

**Address by the Managing Director**  
**Sergio Balbinot**

Dear Shareholders:

From the technical-operational standpoint, 2010 was characterized primarily by three fundamental events: the company restructurings, the unusual frequency of catastrophic losses, and our great ability to pilot Life production in the direction of quality.

Beginning with the company restructurings, with the merging of Spanish companies Estrella Seguros and Vitalicio Seguros into General España, we may say that the major restructuring of Group companies has been terminated.

Over the years, the Group organizational model has been changed almost radically. The purpose was not so much in response to temporary fads, or reactions to corresponding actions by a few competitors, but to better exploit the characteristics of the particular business of the Generali group, exposed in the Life line and the retail segment and involved in various joint ventures.

We have sought to overcome the globalization/localization dichotomy by combing them, to enable the group to better express its potential. We have therefore maintained a strong decentralization, limited to the entrepreneurial spirit of the foreign company managers, but strong transnational synergies have also been launched to create everywhere a single company model with strong standardization of the back-office processes and “customization” of the company in respect of the distribution and agency networks.

This model brought two major benefits, at a time of crisis: extreme flexibility, i.e. the ability to react to market volatility, much greater than many competitors, and financial benefits of € 1.5 billion.

Last year ranked as the second worst in the past thirty years in the number of natural catastrophes, with no less than 980 calamities. For our group this resulted in € 600 million in gross claims, around 40% of which were recovered thanks to the provident reinsurance policy adopted by the Group, enabling us to cope with the incredible frequency of catastrophic phenomena. In Eastern Europe, one of the areas worst hit, a stochastic survey indicated that the probability of catastrophic events of this type was 0.4% or one every 250 years.

Although these claims had a heavy impact on the bottom-line, they also had a positive effect, since, if properly managed, they can result in a significant boost to the company image, by transforming insurance from an intangible factor to something extremely real. In the two areas most affected by the catastrophes, i.e. France and Eastern Europe, we instituted a particularly careful liquidation policy, on the one hand, by accelerating and simplifying the liquidation process, so as to anticipate payments and, on the other, through so-called “on-site management”, i.e. the decentralization of the liquidation process through the deployment and temporary hiring of liquidators *in loco*, to offer claimants a more concrete, timely service.

As a result, it is no coincidence that a study conducted in France on the service quality of companies--not only underwriters--in the country ranked us in ninth place, well ahead of the other insurance companies.

Lastly, with reference to the results of the Life business, what gratified us the most during the past year was not so much the size of the increase but the way in which it was achieved, in the pursuit of quality.

In a market with a strong trend toward single premiums, we were able to obtain a 50% increase in recurring premiums, characterized, as you know, by longer durations and thus higher margins, and we invested on unit-linked policies. Abroad, we wrote 46% of our business without guarantees, and we reduced the portion relative to cancellations and surrenders. Net inflow was equal to € 16 billion, and the internal rate of return on the Life portion was close to 14%.

At this time, the Group is preparing for the future: though widely expected to be difficult, we should view it with great optimism, since the insurance industry still offers great potential: suffice to mention healthcare, pensions and even natural catastrophes. Of course, there will be major challenges to face, especially Solvency II, with all the necessary changes related to them. But where there is a challenge, there is also the awareness in us all that this Group can cope with it, because we are strong, dynamic, differentiated and, above all, staffed by high-quality professionals.

The greatest resource of this Group, in fact, is the people who work here, characterized by proven abilities and professional qualifications but, above all, by a strong sense of Group affiliation. I travel a great deal, but rarely have I seen people as close to their companies as we are to Generali, and it is thanks to these people that I look with

optimism to the challenges that await us, secure in the knowledge that we will overcome them.

Thank you.