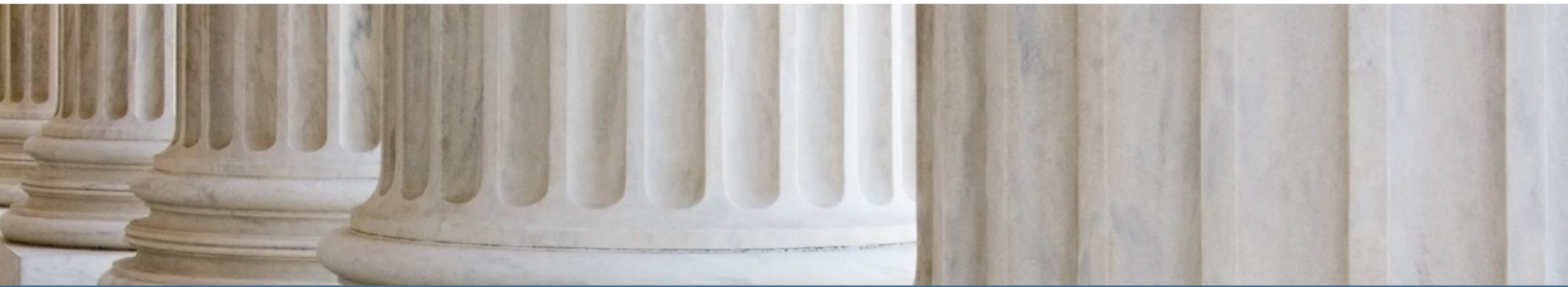
NOT IF, BUT HOW

Munich RE



Munich Reinsurance Company Canada Branch (Life)

LIMAT Ratios Public Disclosure Summary
As at December 31, 2019

Branches are required, at minimum, to maintain a Total Ratio of 90%. OSFI has established supervisory target level of 100% for Total margin. Definition of terms can be found in Guideline A at LICAT – Life Insurance Capital Adequacy Test.

(thousands of dollars, except percentages)		Dec 31, 2019	Dec 31, 2018	Change #	Change %
Available Margin	C = A-B	447,370	1,487,367	-1,039,997	-69.9%
Assets Available	A	7,486,078	7,398,964		
Assets Required	B	7,038,708	5,911,597		
Surplus Allowance and Eligible Deposits	D	7,113,026	6,298,990	814,036	+13.9%
Required Margin	E	6,874,389	6,646,980	227,409	+3.4%
LIMAT Total Ratio	([C+D]÷E)×100	110.0%	117.1%		-7.1%

Qualitative Analysis

- The LIMAT Total Ratio of Munich Reinsurance Company's Canada Branch (Life) ("Munich Re") decreased by 7.1% from December 2018 to December 2019, however, the branch's total margin remains comfortably above OSFI's established supervisory target level and remains well capitalized to support its business model in Canada and the Caribbean.
- The significant decrease in Available Margin (C) from December 2018 to December 2019 (-69.9%) was primarily due to a decrease in interest rates during that period which led to an increase in the branch's liabilities (Assets Required), but was offset by a comparable increase in Surplus Allowance and Eligible Deposits.
- During 2019, capital was redeployed in Munich Re to support client needs for both traditional new business and large in-force block transactions.
- Additionally, Munich Re has been gradually repatriating excess capital to its head office in Germany in order to move the capital level closer to the internal operating target.
- There is a well-established, streamlined process for bringing in capital to support new business when needed and repatriating excess capital back to the head office when warranted.