial instruments	–73.7	–102.9
Mortgages	0.0	0.1
Loans	–1.0	0.4
Money market instruments	–	0.5
Other	1.5	2.1
Impairment of financial assets of the period	–9.0	–4.1
Reversal of impairment losses on financial assets of the period	2.5	1.9
Gains and losses on investments (net)	130.2	291.4

'Derivatives' comprise gains and losses on derivative financial assets and derivative financial liabilities.

Gains and losses on investments include CHF –35.4 million (previous year: CHF 51.9 million) of gains and losses relating to investments for the account and risk of owners of unit-linked products.

7.1.4 Income on investment property in CHF million

	2007	2006
Rental income	231.6	226.6
Realised and unrealised gains and losses	–37.2	–40.2
Total income on investment property	194.4	186.4

Based on notice periods, real estate tenancies will generate future rental income for Helvetia Group of CHF 60.9 million (previous year: CHF 55.6 million) due in less than one year, CHF 123.4 million (previous year: CHF 138.9 million) due inbetween one and five years, and CHF 43.4 million (previous year: CHF 50.8 million) due in more than five years.

7.2 Investments by business segment in CHF million

		Life		Non-Life		Other		Total	
as of 31.12.	Notes	2007	2006	2007	2006	2007	2006	2007	2006
Investments in associates	7.3	45.1	43.6	3.2	2.6	–	–	48.3	46.2
Investment property	7.4	3 463.3	3 392.0	456.3	458.5	50.8	39.5	3 970.4	3 890.0
Financial assets by class:	7.5								
Bonds		12 337.8	11 926.3	2 756.7	2 568.4	220.5	237.3	15 315.0	14 732.0
Shares		1 675.3	1 571.1	330.4	255.9	233.5	222.5	2 239.2	2 049.5
Investment funds		1 628.7	1 550.0	63.8	20.9	0.7	0.5	1 693.2	1 571.4
Alternative investments		313.4	436.0	27.1	52.9	–	–	340.5	488.9
Derivative financial assets		15.8	6.0	0.1	–	0.4	–	16.3	6.0
Mortgages		2 953.0	2 950.0	143.9	144.0	–	–	3 096.9	3 094.0
Policy loans		130.3	141.1	–	–	–	–	130.3	141.1
Other loans		1 477.4	1 472.8	326.2	336.6	–	–	1 803.6	1 809.4
Money market instruments		383.8	765.0	312.5	329.0	31.5	5.2	727.8	1 099.2
Total Investments		24 423.9	24 253.9	4 420.2	4 168.8	537.4	505.0	29 381.5	28 927.7

7.3 Investments in associates

There was no change to the investments in associates in the reporting year. There is a loan contract between Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel, and Tertianum AG (debtor) for CHF 7.8 million, which attracts interest at usual market conditions.

Dividend income from associates totalled CHF 0.6 million (previous year: CHF 0.6 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 185).

7.3.1 Development of investments in associates in CHF million

	2007	2006
Balance as of 1 January	46.2	45.2
Change in the scope of consolidation	–	–
Additions	–	–
Disposals	–	–
Unrealised gains and losses in equity	0.0	0.0
Share of profits for the year	2.6	1.5
Dividends paid	–0.6	–0.6
Impairment (net)	–	–
Foreign currency translation differences	0.1	0.1
Book value as of 31 December	48.3	46.2
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.

Assets in CHF million

as of 31.12.	2007	2006
Non-current assets	358.0	297.9
Current assets	12.6	21.2
Total assets	370.6	319.1

Liabilities and equity in CHF million

as of 31.12.	2007	2006
Equity	221.5	190.0
Long-term liabilities	129.0	103.7
Short-term liabilities	20.1	25.4
Total liabilities	149.1	129.1
Total liabilities and equity	370.6	319.1

Profit for the year in CHF million

	2007	2006
Income	142.4	132.2
Expenses	–136.6	–126.5
Profit for the year	5.8	5.7

Helvetia Group's share in the liabilities of associates amounted to CHF 30.0 million (previous year: CHF 30.1 million). Associates have total contingent liabilities of CHF 13.5 million (previous year: CHF 14.9 million).

7.4 Investment properties in CHF million

	2007	2006
Balance as of 1 January	3 890.0	3 883.8
Change in the scope of consolidation	–	–
Additions	27.8	44.1
Capitalised subsequent expenditure	33.5	37.8
Disposals	–38.5	–30.8
Realised and book gains and losses	–37.2	–40.2
Transfer from/to property and equipment	82.6	–19.1
Foreign currency translation differences	12.2	14.4
Balance as of 31 December	3 970.4	3 890.0

The fair value valuation of the investment properties in the portfolio of the Swiss Group companies is calculated using a model-supported valuation method. In the 2007 financial year, this was based on capitalisation rates ranging from 4.83% to 10.58% (previous year: 4.83% to 7.62%). For all other portfolios, the valuation is based on valuation reports by independent experts.

7.5 Financial assets by class in CHF million

as of 31.12.	Book value 2007	2006	Acquisition cost/ amortised cost 2007	2006	Unrealised gains/losses booked direct to equity (net) 2007	2006	Fair value 2007	2006
Financial assets at amortised cost:								
Bonds	4 909.1	4 131.6	4 909.1	4 131.6			4 727.2	4 168.0
Mortgages	3 096.9	3 094.0	3 096.9	3 094.0			3 066.8	3 093.4
Policy loans	130.3	141.1	130.3	141.1			129.7	140.0
Other loans	1 757.5	1 747.0	1 757.5	1 747.0			1 726.8	1 757.3
Money market instruments	727.8	1 099.2	727.8	1 099.2			727.8	1 099.2
Total financial assets at amortised cost	10 621.6	10 212.9	10 621.6	10 212.9			10 378.3	10 257.9
Financial assets at fair value:								
At fair value through profit and loss								
Bonds	382.8	431.4	389.6	422.5			382.8	431.4
Shares	996.8	663.6	949.7	575.8			996.8	663.6
Investment funds – bonds	35.5	33.5	35.4	33.4			35.5	33.5
Investment funds – equities	142.5	125.9	128.6	87.9			142.5	125.9
Investment funds – mixed	555.4	503.2	503.7	452.0			555.4	503.2
Investment funds for account and risk of holders of life policyholders	933.3	888.0	886.4	770.0			933.3	888.0
Alternative investments	41.6	263.3	19.7	224.0			41.6	263.3
Derivative financial assets	16.3	6.0	39.1	28.0			16.3	6.0
Available-for-sale								
Bonds	10 023.1	10 169.0	10 273.3	10 143.9	–250.2	25.0	10 023.1	10 169.0
Shares	1 242.4	1 385.9	877.4	918.8	365.0	467.0	1 242.4	1 385.9
Investment funds – bonds	1.1	0.9	1.0	0.8	0.1	0.1	1.1	0.9
Investment funds – equities	24.5	19.1	18.5	10.3	6.0	8.9	24.5	19.1
Investment funds – mixed	0.9	0.8	0.9	0.8	0.0	0.0	0.9	0.8
Alternative investments	298.9	225.6	276.1	221.6	22.8	4.0	298.9	225.6
Loans	46.1	62.4	46.2	61.3	–0.1	1.0	46.1	62.4
Total financial assets at fair value	14 741.2	14 778.6	14 445.6	13 951.1	143.6	506.0	14 741.2	14 778.6
Total financial assets	25 362.8	24 991.5						

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.

Note 16, page 157, contains information on financial instruments by IFRS categories.

7.5.1 Assets in securities lending

At the reporting date, securities with a fair value of CHF 1,483.7 million (previous year: CHF 1,528.7 million) were committed to securities lending by the Group.

7.5.2 Derivative financial assets in CHF million

	Maturity profile of contract values			Contract value		Fair value	
as of 31.12.	<1 year	1–5 years	>5 years	2007	2006	2007	2006
Interest rate instruments:							
Forward rate agreements	–	–	–	–	–	–	–
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	–	–	–	–	0.3	–	0.0
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total interest rate instruments	–	–	–	–	0.3	–	0.0
Equity- and equity-index instruments:							
Forwards	–	–	–	–	–	–	–
Options (over-the-counter)	1 075.1	39.7	88.0	1 202.8	911.0	8.0	2.7
Options (exchange-traded)	63.6	–	–	63.6	6.9	1.1	0.0
Futures (exchange-traded)	–	–	–	–	–	–	–
Total equity- and equity-index instruments	1 138.7	39.7	88.0	1 266.4	917.9	9.1	2.7
Currency instruments:							
Forwards	620.2	–	–	620.2	138.4	5.2	3.2
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	764.7	–	–	764.7	212.5	2.0	0.1
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total currency instruments	1 384.9	–	–	1 384.9	350.9	7.2	3.3
Total derivative financial assets	2 523.6	39.7	88.0	2 651.3	1 269.1	16.3	6.0

7.6 Maturity dates and impairment of financial assets

7.6.1 Analysis of past due financial assets without impairment in CHF million

	<1 month		2–3 months		4–6 months		>6 months	
as of 31.12.	2007	2006	2007	2006	2007	2006	2007	2006
Bonds	8.3	0.1	–	–	–	–	–	–
Mortgages	30.1	31.4	38.5	14.8	4.9	7.0	3.0	4.0
Other loans	–	0.0	–	0.0	–	0.0	0.0	0.0
Total past due financial assets without impairment	38.4	31.5	38.5	14.8	4.9	7.0	3.0	4.0

Outstanding amounts are collected in the course of the normal reminder procedure and impaired if necessary (see Note 2.10.3, page 100). 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 17.5, page 179.

7.6.2 Analysis of individual impaired financial assets at amortised cost in CHF million

	Gross		Individual impairment		Net	
as of 31.12.	2007	2006	2007	2006	2007	2006
Mortgages	9.4	12.8	2.7	2.6	6.7	10.2
Other loans	0.5	2.4	0.5	2.0	–	0.4
Total	9.9	15.2	3.2	4.6	6.7	10.6

The impairment for financial assets at fair value (AFS) amounted to CHF 7.7 million in the 2007 financial year (previous year: CHF 2.6 million). Of this, CHF 7.5 million (previous year: CHF 1.9 million) related to shares and CHF 0.2 million (previous year: CHF 0.7 million) to alternative investments. There was no reversal of impairment losses.

7.6.3 Change in the impairment of financial assets at amortised cost in CHF million

	Mortgages		Loans		Total	
	2007	2006	2007	2006	2007	2006
Balance as of 1 January	2.6	3.2	2.0	1.9	4.6	5.1
Change in the scope of conslidation	–	–	–	–	–	–
Impairment	1.2	1.4	0.0	0.1	1.2	1.5
Reversal of impairment losses	–1.0	–1.9	–1.5	–	–2.5	–1.9
Disposals impairment	–0.1	–0.1	–	–	–0.1	–0.1
Foreign currency translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of 31 December	2.7	2.6	0.5	2.0	3.2	4.6

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 17.4.1 contains a maturity schedule of loans and financial liabilities.

8.1 Financial liabilities from financing activities in CHF million

	Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2007	2006	2007	2006
Bonds	199.4	199.1	199.0	201.4
Liabilites from finance leases	34.8	–	34.8	–
Total financial liabilities from financing activities	234.2	199.1	233.8	201.4

Helvetia Holding AG, St. Gallen, issued a 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 5.5.2010. The bond is measured at amortised cost. At the reporting date, the bond's book value stood at CHF 199.4 million (previous year: CHF 199.1 million). Interest expenses of CHF 6.3 million (previous year: CHF 6.0 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 that is currently under construction. This debt is recorded at the current book value of the property. The financial liability and book value of the property are constantly increased as construction progresses. Once the property is finished it will be measured in accordance with accounting policies for finance leases. The interest costs under this agreement amount to CHF 0.9 million (previous year: CHF 0.0 million) and are recognised in the income statement under 'Finance costs'.

8.2 Financial liabilities from insurance business in CHF million

	Book value		Acquisition cost/ amortised cost		Fair value	
as of 31.12.	2007	2006	2007	2006	2007	2006
Financial liabilities at amortised cost:						
Deposit liabilities for credited policyholder profit participation	856.4	883.7	856.4	883.7	856.4	883.7
Deposit liabilities from reinsurance contracts	300.6	405.7	300.6	405.7	300.6	405.7
Total financial liabilities at amortised cost	1 157.0	1 289.4	1 157.0	1 289.4	1 157.0	1 289.4
Financial liabilities at fair value:						
Deposits for investment contracts	138.3	200.1	138.4	203.0	138.3	200.1
Total financial liabilities at fair value	138.3	200.1	138.4	203.0	138.3	200.1
Total financial liabilities from insurance business	1 295.3	1 489.5	1 295.4	1 492.4	1 295.3	1 489.5

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 consist of reserves for unearned premiums, future loss payments and actuarial reserves for direct (ceded) and indirect (retroceded) business as well as deposits of future cash flows from non-traditional reinsurance business.

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 development 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 159). The income earned from the management of deposits for investment contracts reported in the income statement amounted to CHF 1.0 million in the reporting year (previous year: CHF 0.7 million).

8.3 Other financial liabilities in CHF million

as of 31.12.	Notes	Acquisition cost/ amortised cost 2007	2006	Fair value 2007	2006
Derivative financial liabilities	8.3.1	11.1	0.7	12.1	26.6
Other		9.3	10.6	9.3	10.6
Total other financial liabilities		20.4	11.3	21.4	37.2

8.3.1 Derivative financial liabilities in CHF million

as of 31.12.	Maturity profile of contract values <1 year	1–5 years	>5 years	Contract value 2007	2006	Fair value 2007	2006
Interest rate instruments:							
Forward rate agreements	–	–	–	–	–	–	–
Swaps	–	–	–	–	110.0	–	0.0
Options (over-the-counter)	–	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total interest rate instruments	–	–	–	–	110.0	–	0.0
Equity- and equity-index instruments:							
Forwards	–	–	–	–	–	–	–
Options (over-the-counter)	819.6	–	–	819.6	–	3.4	–
Options (exchange-traded)	47.3	–	–	47.3	–	0.6	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total equity- and equity-index instruments	866.9	–	–	866.9	–	4.0	–
Currency instruments:							
Forwards	250.0	–	–	250.0	1 542.4	6.6	25.9
Swaps	–	–	–	–	–	–	–
Options (over-the-counter)	–	–	–	–	–	–	–
Options (exchange-traded)	–	–	–	–	–	–	–
Futures (exchange-traded)	–	–	–	–	–	–	–
Total currency instruments	250.0	–	–	250.0	1 542.4	6.6	25.9
Derivatives from life policies	–	37.5	86.0	123.5	124.5	1.5	0.7
Total derivative financial liabilities	1 116.9	37.5	86.0	1 240.4	1 776.9	12.1	26.6

9. Insurance business

9.1 Reserves for insurance contracts and investment contracts with descretionary participation features in CHF million

		Gross		Reinsurance assets		Net	
as of 31.12.	Notes	2007	2006	2007	2006	2007	2006
Actuarial reserve for insurance contracts life		21 082.4	20 396.7	148.2	149.0	20 934.2	20 247.7
Actuarial reserve for investment contracts		642.6	622.3	–	–	642.6	622.3
Total actuarial reserve		21 725.0	21 019.0	148.2	149.0	21 576.8	20 870.0
Provision for policyholder participation – non-life contracts		24.4	26.0	–	–	24.4	26.0
Provision for policyholder participation – life contracts		680.7	710.0	–	–	680.7	710.0
Provision for policyholder participation – investment contracts		–11.9	6.2	–	–	–11.9	6.2
Total provision for future policyholder participation		693.2	742.2	–	–	693.2	742.2
Loss reserves for insurance contracts non-life	9.3.1	3 017.8	2 886.1	277.4	264.9	2 740.4	2 621.2
Total loss reserves		3 017.8	2 886.1	277.4	264.9	2 740.4	2 621.2
Unearned premium reserve for insurance contracts non-life		781.1	726.2	19.8	19.1	761.3	707.1
Unearned premium reserve for insurance contracts life		163.6	164.3	10.6	10.2	153.0	154.1
Unearned premium reserve for investment contracts		–	–	–	–	–	–
Total unearned premium reserve		944.7	890.5	30.4	29.3	914.3	861.2
Total reserves for insurance and investment contracts		26 380.7	25 537.8	456.0	443.2	25 924.7	25 094.6
Reinsurance deposit receivables				232.5	339.2		
Reinsurance assets				688.5	782.4		

Reinsurance deposit receivables include deposits with 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 book values. There was no impairment of deposit receivables.

This item also contains receivables from non-traditional reinsurance for which a corresponding liability exists on the liabilities side of the balance sheet.

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 17.4.1 (page 169).

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

Reserves for insurance contracts non-life (gross)	Actuarial reserve		Provision for future policyholder participation	
	2007	2006	2007	2006
Balance as of 1 January			26.0	25.6
Change in the scope of consolidation			–	–
Allocation			24.2	24.5
Release			–25.0	–23.2
Used amounts			–0.9	–1.0
Foreign currency translation differences			0.1	0.1
Balance as of 31 December			24.4	26.0

Reserves for insurance contracts life (gross)	2007	2006	2007	2006
Balance as of 1 January	20 396.7	19 615.1	710.0	646.0
Change in the scope of consolidation	–	–	–	–
Allocation	2 904.3	2 897.2	103.8	148.8
Release	–28.3	–53.6	–26.5	–25.4
Used amounts	–2 289.4	–2 177.8	–110.3	–64.1
Foreign currency translation differences	99.1	115.8	3.7	4.7
Balance as of 31 December	21 082.4	20 396.7	680.7	710.0

Reserves for investment contracts (gross)	2007	2006	2007	2006
Balance as of 1 January	622.3	531.2	6.2	16.7
Change in the scope of consolidation	–	–	–	–
Allocation	94.3	133.7	–	2.2
Release	–1.3	–2.9	–17.5	–11.6
Used amounts	–88.9	–57.8	–0.6	–1.4
Foreign currency translation differences	16.2	18.1	0.0	0.3
Balance as of 31 December	642.6	622.3	–11.9	6.2

Reinsurers' share in reserves for insurance contracts	2007	2006	2007	2006
Balance as of 1 January	149.0	149.3		
Change in the scope of consolidation	–	–		
Allocation	22.0	29.4		
Release	–0.5	–3.3		
Used amounts	–26.3	–31.4		
Impairment	–	–		
Foreign currency translation differences	4.0	5.0		
Balance as of 31 December	148.2	149.0		

features in CHF million

	Loss reserves		Unearned premium reserve		Total	
	2007	2006	2007	2006	2007	2006
	2 886.1	2 792.0	726.2	682.5	3 638.3	3 500.1
	–	–	–	–	–	–
	1 117.3	998.3	778.1	715.8	1 919.6	1 738.6
	–375.6	–277.2	–738.1	–688.9	–1 138.7	–989.3
	–654.5	–676.3	–	–	–655.4	–677.3
	44.5	49.3	14.9	16.8	59.5	66.2
	3 017.8	2 886.1	781.1	726.2	3 823.3	3 638.3

	2007	2006	2007	2006	2007	2006
			164.3	162.2	21 271.0	20 423.3
			–	–	–	–
			163.3	163.4	3 171.4	3 209.4
			–165.3	–162.8	–220.1	–241.8
			–	–	–2 399.7	–2 241.9
			1.3	1.5	104.1	122.0
			163.6	164.3	21 926.7	21 271.0

	2007	2006	2007	2006	2007	2006
			–	–	628.5	547.9
			–	–	–	–
			–	–	94.3	135.9
			–	–	–18.8	–14.5
			–	–	–89.5	–59.2
			–	–	16.2	18.4
			–	–	630.7	628.5

	2007	2006	2007	2006	2007	2006
	264.9	326.2	29.3	25.9	443.2	501.4
	–	–	–	–	–	–
	74.6	65.9	30.3	29.1	126.9	124.4
	–31.5	–13.6	–29.5	–26.0	–61.5	–42.9
	–32.3	–116.1	–	–	–58.6	–147.5
	–	–	–	–	–	–
	1.7	2.5	0.3	0.3	6.0	7.8
	277.4	264.9	30.4	29.3	456.0	443.2

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. 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 14.2 million as of 31.12.2007 (previous year: CHF 15.0 million).

Insurance conditions and risks in non-life business are described in Note 17.2 (from page 161). The following table sets out the development of loss reserves for the previous six years.

9.3.1 Claims development in CHF million

Year of loss occurrence	before 2002	2002	2003	2004	2005	2006	2007	Total
Run-off year 1		1 839.0	1 709.2	1 769.9	1 899.2	1 738.3	1 928.2	
Run-off year 2		1 743.9	1 622.8	1 726.6	1 843.1	1 709.4		
Run-off year 3		1 712.6	1 563.1	1 657.2	1 758.8			
Run-off year 4		1 689.7	1 545.2	1 602.9				
Run-off year 5		1 680.2	1 498.4					
Run-off year 6		1 653.2						
Estimated claims after year of loss occurrence		1 653.2	1 498.4	1 602.9	1 758.8	1 709.4	1 928.2	
Accumulated claims paid as of 31 December		–1 487.8	–1 314.0	–1 259.4	–1 459.9	–1 187.6	–886.3	
Estimated loss reserves as of 31 December	504.0	165.4	184.4	343.5	298.9	521.8	1 041.9	3 059.9
Increase of loss reserves based on LAT								14.2
Claims-handling costs								130.1
Other technical reserves non-life								2.1
Loss reserves as of 31 December								3 206.3
Group reinsurance share								–188.5
Loss reserves as of 31 December								3 017.8

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. In the reporting year, no substantial adjustments to the parameters used for the calculation were made that would have had a material impact on the calculation of the actuarial reserve.

If the reserves prove to be insufficient from a local point of view, they have to be increased in most countries in a second step. A reserve increase recognised as necessary 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 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 Liability Adequacy Test required an allocation of additional actuarial reserves of CHF 30.2 million as of 31.12.2007 (previous year: CHF 26.7 million).

Insurance conditions and risks in life business are described in Note 17.3 (from page 164). Sensitivities of actuarial reserves are outlined in Note 17.3.3 (from page 167).

9.4.1 Deferred acquisition costs (life) in CHF million

	2007	2006
Balance as of 1 January	219.8	221.6
Change in the scope of consolidation	–	–
Capitalised in the period	25.4	21.4
Amortised in the period	–22.5	–23.8
Impairment in the period	–	–
Foreign currency translation differences	0.5	0.6
Balance as of 31 December	223.2	219.8

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 41.3 million (previous year: CHF 34.6 million).

9.5 Receivables and liabilities from insurance business in CHF million

	Receivables		Liabilities	
as of 31.12.	2007	2006	2007	2006
Due from/to policyholders	329.4	289.8	647.2	626.9
Due from/to agents and brokers	78.5	77.4	55.6	46.1
Due from/to insurance companies	288.5	270.9	34.3	30.5
Total receivables/liabilities	696.4	638.1	737.1	703.5

The receivables and liabilities from insurance business are primarily short-term. A maturity analysis of the liabilities is provided in Note 17.4.1, page 169. The amortised cost of the receivables usually equals the fair value.

9.5.1 Analysis of past due receivables without individual impairment in CHF million

	<1 month		2–3 months		4–6 months		>6 months	
as of 31.12.	2007	2006	2007	2006	2007	2006	2007	2006
Due from policyholders	77.1	63.9	27.4	28.4	11.2	10.2	41.3	32.4
Due from agents and brokers	12.5	10.8	8.0	12.2	6.0	6.1	5.6	11.0
Due from insurance companies	2.6	3.0	2.8	1.6	1.6	1.1	2.7	3.2
Total past due receivables from insurance business without individual impairment	92.2	77.7	38.2	42.2	18.8	17.4	49.6	46.6

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 in CHF million

	Individual impairment		Collective impairment		Total	
	2007	2006	2007	2006	2007	2006
Balance as of 1 January	9.9	9.1	25.9	27.1	35.8	36.2
Change in the scope of consolidation	–	–	–	–	–	–
Impairment	4.0	1.7	0.5	2.6	4.5	4.3
Reversal of impairment loss	–0.7	–0.1	–1.2	–4.5	–1.9	–4.6
Disposals	–0.4	–1.1	–1.8	–	–2.2	–1.1
Foreign currency translation differences	0.3	0.3	0.6	0.7	0.9	1.0
Other changes	3.5	–	–3.5	–	–	–
Balance as of 31 December	16.6	9.9	20.5	25.9	37.1	35.8

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 in CHF million

	Gross		Individual Impairment		Net	
as of 31.12.	2007	2006	2007	2006	2007	2006
Due from/to policyholders	0.0	0.0	0.0	0.0	0.0	0.0
Due from/to agents and brokers	17.1	9.2	15.2	8.2	1.9	1.0
Due from/to insurance companies	1.4	1.7	1.4	1.7	–	–
Total	18.5	10.9	16.6	9.9	1.9	1.0

10. Income taxes

10.1 Current and deferred income taxes in CHF million

	2007	2006
Current income taxes	104.0	99.1
Deferred income taxes	–0.5	39.3
Total income taxes	103.5	138.4

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

	2007	2006
Balance as of 1 January	416.1	418.7
Change in the scope of consolidation	–	–
Deferred income taxes recognised in equity	–61.4	–43.9
Deferred income taxes recognised in the income statement	–0.5	39.3
Foreign currency translation differences	1.9	2.6
Reclassifications	0.0	–0.6
Balance as of 31 December	356.1	416.1

10.3 Expected and actual income taxes in CHF million

	2007	2006
Expected income taxes	122.0	138.7
Increase/reduction in taxes resulting from:		
tax-exempt interest and dividends	–1.9	–0.6
tax-exempt gains from shares and investments	–3.7	–3.9
non-deductible expenses	12.3	24.4
Back taxes	–0.9	0.9
Change in tax rates	–11.3	–10.8
Tax elements related to other periods	–13.2	–10.4
Disposal of subsidiaries	–	–
Use of previously unrecognised losses carried forward	0.4	0.1
Other	–0.2	0.0
Actual income taxes	103.5	138.4

The expected tax rate applicable to Helvetia Group was 24.1% for 2007 (previous year: 24.7%). This rate is derived from the weighted average of expected tax rates in the individual countries where the Group operates.

10.4 Deferred tax assets and liabilities in CHF million

		Tax assets		Tax liabilities	
as of 31.12.	Notes	2007	2006	2007	2006
Composition of deferred taxes in the balance sheet:					
Unearned premium reserve		19.1	19.6	0.0	–
Loss reserves		28.4	39.2	134.0	147.0
Actuarial reserve		9.0	9.0	1.6	3.6
Investments		92.9	44.1	389.7	437.9
Deferred acquisition costs (life)		1.3	2.1	–	–
Property and equipment		5.9	8.9	14.8	5.4
Intangible assets		0.0	0.1	3.4	4.6
Non-actuarial provisions		0.1	0.1	11.9	15.1
Employee benefits		17.0	19.2	0.7	1.0
Tax assets from losses carried forward	10.5.1	0.7	1.0	–	–
Other		109.8	130.7	84.2	75.5
Deferred taxes (gross)		284.2	274.0	640.3	690.1
Offset		–234.4	–224.4	–234.4	–224.4
Deferred taxes (net)		49.8	49.6	405.9	465.7

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.

10.5 Losses carried forward

10.5.1 Net tax assets from losses carried forward in CHF million

as of 31.12.	2007	2006
Expire within 1 year	0.4	0.1
Expire between 2 and 3 years	0.8	1.9
Expire between 4 and 7 years	–	–
Without expiration	1.1	1.0
Total recognised losses carried forward	2.3	3.0
Resulting tax assets	0.7	1.0
Net tax assets from losses carried forward	0.7	1.0

10.5.2 No tax assets for losses carried forward
As of 31.12.2007, no tax assets were recognised for losses carried forward of CHF 18.4 million (previous year: CHF 22.3 million). Of this amount, CHF 0.1 million will expire next year, CHF 0.1 million after two to three years, CHF 10.5 million after four or more years and CHF 7.7 million do not have an expiry date. Tax rates applicable to significant losses carried forward for which no tax assets were recognised are between 30 and 33 per cent.

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 10 (previous year: CHF 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%.

At the Shareholders' Meeting of 4.5.2007 conditional capital was approved. The Board of Directors of Helvetia Holding AG was authorised to increase the share capital by a maximum of 1,297,932 fully paid-up registered shares with a nominal value of CHF 10 each to a total of CHF 12,979,320 by issuing conversion and/or option rights.

Apart from the granting of registered shares of Helvetia Holding AG to Helvetia Group employees at favourable terms no transactions involving treasury shares took place in the 2007 financial year. In the previous year 30,000 treasury shares were sold. The number of treasury shares thus fell to 70,312 shares. The CHF 2.9 million gain arising from the sale was credited to the capital reserve without affecting profit or loss.

The treasury shares that were granted to 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 0.7 million (previous year: CHF 0.6 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 9.0 million into the bonus reserves of Helvetia Schweizerische Lebensversicherungsgesellschaft AG. This was credited to the capital reserve without affecting profit or loss and allocated in total to 'Provision for future policyholder participation' under liabilities in accordance with its objective.

in CHF million	Number of shares	Share capital
Share capital:		
As of 1.1.2006	8 652 875	86.5
As of 31.12.2006	8 652 875	86.5
As of 31.12.2007	8 652 875	86.5
Treasury shares:		
As of 1.1.2006	100 312	1.0
Purchase/sale of treasury shares	–30 000	–0.3
As of 31.12.2006	70 312	0.7
As of 31.12.2007	70 312	0.7
Shares outstanding:		
As of 1.1.2006	8 552 563	85.5
As of 31.12.2006	8 582 563	85.8
As of 31.12.2007	8 582 563	85.8

11.2 Reserves

11.2.1 Capital reserves

Capital reserves consist of assets paid in by third parties. Capital reserves primarily comprise 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 are 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 position is adjusted at the balance sheet date by the portion relating to contracts with discretionary participation features. The portion reserved for the owners of contracts with participation features is transferred to 'Liabilities'. This item plus foreign exchange influences amounts to CHF –122.5 million for the period (previous year: CHF –48.3 million). The remaining portion regarding contracts with participation features is allocated to the 'Valuation reserves for contracts with participation features in equity' (see Note 11.2.5).

In the 2007 financial year, as a result of the sale of owner-occupied properties transferred to investment properties, CHF 1.2 million was recorded in retained earnings.

Unrealised gains and losses in equity in CHF million

	Notes	Available-for-sale investments (AFS) 2007	2006	Associates 2007	2006	Transfer of owner-occupied property 2007	2006	Total unrealised gains and losses 2007	2006
Balance as of 1 January		506.0	721.5	0.2	0.1	14.5	8.6	520.7	730.2
Fair value revaluation		–254.9	–74.8	0.0	0.1	–	–	–254.9	–74.7
Revaluation gains on transfer of owner-occupied property		–	–	–	–	0.2	5.6	0.2	5.6
Gains reclassified to retained earnings due to disposals		–	–	–	–	–1.2	–	–1.2	–
Gains reclassified to the income statement due to disposals		–123.3	–159.7	–	–	–	–	–123.3	–159.7
Losses reclassified to the income statement due to disposals		15.4	11.4	–	–	–	–	15.4	11.4
Impairment losses reclassified to the income statement		–3.0	0.7	–	–	–	–	–3.0	0.7
Foreign currency translation differences		3.4	6.2	0.0	0.0	0.4	0.3	3.8	6.5
Reclassification		–	0.7	–	–	–	–	–	0.7
Balance as of 31 December		143.6	506.0	0.2	0.2	13.9	14.5	157.7	520.7
less:									
Obligations for contracts with participation features in 'Liabilities'								–29.5	–152.0
Valuation reserves for contracts with participation features in 'Equity' (gross)	11.2.5							–58.4	–193.5
Minority interests								–0.3	–0.4
Deferred taxes on remaining portion								–21.3	–46.9
Unrealised gains and losses (net) as of 31 December								48.2	127.9

11.2.5 Valuation reserves 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 the share of retained earnings arising from valuation differences relating to the same contracts. The use of the reserves is at the insurer's discretion (see Note 2.13.2, page 102).

Valuation reserves for contracts with participation features in CHF million

	2007	2006
Unrealised gains and losses on contracts with participation features:		
Balance as of 1 January	193.5	278.0
Change in unrealised gains and losses	–135.2	–85.0
Foreign currency translation differences	0.1	0.5
Balance as of 31 December	58.4	193.5
less:		
Deferred taxes	–13.6	–48.4
Unrealised gains and losses as of 31 December	44.8	145.1
Retained earnings on contracts with participation features:		
Balance as of 1 January	463.7	379.0
Change in the scope of consolidation	–	–
Share of profit for the year	37.4	84.5
Reclassifications	–0.1	0.2
Retained earnings as of 31 December	501.0	463.7
Valuation reserves for contracts with participation features as of 31 December	545.8	608.8

The 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 34.9 million (previous year: CHF 95.3 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 convertible instruments or options that could have a dilutive effect are outstanding.

Earnings per share in CHF

	2007	2006
Profit for the year less minority interests	400 972 475	423 024 441
Weighted average number of shares outstanding	8 582 563	8 572 021
Basic earnings per share	46.72	49.35

11.5 Dividends

The Board of Directors will submit a proposal to the Shareholders' Meeting of 25.4.2008 to pay a dividend per share of CHF 15.00 (previous year: CHF 13.50) and to reduce the nominal share value by CHF 9.90 per share to CHF 0.10 nominal value per share, with the total payout amounting to CHF 215.5 million (previous year: CHF 116.8 million). The proposed dividend and the reduction in the nominal share value will not be distributed before approved by the ordinary Shareholders' Meeting. The dividend distribution is only recognised when approved by the Shareholders' Meeting. The payment of the par value reduction will be made at a later date than the normal dividend payment.

Dividend restrictions and solvency requirements
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 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 or similar local requirements.

Helvetia Group is required to report to the Federal Office of Private Insurance (BPV) in Switzerland. The BPV also acts as the European Supervisory Office. At the end of 2006, the ISVAP (Istituto per la Vigilanza delle Assicurazioni Private) delegated this function to the BPV, which is now also responsible for Helvetia Group in its supervisory function as 'Lead Supervisor'.

11.6 Capital management

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

- Optimising the earning power of its equity
- Securing the capital required to underwrite new business
- Supporting the planned strategic growth
- Optimising the Group's financial flexibility
- Ensuring compliance with regulatory capital requirements at all times

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 Group also targets a return on equity (RoE) of 15% to prove its efficient use of capital.

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

Equity of Helvetia Group according to Solvency I in CHF million

as of 31.12.	2007	2006
Equity	2 850.6	2 738.4
Available capital under Solvency I	2 957.7	2 883.7
Required capital under Solvency I	1 360.5	1 301.3
Solvency I coverage ratio	217.4%	221.7%

The decrease in the coverage ratio by 4.3% is driven by the increase in the equity by CHF 112.2 million and the increase in the dividend compared to last year by CHF 13.0 million as well as the additional par value reduction by CHF 85.7 million i.e., the increase in the capital required. More information can be derived from the consolidated statement of equity (page 86).

As of 31.12.2007, all Group legal entities fulfilled the regulatory capital requirements.

12. Provisions, contingent liabilities and other commitments

12.1 Non-actuarial provisions in CHF million

	2007	2006
Balance as of 1 January	64.1	61.2
Change in the scope of consolidation	–	–
Allocation	38.6	28.4
Release	–10.9	–16.4
Used amounts	–15.0	–9.9
Foreign currency translation differences	0.7	0.8
Other changes	–	0.0
Balance as of 31 December	77.5	64.1

No significant new provisions were set up in the reporting year. At the balance sheet date, there were no provisions for restructuring expenses. The 'Non-actuarial provisions' position 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 62.5 million (previous year: CHF 48.9 million).

12.2 Contingent liabilities and other commitments

12.2.1 Capital commitments
At the balance sheet date, financial commitments for the future acquisition of financial investments amounted to CHF 0.6 million (previous year: CHF 34.4 million). The leasing arrangement described in Note 8.1, page 126, includes additional off-balance-sheet contractual obligations for CHF 16.4 million.

12.2.2 Assets pledged or assigned
Helvetia Group has pledged assets of CHF 54.8 million (previous year: CHF 30.5 million) as security for liabilities. They all relate to financial assets pledged to cover liabilities arising from the underwriting business.

12.2.3 Operating lease liabilities
Helvetia Group is a lessee in a number of different operating leases. As a result, future leasing liabilities due in less than one year amount to CHF 2.2 million (previous year: CHF 1.8 million), in one to five years CHF 5.4 million (previous year: CHF 5.5 million), and in more than five years CHF 0.3 million (previous year: CHF 0.2 million).

12.2.4 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 financial position.

12.2.5 Other contingent liabilities
Helvetia Group has guaranteed letters of credit for CHF 43.8 million (previous year: CHF 80.1 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 Schweizerische Lebensversicherungsgesellschaft AG, Basel, has given a guarantee agreement towards collective foundations for CHF 0.5 million. Contingent liabilities amounted to CHF 17.3 million as of the balance sheet date.

13. Employee benefits

Helvetia Group had 4,607 employees as of 31.12.2007 (previous year: 4,595). Total personnel costs are shown in the table below.

13.1 Personnel costs in CHF million

	Notes	2007	2006
Commissions		205.0	195.4
Salaries		338.1	321.5
Social security costs		62.8	61.0
Pension costs – defined contribution plans		2.6	2.4
Pension costs – defined benefit plans	13.3.4	47.0	47.9
Other long-term employee benefit expenses		1.2	1.4
Termination benefits		2.5	1.2
Share-based payment transaction costs		0.7	0.8
Other personnel costs		23.1	30.6
Total personnel costs		683.0	662.2

13.2 Employee benefit receivables and obligations in CHF million

		Receivables		Liabilities	
as of 31.12.	Notes	2007	2006	2007	2006
Kind of benefit:					
Defined benefit plans	13.3.1	1.5	1.4	219.3	204.5
Other long-term employee benefits		–	–	14.7	14.2
Short-term employee benefits		1.2	1.4	52.6	53.4
Total employee benefit receivables and obligations		2.7	2.8	286.6	272.1

'Other long-term employee benefits' primarily include 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 Versicherungen) 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.

Unfunded defined benefit plans are in place in Germany, Austria, Italy and Spain. 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 in CHF million

as of 31.12.	2007	2006
Present value of funded obligations (+)	1 339.6	1 269.0
Fair value of plan assets (–)	–1 418.6	–1 402.4
	–79.0	–133.4
Present value of unfunded obligations (+)	129.6	126.7
Unrecognised actuarial gains (+) or losses (–)	–21.2	–28.2
Unrecognised past service cost (–)	–	–
Amounts not recognised as assets (+)	188.4	238.0
Net liability for defined benefit plans	217.8	203.1
The net liability consists of:		
Gross defined benefit liabilities	219.3	204.5
Gross defined benefit assets	1.5	1.4

The 'Net liabilities' position does not contain any reimbursement rights.

13.3.2 Movement in the present value of the defined benefit obligation in CHF million

	2007	2006
Present value of the defined benefit obligation as of 1 January	1 395.7	1 379.0
Service cost	47.6	47.0
Interest cost	44.8	43.4
Actuarial gains (–) or losses (+)	38.4	–25.2
Benefits paid	–85.8	–75.3
Past service cost	–	–
Change in the scope of consolidation	–	–
Other amounts	23.2	21.1
Curtailments and settlements	–0.2	–
Foreign currency translation differences	5.5	5.7
Present value of the defined benefit obligation as of 31 December	1 469.2	1 395.7

13.3.3 Movement in the fair value of plan assets in CHF million

	2007	2006
Fair value of plan assets as of 1 January	1 402.4	1 274.0
Expected return on plan assets	55.4	42.4
Actuarial gains (+) or losses (–)	–27.0	91.0
Employer contributions	28.9	27.6
Employee contributions	13.8	13.4
Benefits paid	–77.2	–67.6
Change in the scope of consolidation	–	–
Other amounts	23.2	21.1
Foreign currency translation differences	–0.9	0.5
Fair value of plan assets as of 31 December	1 418.6	1 402.4

The position 'Other amounts' contains vested benefits brought into the pension fund of CHF 23.2 million (previous year: CHF 21.1 million).

13.3.4 Net pension costs in CHF million

	2007	2006
Current service cost	47.6	47.0
Interest cost	44.8	43.4
Expected return on plan assets	–55.4	–42.4
Amortisation of actuarial gains and losses	73.3	–107.4
Employee contributions	–13.8	–13.4
Change in amounts not recognised as assets	–49.5	120.7
Past service cost	–	–
Total net pension costs	47.0	47.9
Actual return on plan assets	28.3	133.5

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 35.1 million.

13.3.5 Principal actuarial assumptions (weighted averages) in per cent

	Switzerland		Abroad	
	2007	2006	2007	2006
Discount rate	3.3	3.0	4.5	4.3
Expected rate of return on plan assets	4.8	3.9	4.1	4.0
Expected salary increases	2.6	1.5	2.9	2.8
Expected pension increases	0.7	0.6	1.9	1.9

13.3.6 Actual plan asset allocation (weighted averages) in per cent

	2007	2006
Equity instruments	28	26
Debt instruments	53	54
Real estate	18	19
Other	1	1
Total	100	100

Plan assets include shares issued by Helvetia Holding AG with a fair value of CHF 80.8 million as of 31.12.2007 (previous year: CHF 83.9 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) in per cent

	2007 from to	2006 from to
Equity instruments	14 – 36	17 – 39
Debt instruments	44 – 65	41 – 62
Real estate	14 – 24	19 – 24

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 in CHF million

as of 31.12.	2007	2006	2005
Present value of defined benefit obligation (–)	–1 469.2	–1 395.7	–1 379.0
Fair value of plan assets (+)	1 418.6	1 402.4	1 274.0
Surplus (+) / deficit (–)	–50.6	6.7	–105.0
Experience adjustments on plan liabilities	–74.8	0.9	–46.2
Experience adjustments on plan assets	–27.1	91.0	19.7

14. Share-based payments

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 participate in the Group's success at favourable terms. All employees of Helvetia Group 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 associated personnel costs for share-based payments of CHF 0.7 million were recognised in the income statement (previous year: CHF 0.8 million).

The Board's Compensation Committee may allocate a special bonus in the form of shares to the members of the Executive Management in the event of very good business performance. The relevant value is the market value of the share on the date on which the special bonus is calculated. These shares may be exercised after a vesting period of three years.

The variable component of the salary which is dependent on the business results is paid to the members of the Board of Directors 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 announced. These shares may be exercised after a vesting period of three years.

15. Related party transactions

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 27, 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 147 et seq.) and Note 7.3 'Investments in associates' (page 120 et seq.).

Helvetia supports 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 significant for Helvetia Group either as a single transaction or overall. The dividend payment of CHF 35.2 million (previous year: CHF 26.0 million) to Patria Genossenschaft and the contribution of CHF 9.0 million (previous year: CHF 5.0 million) by Patria Genossenschaft to the bonus reserves of 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).

This section provides information on the actual compensation, shares and loans granted to the members of the Board of Directors and the Executive Management in the 2007 financial year. The general principles and key criteria that apply to the compensation system and share purchase plan as well as the terms and conditions for loans are set out in the chapter on Corporate Governance (Chapter 5, from page 34). This chapter follows the 'Swiss Code of Best Practice for Corporate Governance' as well as the Swiss Code of Obligations, including its new articles 663b^{bis} and 663c par. 3. Together, these sections comprise the compensation report addressed to the shareholders and other investors in Helvetia Holding AG, who can comment on this compensation report at the Shareholders' Meeting.

15.2.1 Members of the Board of Directors
a) Compensation
The nine members of the Board of Directors received the following fixed salaries in the reporting year, plus variable payments that depend on the 2007 business result and the performance of the share which will be paid in the form of a total of 603 shares in all at a market price of CHF 360 on 13.3.2008. These shares may be exercised after a vesting period of three years. The fixed salary includes all allowances, meeting attendance fees and expenses set out in the compensation regulations.

in CHF	2007 Fixed salary	2007 Variable compensation	2007 Total compensation	2006 Total compensation
Erich Walser (Chairman)	361 335 [1]	24 120	385 455	
Ueli Forster (Vice-Chairman)	249 667	24 120	273 787	
Silvio Borner (Vice-Chairman)	219 000	24 120	243 120	
Hans-Jürg Bernet (member)	120 000	24 120	144 120	
Christoph Lechner (member)	120 000	24 120	144 120	
John Martin Manser (member)	170 000	24 120	194 120	
Pierin Vincenz (member)	148 000	24 120	172 120	
Olivier Vodoz (member)	150 000	24 120	174 120	
Urs Widmer (member)	140 000	24 120	164 120	
Total	1 678 002	217 080	1 895 082	1 932 577

[1] The fixed amount paid to the Chairman and former CEO, Erich Walser, includes compensation for his function as Chairman of the Board of Directors until 31.8.2007 on an annual salary of CHF 250,000, from 1.9.2007 on an annual salary of CHF 500,000 plus allowances for committee memberships and meeting attendance fees.

b) Shares

The shares held by the members of the Board of Directors and persons closely related to them as of 31.12.2007 are listed in the following table. They did not write any options. The members of the Board of Directors do not participate in the employee share purchase plan.

	31.12.2007 Number of shares	31.12.2006 Number of shares
Erich Walser (Chairman)	1 855	
Ueli Forster (Vice-Chairman)	952	
Silvio Borner (Vice-Chairman)	467	
Hans-Jürg Bernet (member)	560	
Christoph Lechner (member)	115	
John Martin Manser (member)	347	
Pierin Vincenz (member)	842	
Olivier Vodoz (member)	318	
Urs Widmer (member)	398	
Total	5 854	4 849

c) 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.

d) 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.

e) Payments to resigning Board members
Resigning Board members did not receive any payments.

15.2.2 Members of the Group Executive Management
a) Compensation
Total compensation for the reporting period paid to the members of the Group Executive Management is summarised in the table below. For every member of Executive Management it consists of a fixed and a variable component, a special bonus related to the good business year 2007 – for all Executive Management members a total of 784 shares at the market price of CHF 360 as at 13.3.2008, which have a vesting period of three years – and employer contributions to pension funds.

in CHF		2007[1]	2006[2]
Salaries and other short-term employee benefits:			
– fixed salaries (incl. expenses allowances, child/ education allowances, long service awards, company car)		3 059 980	2 961 214
– Variable compensation		1 670 745	1 633 013
Share-based payments	3	323 740	417 793
Employer contributions to pension funds		538 893	507 571
Other long-term and non-monetary benefits		–	–
Subtotal		5 593 358	5 519 591
Termination benefits	4	3 861 405	–
Total		9 454 763	5 519 591

[1] The 2007 compensation includes payments to the Chairman and former CEO Erich Walser for his function as CEO up to the end of August 2007, payments to the current CEO Stefan Loacker from September 2007, payments to the former CFO and deputy Chairman of the Group Executive Management Roland Geissman up to the end of June 2007, and payments to the current CFO Paul Norton from June 2007.
[2] The 2006 payments to the Chairman and former CEO Erich Walser include only payments related to his function as CEO.
[3] The equity-based compensation for the members of Executive Management includes special bonuses and the discount of 16.038% for shares obtainded as part of the share purchase plan for members of Executive Management.
[4] These benefits mainly comprise the pension fund contributions for Erich Walser (for his function as former CEO) and for Roland Geissmann (former CFO and deputy Chairman of the Group Executive Management), in particular the contributions from the pension fund required to finance the bridging pension and to eliminate any shortfalls in pension cover due to early retirement (see also Note 15.2.4).

b) Shares

As of 31.12.2007, 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. The 2007 figures now include the shares of CEO Stefan Loacker and CFO Paul Norton, while the 2006 figures include the shares held by the former CEO Erich Walser and the former CFO and deputy Chairman of the Group Executive Management Roland Geissmann. There is no share option plan.

	31.12.2007 Number of shares	31.12.2006 Number of shares
Stefan Loacker (CEO from 1.9.2007)	176	
Philipp Gmür	1 078	
Ralph Th. Honegger	555	
Markus Isenrich	1 195	
Paul Norton (CFO from 1.7.2007)	20	
Wolfram Wrabetz	300	
Total	3 324	4 464

c) Insurance contracts, loans, guarantees

Members of the 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 four members of the Executive Management to the amount of CHF 2,651,435 (previous year: CHF 4,339,023 for five members of Executive Management) were outstanding. The mortgage of Philipp Gmür, CEO of Helvetia Switzerland, for CHF 1,000,000 is the biggest amount outstanding from a member of the Executive Management. During the reporting period, loans granted as variable or fixed-rate mortgages at regular interest rates bore interest at rates between 2.50% and 3.72%. There are no other insurance contracts, loans or guarantees.

d) Other benefits in kind or additional services

In the 2007 financial year, members of the Executive Management received non-monetary benefits as part of the company car programme to the amount of CHF 8,534. This amount is included in the fixed salaries given above. None of the members of the 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 Executive Management that are not subject to preferential employee conditions.

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

in CHF		2007[1]	2006
Salaries and other short-term employee benefits:			
– fixed salaries (incl. expenses allowances, child/ education allowances, long service awards, company car)		4 737 982	4 449 215
– Variable compensation		1 670 745	1 633 013
Share-based payments	2	540 820	862 369
Employer contributions to pension funds		538 893	507 571
Other long-term and non-monetary benefits		–	–
Subtotal		7 488 440	7 452 168
Termination benefits	3	3 861 405	–
Total		11 349 845	7 452 168

1 The 2007 compensation includes payments to the Chairman and former CEO Erich Walser for his function as CEO up to the end of August 2007, payments to the current CEO Stefan Loacker from September 2007, payments to the former CFO and deputy Chairman of the Group Executive Management Roland Geissman up to the end of June 2007, and payments to the current CFO Paul Norton from June 2007.
2 The equity-based compensation includes the special bonuses and the discount of 16.038% for shares obtained as part of the share purchase plan for members of Executive Management and the variable compensation in shares for the Board of Directors.
3 These benefits mainly comprise the pension fund contributions for Erich Walser (for his function as former CEO) and for Roland Geissmann (former CFO and deputy Chairman of the Group Executive Management), in particular the contributions from the pension fund required to finance the bridging pension and to eliminate any shortfalls in pension cover due to early retirement (see also Note 15.2.4).

15.2.4 Highest compensation paid to an individual
The highest regular amount paid to an individual in the reporting year was paid to Erich Walser. This amounted to CHF 1,135,757 in total, comprising his total salary as CEO of CHF 648,620 until the end of August 2007: fixed CHF 400,380, variable CHF 200,000, special bonus of CHF 48,240 in the form of 134 shares blocked for three years at a price of CHF 360 as at 13.3.2008, his fee as Chairman of the Board of Directors of CHF 385,455 until the end of August on an annual fixed salary of CHF 250,000, from September on an annual fixed salary of CHF 500,000, comprising CHF 361,355, variable CHF 24,120 in the form of 67 shares blocked for three years at the price of CHF 360 as at 13.3.2008 and employer contributions to pension funds of CHF 101,682. An additional amount of CHF 1,490,777 was paid to the pension funds to finance his bridging pension and any reductions in retirement benefits as a result of early retirement.

The highest special amount paid to an individual was CHF 2,851,102 paid to Roland Geissmann (a part of this amount was paid during the reporting year and a part is still outstanding). This is related to his resignation as CFO after many successful years in his positions (former CFO and deputy Chairman of the Group Executive Management) and his early retirement with a full bridging pension and retirement benefits from the pension fund.

16. Financial instruments by categories

16.1 Gains and losses on investments by categories in CHF million

	2007	2006
Realised gains and losses on disposals of loans (LAR) including foreign currency gains and losses:		
Mortgages	0.0	0.1
Loans	–1.0	0.4
Money market instruments	–	0.5
Realised gains and losses on loans (LAR) incl. money market instruments	–1.0	1.0
Realised gains and losses on disposals of held-to-maturity investments (HTM) including foreign currency gains and losses:		
Bonds	11.0	15.3
Realised gains and losses on HTM investments	11.0	15.3
Realised gains and losses on disposals of available-for-sale investments (AFS) including foreign currency gains and losses:		
Bonds	19.2	40.4
Shares	129.7	143.0
Investment funds	0.6	0.7
Alternative investments	0.7	0.0
Realised gains and losses on AFS investments	150.2	184.1
Realised and book gains and losses on financial assets held for trading including foreign currency gains and losses:		
Bonds	–0.2	–
Shares	–0.1	3.6
Investment funds	9.5	16.2
Derivative financial instruments	–73.7	–102.9
Realised gains and losses on financial assets held for trading	–64.5	–83.1
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	–3.0	7.7
Shares	39.2	82.0
Investment funds	–33.9	54.9
Alternative investments	37.2	29.6
Realised gains and losses on financial assets designated as at fair value through profit or loss	39.5	174.2
Other	1.5	2.1
Impairment of financial assets of the period	–9.0	–4.1
Reversal of impairment losses on financial assets of the period	2.5	1.9
Total gains and losses on investments (net)	130.2	291.4

16.2 Financial instruments by categories in CHF million

as of 31.12.	2007	2006
Financial assets		
Loans and receivables:		
Bonds	1 394.2	661.9
Mortgages	3 096.9	3 094.0
Loans	1 887.8	1 888.1
Money market instruments	727.8	1 099.2
Receivables from insurance business	696.4	638.1
Reinsurance deposit receivables	232.5	339.2
Total loans and receivables (LAR)	8 035.6	7 720.5
Held-to-maturity investments:		
Bonds	3 514.9	3 469.7
Total held-to-maturity investments (HTM)	3 514.9	3 469.7
Available-for-sale investments:		
Bonds	10 023.1	10 169.0
Shares	1 242.4	1 385.9
Investment funds	26.5	20.8
Alternative investments	298.9	225.6
Loans	46.1	62.4
Total available-for-sale investments (AFS)	11 637.0	11 863.7
Financial assets at fair value through profit or loss:		
Financial assets held for trading		
Bonds	9.8	–
Shares	16.8	13.7
Investment funds	246.1	263.8
Derivative financial assets	16.3	6.0
Financial assets designated as at fair value through profit or loss		
Bonds	373.0	431.4
Shares	980.0	649.9
Investment funds	1 420.6	1 286.8
Alternative investments	41.6	263.3
Total financial assets at fair value through profit or loss	3 104.2	2 914.9
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities from financing activities	234.2	199.1
Liabilities from insurance business	737.1	703.5
Deposit liabilities for credited policyholder profit participation	856.4	883.7
Deposit liabilities from reinsurance contracts	300.6	405.7
Other	45.3	102.3
Total financial liabilities at amortised cost	2 173.6	2 294.2
Financial liabilities at fair value through profit or loss:		
Financial liabilities held for trading		
Derivative financial liabilities	12.1	26.6
Financial liabilities designated as at fair value through profit or loss		
Deposits for investment contracts	138.3	200.1
Other	6.7	7.9
Total financial liabilities at fair value through profit or loss	157.1	234.6

17. Risk management

17.1 Objectives of risk management

The immediate objective of Helvetia Group's risk management is to systematically identify, analyse and monitor all significant risks as well as manage them efficiently through risk management procedures and hedging policy. The risk transparency required for this is created by integrating risk reporting into the management process.

Risk management helps to ensure that the fundamental company objectives are obtained and contributes to the effective protection of the equity base of Helvetia Group and its subsidiaries.

The risk transparency created through risk management also enables the risk-appropriate allocation of capital, thus supporting financial management.

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;
- Ensure appropriate monitoring of the effectiveness of the internal control systems by the Executive Management;
- Ensure the implementation and application of a comprehensive risk management approach that guarantees the efficient allocation of risk capital and systematic control of risks by the Executive Management;
- Determine a risk strategy/partial risk strategies that covers the risk management objectives of all essential business activities;
- Set risk tolerance limits and monitor the risk profile of the Group and the individual companies.

Within the stipulated parameters, the Board of Directors delegates operational aspects of risk management (e.g. monitoring the risk profile of the Group) to the Investment and Risk Committee (IRC) and governance aspects of risk management (e.g. structure of the risk management organisation) to the Audit 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 risk decisions and financing and hedging measures. The Risk Committee meets at least twice a year and is chaired by the Head of Corporate Finance & Risk Management. Other permanent members are the Chief Financial Officer (CFO), the heads of Investments (CIO) and Group Reinsurance as well as the Group's life and non-life actuaries. 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 Risk Report supports 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

Helvetia Group distinguishes between the following types of risk: financial market risks (including financial market risks of liabilities, liquidity risks), counterparty risks, insurance risks (life and non-life), operational risks (including reputational risks as an impacting dimension), and strategic risks.

(a) Financial market, counterparty and insurance risks

Financial market, counterparty and insurance risks			
Financial market risks	Counterparty risks	Insurance risks (non-life)	Insurance risks (life)
Stock market Interest rates Real estate Currencies Liquidity	Reinsurance Investments Other	Natural hazards Major damage Basic volatility Reserve risk	Mortality Disability Biometrics Customer behaviour Costs

Financial market, counterparty and insurance risks tie up risk capital in an operational context and can be influenced through hedging instruments, product design and other risk management measures. Helvetia Group categorises these risks according to the above table. Such risks affect risk-bearing capital and thus the entire balance sheet. Risk is defined as an adverse financial deviation from what is expected. Risks that arise from insufficient liquidity of assets are partially taken into consideration, where appropriate, in market price models. In addition to the analysis of the liquidity risk, improbabilistic methods are also applied.

Life and non-life risks are the traditional insurance risks of an insurance company, with reinsurance protection playing a significant role in managing these risks (see Notes 17.2 and 17.3). Financial market risk also includes the interest rate and foreign exchange risks associated with liabilities.

The Asset & Liability Management (ALM) process manages the influences of financial market risks in an integrated way and defines both investment strategy and hedging policy. The ALM process has a dual purpose:

- Firstly, it ensures compliance with statutory solvency requirements and loss limits at all times. To this end, investment strategy is basically determined at business unit level and then aggregated by applying 'bottom-up' planning (tactical ALM).
- Secondly, it aims to comply with the risk budget, which is based on the economic parameters and allocated 'top-down' to the investment function, and to optimally use this budget. This approach controls and manages the level of asset and liability mismatch (strategic ALM; see Note 17.4). The related procedures are constantly checked against the requirements of the Swiss Solvency Test (Solvency II).

Counterparty risks are treated separately from financial market risks (see Note 17.5).

(b) Operational risks
Helvetia Group defines operational risks 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. Management of operational risks is carried out primarily on a decentralised basis, but is becoming increasingly centralised where necessary. As part of a project initiated in autumn 2006, uniform standards for the identification, analysis, management and monitoring of operational risks at Group level were established and a Group-wide reporting process was defined.

(c) Strategic risks
Strategic risks include the risk that the company's business activities are not adjusted to the changes in the insurance industry and on the insurance market and that fundamental business decisions may jeopardise the long-term success of the Group. This risk is countered by constant observation of developments on the market and among the competitors. The management of strategic risks is carried out as part of the annual strategy check and is an integral component of the strategy process.

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 2007, 73.9% (previous year: 72.8%) 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 23.8% (previous year: 25.1%), Germany 24.4% (previous year: 24.2%), Italy 15.1% (previous year: 15.1%), Spain 16.2% (previous year: 15.9%), Austria 8.0% (previous year: 8.1%), France 3.5% (previous year: 3.8%) and assumed reinsurance 9.0% (previous year: 7.8%) (see also Note 9 'Insurance business').

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

2007	Switzerland	Germany	Italy	Spain	Other	Total
Property	334.2	295.8	92.8	163.6	75.9	962.3
Transport	37.5	67.7	4.7	26.3	93.4	229.6
Motor vehicle	167.9	153.7	204.9	157.4	79.8	763.7
Liability	77.8	75.6	35.5	34.0	30.6	253.5
Accident/healt	0.0	40.2	53.4	39.9	19.7	153.2
Reinsurance	–	–	–	–	232.7	232.7
Gross premiums non-life	617.4	633.0	391.3	421.2	532.1	2595.0

2006	Switzerland	Germany	Italy	Spain	Other	Total
Property	332.6	268.0	78.1	151.5	71.0	901.2
Transport	36.3	60.1	4.6	23.0	98.1	222.1
Motor vehicle	162.4	149.1	203.3	144.1	74.3	733.2
Liability	76.2	72.2	31.0	29.0	26.2	234.6
Accident/healt	0.0	37.5	48.0	38.9	19.1	143.5
Reinsurance	–	–	–	–	188.7	188.7
Gross premiums non-life	607.5	586.9	365.0	386.5	477.4	2423.3

These tables were 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 115.8 million (previous year: CHF 108.5 million) in the income statement. In relation to insured events that have already occurred the risk exists 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.

The Group Reinsurance central unit protects each business unit from such risks through a customised reinsurance programme and purchases the necessary Group-wide protection on the reinsurance market while ensuring diversification. This kind of hedging policy provides a high level of protection at moderate cost. 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 less than

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 17.5 (Counterparty risks) and 9 (Insurance business). Together with the optional reinsurance business, 9.3% (previous year: 9.5%) of the premiums written in non-life business were ceded to reinsurers in 2007.

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.

(a) 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.

(b) Risks arising from clusters, accumulations and trend changes

In Europe, the portfolio is well-diversified with a higher weighting in Switzerland and Germany. Large risks are usually hedged through non-proportional treaty reinsurance.

(c) 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. From a risk perspective, Helvetia Group differentiates between the frequency and amounts of claims.

(a) Terms of the contract, guarantees and underwriting practices

The property insurance portfolios are largely reinsured by Group Reinsurance. 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 a facultative 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.

(b) Risks arising from clusters, accumulations and trend changes

Apart from assumed reinsurance, 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, wind storms and hail. Major events and man-made disasters, such as explosions, fire and oil spills, may result in large claims. 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.

(c) Uncertainties in estimating future loss payments
Property insurance claims are usually settled in the year of the claim.

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.

17.2.4 Assumed 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 run by Helvetia Schweizerische Versicherungsgesellschaft AG, based in St. Gallen.

The portfolio was dominated by property reinsurance until the mid-1990s, but has diversified in recent years. The business philosophy positions assumed reinsurance as a 'follower' with typically only small shares in individual 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.

(a) Terms of the contract, guarantees and underwriting practices
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.

(b) Risks arising from clusters, accumulations and trend changes
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 from 2008 are also covered by retro insurance.

17.3 Insurance risk (life)

Helvetia Group offers a comprehensive range of life insurance products. These 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 76.3% (previous year: 78.3%) 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: 1.5%) of the life premiums written was ceded to reinsurers in 2007.

Gross premiums by business line and region in the life business in CHF million

2007	Switzerland	Germany	Italy	Spain	Other	Total
Individual insurance	545.4	123.0	81.8	72.5	133.0	955.7
Group insurance	1 586.4	78.8	36.0	40.4	–	1 741.6
Unit-linked life insurance	74.9	96.1	–	14.1	4.6	189.7
Reinsurance	–	–	–	–	6.9	6.9
Gross premiums life	2 206.7	297.9	117.8	127.0	144.5	2 893.9

2006	Switzerland	Germany	Italy	Spain	Other	Total
Individual insurance	577.1	118.6	137.4	65.3	133.5	1 031.9
Group insurance	1 555.3	28.6	20.4	34.6	–	1 638.9
Unit-linked life insurance	84.6	64.1	–	8.4	–	157.1
Reinsurance	–	–	–	–	4.5	4.5
Gross premiums life	2 217.0	211.3	157.8	108.3	138.0	2 832.4

These tables were prepared in accordance with the principles of segment reporting described in Note 3.

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 33.0% (previous year: 36.4%) of the Group's gross premium volume in the life insurance sector, with 57.1% (previous year: 55.9%) generated in Switzerland. The share of unit-linked life insurance amounts to 6.6% (previous year: 5.5%) of the Group's gross premium volume, with 39.5% (previous year: 53.9%) generated in Switzerland.

(a) 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.

(b) 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 is 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 60.2% (previous year: 57.9%) of the Group's gross premium volume in the life insurance sector, with 91.1% (previous year: 94.9%) 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.

(a) Terms of the contract, guarantees and profit participation

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 for the extra-mandatory insurance determined by Helvetia Group is 2.25%.

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.

(b) 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 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 assumptions must 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 statements 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 in Switzerland. This scenario would lead to a reserve reinforcement that would burden the income statement by CHF 30.6 million (previous year: CHF 29.1 million). However, it should be noted that these sensitivities are usually non-linear, so that extrapolation is not possible. See Note 17.4.2 for the impact of an interest rate change on equity and the income statement.

Various impacting factors are described individually below.

(a) 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 to reinforce reserves for this particular risk.

(b) 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. 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.

(c) 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.

(d) Interest rate risk

Shareholders may have to bear losses if the guaranteed interest included in premiums and reserves cannot be generated. At the end of 2007, the individual life segment in Spain had the highest interest-rate guarantees as older policies still include 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 other countries, the maximum guaranteed interest rate stands at 4% in euros and at 3.5% in Swiss francs, and it is expected that the structure of the underlying investments for these sub-portfolios will produce such returns. 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 1.1.2005 to 31.12.2007, and was increased to 2.75% with effect from 1.1.2008. 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) book value for contracts that have been in Helvetia Group's portfolio for more than five years.

(e) 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 two 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.

(f) 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 Financial market risks and ALM

As at 31.12.2007, Helvetia Group managed assets of CHF 29.4 billion (previous year: CHF 28.9 billion).

The most important financial market risks to which the Group is exposed are interest rate risk, foreign exchange risk and equity price risk. The Group is also exposed to the real estate market through a significant portion of real estate in its investment portfolio. Financial 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.

17.4.1 Asset & Liability Management and liquidity risk
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 and forwards on both equity investments and foreign exchange underlyings. As of 31.12.2007, the risk of loss on equities was controlled by hedging with put options, and foreign exchange exposure was largely hedged. More information is available in tables 7.5.2 'Derivative financial assets' and 8.3.1 'Derivative financial liabilities'.

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 equity 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 positions. 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 in CHF million

as of 31.12.2007	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Actuarial reserve (gross)	2 219.9	7 011.6	4 701.5	7 791.9	0.1	21 725.0
Provision for future policyholder participation	163.0	18.4	–	–	511.8	693.2
Loss reserves (gross)	1 218.4	1 226.1	395.5	177.8	–	3 017.8
Unearned premium reserve (gross)	944.7	–	–	–	–	944.7
Total reserves for insurance and investment contracts (gross)	4 546.0	8 256.1	5 097.0	7 969.7	511.9	26 380.7
Reinsurers' share	107.2	175.6	101.8	71.4	–	456.0
Total reserves for insurance and investment contracts (net)	4 438.8	8 080.5	4 995.2	7 898.3	511.9	25 924.7

as of 31.12.2006	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Actuarial reserve (gross)	1 936.4	6 706.8	4 673.1	7 701.8	0.9	21 019.0
Provision for future policyholder participation	122.2	18.0	–	–	602.0	742.2
Loss reserves (gross)	1 167.5	1 194.9	384.3	139.4	–	2 886.1
Unearned premium reserve (gross)	890.5	–	–	–	–	890.5
Total reserves for insurance and investment contracts (gross)	4 116.6	7 919.7	5 057.4	7 841.2	602.9	25 537.8
Reinsurers' share	104.6	178.0	95.3	65.3	–	443.2
Total reserves for insurance and investment contracts (net)	4 012.0	7 741.7	4 962.1	7 775.9	602.9	25 094.6

Maturity schedule of financial and other liabilities (without derivative financial instruments) in CHF million

as of 31.12.2007	Redeemable at any time	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Financial liabilities from insurance business	994.7	17.2	184.0	17.8	13.3	68.3	1 295.3
Financial liabilities from financing activities	–	6.0	227.0	14.9	–	–	247.9
Liabilities from insurance business	283.8	453.3	–	–	–	–	737.1
Other financial and other liabilities	1.2	46.8	4.0	–	–	–	52.0
Total financial and other liabilities	1 279.7	523.3	415.0	32.7	13.3	68.3	2 332.3

as of 31.12.2006	Redeemable at any time	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Financial liabilities from insurance business	1 083.8	17.3	287.6	18.4	13.4	69.0	1 489.5
Financial liabilities from financing activities	–	6.0	218.0	–	–	–	224.0
Liabilities from insurance business	310.0	393.5	–	–	–	–	703.5
Other financial and other liabilities	1.1	107.7	1.4	–	–	–	110.2
Total financial and other liabilities	1 394.9	524.5	507.0	18.4	13.4	69.0	2 527.2

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 'redeemable 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 in CHF million

as of 31.12.2007	Fair value	Maturity of non-discounted flows of funds <1 year	1–5 years	5–10 years	>10 years
Derivative financial assets:					
Interest rate swaps	–	–	–	–	–
Forward exchange transactions	5.3				
Inflow		620.1	–	–	–
Outflow		–614.8	–	–	–
Options (planned exercise)	0.6	11.4	–	–	–
Other (exercise not planned)	10.4				
Total derivative financial assets	16.3	16.7	–	–	–
Derivative financial liabilities:					
Interest rate swaps	–	–	–	–	–
Forward exchange transactions	6.6				
Inflow		250.0	–	–	–
Outflow		–256.6	–	–	–
Options (planned exercise)	2.4	57.3	–	–	–
Other (exercise not planned)	3.1				
Total derivative financial liabilities	12.1	50.7	–	–	–

as of 31.12.2006	Fair value	Maturity of non-discounted flows of funds <1 year	1–5 years	5–10 years	>10 years
Derivative financial assets:					
Interest rate swaps	–	–	–	–	–
Forward exchange transactions	3.2				
Inflow		138.5	–	–	–
Outflow		–135.3	–	–	–
Options (planned exercise)	–	–	–	–	–
Other (exercise not planned)	2.8				
Total derivative financial assets	6.0	3.2	–	–	–
Derivative financial liabilities:					
Interest rate swaps	0.0	0.3	–1.4	–3.2	–
Forward exchange transactions	25.9				
Inflow		1 542.4	–	–	–
Outflow		–1 568.2	–	–	–
Options (planned exercise)	–	–	–	–	–
Other (exercise not planned)	0.7				
Total derivative financial liabilities	26.6	–25.5	–1.4	–3.2	–

17.4.2 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, return increases with rising interest rates. Information on current investment returns can be found in Note 7.1 (page 117).

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 administered 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 in CHF million

as of 31.12.2007	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Loans (LAR) incl. money market instruments	2 250.1	1 843.7	1 632.1	1 327.4	53.4	7 106.7
Held-to-maturity investments (HTM)	212.8	1 033.4	972.9	1 295.8	–	3 514.9
Available-for-sale investments (AFS)	685.5	4 162.7	3 456.7	1 764.3	1 567.8	11 637.0
Financial assets at fair value through profit or loss	114.1	129.5	87.3	67.4	2 705.9	3 104.2
Total financial assets	3 262.5	7 169.3	6 149.0	4 454.9	4 327.1	25 362.8

as of 31.12.2006	<1 year	1–5 years	5–10 years	>10 years	Without maturity	Total
Loans (LAR) incl. money market instruments	2 420.2	2 289.6	1 180.6	750.6	102.2	6 743.2
Held-to-maturity investments (HTM)	367.8	977.6	927.6	1 196.7	–	3 469.7
Available-for-sale investments (AFS)	514.8	4 280.4	3 448.1	1 987.9	1 632.5	11 863.7
Financial assets at fair value through profit or loss	59.5	230.5	78.3	69.1	2 477.5	2 914.9
Total financial assets	3 362.3	7 778.1	5 634.6	4 004.3	4 212.2	24 991.5

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%. Around 1% of Helvetia Group's actuarial reserves carry an interest guarantee of more than 4%.

Interest guarantees in CHF million

as of 31.12.2007	Direct business Switzerland CHF	Other currencies	Direct business EU EUR	Reinsurance
Actuarial reserve for insurance and investment contracts excluding interest guarantee	743.3	–	183.8	–
Actuarial reserve for insurance and investment contracts with 0% interest guarantee	382.1	–	135.3	14.6
Actuarial reserve for insurance and investment contracts with positive interest guarantee	16 099.9	80.9	4 071.9	13.2
Average interest guarantee in per cent	2.71	2.86	3.03	1.43

as of 31.12.2006	Direct business Switzerland CHF	Other currencies	Direct business EU EUR	Reinsurance
Actuarial reserve for insurance and investment contracts excluding interest guarantee	761.4	–	126.5	–
Actuarial reserve for insurance and investment contracts with 0% interest guarantee	312.8	–	105.4	13.2
Actuarial reserve for insurance and investment contracts with positive interest guaranteee	15 827.9	70.8	3 786.5	14.5
Average interest guarantee in per cent	2.73	3.01	3.09	1.57

Interest rate risk sensitivities in CHF million

	Interest rate level	
as of 31.12.2007	+10 bp[1]	– 10 bp[1]
Income statement	1.0	–1.0
Equity	–22.5	22.7

	Interest rate level	
as of 31.12.2006	+10 bp[1]	– 10 bp[1]
Income statement	0.6	–0.6
Equity	–23.9	24.2

[1] bp = basis point

The table on the left 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 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 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 bracket that meets these conditions.

17.4.3 Equity 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 US). 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 holding company which accounts for 9.3% of equity exposure. 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 investment in equities constitutes 8.8% (before hedging) of the Group's investments. A substantial proportion is hedged against the risk of significant losses. Using out-of-the-money put options results in a relatively small delta-adjusted hedge ratio. The hedging protection, however, increases with large market fluctuations.

The above table analyses the impact of a change in equity 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 mixed funds. The impact of a change in equity price on impairments was not analysed.

Share price risk sensitivities in CHF million

	Equity price	
as of 31.12.2007	+10%	– 10%
Income statement	80.7	–57.4
Equity	59.9	–59.9

	Equity price	
as of 31.12.2006	+10%	– 10%
Income statement	57.1	–51.9
Equity	65.0	–65.0

A 'reasonable possible change' in the risk factors affecting the sensitivity analysis is every bracket that covers a range of possible equity 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 bracket that meets these conditions.

17.4.4 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 and put options on the most important balance sheet currencies (Euro, US dollar) against the Swiss franc.

Exposure to currency risk 2007

Assets in CHF million

as of 31.12.	CHF	EUR	USD	Other	Total
Property and equipment	333.2	227.4	–	–	560.6
Goodwill and other intangible assets	25.5	39.4	–	–	64.9
Investments in associates	45.1	3.2	–	–	48.3
Investment property	3 530.4	440.0	–	–	3 970.4
Financial investments	15 377.3	9 373.0	387.6	224.9	25 362.8
Receivables from insurance business	170.8	486.3	17.0	22.3	696.4
Deferred acquisition costs (life)	199.5	23.7	–	–	223.2
Reinsurance assets	97.7	572.6	12.4	5.8	688.5
Deferred tax assets	0.1	49.7	–	–	49.8
Current income tax assets	0.4	5.8	–	–	6.2
Other assets	52.7	103.4	1.0	0.4	157.5
Accrued investment income	171.2	168.2	0.8	0.0	340.2
Cash and cash equivalents	213.2	136.4	14.8	11.5	375.9
Total assets	20 217.1	11 629.1	433.6	264.9	32 544.7

Liabilities in CHF million

as of 31.12.	CHF	EUR	USD	Other	Total
Actuarial reserve (gross)	17 231.4	4 474.1	19.5	–	21 725.0
Provision for future policyholder participation	586.7	106.5	–	–	693.2
Loss reserves (gross)	1 039.9	1 842.5	89.0	46.4	3 017.8
Unearned premium reserve (gross)	262.0	647.4	20.0	15.3	944.7
Financial liabilities from financing activities	199.4	34.8	–	–	234.2
Financial liabilities from insurance business	789.2	504.9	1.2	–	1 295.3
Other financial liabilities	13.4	7.9	0.0	0.1	21.4
Liabilities from insurance business	594.1	138.5	4.0	0.5	737.1
Non-actuarial provisions	49.9	27.6	–	–	77.5
Employee benefit obligations	31.5	255.1	–	–	286.6
Deferred tax liabilities	302.8	103.1	–	–	405.9
Current income tax liabilities	47.4	82.1	–	–	129.5
Other liabilities and accruals	50.4	76.0	–1.3	0.8	125.9
Total liabilities	21 198.1	8 300.5	132.4	63.1	29 694.1

Exposure to currency risk 2006

Assets in CHF million

as of 31.12.	CHF	EUR	USD	Other	Total
Property and equipment	318.3	207.9	–	–	526.2
Goodwill and other intangible assets	29.0	39.6	–	–	68.6
Investments in associates	43.6	2.6	–	–	46.2
Investment property	3 457.4	432.6	–	–	3 890.0
Financial investments	15 097.7	9 247.7	441.2	204.9	24 991.5
Receivables from insurance business	170.5	434.5	19.2	13.9	638.1
Deferred acquisition costs (life)	202.0	17.8	–	–	219.8
Reinsurance assets	94.6	670.0	13.9	3.9	782.4
Deferred tax assets	0.1	49.5	–	–	49.6
Current income tax assets	0.4	1.1	–	–	1.5
Other assets	69.7	80.2	1.1	0.7	151.7
Accrued investment income	163.9	158.4	1.0	0.0	323.3
Cash and cash equivalents	–2.5	109.5	14.2	0.0	121.2
Total assets	19 644.7	11 451.4	490.6	223.4	31 810.1

Liabilities in CHF million

as of 31.12.	CHF	EUR	USD	Other	Total
Actuarial reserve (gross)	16 979.3	4 039.3	0.4	–	21 019.0
Provision for future policyholder participation	602.3	139.9	–	–	742.2
Loss reserves (gross)	985.1	1 771.8	89.9	39.3	2 886.1
Unearned premium reserve (gross)	262.7	587.3	30.2	10.3	890.5
Financial liabilities from financing activities	199.1	–	–	–	199.1
Financial liabilities from insurance business	872.9	615.2	1.4	0.0	1 489.5
Other financial liabilities	29.3	7.9	–	–	37.2
Liabilities from insurance business	584.7	118.2	0.6	0.0	703.5
Non-actuarial provisions	40.2	23.9	–	–	64.1
Employee benefit obligations	29.0	243.1	–	–	272.1
Deferred tax liabilities	345.5	113.5	–	6.7	465.7
Current income tax liabilities	40.9	75.0	–	–	115.9
Other liabilities and accruals	90.4	97.0	–1.6	1.0	186.8
Total liabilities	21 061.4	7 832.1	120.9	57.3	29 071.7

Exchange rate sensitivities in CHF million

as of 31.12.2007	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
	+2%	–2%	+2%	–2%	+2%	–2%
Income statement	13.3	–12.9	–1.1	1.6	–0.3	0.3

as of 31.12.2006	Exchange rate EUR/CHF		Exchange rate USD/CHF		Exchange rate GBP/CHF	
	+2%	–2%	+2%	–2%	+2%	–2%
Income statement	9.7	–9.7	–1.6	1.6	–0.2	0.2

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 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 bracket that meets these conditions.

17.5 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 Versicherungen works with various counterparties with good credit ratings in order to minimise counterparty risk.

17.5.1 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: This risk primarily results from transactions with OTC derivates. As the derivates currently held by Helvetia are predominantly short-term, this exposure is also 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. Further counterparty risks arise from the facultative reinsurance business.
- 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 positions 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 position 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 145).

Rating of interest rate instruments, loans and derivative financial assets in CHF million

as of 31.12.2007	AAA	AA	A	BBB	BB and lower	Not rated	Total
Money market instruments	90.4	419.4	172.2	–	–	45.8	727.8
Derivative financial assets	0.0	13.9	2.4	–	–	–	16.3
Bonds	10 036.6	3 972.2	1 009.8	81.2	–	215.2	15 315.0
Mortgages	–	–	–	–	–	3 096.9	3 096.9
Borrower's note loans	457.4	772.4	275.4	13.0	–	151.0	1 669.2
Policy and other loans	12.5	8.5	104.4	–	–	139.3	264.7
Total	10 596.9	5 186.4	1 564.2	94.2	–	3 648.2	21 089.9

as of 31.12.2006	AAA	AA	A	BBB	BB and lower	Not rated	Total
Money market instruments	167.4	396.2	283.6	–	–	252.0	1 099.2
Derivative financial assets	0.0	6.0	0.0	–	–	–	6.0
Bonds	9 339.3	3 495.2	1 584.5	97.7	8.0	207.3	14 732.0
Mortgages	–	–	–	–	–	3 094.0	3 094.0
Borrower's note loans	414.6	747.4	317.5	3.0	–	178.0	1 660.5
Policy and other loans	20.4	9.3	102.5	8.0	–	149.8	290.0
Total	9 941.7	4 654.1	2 288.1	108.7	8.0	3 881.1	20 881.7

The rating practice was reviewed in 2007 and more ratings from professional rating agencies were included in the analysis. The above analysis uses the securities and issuer ratings of Standard & Poor's, Moody's and Fitch, as well as the issuer ratings of Credit Suisse, UBS, Zurich Cantonal Bank and Fedafin. The previous year's figures are still based on the old practice. Given the insignificance of the gross exposure from mortgages and policy loans, these are reported as investments 'without rating'.

Credit risk from ceded reinsurance in CHF million

as of 31.12.2007	Exposure	Share in %
AAA	13.4	2.1
AA	473.9	75.1
A	125.2	19.9
BBB	1.9	0.3
BB and lower	0.2	0.0
Not rated	16.4	2.6
Total	631.0	100.0

as of 31.12.2006	Exposure	Share in %
AAA	15.6	2.6
AA	459.3	75.0
A	105.4	17.2
BBB	13.2	2.2
BB and lower	0.1	0.0
Not rated	18.1	3.0
Total	611.7	100.0

The credit risk exposure from ceded reinsurance includes the ceded actuarial reserves as well as receivables from reinsurance business reported under 'Receivables from insurance companies' in Note 9. The credit rating of a reinsurer is mostly based on an interactive insurer financial strength rating given by one of the professional rating agencies.

17.5.2 Risk clusters or accumulations

The Group monitors counterparty risk on a regular basis, and diversifies and avoids this risk as much as possible. Credit risk is well diversified and distributed among a wide range of commercial clients. The largest individual positions are government bonds with prime credit ratings.

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' in CHF million

			Securities rating Bonds	
as of 31.12.2007	Issuer rating	Book value IFRS total	AAA	AA
Switzerland	AAA	2 212.7	2 212.7	–
Germany	AAA	807.9	612.3	71.5
Commerzbank AG	A	631.9	552.8	8.3
Bayerische Landesbank	A	516.2	207.3	170.8
Mortgage Bond Bank of the Swiss Mortgage Insitutions	AAA	451.8	451.8	–
Austria	AAA	441.0	403.3	–
Spain	AAA	363.3	232.6	40.3
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	333.8	333.8	–
Italy	A	305.4	–	277.1
Raiffeisen Switzerland	AA	292.8	–	33.5

			Securities rating Bonds	
as of 31.12.2006	Issuer rating	Book value IFRS total	AAA	AA
Switzerland	AAA	2 254.3	2 254.3	–
Germany	AAA	796.9	582.4	56.0
Commerzbank AG	A	526.9	402.7	10.0
Spain	AAA	508.5	292.5	40.7
Austria	AAA	470.7	416.6	–
Raiffeisen Switzerland	AA	385.5	–	25.5
Mortgage Bond Bank of the Swiss Mortgage Insitutions	AAA	367.4	367.4	–
Central Mortgage Bond Institution of the Swiss Cantonal Banks	AAA	357.9	357.9	–
Italy	A	332.8	–	–
General Electric Co	AAA	288.3	288.3	–

A	not rated	Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
–	–	–	–	–	–
–	–	–	–	124.1	–
18.5	10.7	–	–	33.1	8.5
58.3	–	–	–	71.3	8.5
–	–	–	–	–	–
–	–	–	–	37.7	–
–	–	90.4	–	–	–
–	–	–	–	–	–
28.3	–	–	–	–	–
–	–	171.5	–	87.8	–

A	not rated	Money market instruments	Derivative financial assets	Borrower's note loans	Other loans
–	–	–	–	–	–
–	61.9	–	–	96.6	–
18.1	42.9	–	–	36.5	16.7
–	7.9	167.4	–	–	–
–	3.1	–	–	51.0	–
–	–	282.7	–	77.3	–
–	–	–	–	–	–
–	–	–	–	–	–
332.6	0.2	–	–	–	–
–	–	–	–	–	–

18. Events after the reporting date

No important events occurred before or on 13.3.2008, 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 period led to changes in the scope of consolidation of Helvetia Group:

Helvetia Group did not make any acquisitions during the 2007 financial year.

In the reporting period, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 6.6 million.

The investment in Helvetia Compañía Suiza, Seville, was increased from 98.91% to 98.95% through successive share purchases during the reporting year.

The investment in Tertianum AG, Berlingen, was reduced from 23.2% to 20.0% due to a share capital increase by Tertianum in which Helvetia Group did not participate.

The company helvetia-e.com GmbH based in Frankfurt am Main was renamed Helvetia Leben Maklerservice GmbH. The three Helvetia SICAV Funds were renamed Variopartner (VP) SICAV-Helvetia Funds.

The following is a complete list of all Group companies:

Subsidiaries and associates as of 31.12.2007	Segment	Holding in per cent	Method of consolidation	Currency	Company's capital in million
Switzerland					
Helvetia Holding AG, St. Gallen	Other	–	–	CHF	86.5
Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen	Non-life	100.00	full	CHF	77.5
Helvetia Schweizerische Lebensversicherungsgesellschaft AG, Basel	Life	100.00	full	CHF	50.0
Helvetia Beteiligungen AG, St. Gallen	Other	100.00	full	CHF	225.7
Patria Schweizerische Lebensversicherungs-Gesellschaft AG, St. Gallen	Life	100.00	full	CHF	0.1
Helvetia Consulting AG, St. Gallen	Other	100.00	full	CHF	0.1
Rhydorf AG, Widnau	Other	75.00	full	CHF	0.4
Ecenter Solutions AG, Zurich	Other	100.00	full	CHF	0.1
Helvetia I Funds North America	Life and non-life	100.00	full	USD	–
Helvetia I Funds Great Britain	Life and non-life	100.00	full	GBP	–
Helvetia I Funds Europe	Life and non-life	100.00	full	EUR	–
Tertianum AG, Berlingen		20.00	equity	CHF	
Prevo-System AG, Basel		26.00	equity	CHF	

	Segment	Holding in per cent	Method of consoli-dation	Currency	Company's capital in million
Germany					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Deutschland, Frankfurt a.M.*	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.	Other	100.00	full	EUR	17.3
Helvetia Grundstücksverwaltung GmbH, Frankfurt a.M.	Other	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.	Other	100.00	full	EUR	0.0
Helvetia Versicherungs- u. Finanzdienstleistungsvermittlung GmbH, Frankfurt a.M.	Other	100.00	full	EUR	0.0
DeAM Fonds DFD 1 (Europe)	Non-life	100.00	full	EUR	–
Italy					
Helvetia Compagnia Svizzera d'Assicurazioni S.A., Rappresentanza Generale e Direzione per l'Italia, Milan*	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
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 S.A., Sociedad de Inversion 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	
Others					
Austria					
Helvetia Schweizerische Versicherungsgesellschaft AG, Direktion für Österreich, Vienna*	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*	Non-life	100.00	full	EUR	–
UK					
Helvetia Finance Ltd, Jersey	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	Life and non-life	100.00	full	EUR	–
VP SICAV Helvetia Fund European Equity	Life and non-life	100.00	full	EUR	–
VP SICAV Helvetia Fund International Equity	Life and non-life	100.00	full	EUR	–
Worldwide					
Helvetia Schweizerische Versicherungsgesellschaft AG, Rückversicherung, St. Gallen*	Life and non-life	100.00	full	CHF	–

* Branches

Report of the Group Auditors to the General Meeting

Report of the Group Auditors to the General Meeting of Helvetia Holding AG, St. Gallen

As group auditors, we have audited the consolidated financial statements (consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements) of Helvetia Holding AG for the year ended 31 December 2007 as presented on pages 83 to 186 of the Annual Report 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd

Hieronymus T. Dormann   Christian Fleig
Auditor in Charge

Zurich, 13 March 2008

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Financial statements Helvetia Holding AG

Income statement in CHF million

	2007	2006	Change
Dividend income	185.0	199.2	
Loan interest expenses	–6.0	–6.0	
Loan interest income	6.4	5.7	
Trademark expenses	–3.7	–2.3	
Profit for the period before tax	181.7	196.6	–7.6%
Taxes	– 0.2	–0.3	
Profit for the period	181.5	196.3	–7.5%

Balance sheet in CHF million

	31.12.2007	31.12.2006	
Assets:			
Investments	803.7	745.1	
Loans to Group companies	111.6	150.1	
Intangible assets	8.9	9.0	
Non-current assets	924.2	904.2	2.2%
Cash and cash equivalents	0.2	0.4	
Balances receivable from Group companies	244.1	199.2	
Current assets	244.3	199.6	22.4%
Total assets	1 168.5	1 103.8	5.9%
Liabilities and shareholders' equity:			
Share capital	86.5	86.5	
Reserve for treasury shares	17.1	17.1	
Other statutory reserves	596.7	596.7	
Free reserves	80.0	0.0	
Profit carried forward	2.6	3.1	
Profit for the period	181.5	196.3	
Shareholders' equity	964.4	899.7	7.2%
Bond	200.0	200.0	
Provisions	0.2	0.2	
Accruals	3.9	3.9	
Borrowed capital	204.1	204.1	0.0%
Total liabilities and shareholders' equity	1 168.5	1 103.8	5.9%

Proposed appropriation of profit in CHF million

	31.12.2007	31.12.2006
Profit for the period	181.5	196.3
Profit carried forward	2.6	3.1
Profit available for distribution	184.1	199.4
Dividend (2007: CHF 15.00; 2006: CHF 13.50) per registered share	129.8	116.8
Allocation to free reserves	–	80.0
Profit carried forward to new account	54.3	2.6

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

Company	Reported company capital in CHF million 31.12.2007	Percentage holding as of 31.12.2007	Reported company capital in CHF million 31.12.2006	Percentage holding as of 31.12.2006
Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen	77.5	100.00%	77.5	100.00%
Helvetia Schweizerische Lebensversicherungs-gesellschaft AG, Basel	50.0	100.00%	50.0	100.00%
Helvetia Finance Limited, Jersey	0.1	100.00%	–	

The investment in Helvetia Finance Limited, Jersey, was added in the reporting year by taking over all shares held by Helvetia Schweizerische Versicherungsgesellschaft AG, St. Gallen.

2. Dividend income

The reported income of Helvetia Holding AG represents the dividend paid simultaneously to Helvetia Holding AG by the subsidiaries Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungs-gesellschaft AG from their respective net profits for 2007.

3. Bonds

The 3% bond 2004–2010 of Helvetia Holding AG has a par value of CHF 200,000,000 and was issued on 5 May 2004. It must be repaid at par 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 70,312 registered shares of Helvetia Holding AG (unchanged from 2006).

	as of 31.12.2007 in CHF	as of 31.12.2006 in CHF
Treasury shares	70 312	70 312
Reserve for treasury shares	17 105 789	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 30.09 % (previous year 30.09%), 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 3.12% (previous year 0%).
On the balance sheet date, the shareholder pool comprised the following shareholders:

- Patria Genossenschaft with 30.09% (previous year 30.09%)
- 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 statement of Helvetia Group in Chapter 15.2 (page 152 et seq.).

7. Approved and conditional share capital increase

The Shareholders' Meeting of 4 May 2007 approved the creation of conditional capital of up to 15%. The share capital can be increased by a maximum of CHF 12,979,320 by issuing a maximum of 1,297,932 registered shares with a par value of CHF 10 each which must be fully paid up. None of this conditional capital increase had been used as of the balance sheet date.

Report of the Statutory Auditors

Report of the Statutory Auditors to the General Meeting of Helvetia Holding AG, St. Gallen

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) of Helvetia Holding AG for the year ended 31 December 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation.
We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply 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   Christian Fleig
Auditor in Charge

Zurich, 13 March 2008

Spain, Seville – 2.22 p.m.
Javier Sánchez-Barriga and a member of the Sales Force waiting for the tram in Constitution Avenue.

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 clients' 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.

Benefits and claims expenditure (net)
Total of all benefits paid in the financial year and all changes to underwriting reserves, less benefits covered by reinsurers.

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.

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 the 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.

Direct business
All insurance policies concluded by Helvetia with clients 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 valuation 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 duration.

Fund-linked (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 book 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. 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.

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 book 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 premiums earned
Net premiums written in the financial year, taking into account changes in the reserves for unearned premiums.

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.

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.

Reserves
Amounts set aside on the balance sheet to meet likely future commitments.

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.

Total benefits
Sum of all the benefits insured (particularly applies to life insurance business).

Total business
Direct and indirect business combined.

Underwriting reserves
Total amount of reserves for unearned premiums, reserves for claims outstanding, actuarial reserves, reserves for future policyholders' dividends and other underwriting reserves that appear under liabilities on the balance sheet.

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 underwriting 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% of the new single premiums.

Zillmering
Balancing of an account with part of the unamortised acquisition costs taken into consideration.

Additional information

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
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.	Franco Armeni Director General	Via G.B. Cassinis 21 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
Helvetia Europe S.A.		9, Parc d'Activité Syrdall L-5365 Münsbach
Helvetia Finance Ltd		La Motte Chambers St Helier, Jersey, JE1 1BJ

Head Office for Switzerland

Helvetia Versicherungen, St. Alban-Anlage 26, CH-4002 Basel
Tel. 058 280 10 00, Fax 058 280 10 01, www.helvetia.ch, info@helvetia.ch

Executive Management Switzerland

Philipp Gmür	Chief Executive Officer Switzerland
Andreas Bolzern	Head of Finance
Donald Desax	Head of Market Area Occupational Benefits Companies
Markus Gemperle	Head of Operations & Partners
Beat Müller	Head of Actuarial Department/ALM
René Stocker	Head Market Area Sales Management
Hermann Sutter	Head Market Area Property & Casualty
Angela Winkelmann	Head Market Area Private Pension Provision

Helvetia Versicherungen general agencies in Switzerland

5400 Baden	Mellingerstrasse 1	058 280 34 11	Hanspeter Koch
4010 Basel	Aeschengraben 6	058 280 36 11	Alexander Ebi/Max Lieberherr
6500 Bellinzona	Viale Portone 12	058 280 62 11	Ruedi Burkart
3001 Berne	Länggassstrasse 7	058 280 74 11	Daniel Beck
2501 Bienne	J. Verresiusstrasse 18	058 280 79 11	Nicolas Dumont
3900 Brig	Kronengasse 6	058 280 67 11	Andreas Schmid
5033 Buchs (AG)	Mitteldorfstrasse 37	058 280 33 11	Bruno Wälle
7001 Chur	Bahnhofstrasse 7	058 280 38 11	Felix Hunger
2800 Delémont	Rue de l'Avenir 2	058 280 73 11	Franco Della Corte
8501 Frauenfeld	Altweg 16	058 280 39 11	Adolf Koch
1211 Geneva	Bd Georges-Favon 18	058 280 69 11	Claude Kuhne
1762 Givisiez	Route du Mont Carmel 2	058 280 71 11	René Aebischer
8302 Kloten	Schaffhauserstrasse 121	058 280 65 11	Andreas Naef
1001 Lausanne	Avenue de la Gare 1	058 280 70 11	Roland Duvoisin
4410 Liestal	Wasserturmplatz 1	058 280 35 11	Hanspeter Geiger
6900 Lugano	Via d'Alberti 1	058 280 61 11	Giordano Zeli
6002 Lucerne	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, P.O. Box	058 280 63 11	Jürg Schwarber
1950 Sion	Rue de la Dent-Blanche 20	058 280 68 11	Jean-Maurice Favre
4501 Solothurn	Dornacherplatz 7	058 280 76 11	René Hohl
9001 St. Gallen	Rosenbergstrasse 20	058 280 44 11	Ulrich Bänziger
6210 Sursee	Bahnhofstrasse 42	058 280 37 11	Lothar Arnold
3601 Thun	Hinter der Burg 2	058 280 78 11	Kurt Nyffenegger
8401 Winterthur	Lagerhausstrasse 9	058 280 66 11	Helmuth Kunz
6302 Zug	Baarerstrasse 133	058 280 64 11	Heinz Schumacher
8048 Zurich 1	Hohlstrasse 560	058 280 87 11	René Vuille-dit Bille
8048 Zurich 2	Hohlstrasse 560	058 280 85 85	Peter Bickel

Broker Centres in Switzerland

8048 Zurich	Hohlstrasse 560	058 280 83 33
1762 Givisiez	Route du Mont Carmel 2	058 280 72 84
6900 Lugano	Via d'Alberti 1	058 280 61 83

Helvetia Consulting AG

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Helvetia Consulta Gesellschaft für Vorsorgeberatung AG

4002 Basel	St. Alban-Anlage 26	058 280 18 05	Peter Gubser

Office for customers based abroad/Swiss nationals abroad

4002 Basel	St. Alban-Anlage 26	058 280 21 54	Marcel Graf

Historical overview

1858	Establishment of Allgemeine Versicherungs-Gesellschaft Helvetia
1861	Establishment of Helvetia Schweizerische Feuerversicherungs-Gesellschaft
1862	Establishment of branch offices in Germany
1878	Establishment Patria, Schweizerische Lebensversicherungsgesellschaft cooperative society in Basel
1920 – 1962	Establishment of branch offices and subsidiaries of Helvetia in France, Italy, Austria, Greece (sold 1997), the Netherlands (sold 1995) and Canada (sold 1999)
1974	Merger of Helvetia Feuer and Helvetia Allgemeine, St. Gallen
1986 – 1988	Further Helvetia subsidiaries established in Spain, Italy and Germany
1992	Start of partnership between Helvetia and Patria
1996	Establishment of Helvetia Patria Holding
1998	Acquisition of La Vasco Navarra (Spain), acquisition of the portfolio of NCD (Italy)
1999	Merger of the two companies La Vasco Navarra and Cervantes Helvetia to form Helvetia CVN, Madrid/Pamplona
2000	Acquisition of the southern Spanish insurer Previsión Española, Seville
2001	Acquisition of Norwich Union Vita, Milan; renamed Helvetia Life
2002	Acquisition of British insurer Royal & Sun Alliance's transport portfolio in France
2003	Merger of the two Spanish companies Helvetia CVN and Previsión Española to form Helvetia Previsión with headquarters in Seville
2004	Acquisition of two transport insurance portfolios in France
2005	Merger of Italian subsidiaries Helvetia Vita and Helvetia Life into Helvetia Vita with headquarters in Milan
	Acquisition of the insurance portfolio of the company Sofid Vita in Italy
2006	From September, the Helvetia Patria Group operates throughout Europe under the name Helvetia
	"A–" rating with stable outlook (by Standard & Poor's)

Cautionary statement regarding forward-looking information

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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 risks exist 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 factors 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 claim events; (8) the mortality and morbidity experience; (9) policy renewal and lapse rates. We caution you that the foregoing list of important factors is not exclusive; 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 posting 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 Helvetia Group's business activities for the year ended 31.12.2007. This document does not constitute an offer or a solicitation to exchange, buy or subscribe for securities and it does not 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 SWX Swiss Exchange. Should Helvetia Group make one or more capital increases in the future, investors should make their decision to buy or to subscribe for new shares or other securities solely on the basis of the relevant offering circular.

This document is also available in German and French. The German version is binding.

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