

**Reserve risks** We control reserve risks by constantly monitoring the development of the provisions for insurance claims that have been submitted but not yet settled. The information obtained is used in current estimates of these reserves. In life insurance, reserves are calculated by using actuarial methods. In addition to other criteria, these calculations take into account the biometric data of the insured populations.

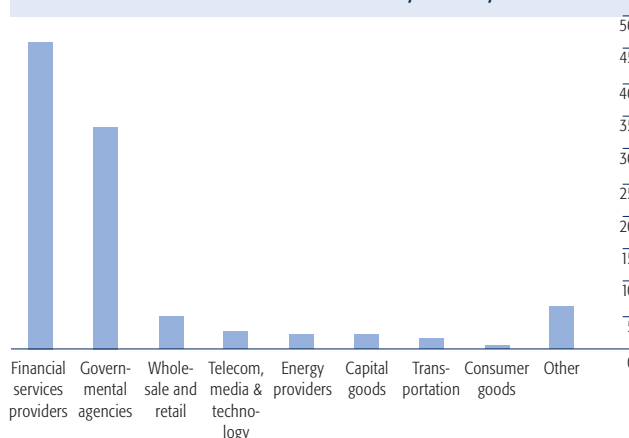
**Credit and counterparty risks** The Allianz Group limits its liability from insurance business by ceding part of the risks it assumes to the international reinsurance market. When selecting our reinsurance partners, we consider only companies that offer excellent security. To control this credit risk, we compile group-wide data on receivables from insurance losses. Approximately 97 percent of the Allianz Group's receivables is distributed over reinsurers who were assigned at least an "A" rating by Standard & Poor's.

**Investment risks** We monitor market risks by means of sensitivity analyses and stress testing. As protection against exchange rate fluctuations, we back our insurance commitments to a very large extent by funds in the same currency. If the average share prices of a stock portfolio carried as available for sale had dropped 10 percent by the end of fiscal 2003, the shareholders' equity of the Allianz Group would have decreased by 2.1 billion euros. Taking into account fixed-interest securities available for sale, a parallel upward shift of the interest curve by 100 basis points would have decreased our shareholders' equity by 2.6 billion euros. Both indications do not take into account the possible influence of derivatives.

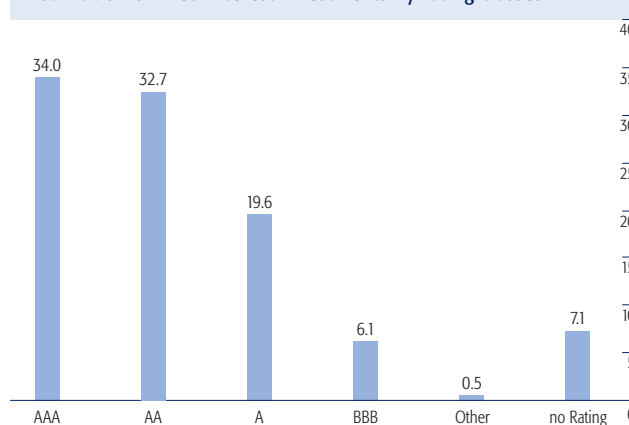
In certain insurance lines, there is a direct link between investments and obligations to our customers. Life insurance, for example, must generate the guaranteed interest payment agreed upon. The tight link between insurance obligations and investment of the capital related to these obligations is investigated by using specific models. This also enables us to control risks arising from interest guarantees provided to our customers.

We limit credit risks by setting high requirements on the creditworthiness of our debtors and by spreading the risk. Through our central credit risk management, we consolidate our exposure according to debtors and across all investment categories and business segments, and we use monthly limit lists to monitor exposure. Approximately 92 percent of the fixed-interest investments of the insurance companies of Allianz Group have an investment grade rating. More than 86 percent are distributed over debtors that have been assigned at least an "A" rating by Standard & Poor's.

Distribution of fixed-interest investments by industry in %



Distribution of fixed-interest investments by rating classes in %



In individual cases, we use derivative financial instruments to hedge against changes in prices or interest rates. Our internal investment and monitoring rules are considerably stricter than the regulations imposed by supervisory authorities.