

Annual Report 2007

Württembergische Versicherung AG



The English version of the Annual Report is in accordance with the examined German Annual Report.

At a glance

	2007	2006
Revenue Account		
Premium revenue (gross) in EUR million	1 474.2	1 610.7
Incurred losses for own account (f.o.a.) in EUR million	802.4	819.1
Underwriting expenses (f.o.a.) in EUR million	340.1	341.7
Portfolio		
Number of insurance contracts in thousands	7 671	7 739
Claims		
Number of advised claims in thousands	570	541
Investments		
in EUR million	2 491	2 484
Result for the year/profit transfer		
in EUR million	45.1	27.2
Number of staff of the Württembergische insurance companies ²		
Office staff and salaried salesmen	6 093	6 532

¹ With retrospective effect as of 1 January 2007, Karlsruher Versicherung AG (KV) was merged with Württembergische Versicherung AG (WürttVers). In order to facilitate comparison, the previous year's values in the balance sheet, the profit and loss account, the appendix and the report of the Management Board have been consolidated with the figures of KV.

² WürttVers, WürttLeben



Formation of capital wealth



Home-ownership



Security for the future



Protection against risks

Württembergische: The Rock in the Waves

Providing for the future has a very long tradition. As early as 1828, people in the south of Germany got together to establish the “Württembergische Privat-Feuer-Versicherungs-Gesellschaft” (Württemberg private fire insurance company) in order to share the risks of fire and associated hazards. Five years later, the present-day Württembergische Lebensversicherung was established as the first private company to engage in annuity assurance business. Within this tradition, the Württembergische sees itself as a part of “W&W – The specialist in provision for the future”

- As a “Rock in the Waves”, the Württembergische is an experienced and effective partner for our private and corporate customers in all matters relating to insurance products and provision for old age. A strong brand name within W&W, the specialist in provision for the future.
- Our highly-knowledgeable field agents are always within reach and, with the excellent advice they give, ensure a high level of customer satisfaction and loyalty.
- The Württembergische is known for the outstanding service it provides. When a claim is submitted or a policy matures, we help to resolve the details quickly and without any complication. The quality of our products and the solidity of our investments are what makes the Württembergische strong.
- The Württembergische occupies a firm position among the TOP 10 general and life insurance companies in Germany.

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Ladies and Gentlemen,

For Württembergische Versicherung, the main aspects of fiscal 2007 were the implementation of ongoing efficiency programs and concentration on Germany as the core market. We successfully completed integration of the Karlsruher insurance companies by merging the two life and general insurance companies last year. The cost benefits thus achieved are greater than originally expected. In order to implement our core-market strategy, we sold our English business to an American investor and a Lloyd's syndicate.

The numerous activities concerning integration of the Karlsruher are the core of our "Württembergische 2009" efficiency project, which we started with our sister company in 2006. It is embedded in the "W&W 2009" program for the future, initiated by the W&W Group. At the same time, we are working on the Group-wide "SPRING" program which bundles a variety of different sales issues. We are using these programs to strengthen our opportunities for growth and profit on a sustainable basis.

Our customers and their needs regarding formation of capital wealth, home ownership, security for the future and protection against risks in all phases of life are at the centre of the restructuring projects which we started in 2007. The above-average level of satisfaction among our customers is due to the high commitment to service on the part of the Württembergische office and field sales staff. The outstanding assessments of the independent KUBUS insurance-market study confirm this. As the top marks given show: the Württembergische is the best when it comes to insurance services.

A commitment to service and efficiency does not involve any contradiction. In fiscal 2007, we again reduced costs in the Württembergische in spite of the additional integration expenses. Our products also enjoy a strong position on the market. The newly introduced legal protection tariff is selling very well. In the corporate customer segment, we increased our underwriting capacity in general business at the beginning of 2007. The maximum claim limit was raised from EUR 20 million to EUR 25 million. The private car tariff which we introduced on 1 October 2007 is a very flexible and versatile range of products in motor insurance.

In spite of hurricane "Kyrill", which cost us around EUR 56 million, our claims experience is good. Our reserve ratio is above the average for the market measured against our mixture of business. The result on normal business activity amounting to EUR 84 million as well as the transfer of profit to our parent company, W&W AG, amounting to EUR 45 million, were considerably above the levels of the preceding year.

The great challenge of the coming years will be to achieve a good level of earnings in the general insurance market, where the competition is exceedingly hard. To this end, we are strengthening our exclusivity organisation and expanding broker sales. Our success is thanks to the commitment of our office and field employees as well as to our customers and shareholders, who have shown their confidence in us. I would like to express my special thanks to them all.

Yours sincerely



Dr. Wolfgang Oehler

Management Board Württembergische Versicherung AG



Dr. Wolfram Gerdes

Investments

Ruth Martin

Life

Rainer Schlegel

Company Organization/
Data processing

Dr. Jochen Kriegmeier

Composite

Dr. Wolfgang Oehler

Chairman/Sales

Dr. Michael Gutjahr

Internal matters

Supervisory Board

Dr. Alexander Erdland

Chairman

Chairman of the Management Board of
Wüstenrot & Württembergische AG

Klaus Peter Frohmüller
(from 1 March 2007)

Member of the Management Board of
Wüstenrot & Württembergische AG

Peter Ulrich*

Deputy Chairman
Managing Executive of
Württembergische Versicherung AG

Cuno Hägel *

Union Secretary of
Vereinte Dienstleistungs-Gewerkschaft

Dr. Christoph Dorschel

Former member of the management of
SwissRe (Schweizerische Rückversicherungs-
Gesellschaft)

Jochen Haller

Managing Director of the chamber of trade
and commerce Ludwigsburg chamber of
trade and commerce

Günter Dreher*

District Director of
Württembergische Versicherung AG

Uwe Ilzhöfer*

Managing Executive of
Württembergische Versicherung AG

Ulrich Kraft

Managing Director of Kraft Malerwerkstätten
GmbH

* Employee's representative

Hartmut Reichert*

Chief Inspector of
Württembergische Versicherung AG

Franz Rothenhäusler*

Union Secretary Landesfachbereich 1 of
Vereinte Dienstleistungs-Gewerkschaft

Dr. Bernhard Schareck
(until 28 February 2007)

President of the Gesamtverband der Deutschen
Versicherungswirtschaft e.V. (GDV)

Dr. Edmund Schwake
(until 30 June 2007)

Member of the Management Board of
Wüstenrot & Württembergische AG
(until 30 June 2007)

Dr. Jan Martin Wicke
(from 3 September 2007)

Member of the Management Board of
Wüstenrot & Württembergische AG

Württembergische and W&W-Group in 2007



Wüstenrot-TV on air

As a “Rock in the Waves”, Württembergische Versicherung AG is an integral component of Wüstenrot & Württembergische, the specialist in provision for the future, as a competent service insurer with a wide-ranging product portfolio. What is unique throughout Germany is the fact that the two business segments, namely “Building Savings/Banking” on the one hand and “Insurance” on the other, are equally strong pillars of the W&W Group. In 2007, the entire W&W Group saw a great many changes. Our chronicle shows the highlights of 2007 and what we achieved together:

January

Württembergische Lebensversicherung presents the first tariff generation shared with Karlsruher Lebensversicherung with a guaranteed interest of 2.25 per cent. This includes a new form of independent permanent health insurance with unit-linked profit participation, many additional flexible variations in the area of unit-linked annuity assurance as well as numerous products for specific target groups.

February

The new structure of the Management Board, the Group’s central managing body, is announced at the annual press conference. The heads of the two business segments, “Building Savings/Banking” and “Insurance”, together with the Management Board of W&W AG belong to the Management Board of the W&W Group. It is supported by three Group boards which cover the areas of sales, risk and operations and perform tasks covering all areas of business.



Vintage car insurance is “Best Brand 2007”

March

The squeeze-out procedure for the acquisition of 100 per cent of Karlsruher Lebensversicherung AG by Württembergische Lebensversicherung AG is completed successfully. The internationally recognised rating agency A.M. Best awards WürttVers a rating of “A–”, i.e. outlook stable.

April

The Wüstenrot companies and the employees’ committee together find a way of ruling out redundancies due to operational factors and, at the same time, ensuring scheduled implementation of the “Wüstenrot 2009” efficiency-enhancement program.

May

“Take one – Action” – Wüstenrot TV starts to broadcast as a medium of information for field staff and agents.

Württembergische Versicherung introduces a new legal protection tariff with extensive improvements to benefits. Apart from this, the focus is on greater comprehensibility and customer-oriented claims processing by telephone.

June

After top marks from Morgen & Morgen and Franke & Bornberg, Stiftung Warentest (German product-assessment agency for consumers) now awards a “very good” rating to supplementary permanent health insurance from Württembergische Lebensversicherung.



KUBUS: Top marks for Württembergische

July

In the course of the “squeeze-out”, the W&W Group becomes sole owner of Wüstenrot Bau-sparkasse AG. This move is intended to contribute to an improvement in the cost situation of the savings bank and its flexibility.

Wüstenrot introduces a new payment system for its field staff. It take more account of contract-closing performance, the value of the business done and the growth of the customer base and the sales network.

August

The FitchRatings rating agency confirms its ratings for the W&W Group and assigns it a stable outlook.

The vintage-car insurance of Württembergische Versicherung is awarded the title of “Best Brand 2007” by the magazine “Motor Klassik”. In a survey, readers of the magazine voted for the special insurance, giving it the number one status. The Württembergische has been offering special insurance for vintage cars since 1988.

September

After being entered in the register of companies, the legal mergers of Karlsruher Lebensversicherung AG with Württembergische Lebensversicherung AG and Karlsruher Versicherung AG with Württembergische Versicherung AG are finally completed with retrospective effect as of 1 January 2007.

W&W Service GmbH is established. It is to combine, uniformly manage and control the service areas previously spread out among different lo-



Wüstenrot current account is convincing

cations within the Group. The aim is to increase efficiency and foster Group cohesion.

October

Wüstenrot Bank AG Pfandbriefbank expands its range of products by now offering a current account, a prepaid credit card and customer-friendly online products.

The Württembergische launches new motor insurance tariffs on the market. Policyholders and their partners who already use certain products from other companies receive a discount of up to 10 per cent. There are also considerable premium reductions for owners of environment-friendly vehicles.

November

In the KUBUS insurance-market study 2007, the Württembergische is awarded the top rating “excellent” in the area of claims/pay-outs both in the overall result and in the individual assessments for motor-hull claims processing, health insurance benefits and life assurance pay-outs.

December

The expectations of the Standard & Poor’s (S&P) rating agency regarding the W&W Group were fulfilled in the preceding year. The agency confirms all existing ratings.

Wüstenrot becomes the new partner of the Vorsorgewerk des Deutschen Beamtenbund (institution for provisions for the future acting on behalf of German civil servants).

Report of the Management Board

General Economic Situation

Overall economic environment

In fiscal 2007, the German economy achieved substantial growth. According to calculations of the federal office of statistics, the gross domestic product (GDP), after correction for prices, showed a plus of 2.5 per cent. Although growth was somewhat weaker than in 2006, when it amounted to 2.9 per cent, the domestic and non-domestic forces driving the economy were strong enough to withstand significant counter-pressure. On the one hand, the increase in value added tax which came into force in 2007 put a brake on private consumption as it made people reluctant to spend. On the other hand, the turbulence on the international financial markets triggered by the real estate crisis in the United States exerted an adverse impact.

Demand from abroad for German products continued to boost the economy. In spite of the massive increase in the value of the euro compared to the dollar, it caused exports to grow by 8.3 per cent. Imports, in contrast, only grew by 5.7 per cent. In 2007, the German economy thus again achieved an export surplus which accounted for more than half of overall economic growth. Growth was also stimulated by domestic factors, primarily gross investments. After correction for prices, they were 4.9 per cent higher than in 2006. Companies intensified their investments in machinery and equipment.

The good order situation of the companies led to the creation of new jobs and a reduction in the number of unemployed in 2007. Altogether, over 39.7 million people were in employment on average over the year. This is a plus of 1.7 per cent compared to 2006. The fact that the upswing had no effects on private consumption is shown by the 0.3 per cent decrease in private consumption in 2007 compared to 2006. At the same

time, the savings ratio rose from 10.5 per cent to 10.8 per cent. One reason for this was that the disposable income of households rose by 1.6 per cent but, at the same time, consumer prices underwent a rise of 2.2 per cent on average for the year.

Outlook for 2008:

Purchasing power stimulates consumption

According to experts, the worldwide economic growth initially expected by leading economic research institutes for 2008 will be slowed down by, among other things, the turbulence on the international financial markets triggered by the real-estate crisis in the US. This is also having an effect on Germany. Most research institutes and analysts are assuming that GDP will grow by around 1.5 per cent. In spite of the somewhat lower economic growth compared to the preceding years, 2008 can be expected to see a continuation of the good labour market situation. The average unemployment rate for the year can thus be expected to fall to around 8 per cent in Germany.

In the current year, it is possible that economic growth in Germany will be slowed down by the oil price and the higher value of the euro. According to economic researchers, however, increasing employment, higher wages specified in general trade-union agreements and the associated rise in the purchasing power of private households will stimulate consumption and therefore the economy. Only a slight change is expected in the savings ratio, which should continue to be close to 10.5 per cent of disposable income.

The insurance-industry environment

In fiscal 2007, the erosion of general and personal-accident insurance in terms of premium revenue continued. On the claims side, the year was impacted by hurricane “Kyrill”, which led to high claims charges in January 2007, primarily in general and motor insurance.

Hurricane “Kyrill” last year was in fact the most expensive single event in the history of the German insurance industry. In the course of claims settlement, however, the industry demonstrated its financial and organizational strength.

Premium revenue in general and personal-accident insurance for 2007 amounted to EUR 54.8 billion. It thus fell by 0.4 per cent throughout the sector. Claims expenses in the fiscal year rose by 7.0 per cent to EUR 42.7 billion. The claims ratio in the fiscal year rose by 5 percentage points to 79 per cent compared to the preceding year.

Premium revenue and claims payments in general and personal accident insurance 2007¹

	Premium revenue		Current-year claims expenditure ²		Current-year claims ratio ³ (in %)	
	EUR billion	compared to previous year in %	EUR billion	compared to previous year in %	2006	2007
General insurance as a whole,	14.2	- 0.3	11.9	23.0	68.3	84
including:						
Industrial property insurance	3.9	- 2.9	3.2	3.9	76.5	82
Private property insurance	7.2	0.5	6.1	35.0	63.9	86
including:						
Combined residential buildings	4.1	1.5	4.7	50.0	78.2	115
Combined household	2.6	- 1.0	1.2	2.0	44.5	46
Marine insurance	1.9	1.0	1.2	4.5	62.0	64
General third-party liability insurance	6.9	1.0	4.6	2.0	65.4	66
General personal accident insurance	6.3	1.0	2.8	- 1.0	57.4	56
Motor insurance	20.8	- 1.8	19.3	2.8	88.4	93
including:						
Third-party liability	12.8	- 2.0	12.5	1.5	94.0	97
All risks	6.3	- 1.0	5.7	5.0	84.7	90
Fire/theft	1.6	- 3.0	1.1	7.0	63.9	71
Legal protection insurance	3.1	2.5	2.2	- 0.5	72.4	70
General and personal accident insurance in total	54.8	- 0.4	42.7	7.0	74.1	79

¹ Provisional figures

² Expenses = Payments and reserves, in each case including claims settlement costs

³ Claims ratio for insurance claims of the fiscal year before processing; for the claims ratio, an estimated change is added to the value of the preceding year. The claims ratio altogether is the weighted average

Basis of the data: Evaluations of the monthly and quarterly reports December 2007

Source: German Insurance Association (GDV)

Themes of Fiscal 2007

Renewal program bears fruit

Clear successes for “Württembergische 2009”

For Württembergische Versicherung AG (WürttVers), 2007 was the year when the “Württembergische 2009” renewal program started to bite. Initiated in 2006, the efficiency program already showed clear signs of success at the end of the fiscal year, whereby important intermediate goals were achieved ahead of time.

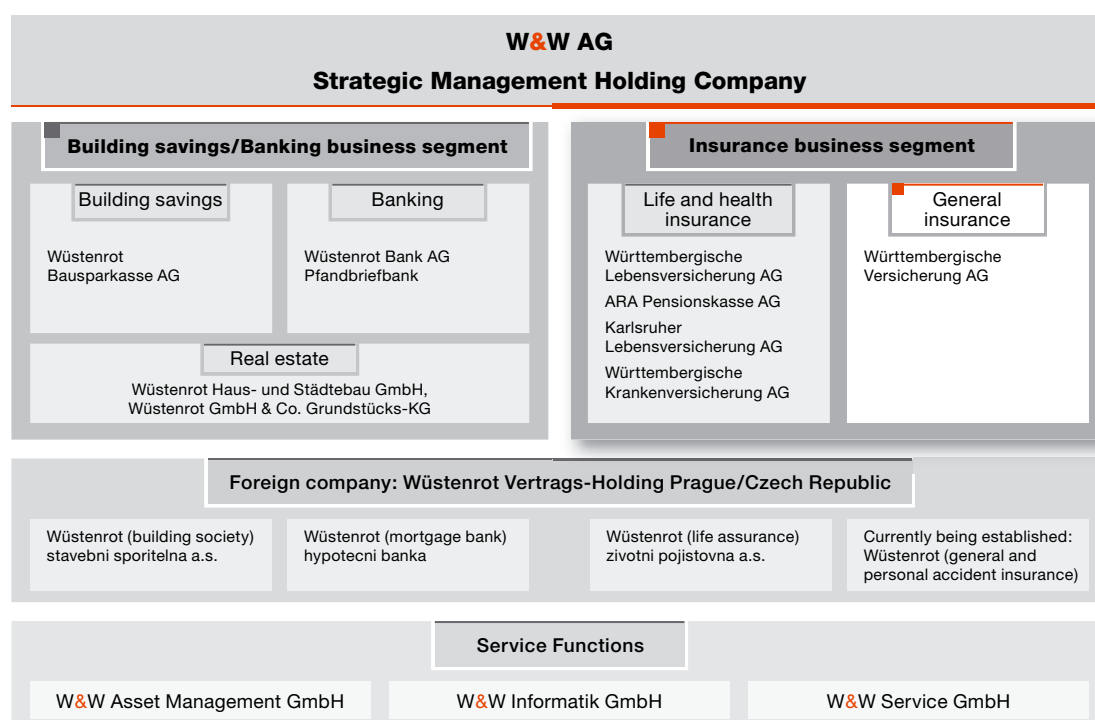
In the framework of “Württembergische 2009”, WürttVers and its sister company, Württembergische Lebensversicherung AG (WürttLeben), completed the legal and organizational arrangements in respect of integration of the Karlsruher insurance companies. With retrospective effect as of 1 January, 2007, Karlsruher Versicherung AG (KV) was merged with Württembergische Versicherung AG and Karlsruher Lebensversicherung AG (KLV) was merged with Württembergische Lebensversicherung AG. The change of name from “Karlsruher HK AG” to “Karlsruher Lebensversicherung AG” (KLV) took place subsequently.

“W&W 2009” program for the future

“Württembergische 2009” is embedded in the “W&W 2009” program for the future which is aimed at more growth, efficiency and profitability. The objective is to make the W&W financial services group into an effective specialist in provision for the future. In order to achieve this objective, the focus is being placed on the unused potential of the six million customers of the entire W&W Group – in so far as they are not primarily assigned to cooperating partners – as well as on the reinforcement and expansion of customer relations and support. The Group’s self-image as an association of brands will be strengthened and consolidated.

The “W&W 2009” program for the future is based on three pillars: firstly, the comprehensive “SPRING” sales project, secondly, the cost-reduction and efficiency-enhancement projects of the two business segments, divided into “Wüstenrot 2009” and “Württembergische 2009”, and, thirdly, the corporate project for optimisation of controlling and the reduction of complexity within the Group.

WürttVers as an integral component of the W&W Group



The Group project in the framework of “W&W 2009” is aimed at streamlining the structures of the Group and making them more effective. This includes the establishment of the Management Board, to which the heads of the Building Savings/Banking and Insurance business segments belong, as well as a uniform control cockpit covering all areas of business. One important aim of the program is to increase the efficiency of internal processes throughout the Group.

Stimulation of growth in cross-selling

The Group-wide sales project entitled “SPRING” is intended to strengthen sales and promote growth. The associated all-inclusive link-up of customer needs, sales channels and products is being advanced step by step by means of the Group Board responsible for sales. This board is composed of the sales boards of the two business segments, Building Savings/Banking and Insurance, and of the persons in the Group who are responsible for sales at W&W AG. In this way, coordination and transparency are ensured across all the Group’s activities relating to products and sales.

A significant engine of growth for Wüstenrot and Württembergische is cross-selling – in other words, the joint sale of products belonging to both brands. In order to achieve the cross-selling goals, appropriate organisational structures, strategies and internal guidelines were created and introduced in 2007.

The first steps towards further reinforcement of the exclusive sales apparatus of the Württembergische were taken in 2007. The unification of several individual agencies in one office under the management of an agency with special strengths in terms of its production and existing contracts is intended to ensure better exploitation of the potential to be found in a joint effort.

Overview of Business in 2007

Development of premium revenue affected by special influences

The premium revenue of WürttVers decreased in 2007. The drop from EUR 1 610.7 million to EUR 1 474.2 million was influenced by two special effects. Due to loss of its “A” rating in December 2006, our London branch office had to cope with substantial reductions in turnover at the beginning of the year and was no longer able to make up for them. Another factor was that we continued our remedial measures in the Karlsruher portfolios in the course of the merger of Karlsruher Versicherung with WürttVers.

In the breakdown according to business segments, the drop in premium revenue was noticeable, especially in motor business, where the pressure of competition is very high. In contrast, a pleasing development was that the premium revenue in private customer business remained constant. In corporate business, WürttVers achieved a rise in premium revenue in 2007.

Gross premium revenue	2007 in EUR million	2006 in EUR million ¹	Change in per cent
Domestic			
Direct	1 296.5	1 325.4	- 2.2
Assumed reinsurance	0.2	9.4	- 98.0
Abroad	177.5	275.9	- 35.7
Total	1 474.2	1 610.7	- 8.5
For own account	1 163.4	1 224.7	- 5.0
Self-retention in per cent	78.9	76.0	

¹ Previous year's figures adapted due to the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Claims experience affected by hurricane “Kyrill”

Fiscal 2007 was characterised on the claims side by a single event, hurricane “Kyrill”, which, in gross figures, cost WürttVers around EUR 55.6 million. The gross current-year claims ratio therefore deteriorated from 73.1 per cent to 78.5 per cent. If the claims expenses for this event are not included in the calculation, WürttVers achieved the pleasing level of 2006 again.

Claims expenses for own account decreased from EUR 819.1 million to EUR 802.4 million. The net claims ratio also at 68.1 (68.1) per cent was pleasingly low again as well. This shows that our contingency measures were successful and a large part of claims for hurricane “Kyrill” were passed on to reinsurers. There remained a net charge of EUR 23 million for own account as a result of “Kyrill”.

Reserves strengthened again

In fiscal 2007, the insurance reserves grew again from EUR 2 157.0 million to EUR 2 165.5 million, although the claims equalisation reserve decreased slightly for the first time in many years. In accordance with the legal requirements, it fell from EUR 309.8 million to EUR 297.1 million. However, because the ratio of claims equalisation reserves to premiums rose from 133.8 per cent to 144.4 per cent, the reserve position of the company improved again on the whole.

Unless stated otherwise, the figures in brackets refer to the corresponding values in fiscal 2006.

Insurance reserves	2007	2006¹	Change in
f.o.a.			per cent
Claims reserves			
in EUR million	1 679.7	1 638.2	2.5
as a percentage of			
premium income	144.4	133.8	
as a percentage of			
claim payments	237.2	228.5	
Claims equalisation			
reserves in EUR million	297.1	309.8	- 4.1
as a percentage of			
premium income	25.5	25.3	
Total insurance			
reserves in EUR million			
as a percentage of			
written premium	2 165.5	2 157.0	0.4
revenue	186.1	176.1	

¹ Previous year's figures adapted due to the merger of KV with WürttVers

Falling costs again

The efficiency-enhancement initiatives produced clear effects in 2007. The underwriting expenses fell from EUR 444.3 million to EUR 422.1 million. However, because premium revenue also fell, the cost ratio rose slightly from 27.8 per cent to 28.1 per cent.

Combined ratio acceptable again

In spite of hurricane "Kyrill", WürttVers achieved a gross combined ratio of 97.3 (94.3) per cent.

After reinsurance, this figure is 96.9 (96.5) per cent and therefore only slightly above the comparable value last year. In German business, the net combined ratio was 95.9 (96.4) per cent and therefore below the previous year.

Good insurance result

The net insurance result was very good at EUR 34.0 (41.5) million. A withdrawal amounting to EUR 12.7 million was made from the claims equalisation reserve. This was especially due to the decrease in premium revenue of our London branch office. In the previous year, we had to transfer EUR 39.4 million to the claims equalisation reserve.

Continuity in the investment area

At the end of fiscal 2007, the investments of WürttVers amounted to EUR 2.5 billion, around the same level as in the previous year. Because WürttVers pursues an investment policy which insists on risk awareness and high debtor quality, the US sub-prime crisis did not have any direct effect on the investments. Moreover, the general revaluation of credit risks in 2007 only had a slightly adverse influence on investments. The net result on investments amounted to EUR 76.4 million and was therefore below the previous year's level. The total valuation reserves decreased from EUR 54.9 million to EUR 23.1 million and accounted for 0.9 per cent of the book value of all investments. There are no hidden burdens relevant to the evaluation of assets in the sense of § 341 b HGB.

High transfer of profit to W&W AG

Due to the improved insurance results, WürttVers achieved a profit amounting to EUR 84.1 (51.7) million on normal business activity. From this total, the loss arising from the merger with Karlsruher Versicherung AG amounting to EUR 20.8 million has to be deducted as an extraordinary result. The pretax result is therefore EUR 63.3 (58.0) million. After other taxes and mainly the expenses arising from the withdrawal from the active latent taxes in accordance with § 274 HGB, there remains a result of EUR 45.1 million, which we transferred to our shareholder. The company therefore achieved a pretax return on equity amounting to around 30 per cent.

Business segments of Württembergische Versicherung

Gross premium revenue according to business segments	2007 in EUR million	2007 in per cent
Motor	530	36
Private customers	519	35
Corporate customers	248	17
Foreign	177	12
Total	1 474	100

The motor insurance area of business includes motor third-party liability, motor all risks and motor fire/theft insurance, motor personal accident insurance and also traffic service insurance. The written premium revenue fell by 6.3 per cent to EUR 530.2 (565.7) million. One of the primary reasons for this, apart from diminishing new business, was a further decrease in the average premiums per contract, a trend that can be observed in the market as a whole. An improvement in the quality of existing contracts was reflected by the drop in the current-year claims ratio from 89.9 per cent to 88.9 per cent. The claims adjustment result was below the very high level of the previous year. It was adversely impacted by reserves formed to handle the claims of the former Karlsruhe insurance company. The insurance loss before adjustment of the claims equalisation reserve rose from EUR –5.9 million to EUR –12.7 million.

In 2007, a new motor insurance strategy was developed. With our new “Premium Protection” tariff for customers, which places value on an especially wide range of cover for their motor insurance, improved claims management and further measures to increase customer satisfaction, we are profiling ourselves even more clearly as a service insurer. In addition, forms of insurance for customers who are sensitive to prices was developed in the framework of our “Compact Protection” product. As optional features, workshop affiliation, rebate protection and foreign insurance round off this varied range of insurance.

In our private-customer segment, we mainly include the insurance classes household, general personal accident insurance, residential buildings, legal protection and also the third-party liability business for private households. Written premium revenue remained almost unchanged at EUR 518.7 (519.0) million. Increased premium revenue was achieved by the segments legal protection insurance (+ 3.1 per cent), general personal accident insurance (+ 0.6 per cent) and residential building insurance (+ 0.4 per cent). In the course of 2007, a start was made on adjusting the coverage of contracts which had formerly belonged to the Karlsruhe insurance company. As a result, we succeeded in adapting contractual relationships to current customer needs and increasing customer loyalty to Württ-Vers.

In the private customer segment as a whole, we achieved a very pleasing net result of EUR 37.0 (40.5) million. The general personal accident insurance segment achieved the highest result with a net insurance result of EUR 28.4 (17.2) million. In residential building insurance, which was adversely impacted by hurricane “Kyrill”, the result continued to be unsatisfactory.

In the corporate-customer segment, we include commercial and industrial property and third party liability classes of insurance. Premium revenue in this segment rose by 2.9 per cent from EUR 240.7 million to EUR 247.6 million. This was primarily reflected by the increase in the maximum claim limit from EUR 20 million to EUR 25 million in the property classes. In commercial third-party liability business, the increase in premium revenue was very substantial with a plus of 6.5 per cent. The claims situation in the fiscal was good. Except for hurricane “Kyrill”, the property insurance classes were spared any large claims. The claims ratio in the year under review fell slightly by 0.2 per cent from 61.4 per cent to 61.2 per cent. The net result amounting to EUR 15.3 (4.4) million was very pleasing. All the areas of the business segment contributed to this good result.

The business of our branch office in the UK (WürttUK) in Great Britain is posted in the foreign business segment and, in 2007, suffered considerably due to the Group-wide derating of the subsidiaries of the W&W Group from “A–” to “BBB+” by the Standard & Poor’s agency in December 2006. With the help of the newly acquired rating of “A–” (outlook stable) for WürttVers in March 2007 from the internationally recognised A.M. Best agency and due to the dedication of the London management, business was nevertheless successfully stabilised in the course of 2007. An overview of the current ratings is shown on page 23 of this report.

Premium revenue reached a volume of EUR 177.5 (275.9) million. Due to a significant transfer to the claims reserve, WürttUK experienced an insurance loss of EUR –6.4 (+5.8) million.

In October 2007, Württembergische UK Limited was sold to the parent company of the newly established Lloyd’s syndicate, Antares 1274. At the same time, the renewal rights of the English branch were taken over by Antares as of January 2008. By means of a service contract, Antares will assume loss-adjustment responsibility for the WürttVers gross claims reserve which is still carried on the balance sheet and amounts to EUR 468 million. As a long-term investment and also to ensure that claims adjustment for the substantial old portfolio is carried out, WürttVers has acquired an 18.1 per cent share in the parent company of the syndicate, Antares Holding Limited, which has its main offices in Bermuda.

Assets, Financial Situation and Earnings

Reports on insurance classes

Direct business

Personal accident insurance

Personal accident insurance includes general personal accident insurance, aviation personal accident and motor personal accident insurance. In the year under review, gross premium revenue rose slightly by 0.2 per cent from EUR 127.0 million to EUR 127.3 million.

The number of advised claims fell considerably compared to the previous year, dropping by 5.5 per cent to 16 733 (17 706). The claims ratio in the year under review improved to 38.5 (46.5) per cent. In the insurance account, personal accident insurance closed with a net profit of EUR 29.3 (18.1) million, with the result that the good result of the previous year was again clearly exceeded.

Third-party liability

In third-party liability insurance, we include the general third-party liability business of our private and corporate customers as well as aviation third-party liability business. In this class of insurance, the gross premium revenue fell by 5.0 per cent to EUR 204.3 (215.0) million.

Foreign business which suffered greatly from the derating by S&P at the end of 2006 was mainly responsible for this. The claims ratio in the year under review decreased by 3.3 percentage points to 57.8 (61.1) per cent. The net insurance result before adjustment of the claims equalisation reserve increased from EUR 8.7 million to EUR 12.0 million in the third-party liability class of insurance.

Motor as a whole

In motor insurance, the fall in premium revenue continued in 2007 and was greater than the market trend. The reason for this, apart from the average premium which continued to decrease, was the consistently implemented remedial program. In the motor insurance class, premium revenue in the year under review fell by 6.4 per cent to EUR 522.6 (558.0) million. The net insurance result before adjustment of the claims equalisation reserve deteriorated from EUR –4.0 million to EUR –11.2 million.

Motor third-party liability

The number of insured risks in motor third-party liability fell by 3.4 per cent. Written premium revenue, in contrast, fell by 6.9 per cent to EUR 325.3 (349.2) million. The decrease in the number of advised claims and the improvement in the quality of existing contracts clearly demonstrated the success of our remedial activities. The number of advised claims went down by 7.8 per cent to 76 990 (83 479). The average claim amounted to EUR 3 448 (3 488), also a slight reduction. The current-year claims ratio fell by 2.9 percentage points to 96.1 (99.0) per cent. Because reserves had to be formed for claims of the former Karlsruhe Versicherung, the profit after claims adjustment decreased sharply in motor third-party liability insurance. The net insurance result amounted to EUR –13.9 (–10.0) million before adjustment of the claims equalisation reserve.

EUR 10.1 million was withdrawn from the claims equalisation reserve.

“Other” motor insurance

The “Other” motor insurance classes include motor all risks and motor fire/theft. Premium revenue went down by 5.5 per cent to EUR 197.3 (208.8) million.

In the area of claims due to natural perils, 2007 was again an uneventful year. The current-year claims ratio in the year under review rose from 75.3 per cent to 77.8 per cent. The result in “Other” motor insurance before adjustment of the claims equalisation reserve amounted to EUR 2.7 (5.9) million. In accordance with the legal requirements, EUR 7.4 (8.2) million was transferred to the claims equalisation reserves.

Fire insurance

In this class of insurance, we include industrial fire insurance, general fire insurance and agricultural fire insurance.

Premium revenue rose by 2.9 per cent to EUR 47.9 (46.6) million. This rise in premium revenue resulted from the success sales of our Company policy. The current-year claims ratio increased by 5.7 percentage points to 61.1 (55.4) per cent. The insurance result before adjustment of the claims equalisation reserve amounted to EUR 3.0 (3.2) million and was therefore almost stable. We transferred EUR 3.7 million to the claims equalisation reserve in fiscal 2007.

Household

Premium revenue in household insurance fell by 1.1 per cent to EUR 84.5 (85.4) million. The old portfolio of Karlsruher Versicherung was affected by this erosion. In fiscal 2007, we were again able to profit from a favourable claims situation. In the highly profitable household class of insurance, we recorded a 2.5 per cent decrease in the number of claims. The current-year claims ratio fell slightly by 0.8 percentage points to 37.0 (37.8) per cent. The net insurance result, amounting to EUR 19.5 (19.6) million, was just under the very good level of the preceding year.

Residential buildings

The premium revenue rose by 0.4 per cent from EUR 101.6 million to EUR 102.0 million. The number of advised claims in residential buildings insurance rose by 78.5 per cent compared to the preceding year, in particular due to hurricane “Kyrill”. In residential buildings insurance the hurricane “Kyrill” generate approximately 39 000 claims. The claims ratio rose from 75.5 per cent to 107.1 per cent. The insurance result in this class displayed a loss of EUR –20.3 (–12.4) million. In order to improve this result, further remedial measures are necessary in conjunction with a consistent shift in the portfolio to new tariffs which are more appropriate to the risk.

“Other” property insurance

The “Other” property insurance class includes types of insurance such as burglary, water-pipe, glass, storm and natural perils, engineering insurance, extended coverage as well as multi-class products from the commercial and industrial area.

For the entire “Other” property insurance class, we posted a drop in premium revenue of 1.8 per cent to EUR 119.4 (121.6) million in the fiscal year.

This erosion of premium revenue resulted from the hard price-based competition for industrial risks business. In addition, the conversion of contracts in corporate business led to a transfer from “Other” property insurance to fire and third-party liability insurance. This circumstance was mainly influenced by the new Company policy introduced at the beginning of 2004. This product made very pleasing progress in fiscal 2007 as well.

As “Other” property insurance was also affected by hurricane “Kyrill”, the current-year claims ratio rose by 12.7 percentage points to 73.6 (60.9) per cent. For the class as a whole, we recorded an insurance profit of EUR 4.4 (8.9) million before adjustment of the claims equalisation reserve.

Marine and aviation

Written premium revenue fell by 19.0 per cent to EUR 23.5 (29.1) million. We recorded premium decreases in particular in foreign marine business. In Germany, the premium revenue remained almost constant. Due to the foreign marine business, the claims ratio through profit and loss increased from 64.5 per cent to 78.5 per cent. The class recorded a slight insurance loss of EUR –0.7 (+1.2) million. EUR 5.5 million was withdrawn from the claims equalisation reserve.

Legal protection

In legal protection insurance, a strong increase in premium revenue of 3.1 per cent to EUR 92.2 (89.5) million was achieved in 2007 as a result of the substantial increase in new business. The number of advised claims decreased slightly by 1.4 per cent to 86 951 (88 161). The claims ratio remained almost constant at 61.9 (61.2) per cent. In the insurance result before adjustment of the claims equalisation reserve, a profit of EUR 1.8 (2.9) million was achieved. We transferred EUR 3.8 (4.9) million to the claims equalisation reserve.

Other insurance

“Other” insurance class includes fire consequential loss insurance and also multi-class products. This class recorded a decrease in premium revenue of 9.5 per cent to EUR 33.1 (36.6) million. This was primarily due to the foreign business transacted.

The claims ratio in foreign business improved considerably. The insurance profit in the “Other” insurance class amounted to EUR 10.7 (–3.2) million, a very pleasing achievement.

Assumed reinsurance business

Most of our assumed re-insurance business is underwritten by WürttUK, our London branch. It mainly includes the insurance classes of marine, fire, third-party liability and aviation as well as the “Other” insurance class.

In assumed reinsurance business, the gross premium revenue in the year under review fell by 41.4 per cent to EUR 117.3 (200.3) million. This was caused by the derating of WürttVers. The claims ratio in this segment rose from 59.6 per cent to 62.5 per cent. The net insurance result before adjustment of the claims equalisation reserves decreased considerably from EUR –1.5 million to EUR –14.5 million.

Investments

Continuity in the area of investments

At the end of fiscal 2007, the investments of WürttVers amounted to EUR 2.5 billion, around the same as in the preceding year. WürttVers pursues an investment policy that combines an awareness of the risks with an insistence on good debtor quality. The US sub-prime crisis had no direct impact on the investments of WürttVers. Even the general revaluation of credit risks in 2007 only had a slightly adverse effect on the investments.

In fiscal 2007, there were no fundamental structural changes in the investment portfolio. Registered bonds and debentures were again the largest item, accounting 40.5 per cent of investments. The share portfolio was expanded again in weak phases of the market due to the long-term positive performance which can be expected. The portfolio is highly diversified in terms of industries, regions and investment styles. Altogether, the share of productive capital which is committed in the form of shares and private equity increased from 5.0 per cent to 9.5 per cent.

Lower net result on investments

The net result on investments amounted to EUR 76.4 million and was therefore below the value of the preceding year. Whereas the ongoing yield was boosted by 11.6 per cent to EUR 110.7 million, there was a loss of EUR –11.0 million on the disposal of investments to the redeployment measures aimed at improving the portfolio in the bond area. The balance of depreciation and value increases amounted to EUR –17.7 million. This negative balance was mainly due to depreciation on fixed-interest securities and fixed-income funds. The net yield on investments fell from 3.6 per cent to 3.1 per cent.

Decrease in the valuation reserves

The entire valuation reserves decreased from EUR 54.9 million to EUR 23.1 million because of the rise in interest. However, they still accounted for 0.9 per cent of the book value of total investments. Hidden burdens due to the use of § 341 b HGB in order to evaluate assets were not created. An exact breakdown of the valuation reserves is shown on page 52 of this report.

Expansion of participations

If the shares of WürttVers in Karlsruher Versicherung AG, which was merged with WürttVers with retrospective effect from 1 January 2007, are ignored, the book values of participations and shares in affiliated companies in fiscal 2007 rose from a total of EUR 151.9 million to EUR 186.1 million. Within the participation portfolio, WürttVers entered into seven new participations with a total obligation to pay amounting to US Dollar 6 million and EUR 6 million in the private equity area in fiscal 2007. In addition, an 18.1 per cent share in the newly established parent company of the Lloyd syndicate, Antares, was acquired in the course of the cessation of new business done by the former London branch office of WürttVers.

Real estate

In 2007, WürttVers purchase a piece of commercial real estate for EUR 18 million through a holding company. Various smaller objects in the direct portfolio were disposed of in the course of the fiscal year.

Stress tests of BaFin passed

As in the previous years, WürttVers easily passed all the stress tests prescribed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin = federal financial services supervisory authority).

Derivative financial instruments

In fiscal 2007, WürttVers made use of derivative financial instruments in the form of swaps and forward exchange transactions in direct business. These transactions served to safeguard our portfolios against risks. All the regulations of the Insurance Supervisory Law were observed in these transactions, whereby the strict internal separation of trading and administration was always guaranteed. In addition, options and futures were used within the security funds.

Ratings of “outlook stable” confirmed

After the rating of the entire W&W Group was lowered in December 2006, the expectations of the Standard & Poor’s (S&P) rating agency in respect of the W&W Group in the preceding year were fulfilled. On 17 December 2007, Standard & Poor’s confirmed the rating of all core companies of the W&W Group and therefore the “BBB+” rating of WürttVers and the “BBB–” rating of the public subordinate loan issued by WürttVers to the amount of EUR 60 million. The outlook of all ratings was given as “outlook stable”.

The agency paid tribute to the good risk-management concepts as well as the new approaches aimed at further exploitation of the cross-selling potential within the Group.

In August 2007, the FitchRatings agency confirmed the “A” insurer financial strength rating as well as the “A–” issuer default rating of WürttVers. The stable development of the rating was confirmed (outlook stable).

FitchRatings has a positive view of the restructuring measures which were decided on by the W&W Group and its subsidiaries and are aimed at improving profitability and increasing new business.

Both agencies expect that the W&W Group will achieve its growth and profit targets by 2009.

In addition to the two interactive ratings of S&P and FitchRatings, WürttVers subjected itself to the rating of the internationally recognised rating agency, A.M. Best. In March 2007, A.M. Best gave WürttVers a rating of “A–” (outlook stable).

	Standard & Poor’s		FitchRatings		A.M. Best	
	Financial Strength Rating	Issuer Credit Rating	Financial Strength Rating	Issuer Default Rating	Financial Strength Rating	Issuer Credit Rating
W&W AG	BBB–	BBB–		A–		
	outlook stable	outlook stable		outlook stable		
Württembergische Versicherung AG	BBB+	BBB+	A	A–	A–	A–
	outlook stable	outlook stable	outlook stable	outlook stable	outlook stable	outlook stable
Württembergische Lebensversicherung AG	BBB+	BBB+	A	A–		
	outlook stable	outlook stable	outlook stable	outlook stable		
Württembergische Krankenversicherung AG			A	A–		
			outlook stable	outlook stable		
Württembergische Versicherung AG		BBB–				
Hybrid capital bond						
Württembergische Lebensversicherung AG		BBB–		BBB+		
Hybrid capital bond						

Prognosis Report

“Württembergische 2009” program for the future and “SPRING”

In the current fiscal year, we are consistently and successfully implementing the measures arising from our “Württembergische 2009” and “SPRING” programs. WürttVers is especially committed to pursuing their goals for more growth. At the same time, we intend to expand our exclusivity organisation. Improvements in technical support and an even more efficient support service are, like the products designed for specific target groups, also intended to promote progress. However, we also want to exploit the opportunities generated by our joint activities with the Karlsruher insurance group and thus strengthen our competitiveness over the long term. However, we are also expecting growth through the newly established Makler Vertriebsservice GmbH.

Targets for 2007 achieved in spite of the difficult circumstances

Hurricane “Kyrill”, which occurred in January 2007, caused considerable damage in parts of Germany and in other European countries. The resulting losses, however, were almost balanced out by the otherwise very good loss situation. At EUR 34.0 million, the insurance result was therefore only slightly below the planned values. In addition, the London branch office of WürttVers, WürttUK, suffered a considerable reduction in sales as a result of losing its “A” rating. Thanks to a successful A.M. Best rating, however, the situation was stabilised in the course of the year. Nevertheless, premium revenue at around EUR 170 million was below the target which had been set. This decrease led to a withdrawal from the claims equalisation reserves. In spite of other special charges arising from merger loss and adaptation of the interest rate of the pension reserves, the pretax results amounted to EUR 63.3 million and was therefore higher than originally planned.

Outlook for 2008

In the area of general and personal accident insurance, the general economic upswing cannot be expected to have any notable effects on the development of premium revenue. The high level of market penetration and the intense price-based competition can be expected to restrict the potential for growth. In this context, the general and personal accident insurers are anticipating premium revenue to be stable in 2008.

Earnings and financial situation for fiscal 2008

As a consequence of the cessation of new business done by our English branch office, a move we decided on in line with our strategy, our foreign premium revenue will decrease. This reduction in foreign business cannot be compensated for by the development of domestic premium revenue. After the burden we had to bear in 2007 as a result of hurricane “Kyrill”, which resulted in exceptionally high insured losses, we are expecting the gross loss situation to normalise and improve in 2008. Moreover, in 2008, we will be able to dissolve the equalisation reserve formed for English business and considerably improve our result by means of a foreseeably rising result on investments. In the circumstances thus portrayed, we want to transfer a higher profit to our parent company in 2008.

Outlook for 2009 and 2010

In 2009 as well, the result of WürttVers will be influenced by withdrawals from the claims equalisation reserves. The decreases in premium revenue due to the closure of our English branch office will only have a slight impact in 2009. In 2010, WürttVers will again achieve growth on the whole. This will be driven by our reinforced exclusivity organisation, for which, at the beginning of 2008, we introduced a payment system that is more strongly based on performance, value, growth and demand. Another driving force will be our newly established broker channel and increases in cross-selling. We are confident that we will be able to achieve our ambitious targets in 2009 and 2010 due to our current projects, among other things.

Opportunities and risks, reservations in respect of prognoses

Risks for the company arise from the ongoing situation on the capital market. Although the company holds no investments in the US sub-prime segment, we are being indirectly affected by the general revaluation of credit risks. We feel that these are largely only temporary and therefore not critical. The associated uncertainty of the financial markets and especially the share markets, however, is having effects on the value of our investment portfolio.

We are countering the volatility of the markets by means of efficient risk management, which, given our risk-bearing capacity, ensures a rapid response to strong market fluctuations and enables us to exploit the opportunities which arise.

Risks are also resulting from the continuing pressure of prices in Germany. We will continue to sell insurance at prices in line with demand. How we deal with these and other risks is shown in detail in the following risk report.

On the loss side, the optimisation of our internal risk management processes will have a long-lasting positive effect. By expanding our instruments for evaluation and control of the assumed risks, we will be able to achieve further improvement in our loss situation.

Within the W&W Group, which profiles itself as a specialist in provision for the future, the range of products offered by WürttVers covers the areas of security for the future and protection against risks. With this orientation and the expected strengthening of sales, there are good opportunities that will enable WürttVers to profit substantially from the demand for financial security and protection against risks.

The company assumes no obligation to update statements regarding the future.

Risk report

The risk management system

Risk management at WürttVers is the responsibility of the Management Board and also of all specialists and those in management positions. The risk management system with its early warning function helps them to carry out their duties in this respect.

Risk management at WürttVers concentrates on those risks which endanger the continued existence of the company or can have a significant influence on its assets, finances and profit. Risk management at WürttVers is in accordance with the requirements of KonTraG.

The 9th amendment to VAG (Insurance Supervisory Law) defines the requirements for risk management of insurance companies. Central elements of qualitative supervision are already anchored in the supervisory law as the basis of empowerment in anticipation of “Solvency II” and MaRisk. This enables early preparation for future rulings. With specific measures for the further development of compliance to meet the needs of the future, WürttVers is preparing itself intensively for the external requirements. In fiscal 2007, the risk strategy and the risk policy were implemented. In addition, WürttVers has further developed its internal risk-bearing capacity model and participated in the QIS studies to make itself ready for the future requirements from the European Commission arising from the “Solvency II” project.

Depending on the type of risk, WürttVers employs diverse risk-measurement and risk-control instruments. Apart from analysis by the persons who are distributed throughout the company and are responsible for risk, stress tests, internal risk-bearing capacity models and measuring techniques for risk concentrations are used. Our early warning instruments also include projections, planning procedures and sensitivity analyses. Evaluation of the risk profile is also supplemented with analysis in the framework of

internal stochastic risk-bearing capacity models. These models enable us to quantify the loss potential for the respective risk areas on the basis of our own profile of risks and precautions with the help of methods used in probability theory.

The analysed risks are reported by those persons who are responsible for the risk and are distributed throughout the company to the central risk management office for recording in the risk inventory. Apart from describing and evaluating the risks, a record is kept of control measures for reducing the risk. Risks mainly arise due to the exploitation of opportunities. The relationship between risk and opportunity is also documented in the risk list.

Risks that are especially important and currently relevant are also regularly recorded in a risk report or as ad-hoc information.

The central risk management apparatus of WürttVers is responsible for evaluating the overall risk situations. It also ensures ongoing communication and cross-coordination of the risk situation, the monitoring of general and cumulative risks, regular reporting to the management and supervisory boards of WürttVers as well as coordination with the risk management apparatus of the W&W Group. It also supports the persons located throughout the company who are responsible for risks and is responsible for further development of the risk management system.

On top of all this, a comprehensive risk management function for the individual companies of the Württembergische was set up in 2007. It is responsible not only for the coordination of processes but also for monitoring risks that concern all the companies in the Group.

On the Group level, a risk board was also set up and includes the members of the Management Board of WürttVers who are responsible for risk management. The Group Risk Board controls the risk situation on an aggregated level.

Fiscal 2007 was strongly marked by the merger of Karlsruher and Württembergische. The risks arising from integration were countered with suitable measures.

On the basis of risk categorization as set out in the German accounting standards, the overall risk is divided into the following categories:

Insurance risks

The insurance risk is to be understood as the possible loss resulting from uncertainty regarding the future development of claims and costs in the case of premium payments which are set in advance.

To this end, we monitor the long-term development of net ratios in respect of claims and claims adjustment (adjustment results of reserves for outstanding claims in per cent in relation to initial claims reserves). Within the framework of internal risks analyses, the claims reserves are checked with the help of various actuarial methods.

	Claims ratios	Claims adjustment ratios
1998	70.7	6.7
1999	75.4	7.0
2000	75.9	5.5
2001	79.8	4.7
2002	78.6	1.6
2003	70.6	5.2
2004	67.6	2.3
2005	68.9	5.4
2006 ¹	66.8	5.5
2007	68.1	7.9

¹ Values from 2006 onwards, including KV

Above and beyond careful tariff calculation – which is intended to ensure advance limitation of the classical insurance risks (risks of chance, error and change) – we employ a bundle of measures to counter the risks.

These include

- Customer-loyalty programs, which simultaneously promote the balancing of risks on the customer level
- Profit-oriented underwriting of risks
- Reduction of liability cover
- Cautious reserves policy
- Appropriate reinsurance of high individual and cumulative risks by using reinsurers with a good financial standing
- All-round controlling of portfolios and earnings
- Earnings-oriented incentive systems

In order to diminish the increasing risk of natural perils, various measures are applied. These include premium indexation clauses, tariffs matched to claims, modified policy conditions for critical natural-peril zones, the exclusion of specific risks and the purchase of reinsurance protection. In addition, we continuously carry out claims scenario analyses.

The risk of terrorist attacks in the case of industrial or large commercial risks is countered by excluding specific risks or by passing on corresponding risks to the special insurer, Extremus. For our foreign business through the London branch office, many terrorism-related claims are also excluded from the cover provided.

Due to the derating in 2006 of all the W&W core companies by Standard & Poor's, our foreign business was threatened by a significant drop in the volume of business done in 2007. Thanks to a good individual rating for WürttVers given by the agency, A.M. Best, the erosion of new business was cushioned and the English branch office stabilised.

The renewal rights of the English branch office of WürttVers as of 1 January 2008 as well as Württembergische UK Ltd. have been sold. The old portfolio remains with WürttVers, whereby claims adjustment is handled by Antares Underwriting Services Ltd. by way of a service contract. Apart from the strategic advantages of this arrangement, there are specific run-off risks. Risk-limiting measures were therefore agreed in

the contract and are continually monitored in the framework of risk management

Risks arising from investments

With regard to the alignment of our investments, improving profitability while keeping the risk down to appropriate levels as well as sufficient liquidity at all times have been and remain main aspects of our strategy. We therefore make sure that investments are mixed and spread-out according to type, regions and risk classes.

For our shares and fixed-interest investments, we continually carry out simulations in order to evaluate market risks. These simulations show us the change in value of our portfolio in relation to market fluctuations. When doing this, we assume the following stress factors, among others:

- For our share portfolios (including the safeguarding instruments to be assigned to them), index fluctuations of +/- 10 per cent and +/- 20 per cent

Change in share prices	Change in market value of shares
Increase of 20 %	+ 42.3 EUR million
Increase of 10 %	+ 21.5 EUR million
Decrease of 10 %	- 22.3 EUR million
Decrease of 20 %	- 44.9 EUR million

- For our fixed-interest securities, a change in the respective interest-structure curve of +/- 50 or +/- 100 basis points

Change in interest	Change in market values of alle bonds
Increase of 100 BP	- 69.8 EUR million
Increase of 50 BP	- 35.7 EUR million
Decrease of 50 BP	+ 37.4 EUR million
Decrease of 100 BP	+ 76.6 EUR million

In our opinion, the impairment of the fixed-interest investments due to the rise in interest in the course of 2007 is not a critical problem because the annuities can be held until their final due date. Moreover, higher levels of interest on new investments are stabilising the profitability of our portfolio.

We do not need to dispose of annuities before their final due date for purposes of generating liquidity, the reason being that, thanks to timely liquidity planning and control, the necessary liquidity for servicing all cash flows arising from insurance business and other obligations is ensured.

We use congruent coverage of liability obligations to eliminate most currency risks by means of corresponding currency investments in capital investment.

In fiscal 2007, we again made use of derivative financial instruments such as options, swaps and forward exchange transactions in the direct portfolio and in the security funds. These types of business were aimed at safeguarding our portfolios. In addition but to a lesser extent, our shares in the security funds were controlled by the use of futures. In the framework of partial portfolios, options were used to generate additional earnings. Preemptions on fixed-interest investments were used within the framework of the regulations of the supervisory authority. At the same time, the regulations of the Insurance Supervisory Law and the circulars of BaFin were complied with.

In order to delimit the risks relating to financial standing, credit assessment of the respective individual investments is of central importance. A very large majority of bonds (more than 97 per cent) have a rating of A and better. New investments are primarily made in state, federal or national bonds or in bonds of local government bodies. In addition, protected securities or receivables from banks which are protected by deposit protection systems are purchased.

There are no investments in the US sub-prime segment. In fiscal 2007, there were only slight effects due to the general re-evaluation of credit risks for a very restricted range of investments. We evaluate most of these as only temporary and therefore uncritical. The uncertainty triggered as a result of this in the financial and especially the share markets nevertheless is nevertheless affecting development of the value of our investment portfolio. We are countering the volatility of the markets with efficient risk management, which takes into account our ability to bear risks, ensures speedy reactions to severe market fluctuations and enables us to exploit any opportunities which arise.

All in all, our investments are well diversified. They are profitably and securely placed. Opportunities and risks are balanced.

Sales risks

A guarantee for the successful sale of our insurance policies is provided by our exclusive local sales partners. Our risk managers therefore pay special attention to all the risks which could impair our sales performance.

We counter the risks with, among other things, intensive and practical training courses, with extensive information, as well as with the quality and functionality of the locally used IT systems.

The cornerstone of our sales is our exclusivity organisation and, to strengthen it, we started an investment and growth project in 2007. However, in order to expand commercial business and avoid risks arising from a one-sided sales strategy, we strive to ensure diversification through additional sales channels. Brokers as a sales channel offer promising potential for growth.

By establishing Vertriebservice GmbH in 2007, the Württembergische bundled its broker business and created the preconditions for lasting growth oriented to turnover and earnings in this sales channel. In order to avoid possible risks of diversification, equality of opportunity between

the sales channels is ensured. In order to counter the potential risks of an erosion of business when broker business is transferred from local offices to Vertriebservice GmbH, appropriate measures to secure business are being taken.

Due to the reform of the VVG (insurance contract law), which came into effect on 1 January 2008, the documentation obligations in respect of contracts have increased. This means more administration work for everyone involved, including sales staff. We will continue to optimise the processes in order to lighten the administrative burden on the sales force and to make sure that the provision of advice to the customer remains at the focus of their endeavours.

Risks arising from the loss of accounts receivable from insurance business

We minimise the risks arising from loss of accounts receivable from agents, brokers, large customers and reinsurers by means of IT-based checks of outstanding accounts and suitable protective mechanisms. As a provision against risks, we take appropriate precautions in that we carry out value corrections on the existing accounts receivable.

Accounts receivable from policyholders

On the balance-sheet date, we carried EUR 25.4 (27.8) million in outstanding receivables from our policyholders before value correction in domestic business. Out of this total, the due date for an amount of EUR 9.3 (11.1) million was more than 90 days before the balance-sheet date. The share of value correction in the written premiums amounted to 0.3 (0.4) per cent on average in the last three years.

Accounts receivable from agents

On the balance-sheet date, we carried EUR 10.5 (13.4) million in outstanding receivables from our agents before value correction. Out of this total, the due date for an amount of EUR 4.0 (5.6) million was more than 90 days old. The share of value corrections carried out the accounts receivable amounted to 3.4 (1.8) per cent of the receivables on the balance sheet date on average in the last three years.

As a precaution against the risk of commission repayments, agents must provide a form of security. As a rule, we take out breach-of-contract insurance for the sales force.

Accounts receivable from reinsurers

Accounts receivable arising from reinsurance do not constitute a significant risk for WürttVers thanks to the excellent financial standing of the reinsurers. Domestic business is reinsured solely within the Group through W&W AG, which passes on most of it to external reinsurers. There are also clearing receivables from Münchener Rück, which was the reinsurer of KV until 2006. On the balance sheet date, there were outstanding clearing receivables that amounted to EUR 19.6 (9.7) million and were not older than 90 days.

Our English branch office carried clearing receivables from reinsurers amounting to EUR 58.1 (26.5) million less receivables not yet due. For EUR 21.4 (15.6) million, the due date was more than 90 days before the balance sheet date. A breakdown according to Standard & Poor's rating classes is as follows:

in EUR million	2007	2006
AAA	0	0
AA	1.9	0
A	47.9	17.5
BBB	0	0
Non -investment	0	0
Without	8.3	9.0
Total	58.1	26.5

In the past three years, the average share of value corrections carried out on the receivables was 4.7 (4.7) per cent of the existing receivables.

Operational risks

Information technology risks

The application development offices and computer centres have been placed together in IT GmbH. IT GmbH uses its own risk management system, which describes the important risks from the point of view of WürttVers.

The IT is characterised by a very high standard of dependability. Consistent test and back-up procedures for application and computing systems, redundant design of the internal and external telecommunications structure and additional protective measures minimise the risk of IT failure. Appropriate measures have been initiated for risks arising from lack of an emergency power supply.

In fiscal 2007, the VVG reform led to extensive investment and the need for greater IT capacity. In order to implement these plans in our IT systems, impetus was given to projects with a high priority. In 2008 as well, the issue will tie up more capacities because, in particular, the reorganisation of existing policies and the recently issued directive on obligations to disclose information in the case of insurance contracts have to be implemented.

Due to the fluctuation of qualified staff in IT GmbH, the maintainability and further development of the systems of the former Karlsruher will only be possible with restrictions or at higher costs. Measures to minimize the risks involved are currently being investigated and implemented as quickly as possible.

Legal risks

The general legal situation is continually monitored by the corporate legal department and checked to find out whether any action is necessary. If necessary, the corporate legal department works to ensure compliance with the legal requirements in the framework of legal consultations, contracts and negotiations.

At the moment, ongoing processes of coordination with the corporate legal department are taking place, especially in the context of the VVG reform.

Tax risks

The corporate tax department continuously monitors and checks any changes in the general legal situation to see if there is any need to take action. This department also works to ensure that the tax obligations are complied with.

Summary: Risk management

WürttVers is integrated in the procedure used by the W&W Group for the early detection and control of risks. WürttVers limits its risks with a fixed long-term business policy, consistent implementation of the requirements of the insurance supervisory law and the use of appropriate risk management systems. The risk strategy defines the cornerstones of this approach. Based on the strategic stipulations, the risk policy defines the operating framework for dealing with the risks. This enables the company to cope with the risk situation and manage the risk potential.

Proper account must be taken of the risks referred to by ensuring adequate equity. The solvability requirement of the insurance supervisory law is checked regularly and complied with on a lasting basis due to the balance sheet equity that is ensured. With a solvability ratio of 161 (175) per cent as at 31 December 2007, WürttVers easily fulfilled the equity requirements of the insurance supervisory law.

Risk-bearing capacity is also measured and ensured at all times by means of the internal risk-bearing capacity model. Apart from the risks, the security funds are evaluated with the tail-value-at-risk approach. In order to compensate for the quantified aggregated risk, WürttVers has sufficient security funds even in cases where extreme risk events are simulated. The stochastic risk model is developed continually and adapted to the requirements of the W&W Group as well as to general external conditions.

Relationship to affiliated companies

W&W AG, Stuttgart, holds 100 per cent of our share capital. W&W AG, in turn, is in a relationship of dependence with Wüstenrot Holding AG (WH). There are no business relationships between WH and our company.

A contract of domination and profit-transfer exists with W&W AG.

There are close relationships to W&W AG, WürttLeben, WürttKranken, ARA PK, KLV, W&W AM, BSW, IT GmbH, Altmark, WürttFeuer, ELEKTRA and ELEKTRA KÖ 43. These relationships are based on transfer-of-functions-and-services contract.

All these contracts regulate the partly or wholly transferred services, including cost allocation according to cause.

The settlement of claims in the area of legal protection insurance has been transferred to Württembergische Rechtsschutz Schaden-Service GmbH by means of a service contract.

Our annual accounts are consolidated into the annual accounts of W&W AG and into the consolidated accounts of WH. Reinsurance of domestic reinsurance business is mainly provided through W&W AG, which cedes some of the assumed risks to external reinsurers in a process of retrocession. An exception to this is some of the insurance business underwritten abroad and the business which we ourselves give to Pharma-Rückversicherungs-Gemeinschaft.

Environmental Commitment – ECOfit certification awarded

In May 2007, the Württembergische was awarded ECOfit certification by the Baden-Württemberg Minister of the Environment, Claudia Gönner, and mayor Wolfgang Schuster. Within the framework of a one-year project, environmental protection measures for cutting back on the use of resources and saving costs were elaborated. The knowledge gained in 2007 is being implemented at all locations throughout the Group. In 2008, the energy costs will be reduced to EUR 250 000 per year.

Customers, products and sales channels

For the W&W Group, the customer is at the centre of all considerations. Thinking from the customer's point of view means pinpointing his needs and offering exactly the right solutions composed of comprehensible product components. Together with its subsidiaries, the W&W Group profiles itself as a specialist in provision for the future which satisfies customer wishes with its products for the formation of capital wealth, home ownership, security for the future and protection against risks.

Importance is also assigned to the choice of sales channel as well as further development of the range of products. Our sales partners ensure customer-focussed, direct problem solving in situ. We see the challenge as being in the alignment of our customer relationships and our products to the wishes of the customer. Gaps in the Group's product portfolio are determined and, when appropriate, filled. We combine individual products to form packages which serve as useful overall solutions from the customer's point of view.

The "4 Wins" concept, for example, combines the "IDEAL" building savings contract with the no-charge "TOPGiro" current account, a Riester annuity and private supplementary health insurance. The result is a package with which the customer is guaranteed a maximum state grant in the form of a home construction bonus, an employees' savings allowance, and state-backed provision for old age. All the building blocks of "4 Wins" can also be chosen individually, depending on needs.

Another example of innovation in the W&W Group is the modular premium product for motor insurance with specific forms of additional cover. Within the framework of our holistic concept of provision for the future, the Württembergische grants premium discounts to the building savings customers of Wüstenrot. The idea of being the specialist in provision for the future is also apparent in our new tariffs for personal accident insurance. Here, apart from core insurance protection, we will introduce new types of service such as "Family Management". This is aimed at families which have small children and which, when benefits are to be paid out, are faced with considerable organisational and logistical challenges. "Reha Management" involve the provision of advice by experienced rehabilitation managers. They help the customer to design an optimum recovery process, provide information on medical questions and also find the right specialist, if necessary.

Finally, at the beginning of 2008, WürttLeben brought out a completely new generation of life assurance tariffs. These offer an attractive range of possibilities for the build-up of assets and provision for old age with a high level of flexibility at the same time. Improved customer-friendly rules apply to premature termination of contracts. Here, it must be borne in mind that the important purpose of additional and secure provision for old age is not achieved in the case of early unscheduled termination. In addition, these products include a new regulated, explicit profit component in order to enable customers to participate in the valuation reserves within the framework of the legal stipulations.

Award for good service

Due to the further improvement in services in line with the corporate objective of placing the focus on the customer, Wüstenrot and Württembergische received an award for their orientation to the customer. The companies are two of “Germany’s Customer-oriented Service Providers 2007”. The initiators and organisers of this competition were the Handelsblatt, the Institut für Versicherungswirtschaft (institute for the insurance industry) of St. Gallen university, Service-Rating GmbH and Steria Mummert Consulting.

In the context of the KUBUS insurance market study in 2007, the Württembergische received the top rating “Excellent” in the claims/benefits area, not only in the overall result but also in the individual assessments for motor claims processing, health insurance benefits and life assurance pay-outs.

Sales force is the key to success

The key to the success of the growth initiative is a performance-based sales force aligned to the needs of the customer. The two exclusivity organisations of Wüstenrot and Württembergische with a total of more than 6 000 support staff in around 1 000 Wüstenrot service centres and 2 000 field offices of the Württembergische are the foundations on which the selling power of the W&W Group is based. The W&W Group thus has the fourth-largest mobile sales force in Germany.

Establishment of the new brokerage company “Württembergische Vertriebsservice GmbH” is aimed at the systematic build-up and considerable intensification of broker activities in the insurance sector. In addition, we are expanding our cooperation with banking partners in life assurance. As part of the W&W Group, Württ-Leben thus enjoys a strong presence on the market.

Shared market identity fosters the company’s image and consumer awareness of the company

Image and consumer awareness as well as the business model and corporate culture are central characterising aspects of the company as a specialist in provision for the future. Among consumers, there is a high level of awareness of Wüstenrot and Württembergische, whereby customer groups form a shared source of potential. Awareness of the fact that the two brands represent the same corporate group is to be increased. As of March 2008, the W&W Group will therefore be presenting itself with a new image. This is already manifested on the front cover of the annual report. The joint visual presentation is intended to profile the interconnection of the two brands and the new image is an important component when it comes to giving life to the idea of a joint identity in the Group and on the market.

In the new shared image, WürttVers is also a reliable, service-oriented partner for its customers – the “Rock in the Waves”.

The range of products offered

The field sales organization of the WürttVers, as a subsidiary of the W&W Group, offers the products of

- Württembergische Versicherung AG
- Württembergische Lebensversicherung AG
- Württembergische Krankenversicherung AG
- Allgemeine Rentenanstalt Pensionskasse AG
- Karlsruher Lebensversicherung AG
- Wüstenrot Bausparkasse AG
- Wüstenrot Bank AG Pfandbriefbank
- W&W Asset Management GmbH

Our range includes a wide spectrum of insurance types for private and corporate customers.

Insurance offered to private clients

Life and annuity assurance

- Company pension schemes, conversion of remuneration through pension schemes or direct insurance
- Financing
- Endowment and term assurance, formation-of-capital-wealth assurance, educational endowment assurance, funeral costs insurance, permanent health and supplementary personal accident insurance
- Classical annuity assurance, unit-linked annuity assurance, Riester pension, unit-linked Riester pension, basic annuity, unit-linked basic annuity, supplementary permanent health, orphans' and surviving dependants' insurance, separate disability insurance

Health insurance

- Full health-costs insurance,
- Loss-of-earnings insurance (for hospital care) and supplementary insurance
- Daily health allowance insurance, daily hospital allowance insurance
- Compulsory nursing insurance, daily nursing allowance insurance
- Foreign travel health insurance

General and personal accident insurance

- Construction all risks insurance
- Third-party liability insurance: private, house and real estate owners, animal owners, boat owners, house builders, hunters
- Glass insurance : construction glass, household glass
- Household insurance
- Motor insurance: motor third-party liability, motor all risks, motor fire and theft, traffic assistance, motor personal accident
- Aviation insurance: aviation third-party liability, hull, personal accident
- Legal protection insurance: traffic, private and professional legal protection for employees and the self-employed, legal protection for owners and tenants of apartments and real estate
- Marine insurance: luggage, small craft hull insurance, music instruments, hunting and sports weapons, jewellery and furs in private ownership
- Personal accident insurance: for singles, partners, children, families, senior citizens, travel
- Residential buildings insurance

Insurance offered to corporate clients

Life and annuity assurance (all types of company pension schemes and provisions for old age)

Health insurance

General and personal accident insurance

- Aviation insurance
- Engineering insurance
- Legal protection insurance
- Loss-of-earnings insurance
- Marine insurance
- Motor insurance
- Personal accident insurance
- Property insurance
- Third-party liability insurance

Our Employees

In 2007, we paved the way for more growth, efficiency and profitability. Our employees contributed to implementation of these measures with constant dedication. The foundations were thus laid to secure the future of the company and to protect jobs over the long term. One important project was the integration of the Karlsruher insurance companies.

In 2008 as well, we intend to maintain the chosen course. In doing so, we will continue to rely on the dedication and commitment of our employees.

Number of employees reduced as a consequence of efficiency projects

The Württembergische insurance companies include WürttVers, WürttLeben, WürttKranken, ARA Pensionskasse and Karlsruher Lebensversicherung. On 31 December 2007, the Württembergische insurance companies employed a total of 5 143 (5 549) people in an active work capacity. Out of this number, 1 739 (1 909) jobs were accounted for by salaried salespersons in the field sales force.

The total number of people in our employ on 31 December 2007, including part-time staff, amounted to 6 093 (6 532) – calculated in terms of employment contracts.

The 7 per cent decrease in personnel was related to the “Württembergische 2009” program, which envisages a cut-back of around 870 jobs in the Württembergische insurance companies from October 2005 to the end of 2009. By the balance-sheet date, 840 jobs had been eliminated without redundancies due to operating factors.

Initiatives for basic and further training

The 273 trainees (321) of the Württembergische insurance companies are mainly employed in the commercial professions. We want to maintain this level in the coming years and thus fulfil our social responsibilities. We are currently training 19 young employees, in conjunction with the vocational academies in Karlsruhe and Stuttgart, to achieve qualifications in management or a Bachelor of Arts degree.

In addition to basic training and specialist further training, the W&W Group provides a multiple-stage career concept for the development and encouragement of new young managers. The “ALFA” program is used for the selection and qualification of top managers on the departmental manager level.

In focus: five corporate guidelines

Last year in the W&W Group, we defined guidelines that describe the way we see ourselves and our attitude to customers:

- Place the focus on the customer
- Strive for maximum performance
- Make team spirit a tangible experience
- Display courage for the new
- Assume responsibility

The guidelines are the foundations of a shared culture in the W&W Group. In December 2007, a new charter of objectives was ratified for the entire Group. It contains statements on strategy, employees, sales and serving the market as well as on the management of processes, services and resources. The charter of objectives is a binding point of reference for the activities of all the Group's employees and managers.

Through our guidelines and the charter of objectives, we have augmented the importance of leadership within the company. In consultation with our employees, we agree on binding goals and milestones which enable us to measure and recognise actual performance. The agreements thus arrived at are accompanied by targeted qualification measures.

Personnel work itself is being re-organised in the framework of "StEP 2009" (strategic development of personnel), a Group project that started in 2007 and will last up to 2009. The aim is to standardize work processes and make them more efficient.

Thanks to our employees

At this point, we would like to thank our employees for their commitment and exceptional dedication in 2007. The performance and competence of our employees are decisive factors that are essential for securing the future of our Group.

Our thanks also go to the employees' representatives and their committees and to the executives' committee of spokespersons for their cooperation in an atmosphere of mutual trust and for their construction contribution to the ongoing processes of change.

Performance Over Several Years

	2007	2006 ²	2006
Revenue Account			
Gross written premiums in EUR million	1 474.2	1 610.7	1 391.9
Incurred losses for own account (f.o.a.) in EUR million	802.4	819.1	692.9
Underwriting expenses (f.o.a.) in EUR million	340.1	341.7	295.1
Claims reserves as per cent of premiums (f.o.a.)	144.4	133.8	138.2
Total insurance reserves as per cent of premiums (f.o.a.)	186.1	176.1	180.4
Portfolio			
Number of insurance contracts in thousands	7 671	7 739	6 254
Claims			
Number of advised claims in thousands	570	541	446
Investments			
in EUR million	2 491	2 484	2 242
Profit for the year/profit transfer			
in EUR million	45.1	27.2	24.7
Equity			
Subscribed capital in EUR million	109.3	109.3	109.3
Reserves in EUR million	151.6	151.6	151.6
Increase in the retained profit reserves in EUR million	—	2.5	—
Equity as per cent of earned premiums (f.o.a.)	22.1	20.0	25.1
Staff of the Württembergische insurance companies¹			
Office staff and salaried salesmen	6 093	6 532	4 515
Dividends/Profit transfer			
Dividend pay-out in EUR million	45.08	24.74	24.74

¹ WürttVers, WürttLeben

² From 2006 WürttVers after merger with KV

	2005	2004	2003	2002	2001	2000	1999	1998
	1 370.7	1 374.7	1 446.0	1 470.8	1 584.8	1 394.3	1 169.0	1 135.5
	703.0	658.7	699.4	796.6	843.3	703.5	636.2	579.1
	289.5	256.7	264.0	297.3	320.0	285.0	239.5	230.9
	138.6	135.6	133.4	119.2	103.0	98.8	108.8	107.0
	176.3	171.1	165.3	149.1	133.4	128.4	139.9	139.5
	6 267	6 345	6 502	6 798	6 900	6 857	6 588	6 349
	456	476	514	596	550	598	557	523
	2 100	1 904	1 848	1 555	1 487	1 404	1 415	1 382
	21.8	27.0	5.1	—	— 2.8	13.4	13.7	30.1
	109.3	109.3	109.3	109.3	109.3	109.2	109.2	109.2
	151.6	151.6	142.0	139.4	139.4	142.1	139.6	137.0
	—	9.6	2.5	—	—	2.5	2.6	15.3
	25.6	26.8	25.4	24.5	23.5	27.1	29.5	30.1
	4 508	4 533	4 650	4 945	5 208	5 034	4 748	4 667
	21.83	20.02	—	—	—	11.10	11.10	14.68

Balance Sheet as at 31 December 2007

Assets	2007 in EUR thousand	2007 in EUR thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
A. Intangible assets ① ²			1 660	2 308	14
B. Investments					
I. Land, leasehold rights and buildings, including buildings on non-owned land ②		109 332		110 798	109 744
II. Investments in affiliated companies and participations					
1. Shares in affiliated companies	142 775			145 077	211 578
2. Participations	43 326			6 828	6 728
		186 101		151 905	218 306
III. Other investments					
1. Shares, investment certificates and other non-fixed interest securities	350 762			270 637	190 057
2. Bearer bonds and other fixed-interest securities ③	603 155			551 073	551 073
3. Mortgages ④	32 954			37 732	37 732
4. Other loans ⑤	1 024 603			1 163 901	945 401
5. Deposits with credit institutions	146 269			162 119	153 769
6. Other investments	38 322			36 057	36 057
		2 196 065		2 221 519	1 914 089
			2 491 498	2 484 222	2 242 139
Amount carried forward			2 493 158	2 486 530	2 242 153

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

² See numbered notes in the appendix from page 51 onward

	2007 in EUR thousand	2007 in EUR thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
Amount brought forward			2 493 158	2 486 530	2 242 153
C. Accounts receivable					
I. Accounts receivable on direct business from:					
1. Policyholders ^⑥	24 543			24 791	19 236
2. Insurance agents	9 244			13 476	10 055
		33 787		38 267	29 291
II. Accounts receivable on reinsurance business		133 583		127 970	124 992
Including:					
EUR – (6 413 thousand owed by affiliated companies					
III. Other receivables ^⑦		96 777		58 388	40 276
Including:					
EUR 62 818 (18 949) thousand owed by affiliated companies			264 147	224 625	194 559
D. Other assets					
I. Equipment and stock ^⑧		3 376		4 777	4 136
II. Current accounts with credit institutions, checks and cash in hand		48 679		43 359	42 005
Including:					
EUR 32 384 (4 782) thousand with affiliated companies			52 055	48 136	46 141
E. Deferred assets					
I. Deferred interest and rent		35 132		39 024	34 293
II. Other deferred assets ^⑨		2 457		4 432	4 368
			37 589	43 456	38 661
F. Deferred taxes according to § 274 HGB ^⑩			–	18 509	15 067
Total assets			2 846 949	2 821 256	2 536 581

Balance Sheet as at 31 December 2007

Liabilities	2007 in EUR thousand	2007 in EUR thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
A. Equity					
I. Called-up capital ^⑪					
a) Capital subscribed	109 312			109 312	109 312
b) Less unclaimed outstanding contributions	53 660			53 660	53 660
		55 652		55 652	55 652
II. Capital reserve ^⑫		76 694		76 694	76 694
III. Retained profit reserves ^⑬					
Other retained profit reserves		74 883		54 054	74 883
			207 229	186 400	207 229
B. Subordinary debt ^⑭			90 000	90 000	90 000
C. Insurance reserves ^⑮					
I. Premium reserve					
1. Gross	205 115			238 289	206 690
2. Less share ceded to reinsurance	35 188			47 789	43 837
		169 927		190 500	162 853
II. Premium funds					
1. Gross	425			494	494
2. Less share ceded to reinsurance	64			74	74
		361		420	420
III. Reserve for insurance claims					
1. Gross	2 356 544			2 341 688	2 017 361
2. Less share ceded to reinsurance	676 824			703 514	559 330
		1 679 720		1 638 174	1 458 031
IV. Reserve for claims equalisation and similar reserves		297 134		309 846	265 833
V. Other insurance reserves					
1. Gross	22 671			23 167	21 219
2. Less share ceded to reinsurance	4 346			5 133	4 702
		18 325		18 034	16 517
			2 165 467	2 156 974	1 903 654
Amount carried forward			2 462 696	2 433 374	2 200 883

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

	2007 in EUR thousand	2007 in EUR thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
Amount brought forward			2 462 696	2 433 374	2 200 883
D. Other accrued liabilities					
I. Reserves for pensions and other obligations				18 407	—
II. Tax reserves		44 196		45 394	33 776
III. Other reserves ¹⁶		103 802		100 329	93 552
			147 998	164 130	127 328
E. Other liabilities					
I. Accounts payable on direct insurance business to					
1. Policyholders ¹⁷	36 306			47 036	44 739
2. Insurance agents	12 937			10 345	10 196
Including: EUR 51 (213) thousand owed to affiliated companies		49 243		57 381	54 935
II. Accounts payable on reinsurance business		96 213		75 055	72 764
Including: EUR 19 960 (—) thousand owed to affiliated companies					
III. Other liabilities ¹⁸		89 152		91 119	80 547
Including: EUR 20 043 (12 533) thousand arising from taxes EUR 2 (—) thousand arising from social security EUR 47 205 (62 813) thousand owed to affiliated companies			234 608	223 555	208 246
F. Deferred liabilities ¹⁹			1 647	197	124
Total liabilities			2 846 949	2 821 256	2 536 581

Personal accident and third-party liability insurance

It is hereby confirmed that the aggregate reserves posted in the balance-sheet under items C.II.1. and C.III.1 of liabilities have been calculated in accordance with §§341 f and 341 g HGB as well as with the regulations decreed due to § 65 Section 1 VAG. For the old portfolio in the sense of § 11 c VAG, the aggregate reserves have been calculated in accordance with the tariff submission last approved on 10 July 1992 and calculated

in accordance with the supplemented business plan on 21 January 1997.

Stuttgart, 26 January 2008



Actuary responsible
Dr. Peter Scheefer

Profit and Loss Account

for the period 1 January to 31 December 2007

	2007 in EUR	2007 in EUR	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand	thousand	thousand
I. Insurance account					
1. Earned premium for own account ⁽²⁾					
a) Gross written premiums	1 474 153			1 610 680	1 391 916
b) Reinsurance premiums ceded	310 790			385 985	336 878
		1 163 363		1 224 695	1 055 038
c) Change in gross premium reserve	25 411			- 11 576	- 12 166
d) Change in the share of reinsurers in the gross premium reserve	- 9 980			- 10 179	- 5 091
		15 431		- 21 755	- 17 257
			1 178 794	1 202 940	1 037 781
2. Technical interest income for own account ⁽²⁾			1 246	1 266	1 105
3. Other income resulting from insurance business for own account			3 004	1 980	1 965
4. Incurred losses for own account					
a) Payments for insurance losses					
aa) Gross	974 970			1 018 897	863 729
bb) Share of reinsurers	241 781			301 640	231 716
		733 189		717 257	632 013
b) Change in the reserve for insurance claims ⁽²⁾					
aa) Gross	61 598			44 392	17 157
bb) Share of reinsurers	- 7 581			- 57 463	- 43 780
		69 179		101 855	60 937
			802 368	819 112	692 950
5. Change in the remaining net insurance reserves					
a) Net premium fund		59		13	13
b) Other net insurance reserves		- 291		2 422	763
			- 232	2 435	776
Amount carried forward			380 444	389 509	348 677

	2007 in EUR	2007 in EUR	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand	thousand	thousand
Amount brought forward			380 444	389 509	348 677
6. Underwriting expenses					
for own account					
a) Gross underwriting expenses ²³		422 077		444 318	386 210
b) Less commission and profit commission received from ceded reinsurance business		81 985		102 569	91 143
			340 092	341 749	295 067
7. Other expenses relating to insurance business for own account			6 363	6 234	4 848
8. Subtotal			33 989	41 526	48 762
9. Change in the equalisation reserve and similar reserves			12 712	- 39 360	- 47 371
10. Insurance result for own account			46 701	2 166	1 391
II. General account					
1. Income from investments					
a) Income from participations ²⁴	2 462			1 539	1 538
Including:					
EUR 1 313 (1 047) thousand from affiliated companies					
b) Income from other investments ²⁴	108 242			97 651	85 735
Including:					
EUR 1 340 (190) thousand from affiliated companies					
c) Earnings from the increase in the value of investments	553			557	557
d) Profits from the disposal of investments ²⁵	3 658			9 520	9 257
		114 915		109 267	97 087
Amount carried forward			46 701	2 166	1 391

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

	2007 in EUR	2007 in EUR	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand	thousand	thousand
Amount brought forward			46 701	2 166	1 391
2. Expenses related to investments					
a) Investment-management expenses, interest and other expenses related to investments	5 558			5 654	5 016
b) Depreciation on investments	18 294			12 986	12 852
c) Loss on the disposal of investments ²⁶	14 702			2 308	1 844
		38 554		20 948	19 712
		76 361		88 319	77 375
3. Technical interest income		1 246		1 267	1 105
			75 115	87 052	76 270
4. Other income ²⁷		302 709		213 996	209 736
5. Other expenses ²⁸		340 434		251 505	241 517
			- 37 725	- 37 509	- 31 781
6. Result of normal business activity			84 091	51 709	45 880
7. Extraordinary earnings			–	6 294	
8. Extraordinary expenses ²⁹		20 829		–	–
9. Extraordinary result			- 20 829	6 294	
10. Taxes on income and profits ³⁰		16 324		29 945	20 295
Including taxes arising from intergroup allocation EUR – (35 511) thousand					
11. Other taxes		1 859		847	845
			18 183	30 792	21 140
12. Profits transferred according to transfer-of-profit agreement			45 079	24 740	24 740
13. Profit for the year			–	2 471	–
14. Retained profit			–	29	–
15. Transfer to the other reserves in profit reserves			–	2 500	–
16. Balance sheet profit			–	–	–

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Notes

Explanatory Notes – Annual Accounts

Methods of valuation

Assets

Land, leasehold rights and buildings, including buildings on non-owned land are stated at the historical cost of purchase or construction, less depreciation effected with the declining-balance or the straight-line method at the top tax-permissible rates and less extraordinary depreciation of earlier years. Extraordinary depreciation is only carried out if a lasting impairment is foreseen.

Shares in affiliated companies and other participations have been measured at historical cost, less depreciation in accordance with § 341 b Para. 1 HGB in conjunction with § 253 Para. 2 Clause 3 HGB.

All shares, investment certificates, bearer bonds and other fixed-interest and non-fixed interest securities of the floating assets are measured at historical costs in accordance with the average-value principles for identical investments at their cost of purchase, less depreciation according to the strict lowest-value principle, with account being taken of the revalorisation law.

Interest swaps and currency swaps together with the underlying loans are placed together in valuation units. Valuation units exist solely with investments posted at nominal value on the balance sheet in accordance with § 341 c HGB.

There are several structured products in the portfolio. The structured products in the form of loans, registered bonds and bearer bonds as well as the derivate components contained there-

in are posted on the balance sheet uniformly in so far as the requirements for uniform balance-sheet presentation are fulfilled. The structured loans and registered bonds are evaluated at their nominal value in accordance with the regulations of § 341 c HGB.

The structured zero loans are posted at the value of their continued historical costs. The structured bearer bonds are posted according to the strict lowest-value principle.

Purchased option rights are stated at their historical cost at the time of purchase to the level of the option premium. Option premiums for sold options are stated as “Other” liabilities as long as the obligation to pay arising from the option exists. If a loss is to be expected on the balance-sheet date, this is covered by provision for anticipated losses.

Loans to affiliated companies and loans to companies which are related through participation as well as other loans and advance payments on insurance policies, registered bonds, debentures and loans have all been posted at their nominal value.

Redemption premiums and discounts are distributed over the running period. For detectable risks, we form individual value adjustment reserves and deduct them on the assets side.

Mortgages are assessed at their nominal values less repayments. The retained debt discount expenses are individually distributed over the duration of the underlying loans in the form of deferred assets. For detectable default risks, we form individual value adjustment reserves and deduct them on the assets side.

Deposits with credit institutions, other investments, other loans, other accounts, receivable on reinsurance business, other assets, current accounts with credit institutions, checks and cash are shown at their nominal values.

Accounts receivable on direct insurance business and outstanding interest and rents contained in the "Other accounts receivable" are posted on the balance sheet at their nominal values. We have taken into account current counterparty risks by means of individual value adjustment reserves. Global value adjustment reserves are formed on the basis of individual surveys and experience gained in the last few years and, like the individual value adjustment reserves, are deducted on the assets side. In addition, we formed a reserve for premium cancellations.

Equipment and the other intangible assets are stated at historical cost, less depreciation effected at the maximum rates allowed by tax legislation. Low-value assets were fully depreciated in the year of purchase.

Stocks are valued at their historical cost of purchase.

The fair values for land, leasehold rights and buildings, including buildings on non-owned land, were re-measured for all land and determined according to the discounted cash flow procedure. For the fair values of the other investments shown on the balance sheet at their historical cost, the stock-exchange value or a market value derived from the general interest level was applied. If there was no stock-exchange price for affiliated companies and participations, the historical cost or the simplified earnings value was used as the fair value. The fair values of investment certificates were determined from the redemption values after pay-outs were taken into account.

In the case of investments which were not depreciated to the lower fair value on the balance sheet date, an increase in value in an average planning period or until the final due date was assumed.

Methods of valuation

Liabilities

Subordinary debt has been assessed at the value of their repayment amounts.

The premium reserves have been calculated for each insurance contract less cutting external costs. In personal accident endowment insurance and in direct foreign business, they have been calculated according to flat rates. In marine and stock-throughput business, the premium reserves are included in the reserve for outstanding claims. The share of the reinsurers is assessed using the same method, based on the individual insurance contracts taking into account their external costs.

The premium funds – posted under the aggregate reserve for direct business – in personal accident endowment insurance have been calculated for each individual contract in accordance with actuarial principles.

The reserves for outstanding insurance claims in direct business are evaluated according to the expected cost of each individual claim. In accepted business, the claims reserves match the tasks of the pre-insurers as closely as possible. For the UK branch office, additional reserves have been formed in accordance with actuarial methods, plus an additional amount for safety.

For claims not yet advised, there is a global IBNR (increased but not reposted) reserve calculated on the basis of levels experienced in the previous years.

For marine insurance, including auxiliary classes and stock-throughput insurance, there is, in direct German business, a global reserve formed on the basis of mathematically determined experiential values for the first four insurance years of an underwriting year, with account being taken of returned premiums.

For older underwriting years, the claims reserve was formed as before on the basis of percentages of the expired net premium of an underwriting year, plus unsettled claims.

This annuity reserves are calculated for each individual contract according to actuarial principles.

The reserves for unprocessed surrenders, refunds and withdrawal payments are posted at the level of the repayments.

Receivables arising from recourse, claim recoveries and distribution agreements have been deducted from the reserve for outstanding insurance claims of the respective insurance class.

The expected settlement expenses for outstanding claims have been taken into account by a reserve created in accordance with the tax ordinance of 22 February 1973. In the classes marine and stock-throughput business, flat rates have been applied for the first four years of an underwriting year. The share of the reinsurers has been determined according to their quota share.

The claims equalisation reserve under item C.IV. was created in accordance with the appendix to § 29 RechVersV.

The amounts under other insurance reserves were determined as follows:

The reserve for unearned premiums of deregistered vehicles was assessed for each contract; the reserve for premium cancellations was calculated on the basis of statistical data; the reserve for return premiums according to § 9 FBUB (general conditions of insurance for business interruption insurance) was based on the ratio of repayments made in the financial year

for the previous year to the premium revenue of the previous year. For obligations arising from membership in the Verkehrsofopferhilfe e.V. (association for assisting accident victims), we carry a reserve for outstanding claims of such victims as posted by the association. The shares of the reinsurer in the above-named reserves were deducted according to the contractual agreement.

The clearing accounts payable on reinsurance business and on direct insurance business are included at actual amounts.

The reserves for obligations relating to early retirement and payment of long-service bonuses were calculated in accordance with actuarial principles on the basis of the foreseeable requirements.

For the legal obligations which existed on the balance sheet date and which arise from part-time retirement work contracts, a reserve to the amount of the cash value of future stock-up payments is posted as a liability after account has been taken of the employer's expenses for social insurance. The guaranteed interest rate is 4.5 per cent. Biometric factors are taken into account in the form of a global deduction of 2 per cent when the size of the reserve is decided on. Reimbursement claims against the state job agency are posted on the balance sheet at the cash value of the obligation if the job is re-occupied.

The Other liabilities are shown at their repayment amounts.

Currency conversion

During the year, we record the turnover of direct foreign business in foreign currency. The accounts receivable and payable of the previous year and the balance-sheet items as of the balance-sheet date were converted into euros at the average exchange rate ruling on the balance-sheet date. The corresponding expenditure and income were recorded at the same exchange rate in the Profit and Loss Account.

The premium and loss reserves of the previous year were re-assessed on the balance sheet date at the average exchange rate. The resulting differences are shown as exchange-rate profits and losses.

Foreign currency investment items are assessed in euros in line with the rules of individual assessment and according to the lowest value principle. In addition, we adhere to the principle of congruent coverage for each currency. In so far as securities in foreign currencies are held to cover certain insurance liabilities in foreign currency, they are assessed at the exchange rate on the balance-sheet date.

Expenses and income of the general account are assessed at the exchange rate on the day of the business transaction.

The exchange-rate profits and losses are shown in the general section of the Profit and Loss Account under items II.4 and II.5 respectively, whereby they are balanced per currency.

Allocation of income and expenses to financial periods

A small part of German marine business is not contained in the year under review as the final accounting documents are not available until after the annual accounts have been prepared.

Due to this deferred booking procedure, premium revenue for 2006 to the amount of EUR 648 thousand was recorded in the year under review.

Explanatory Notes – Assets

A. Intangible assets ① *

Under this item, the purchasing costs for EDP software are shown.

The development of intangible assets is shown in a table on pages 64 and 65.

B. Investments

The development of investments is shown in the table on pages 64 and 65.

I. Land, leasehold rights and buildings, including buildings on non-owned land ②

As of the balance-sheet date, our land holdings consist of 23 (27) pieces of real estate with a balance-sheet value of EUR 109 332 (110 798) thousand. The current market value of our land and buildings is EUR 125 959 thousand due to the revaluation carried out on 31 December 2007. The addition of EUR 1 343 thousand results from the construction costs of diverse buildings.

In the year under review, four objects with a book value of EUR 1 141 thousand were sold.

EUR 5 427 (5 579) thousand of our land holdings is apportioned to shares in common properties.

In the framework of our activity, own land and buildings with a balance-sheet value of EUR 92 981 (93 085) thousand are used.

II. Investments in affiliated companies and participations

The list of shareholdings is shown in a table on page 71.

In addition, the details regarding shareholdings in accordance with § 285 No. 11 HGB are lodged with the electronic federal gazette and with the electronic registry (Bundesanzeiger) of companies register in a list of holdings.

III. Other investments

2. Bearer bonds and other fixed-interest securities ③

We have invested in fixed-interest securities in foreign currency which are used for congruent coverage of our liabilities arising from direct foreign insurance business.

In the table on pages 64 and 65, the exchange-rate profits of EUR 164 (1 400) thousand are included in the revaluation of investments and the exchange-rate losses of EUR 16 907 (9 936) thousand are included in depreciation.

In the Profit and Loss Account, these exchange-rate fluctuations are entered under the items “Other income” and “Other expenses”.

3. Mortgages ④

At the end of the year under review, we were involved in one foreclosure.

* See balance sheet/profit-and-loss account, starting page 40

4. Other loans ^⑤

This item includes:

	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
Non-negotiable bonds	576 000	657 621	513 121
Debentures and loans	432 103	486 054	412 054
Other loans	16 500	20 226	20 226
Total	1 024 603	1 163 901	945 401

The “other loans” include non-tradable participating certificates of EUR 16 500 (20 226) thousand.

Fair value of investments

This item includes:

Valuation reserves of WürttVers as at 31 December 2007 in EUR thousand	Book value	Fair value	Valuation	In % of the
			reserves according to burdens	book value of all investments
Real-estate	109 332	125 959	16 627	
Holdings in affiliated companies and participations	186 101	196 991	10 890	
Shares, investment certificates	350 762	371 952	21 190	
Fixed-interest securities	603 155	609 235	6 080	
Non-negotiable bonds/debentures	1 062 925	1 031 532	- 31 393	
Mortgages	32 954	32 639	- 315	
Other	146 269	146 271	2	
Total	2 491 498	2 514 579	23 081	0.93

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

The above details include derivative financial instruments in valuation units as follows:

Nominal values and fair values	Nominal	Fair values	Book value	
of open derivate items	values	Evaluation	Evaluation	Fair value
in EUR thousand	Underlying ¹	unit ²	unit ²	Derivate ³
Interest transactions				
Swaps	115 000	121 188	115 000	3 891
Forward transactions	50 000	—	—	— 109
Currency transactions				
Forward transactions	109 609	—	—	— 44

¹ The nominal values of hedged investments are listed under Nominal values Underlying.

² In so far as derivatives are shown in evaluation units with underlying business, the value of the evaluation unit is indicated here.

³ Without valuation unit.

In addition, there were open sales on non-negotiable and loans against promissory notes with a nominal value of EUR 50 million.

C. Accounts receivable

I. Accounts receivable on direct insurance business from

1. Policyholders ⑥

A global value adjustment of EUR 2 649 (3 858) thousand on outstanding amounts was made on the basis of statistical data.

III. Other receivables ⑦

	2007 in EUR thousand	2006 in EUR ¹ thousand	2006 in EUR thousand
Loans and advances to employees and agents	973	1 075	928
Advance payment of settled claims for the account of foreign companies	1 177	1 928	1 878
Receivables from transactions for third account	2 863	4 361	4 362
Receivables from the acquisition of insurance business for affiliated companies	16	—	—
Tax reimbursement claims	21 928	20 267	16 281
Outstanding interest and rents	180	4 192	4 183
Clearing balances of pension and support funds	19	20	20
Remaining other receivables	8 818	7 596	5 199
From affiliated companies	60 803	18 949	7 426
Total	96 777	58 388	40 276

D. Other assets

I. Equipment and stock ⑧

Permanent assets were depreciated at tax-permissible rates by EUR 1 890 (806) thousand and low-value assets acquired in the year under review were fully depreciated to the amount of EUR 361 (702) thousand.

E. Deferred assets

II. Other deferred assets ⑨

The following are entered here:
Redemption premiums from the acquisition of non-negotiable bonds and debentures amounting to EUR 1 617 (3 891) thousand as well as the discount arising from the subordinated debt amounting to EUR 424 (480) thousand).

F. Deferred taxes according to § 274 HGB ⑩

Latent taxes are posted on the basis of a valuation which is closer to reality.

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Explanatory Notes – Liabilities

A. Equity

I. Called-up capital ¹¹

The outstanding contributions of EUR 53 660 thousand have not been called up.

a) Subscribed capital

In accordance with § 4 of the Articles of Association, the breakdown of share capital is now as follows:

	Quantity	EUR thousand
a) Registered no-par-value shares, fully paid	72 000	1 843
b) Registered no-par-value shares, 50 per cent paid	4 198 000	107 469
Total	4 270 000	109 312

II. Capital reserve ¹²

This item relates to the premium from the capital contribution.

III. Retained profit reserves ¹³

Other retained profit reserves

The other retained profit reserves remain unchanged at EUR 74 883 thousand.

B. Subordinary debt ¹⁴

The fixed-interest subordinated bond issue was started on 1 December 2001 and is divided into 30 000 bearer bonds at a nominal value of EUR 1 000 each.

The annual dividends amount to 5.4 per cent of the nominal value.

Redemption of the subordinated bond will be carried out on 1 December 2011 at its nominal value.

On 14 July 2005, Württembergische Versicherung AG issued subordinated bonds with fixed and non-fixed interest, without a final redemption date but with a debtor's right to terminate after 10 years, the total nominal amount being EUR 60 million euros. The bonds are divided into denominations of EUR 1 000, the smallest transferable unit being EUR 50 000.

From the issue date until 27 July 2015, the interest on the bonds will be 5.25 per cent. Except in the case of premature redemption, the quarterly interest on the bonds from 27 July 2015 onwards will be based on the EURIBOR for three-month

deposits in euros with retrospective effect plus a margin of 3 per cent. The issuer has the right to postpone the interest in the event that a dividend is not agreed on at the annual general meeting of the issuer directly before this interest payment day for any types of share of the issuer and

a) the issuer has not transferred any profit according to the rule of the transfer-of-profits agreement and has not formed any voluntary reserves

b) the issuer has not posted a profit for the year in the sense of German commercial law.

Postponed interest is cumulative.

The subordinated bond is traded on the open market at the Frankfurt stock exchange. The bond conditions of July 2005 are applicable.

C. Insurance reserves ¹⁵

The details of these reserves are given in the tables on page 66 and 67.

D. Other accrued liabilities

II. Other reserves ¹⁶

	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand
Early retirement and old-age part-time work	31 976	31 872	29 506
Restructuring measures	20 678	16 338	14 512
Expenses for annual accounts	1 424	1 301	914
Holiday obligations and flexitime	5 688	5 375	4 898
Staff bonuses and executive commission	16 521	14 815	14 658
Profit sharing and competition awards	11 548	11 336	10 436
Expenses for preparation of real estate	9	552	552
Expenses for maintenance of real estate not yet carried out	211	419	389
Obligations regarding staff anniversaries and compensation payments to insurance agents	13 794	10 498	9 964
Legal risks	—	6 000	6 000
Contributions concerning obligatory personal accident insurance, adjustment levy for the disabled	1 953	1 823	1 723
Total	103 802	100 329	93 552

E. Other liabilities

I. Accounts payable on direct insurance business to

1. Policyholders ¹⁷

This includes i.a. advance payments for new policy submissions and for premiums which are due at a later date.

III. Other liabilities ¹⁸

	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand
Taxes	20 043	12 533	10 411
Social security contributions	2	41	—
Clearing balances for pension and support funds	49	8	8
Liabilities to suppliers and for services	352	274	274
Obligations from transactions for third account	1 049	1 308	1 308
Accounts to be paid arising from insurance brokerage	6	3	3
Other accounts payable	20 446	14 140	12 926
Accounts payable to affiliated insurance companies	47 205	62 812	55 617
Total	89 152	91 119	80 547

Remaining periods to run of liabilities

Items E.I. to III. contain no liabilities with remaining periods to run of over five years.

F. Deferred liabilities ¹⁹

Of the amount shown, EUR 1 588 (135) thousand represents discount on mortgages and discount on non-negotiable bonds, debentures and non-negotiable participating rights, EUR 49 (55) thousand in prepaid interest.

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Explanatory Notes – Profit and Loss Account

I. Insurance account

1. Earned premiums f.o.a. ⁽²⁰⁾

The premiums are shown in the tables on page 67.

The domestic gross premiums written amount to EUR 1 296 466 (1 325 375) thousand. The direct business concluded through the London branch office amounts to EUR 60 341 (84 970) thousand. The premiums of indirect business amount to EUR 117 347 (200 333) thousand.

The number of insurance policies of at least one year's duration is shown on page 70.

2. Technical interest income f.o.a. ⁽²¹⁾

This item relates to the interest on capitalised annuities and the premium fund after deduction of the proportional administration expenses and of the reinsurer's share, in accordance with § 38 RechVersV.

II. General account

1. Income from investments

b) Income from other investments ⁽²⁴⁾

	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand
Land, leasehold rights and buildings	7 939	8 034	7 845
Other investments	100 303	89 617	77 890
Total	108 242	97 651	85 735

4. Incurred losses f.o.a.

The gross incurred losses are shown in the table on page 68.

b) Change in the reserve for insurance claims ⁽²²⁾

Due to its uncertain nature, the development of the outstanding-claims reserve brought forward from the previous financial year led to profits which were on the whole within an appropriate range.

6. Underwriting expenses f.o.a.

a) Gross underwriting expenses ⁽²³⁾

A breakdown is provided in the table on page 68.

The acquisition costs amount to EUR 136 053 (136 646) thousand and the administration expenses amount to EUR 286 024 (307 672) thousand.

d) Profits from the disposal of investments ⁽²⁵⁾

	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand
Land, leasehold rights and buildings	713	3 653	3 653
Shares in affiliated companies	205	—	—
Shares, investment certificates and other non-fixed interest securities	—	52	—
Bearer bonds and other fixed-interest securities	1 642	873	866
Non-negotiable bonds	710	3 042	2 933
Debentures and loans	—	1 193	1 098
Deposits with credit institutions	388	707	707
Total	3 658	9 520	9 257

2. Expenses related to investments

c) Losses from the disposal of investments ⁽²⁶⁾

	2007 in EUR	2006 in EUR ¹	2006 in EUR
	thousand	thousand	thousand
Land, leasehold rights and buildings	—	258	258
Shares in affiliated companies	1	255	—
Participations	3	1	1
Shares, investment certificates and other non-fixed interest securities	322	4	—
Bearer bonds and other fixed-interest securities	455	539	536
Non-negotiable bonds	7 241	380	285
Debentures and loans	6 311	731	624
Deposits with credit institutions	369	140	140
Total	14 702	2 308	1 844

4. Other income ⁽²⁷⁾

The major items are:

Commission for the acquisition of insurance and building-society business for other companies EUR 95 095 (74 632) thousand, other reimbursements of costs (business activities on behalf of others etc.) EUR 139 264 (114 484) thousand, exchange-rate profits EUR 35 131 (16 117) thousand.

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

5. Other expenses ²⁸

These are mainly apportioned to the following items:

	2007 EUR	2006 in EUR ¹	2006 EUR
	thousand	thousand	thousand
Commission, competition awards and sales expenses resulting from the referral of insurance and building-society business obtained for other companies	98 141	79 115	79 115
Costs of other services (e.g. business management)	136 634	111 195	108 400
Costs of annual accounts	1 772	1 674	1 477
Contributions to trade associations, to chambers of industry and commerce and fees for the insurance supervisory authority	1 269	1 525	1 232
Exchange-rate losses	33 670	14 740	14 740
Interest on subordinary debt	4 818	4 826	4 826
Other expenditure which affects the company as a whole:			
Costs for legal and tax advice	721	889	663
Expenses for interest change, pension reserves	12 115	—	—
Projects	7 171	7 054	3 912

8. Extraordinary expenses ²⁹

The merger loss arising from the merger of Karlsruher Versicherung AG and WürttVers in the year under review amounts to EUR 20 829 thousand.

10. Taxes on income and earnings ³⁰

At the beginning of the year under review, the agreement concerning corporate tax and commercial tax between W&W AG and WürttVers was cancelled. Therefore, the income tax expenses which are posted are primarily the result of the transfer from the active latent taxes.

Supplementary details

Commission and other payments to insurance agents, personnel expenditure

	2007 EUR	2006 in EUR ¹	2006 EUR
	thousand	thousand	thousand
1. Commissions of all kinds for insurance agents in the sense of § 92 HGB for direct business	184 927	191 095	169 840
2. Other payments to insurance agents in the sense of § 92 HGB	26 508	19 452	19 452
3. Wages and salaries	205 466	194 171	167 453
4. Social contributions and expenses for financial assistance	38 299	37 055	33 308
5. Expenses for the provisions for old age provisions	14 627	17 604	15 694
6. Total expenses	469 827	459 377	405 747

Staff

During the financial year, we employed on average the following number of staff:

	2007	2006 ¹
	Number	Number
Office staff	2 788	2 768
Salaried salesmen	1 766	1 499
Blue-collar employees	74	84
Trainees	202	209
Total	4 830	4 560

The Supervisory Board and the Management Board

The names of the members of the Supervisory Board are listed on pages 6 and 7.

Members of the Management Board: Dr. Wolfgang Oehler (Chairman), Dr. Wolfram Gerdes (from 1 January 2008), Dr. Michael Gutjahr, Dr. Ralf Katak (from 1 April 2008), Dr. Jochen Kriegmeier, Peter Köhler (until 30 September 2007), Ruth Martin, Rainer Schlegel.

Emoluments of the Supervisory Board, the Management Board and previous Management Boards as well as advances and credits granted to them

The emoluments of the members of the Supervisory Board amounted to EUR 190 (275) thousand, those of the members of the Management Board to EUR 920 (1 060) thousand. Former members of the Management Board received EUR 1 887 thousand.

For obligations to former members of the Management Board, pension reserves have been formed in W&W AG. On the balance-sheet date, these amount to EUR 9 813 thousand based on an interest rate of 5.0 per cent.

There were no amounts owed by members of the Supervisory Board or the Management Board.

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Relationships of liability and other financial obligations

As a member of the Verkehrsofopferhilfe e.V., we are obliged to provide this association with the funds necessary to the pursuance of its aims according to our share in the premium revenue which member companies have achieved from direct motor third-party liability insurance in the calendar year before last.

Due to our membership in the Institute of London Underwriters (ILU), there is a possible obligation amounting to a maximum of GBP 447 044 in case the ILU is unable or only partially able to meet its obligations. WürttVers has established a corresponding letter of credit in favour of the ILU.

Remaining obligations to pay on shares which have not been fully called up amounted to EUR 22 718 thousand on the balance-sheet date. There is also an obligation arising from participating shares.

The pension obligations of WürttVers have been transferred to W&W AG by way of internal contract. In recompense, WürttVers, together with other consolidated companies, assumes the overall liable obligation for the old-age-provision agreements entered into by the parent company in so far as the employees concerned are made use of by WürttVers. The share concerning WürttVers, this amount being the share which the latter has to bear according to the internal contract with the W&W Group, amounts to EUR 211 600 thousand.

The other financial obligations arising from real-estate leasing agreements amount to about EUR 217 thousand per month at the present time. In respect of a leasing issuer of IT GmbH, we have issued a guaranty for the obligations arising from leasing contracts of IT GmbH, this

guaranty being limited to EUR 2 501 thousand. In addition, there are minor obligations arising from diverse rental and leasing agreements for equipment and vehicles.

In the framework of the sale of Württembergische UK Limited, we have entered into financial obligations to the extent usual in business.

Through the sale of a transferable leasehold land interest, we accepted an open-ended, absolute and irrevocable guaranty. The guaranty expires on 28 February 2014.

In accordance with the waiver of recourse and declaration of indemnity which exists in the W&W Group, the company waives its right of recourse against a representative if a claim is made due to incorrect advice given by the representative in connection with the sale of an insurance product offered by the company or in connection with subsequent consultation unless gross negligence is involved or the claim is covered by liability insurance. With regard to the representative's own liability relating to the sale of insurance or financial-service products of an insurance company of the W&W Group, a cooperating partner of one of these insurance companies or in the course of further consultation for one of these companies or cooperating partners, the representative is also indemnified by the company in the case of mistakes made in the advice that given to a customer. The minimum sum assured is limited to EUR 200 thousand for each claim and a total of EUR 300 thousand per year. In the case of claims in connection with mistakes made in the provision of advice during the sale of insurance, it is limited to EUR 1 000 thousand per claim or EUR 1 500 thousand per year.

Apart from these liabilities and safeguarding payments, there are no further obligations not apparent from the balance sheet or the preceding explanatory notes, nor are there any liens, mortgages of goods, or liabilities arising from the negotiation of bills.

Group affiliation

W&W AG, Stuttgart, has informed us that it is the sole shareholder in our company.

WH (Wüstenrot Holding), Ludwigsburg, whose consolidated annual accounts include our company, holds the majority of shares in W&W AG, Stuttgart, in whose consolidated accounts our company is included. The consolidated annual accounts of WH and the annual accounts of W&W AG are published in the electronic federal gazette (Bundesanzeiger).

Stuttgart, 13 February 2008

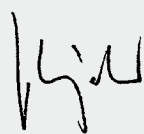
The Management Board



Dr. Wolfgang Oehler



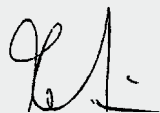
Dr. Wolfram Gerdes



Dr. Michael Gutjahr



Dr. Jochen Kriegmeier



Ruth Martin



Rainer Schlegel

Detailed Assets

Development of assets items A. and B.I. to III. in fiscal 2007			
	Balance-sheet	Balance-sheet	Additions
	value 2006	value 2006	
	in EUR thousand	in EUR thousand ¹	in EUR thousand
A. Intangible assets			
Other intangible assets	14	2 308	
B.I. Land, leasehold rights and buildings, including			
buildings on non-owned land	109 744	110 798	1 343
B.II. Investments in affiliated companies and participations			
1. Participations in affiliated companies	211 578	145 077	13
2. Participations	6 728	6 828	37 947
3. Total of B.II.	218 306	151 905	37 960
B.III. Other investments			
1. Shares, investment certificates and other variable-interest securities	190 057	270 637	99 784
2. Bearer bonds and other fixed-interest securities	551 073	551 073	399 432
3. Mortgages	37 732	37 732	318
4. Other loans			
a) Non-negotiable bonds	513 121	657 621	195 000
b) Debentures and loans	412 054	486 054	191 622
c) Loans and advance payments on insurance policies			
d) Other loans	20 226	20 226	6 500
5. Deposits with credit institutions	153 769	162 119	
6. Other investments	36 057	36 057	9 500
7. Total of B.III.	1 914 089	2 221 519	902 156
Total	2 242 153	2 486 530	941 459

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Reclassifications	Disposals	Revaluations	Depreciation	Balance-sheet
in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	value 2007
				in EUR thousand
			648	1 660
	945		1 864	109 332
	2 314			142 775
	1 030	28	448	43 326
	3 344	28	448	186 101
	14 984		4 675	350 762
	322 030	689	26 008	603 155
	5 097			32 954
25 000	301 621			576 000
- 25 000	220 573			432 103
	10 226			16 500
	15 823		27	146 269
	5 136		2 099	38 322
	895 490	689	32 809	2 196 065
	899 779	717	35 769	2 493 158

Including:	Including:
Exchange-rate profits	Exchange-rate losses
EUR 164 thousand	EUR 16 907 thousand

Detailed Liabilities

D. Insurance reserves (see notes page 56)	Gross reserves for insurance claims		Reserve for claims equalisation and similar reserves		Total gross insurance reserves	
	2007 in EUR	2006 in EUR ¹	2007 in EUR	2006 in EUR ¹	2007 in EUR	2006 in EUR ¹
	thousand	thousand	thousand	thousand	thousand	thousand
1. Direct insurance business						
Personal accident	163 672	160 093	—	—	182 481	178 808
Third-party liability	465 726	446 671	15 664	19 439	528 282	519 444
Motor third-party liability	1 060 260	1 021 508	67 343	77 460	1 142 509	1 115 414
Other motor insurance	24 384	27 285	79 466	72 076	111 395	107 205
Fire and property insurance						
Fire	33 194	30 833	28 577	24 903	70 845	65 397
Combined household insurance	8 977	8 890	—	3 783	27 660	32 378
Combined building insurance	31 546	33 969	—	7 961	53 906	63 638
Other property insurance	38 322	41 382	23 316	23 686	82 118	86 843
	112 039	115 074	51 893	60 333	234 529	248 256
Marine and aviation insurance	39 197	35 859	14 507	20 025	59 223	62 912
Legal protection insurance	115 165	110 044	21 570	17 794	153 868	145 386
Other classes	63 730	83 643	3 554	3 540	74 544	95 578
Total	2 044 173	2 000 177	253 997	270 667	2 486 831	2 473 003
2. Assumed insurance business	312 371	341 511	43 137	39 179	395 058	440 481
3. Total insurance business	2 356 544	2 341 688	297 134	309 846	2 881 889	2 913 484

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

Detailed Profit and Loss Account

(see notes page 58)	Gross premiums		Gross earned		Net earned	
	written		premiums		premiums	
	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand
1. Direct insurance						
business						
Personal accident	127 285	126 985	127 749	127 512	108 391	111 024
Third-party liability	204 252	215 048	209 031	213 982	168 556	161 752
Motor third-party liability	325 281	349 212	325 764	349 564	268 674	268 672
Other motor insurance	197 297	208 801	197 546	209 031	161 153	161 911
Fire and property insurance						
Fire	47 943	46 608	48 445	44 894	30 898	26 695
Combined household insurance	84 471	85 429	85 498	85 945	72 133	74 015
Combined building insurance	101 983	101 554	101 343	101 193	81 171	74 755
Other property insurance	119 448	121 604	120 370	122 946	89 323	90 717
	353 845	355 195	355 656	354 978	273 525	266 182
Marine and aviation insurance	23 534	29 063	24 824	28 913	17 396	19 602
Legal protection insurance	92 188	89 451	92 675	89 785	78 691	78 750
Other classes	33 124	36 592	33 781	37 129	22 597	22 225
Total	1 356 806	1 410 347	1 367 026	1 410 894	1 098 983	1 090 118
2. Assumed insurance business	117 347	200 333	132 538	188 210	79 811	112 822
3. Total insurance business	1 474 153	1 610 680	1 499 564	1 599 104	1 178 794	1 202 940

(see notes page 58)	Gross incurred		Gross underwriting		Reinsurance balance	
	losses		expenses			
	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand
1. Direct insurance business						
Personal accident	49 200	59 310	44 892	47 969	4 786	2 545
Third-party liability	120 853	130 801	69 259	70 458	7 614	4 456
Motor third-party liability	307 670	319 473	58 266	60 872	- 24 825	- 18 430
Other motor insurance	147 957	152 589	46 707	47 169	384	4 098
Fire and property insurance						
Fire	25 217	19 603	13 194	13 586		
Combined household insurance	30 667	30 222	31 088	31 620		
Combined building insurance	108 501	76 373	33 101	35 067		
Other property insurance	78 686	65 400	40 739	41 079		
	243 071	191 598	118 122	121 352	- 16 743	18 977
Marine and aviation insurance	19 497	18 660	7 316	8 483	- 1 519	702
Legal protection insurance	57 375	54 950	33 818	32 344	- 153	- 147
Other classes	8 081	23 704	9 813	11 671	4 775	4 857
Total	953 704	951 085	388 193	400 318	- 25 681	17 058
2. Assumed insurance business	82 864	112 204	33 884	44 000	30 267	32 820
3. Total insurance business	1 036 568	1 063 289	422 077	444 318	4 586	49 878

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

(see notes page 58)	Insurance result f.o.a. (before claims equalisation reserve)		Change in the claims equalisation reserve and similar reserves		Insurance result f.o.a. (after claims equalisation reserve)	
	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand	2007 in EUR thousand	2006 in EUR ¹ thousand
	1. Direct insurance business					
Personal accident	29 272	18 130	—	283	29 272	18 413
Third-party liability	12 029	8 723	3 775	- 4 115	15 804	4 608
Motor third-party liability	- 13 914	- 9 955	10 117	2 300	- 3 797	- 7 655
Other motor insurance	2 741	5 935	- 7 390	- 8 242	- 4 649	- 2 308
Fire and property insurance						
Fire	2 997	3 158	- 3 674	- 6 764	- 677	- 3 606
Combined household insurance	19 464	19 623	3 783	- 915	23 247	18 708
Combined building insurance	- 20 283	- 12 400	7 961	3 198	- 12 322	- 9 202
Other property insurance	4 392	8 925	369	- 3 132	4 761	5 794
	6 570	19 306	8 439	- 7 613	15 009	11 694
Marine and aviation insurance	- 724	1 230	5 518	- 1 169	4 794	61
Legal protection insurance	1 767	2 860	- 3 776	- 4 878	- 2 009	- 2 018
Other classes	10 726	- 3 176	- 13	50	10 713	- 3 126
Total	48 467	43 053	16 670	- 23 384	65 137	19 669
2. Assumed insurance business	- 14 478	- 1 527	- 3 958	- 15 976	- 18 436	- 17 503
3. Total insurance business	33 989	41 526	12 712	- 39 360	46 701	2 166

	Number of insurance policies of at least one-year's duration	
	Number 2007	Number 2006 ¹
Personal accident	780 002	792 049
Third-party liability	1 223 224	1 228 409
Motor third-party liability	1 383 589	1 431 974
Other motor insurance	927 447	959 137
Fire and property insurance		
Fire	126 226	116 148
Combined household insurance	815 751	826 633
Combined building insurance	454 970	453 984
Other property insurance	725 888	698 142
	2 122 835	2 094 907
Marine and aviation insurance	15 209	15 752
Legal protection insurance	644 184	646 234
Other classes	574 073	570 954
Total	7 670 563	7 739 416

¹ Adapted previous year's values after account has been taken of the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG

List of holdings

	Participation ratio in %	Currency	Equity in millions of currency ^{1,2}	Result in millions of currency ^{1,2}	As at
Financial participations					
Real estate					
Elektra Beteiligungs-AG, Stuttgart	100	EUR	73.6	1.0	31.12.2007
Württembergische France					
Strasbourg SARL, Strasbourg	100	EUR	71.4	1.4	30.09.2007
Other participations					
Altmark Versicherungsmakler GmbH, Stuttgart					
	100	EUR	0.8	0.1	31.12.2006
Nord-Deutsche AG-Versicherungs- Beteiligungsgesellschaft, Hamburg					
	100	EUR	9.1	- 0.4	31.12.2006
IVB – Institut für Vorsorgeberatung, Risiko- und Finanzanalyse GmbH, Karlsruhe					
	20	EUR	0.04	0.0	31.10.2007
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart					
	100	EUR	0.2	0.1	31.12.2007
W&W Informatik GmbH, Ludwigsburg					
	24.5	EUR	0.04	0.0	31.12.2006
Württembergische Vertriebsservice GmbH für Makler und freie Vermittler, Stuttgart					
	50	EUR	0.03	0.0	31.12.2006

¹ Equity: according to balance sheet statement on liabilities side; including result for the year

² In relation to 100 per cent

Auditors' Opinion*

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the Württembergische Versicherung Aktiengesellschaft, Stuttgart, for the business year from 1 January to 31 December 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as

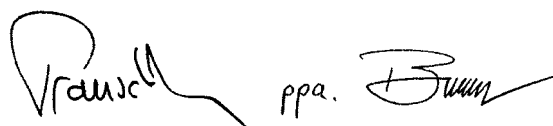
well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 14 February 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



(Frank Trauschke)
Wirtschaftsprüfer

(ppa. Jörg Brunner)
Wirtschaftsprüfer

* Voluntary translation. It should be noted that only the German auditor's report, which is based on the audit of the German version of the company's annual financial statements, is authoritative.

Report of the Supervisory Board

Württembergische Versicherung AG is making good progress in its implementation of the “Württembergische 2009” and “SPRING” strategy programs although the general situation for the industry is not an easy one. The strategy programs are part of the “W&W 2009” program for the future which was initiated throughout the Group in Spring 2006 in order to boost growth, efficiency and profitability. The first important milestones and progress in implementation for the future development of the financial services group on the way to attainment of a position on the market as a successful “specialist in provision for the future” have been achieved.

The Supervisory Board of Württembergische Versicherung AG is composed of twelve members. Up to 26 March 2007, there were four committees of the Supervisory Board: the management board committee, the investment committee, the administration committee and the mediation committee. Within the framework of realignment and improvement of corporate governance in the Group, the structure of the committees making up the Supervisory Board was also reorganised in order to increase efficiency. As of 26 March 2007, there are three committees of the Supervisory Board: the audit committee, the personnel committee and the mediation committee. The audit committee, establishment of which is recommended by the German Code of Corporate Governance, performs auditing tasks. In addition, it has taken over the tasks of the former investment committee. The personnel committee performs the tasks of the previous management board committee. In 2007, an investment committee meeting, two audit committee meetings and five personnel committee meetings took place in which issues relating to the respective tasks were discussed in detail.

In three meetings which took place in 2007 and were prepared in writing, the Supervisory Board closely examined the development of the company and was continually informed by the Management Board both verbally and in written form about all matters which were relevant to the company and concerned the strategic alignment, planning, the development of business, the risk situation and risk management as well as the rating of the company. The business and risk strategy were provided and reconsidered by the Supervisory Board. The Management Board submitted the internal audit report and the report of the compliance officer to the Supervisory Board and completely fulfilled its legal and statutory duties towards the Supervisory Board.

The main theme of the Supervisory Board meetings was continuation of the “Württembergische 2009” and “SPRING” programs. Close consideration was given to how challenges identified throughout the Group were analysed by the Group companies and were being approached with a detailed package of measures. The Supervisory Board was also kept fully informed on these matters by the Management Board without delay and was directly involved in issues of fundamental importance to the company. Thanks to the work done and the considerable efforts made, the company has made significant advances on the way to greater efficiency and improved profitability.

All the measures requiring approval according to the law and the regulations of the company were submitted to the Supervisory Board for approval, whereby they were intended to refer to the following especially important issues:

The Supervisory Board considered the reasons for the Group-related downgrade by the Standard & Poor's rating agency from 2006 and the preconditions for re-attainment of an "A-" rating. It was also brought to its attention that the rating agency, A.M. Best, had issued a rating of "A-" with outlook stable to Württembergische Versicherung AG in March 2007. In addition, the Supervisory Board considered the requirement for an improvement in the sales of Württembergische AG.

The ongoing integration of the Karlsruher insurance group in the consolidated part of the Württembergische insurance group, and in particular the merger of Karlsruher Versicherung AG with Württembergische Versicherung AG, were also subjects of the meetings as well as the transfer of the shares held by Württembergische Versicherung AG in W&W Asset Management GmbH to Wüstenrot & Württembergische AG. The Supervisory Board was closely involved in the planning and decision-making processes concerning withdrawal from the business of the London branch office of Württembergische Versicherung AG.

Another topic was the project for Group-wide improvement of corporate governance, in the framework of which the rules of association and corporate principles of Württembergische Versicherung AG as well as those of the other strategic companies in the Group were revised and largely matched to the regulations of Wüstenrot & Württembergische AG.

The Supervisory Board closely examined the annual accounts for 2007 as well as the report of the Management Board. The annual accounts and the report of the Management Board are complete and comply with the assessments of the Management Board in the reports to be submitted to the Supervisory Board in accordance with § 90 AktG.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed as the auditors for the annual accounts by the Supervisory Board, has examined the 2007 annual accounts drawn up by the Management Board and the report of the Management Board with reference to the regular accounts and found them to be in order without any reservations. The auditors reported to the Supervisory Board verbally and in writing on the main results of their audits. The audit report was sent to each member of the Supervisory Board. The auditors were also available for questions in the meeting of the audit committee on 25 March 2008, in the balance-sheet meeting of the Supervisory Board on 27 March 2008 and in the time during which preparations were made for the meetings. The audit report submitted accords with the legal requirements of § 321 HGB and was taken into account by the Supervisory Board in the context of its own examination of the annual accounts.

After the final result of the examination of the annual accounts and the report of the Management Board, the Supervisory Board raised no objections and, in its meeting on 27 March 2008, endorsed the annual report drawn up by the Management Board. The annual report has thus been ratified in accordance with § 172 Clause 1 AktG.

Dr. Bernhard Schareck retired from the Supervisory Board with effect from 28 February 2007. Klaus Peter Frohmüller was appointed to the Supervisory Board as his successor with effect from 1 March 2007. With effect from 30 June 2007, Dr. Edmund Schwake retired from the Supervisory Board. Dr. Jan Martin Wicke was appointed as his successor on the Supervisory Board on 3 September 2007. With effect from 30 September 2007, Peter Köhler withdrew from the Management Board as mutually agreed. Dr. Wolfram Gerdes was appointed as a new member of the Management Board with effect from 1 January 2008 and Dr. Ralf Kantik was also appointed to

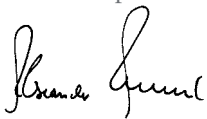
the Management Board with effect from 1 April 2008. Dr. Jochen Kriegmeier, previously Deputy Chairman of the Management Board, was appointed as an ordinary member of the Management Board with effect from 1 January 2008.

The Supervisory board examined the efficiency of its work at the end of 2006 and discussed the result of its examination in a balance-sheet meeting on 26 March 2007. In 2007, there were no conflicts of interest which had to be disclosed.

For the management and the workforce, last year brought various changes as well as new successes. The Supervisory Board thanks the Management Board as well as the managers, the employees' committee and the employees for their personal dedication and their contribution towards attainment of the shared goals.

Stuttgart, 27 March 2008

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'Alexander Erdland', written in a cursive style.

Dr. Alexander Erdland
Chairman

Explanation of Technical Terms

Aggregate reserve

Existing contracts, especially in life, health and personal-accident insurance, result in obligations for which monies have to be reserved. This reserve is calculated according to the recognized rules of actuarial practice (prospective method).

Cedent

First insurance company, partner to a reinsurance contract in assumed (indirect) business.

Claims equalisation reserve

The claims equalisation reserve is intended to compensate for fluctuations in loss occurrence in future years. It is calculated according to fixed methods based on actuarial practice.

Claims expenses

Payments and reserves for incurred losses, including the costs of claims settlement.

Claims frequency

The claims frequency is measured in parts per thousand. The claims frequency indicates how many claims occur for every thousand insured risks per year.

Claims ratio

This refers to that percentage of earned income attributable to expenses for claims.

Combined ratio

This refers to the ratio of underwriting expenses to expenses for incurred losses relating to earned premiums.

Cost ratio

This is the percentage of earned premiums which is attributable to underwriting expenses.

Direct business

→ Insurance business engaged in directly by the insurance company. This business involves a direct contractual relationship between the insurance company and policyholder. If the insurance company offers insurance coverage on the basis of a contract with another insurance company, the first insurance company, as ceder of this business, must post this business as assumed reinsurance or indirect insurance.

Direct insurance

Direct insurance is founded by an direct contractual relationship between the insurance company and the policyholders. It discribed underwriting business or direct insurance business.

Expected claims

The expected claim is the average claims expense per risk within a year. The term “expected claim” is also used in premium costing.

Extended coverage

This form of general insurance provides extended insurance coverage in that risks additional to fire insurance, such as strike, lockout, water-pipe damage, storm or flooding are also included.

Gross/net

Respective insurance item or ratio before or after deduction of the reinsurance components

→ reinsurance, → for own account).

Incurred losses

These expenses encompasses all insurance benefits, not only those already paid out but also those which have been reserved. They include not only benefits for claims that have occurred in the fiscal year but also the claims adjustment result of the preceding years.

Indirect business

The business assumed by an insurance company as reinsurance.

Insurance result

This is the result arising from earnings and expenses relating to insurance business and mainly encompasses premiums, expenses for insurance claims and underwriting expenses as well as other insurance expenses and earnings.

Investments

The insurers are obliged to safely, profitably and liquidly invest the assets they have accumulated to fulfil their obligation in accordance with the regulations of the Insurance Supervisory Law.

KonTraG (law on corporate monitoring and transparency)

KonTraG adapts corporate law and commercial law to international standards and is intended to specifically improve the monitoring system in individual companies. According to § 91 Para. 2 AktG, the Management Board is obliged to take “suitable measures above all in order to set up a monitoring system so that any developments that endanger continuation of the company can be detected at an early stage”.

Loss average

The loss average is the average claims expense (paid and reserved) for each claim.

Premium revenue

Gross: before deduction of reinsurance

Net: after deduction of reinsurance

For own account (f.o.a.): after deduction of reinsurance

Written premium revenue: premium revenue for the respective fiscal year. Earned premium revenue: parts of the written premium revenue attributable to insurance protection in the fiscal year.

Reinsurance

An insurance company insures part of the risk by ceding it to another insurance company (re-insurer).

Reserve for outstanding claims (also claims reserve)

These are reserves for expenses arising from claims occurring in the respective fiscal year. They also include reserves for insured events which occurred before the balance-sheet date but have not yet been advised (reserve for late claims).

Self-retention

Part of the risk which is not ceded to a reinsurer but is borne by the first insurer – for own account (f.o.a.).

Self-retention ratio

This is that part of the risk which is not ceded in reinsurance and is borne fully by the first insurer. The self-retention ratio is derived from the ratio of premiums for own account to the gross premium revenue.

Solvability

Solvability is the extent to which a company is in possession of equity. According to § 53 c of VAG (insurance contract law), insurance companies are obliged to possess free and unencumbered equity which at least corresponds to the solvability margin and is sufficient to ensure that insurance contracts can be fulfilled at all times. The solvability margin is measured according to the entire fiscal year and is derived from the annual premium revenue and the average claims expense.

Stress test

The stress test simulates the effects of future negative developments of the investment market – such as a drop in share prices and a rise in the interest rate at the same time – on the coverage of guaranteed benefits and the solvency of the company.

Underinsurance

The sum insured is smaller than the (new) value of all items insured; leads to corresponding reductions in compensation, even in the case of partial claims.

Underwriting expenses (including administration costs)

These are commission, salaries, tangible costs and other expenses involved in selling and in the ongoing administration of insurance contracts.

Underwriting policy

Basic principles which have been defined by the company management and according to which risks are covered for a specific premium and at specific terms.

Unearned premiums (premium reserve)

These constitute premium revenue attributable to the income account of future fiscal years.

Addresses

Wüstenrot & Württembergische AG
Gutenbergstraße 30, 70176 Stuttgart
Telephone 0711 662-0, Telefax 0711 662-1334
www.ww-ag.com

Building Savings/Banking segment

Wüstenrot Bausparkasse AG
Hohenzollernstraße 46, 71638 Ludwigsburg
Telephone 07141 16-1, Telefax 07141 16-3637
www.wuestenrot.de

Wüstenrot Bank AG Pfandbriefbank
Hohenzollernstraße 46, 71638 Ludwigsburg
Telephone 07141 16-1, Telefax 07141 16-4091
www.wuestenrot.de

Wüstenrot Haus- und Städtebau GmbH
Hohenzollernstraße 12 – 14, 71638 Ludwigsburg
Telephone 07141 149-0, Telefax 07141 149-100
www.wuestenrot.de

Insurance segment

Württembergische Lebensversicherung AG
Gutenbergstraße 30, 70176 Stuttgart
Telephone 0711 662-0, Telefax 0711 662-2520
www.wuerttembergische.de

Württembergische Versicherung AG
Gutenbergstraße 30, 70176 Stuttgart
Telephone 0711 662-0, Telefax 0711 662-2520
www.wuerttembergische.de

Württembergische Krankenversicherung AG
Gutenbergstraße 30, 70176 Stuttgart
Telephone 0711 662-0, Telefax 0711 662-2520
www.wuerttembergische.de

Allgemeine Rentenanstalt Pensionskasse AG
Gutenbergstraße 30, 70176 Stuttgart
Telephone 0711 662-0, Telefax 0711 662-2520
www.wuerttembergische.de

Karlsruher Lebensversicherung AG
Friedrich-Scholl-Platz, 76137 Karlsruhe
Telephone 0721 353-0, Telefax 0721 353-4939
www.karlsruher.de

Service functions

W&W Asset Management GmbH
Königstraße 38, 70173 Stuttgart
Telephone 01803 1155-00, Telefax 01803 1155-05
www.wuestenrot.de/investment
www.wuerttembergische.de/investment

W&W Informatik GmbH
Im Tambour 6, 71638 Ludwigsburg
Telephone 07141 16-1, Telefax 07141 16-3637
www.ww-informatik.de

Abroad

Ireland
W & W Advisory Dublin Limited
34 Molesworth Street, IRL-Dublin 2

W & W Asset Management Dublin Ltd.
34 Molesworth Street, IRL-Dublin 2

Luxembourg
Wüstenrot Bausparkasse AG
Niederlassung Luxemburg
33, Parc d'Activité Syrdall, L-5365 Munsbach

W & W Asset Management GmbH
c/o Dexia Banque Internationale
à Luxembourg S.A.,
69, Route d'Esch, L-1470 Luxembourg


Czech Republic
Wüstenrot stavební spořitelna a.s.
Janáčkovo nábřeží 41, CZ-15021 Praha 5

Wüstenrot hypoteční banka a.s.
nám. Kinských 2/602, CZ-15000 Praha 5

Wüstenrot životní pojišťovna a.s.
nám. Kinských 2/602, CZ-15000 Praha 5

Abbreviations

AktG	German Stock Corporation Act
ALM	Asset Liability Management
AltEinkG	Law on income in old age
Altmark	Altmark Versicherungsmakler GmbH
ARA PK	Allgemeine Rentenanstalt Pensionskasse AG
BaFin	Federal office for financial services supervision
BSW	Wüstenrot Bausparkasse AG
DAV	German association of actuaries
DAX	German association of actuaries
ELEKTRA	ELEKTRA Beteiligungs-AG
ELEKTRA KÖ43	ELEKTRA KÖ43 GmbH
f.o.a..	for own account
HGB	German commercial law
KHK	Karlsruher HK AG, Lebensversicherung für Beamte und Angestellte der öffentlichen Verwaltung
KLV	Karlsruher Lebensversicherung AG
KV	Karlsruher Versicherung AG
KonTraG	Law on corporate monitoring and transparency
IT	Information technology
IT GmbH	W & W Informatik GmbH
Makler Vertriebsservice GmbH	Württembergische Vertriebsservice GmbH für Makler und freie Vermittler
MaRisk	Minimum risk management requirements
RechVersV	Directive on the presentation of accounts of insurance companies
RfB	Reserve for bonus payments to clients
TÜV	German technical supervisory association
UK	United Kingdom
ULA	Unit-linked life assurance
VAG	Insurance supervisory law
VVG	Law governing insurance contracts
WH	Wüstenrot Holding AG
Württfeuer	Württfeuer Beteiligungs-GmbH
WürttKranken	Württembergische Krankenversicherung AG
WürttLeben	Württembergische Lebensversicherung AG
WürttVers	Württembergische Versicherung AG
W & W AG	Wüstenrot & Württembergische AG
W & W AM	W & W Asset Management GmbH



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