


**The Munich Re Group**


**Balance sheet press conference 2005**


Nikolaus von Bomhard  
Jörg Schneider


15 March 2005





Münchener Rück  
Munich Re Group






<b>Agenda</b>	 Münchener Rück Munich Re Group
<b>Nikolaus von Bomhard</b>	
▪ Munich Re – 125 years	3
▪ Introduction	7
<b>Jörg Schneider</b>	
▪ Financial reporting 2004	
▪ Munich Re Group in total	10
▪ Reinsurance segment	19
▪ Primary insurance segment	25
▪ Summary	30
<b>Nikolaus von Bomhard</b>	
▪ Strategy	32
▪ Outlook	46
<b>Backup</b>	51
<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small>	

<b>Agenda</b>		
<b>Nikolaus von Bomhard</b>		
▪ <b>Munich Re – 125 Years</b>	<b>3</b>	
▪ Introduction	7	
<b>Jörg Schneider</b>		
▪ Financial reporting 2004		
▪ Munich Re Group in total	10	
▪ Reinsurance segment	19	
▪ Primary insurance segment	25	
▪ Summary	30	
<b>Nikolaus von Bomhard</b>		
▪ Strategy	32	
▪ Outlook	46	
<b>Backup</b>	<b>51</b>	
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>3</b>

<b>Munich Re – 125 years</b>		
<b>Succeeding with initiative and innovation</b>		
<b>1880</b>	<b>Foundation in a time of upheaval</b>	
	<ul style="list-style-type: none"> <li>▪ Industrialisation: Growing risks – New approaches</li> <li>▪ 19 April: Carl Thieme founds Munich Re</li> <li>▪ First treaty with Thuringia, 32 others in the first year of business</li> </ul>	
<b>1905</b>	<b>On the eve of the San Francisco earthquake</b>	
	<ul style="list-style-type: none"> <li>▪ Munich Re is already the world's largest reinsurer</li> <li>▪ Severe earthquake on 18 April 1906 "Thieme is money" – Munich Re pays quickly</li> <li>▪ Until this day, the loss – at 11 million gold marks – is the highest burden (in relative terms) the Company has had to bear from a single catastrophe</li> </ul>	
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>4</b>

Munich Re – 125 years



**Succeeding with initiative and innovation**

---

**1930**    **Great Depression and more**

- Capital strength – Munich Re is in ever greater demand  
It acquires shareholdings in domestic and foreign insurance companies
- ... it is also highly sought after because of its expertise (e.g. in the area of substandard life risks and large-scale technical installations)

**1955**    **Home market: The world!**

- Third rebuilding of foreign business  
Objective: Independence from individual markets

The Munich Re Group  
Balance Sheet press conference  
15 March 2005    **5**

Munich Re – 125 years



**Succeeding with initiative and innovation**

---

**1980**    **Awareness of natural hazards grows, others are not (yet) perceived**

- 1974: Establishment of Geo Risks Research. Release of first "World Map of Natural Hazards"
- Dawning of the computer age – Revolution of knowledge
- Tentative beginning of discussion on social security


**Reaping the rewards of 125 years of future**


2004: Best result in Company history


"Preferred partner in risk": Worldwide proximity to selected clients, reliability


Know-how, capital strength, initiative, independence


The Munich Re Group  
Balance Sheet press conference  
15 March 2005    **6**


Agenda		
<b>Nikolaus von Bomhard</b>		
▪ Munich Re – 125 years	3	
▪ <b>Introduction</b>	<b>7</b>	
<b>Jörg Schneider</b>		
▪ Financial reporting 2004		
▪ Munich Re Group in total	10	
▪ Reinsurance	19	
▪ Primary insurance	25	
▪ Summary	30	
<b>Nikolaus von Bomhard</b>		
▪ Strategy	32	
▪ Outlook	46	
<b>Backup</b>	<b>51</b>	
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>7</b>

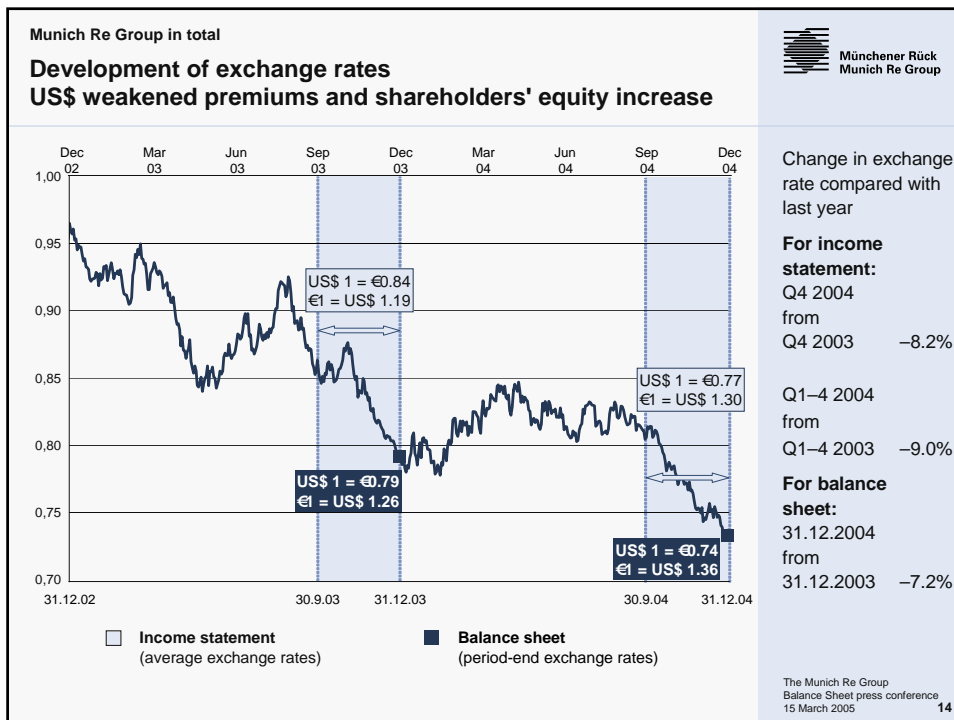
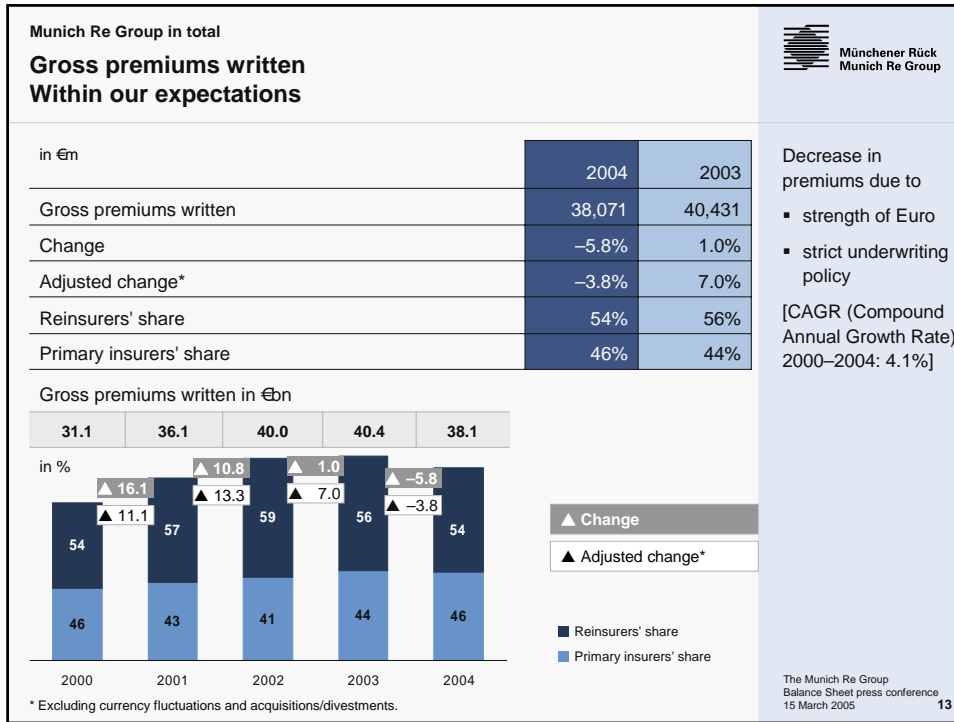
Introduction		
<b>Promised and delivered</b>		
2004: Net profit of €1,833m		
How we achieved it:		
<div style="background-color: #f4a460; padding: 5px; display: inline-block; border-radius: 10px;"> <b>Firm focus on a profitable future</b> </div>		
Turnaround situation... <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-top: 10px;"> <b>Strong leadership</b> </div>	<ol style="list-style-type: none"> <li style="margin-bottom: 5px;">1 Enhancing and sustaining reinsurance profitability</li> <li style="margin-bottom: 5px;">2 Leading ERGO back to profitability</li> <li style="margin-bottom: 5px;">3 Realising integrated risk management</li> </ol>	... and a clear goal: <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-top: 10px;">                     – Sustainable profitability                      – "Derisking"                 </div>
		<ol style="list-style-type: none"> <li style="margin-bottom: 10px;"><b>1 Reinsurance</b> Net profit of €1,661m in 2004</li> <li style="margin-bottom: 10px;"><b>2 Primary insurance</b> Net profit of €261m in 2004 ERGO net profit of €202m in 2004</li> <li><b>3 Derisking</b> Reduced concentration risks</li> </ol>
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>8</b>

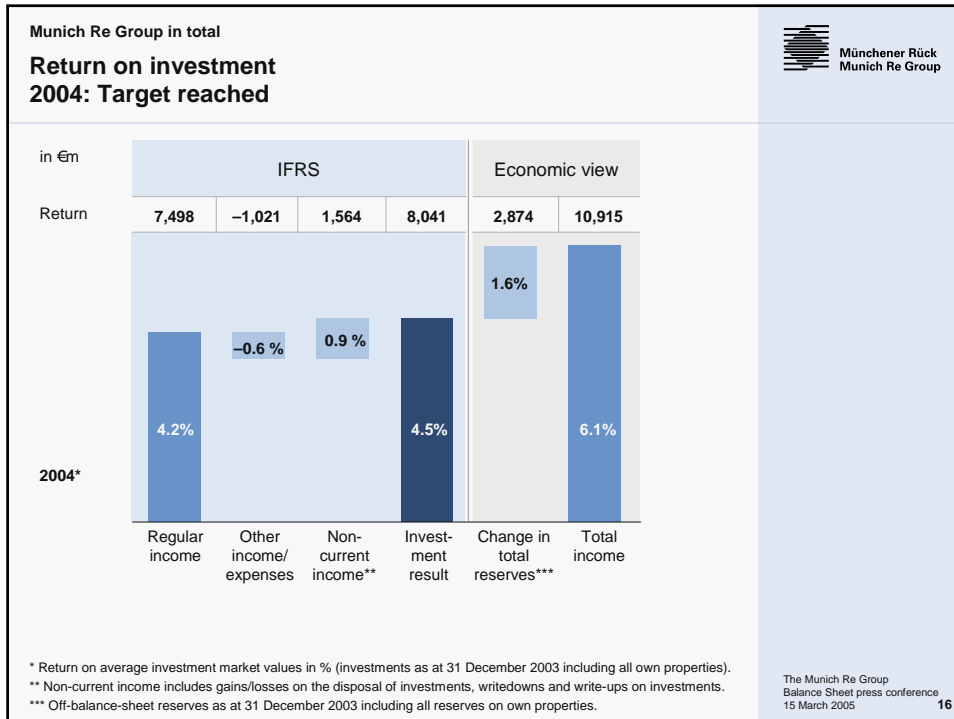
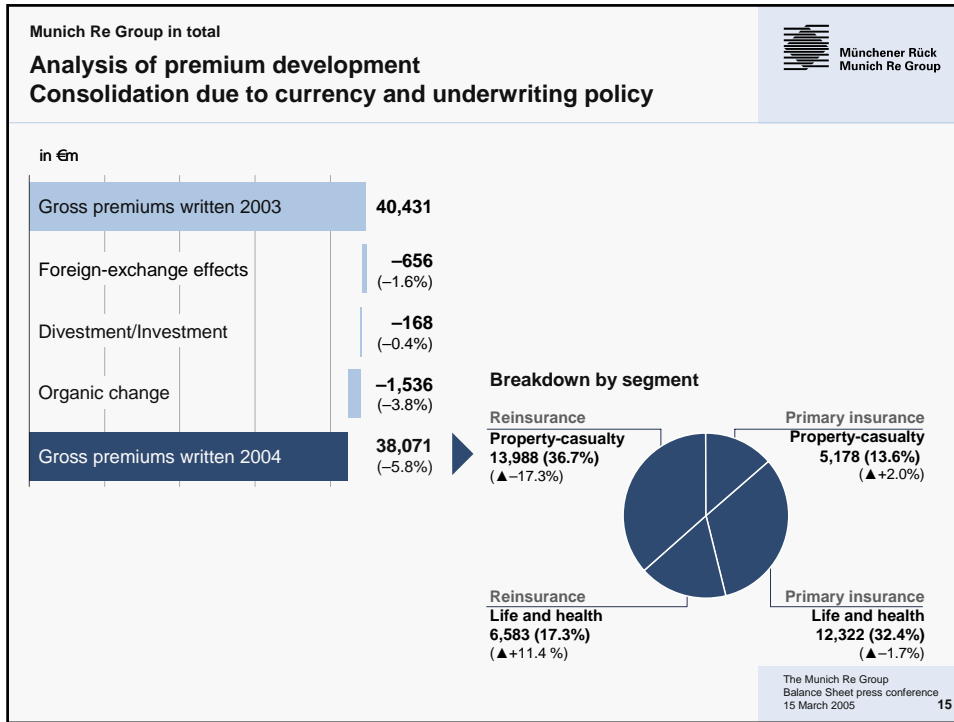
<p><b>Introduction</b> <b>2004 in detail</b></p>		
<p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>▪ Strict focus on risk-adequate pricing</li> <li>▪ ERGO restructuring and strict profitability-oriented product policy</li> <li>▪ Uniform control</li> <li>▪ Reduction of major financial stakes</li> <li>▪ US casualty project and closer alignment of American Re</li> <li>▪ Victoria Leben capital situation clarified</li> </ul>	<p><b>Work in progress</b></p> <ul style="list-style-type: none"> <li>▪ American Re</li> <li>▪ Concentration in HVB/Allianz</li> </ul>	
		<p>The Munich Re Group Balance Sheet press conference 15 March 2005</p>

<p><b>Agenda</b></p>		
<p><b>Nikolaus von Bomhard</b></p> <ul style="list-style-type: none"> <li>▪ Munich Re – 125 years</li> <li>▪ Introduction</li> </ul>	<p>3 7</p>	
<p><b>Jörg Schneider</b></p> <ul style="list-style-type: none"> <li>▪ <b>Financial reporting 2004</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Munich Re Group in total</b></li> <li>▪ Reinsurance segment</li> <li>▪ Primary insurance segment</li> <li>▪ Summary</li> </ul>	<p><b>10</b> 19 25 30</p>	
<p><b>Nikolaus von Bomhard</b></p> <ul style="list-style-type: none"> <li>▪ Strategy</li> <li>▪ Outlook</li> </ul>	<p>32 46</p>	
<p><b>BACKUP</b></p>	<p>51</p>	
		<p>The Munich Re Group Balance Sheet press conference 15 March 2005</p>

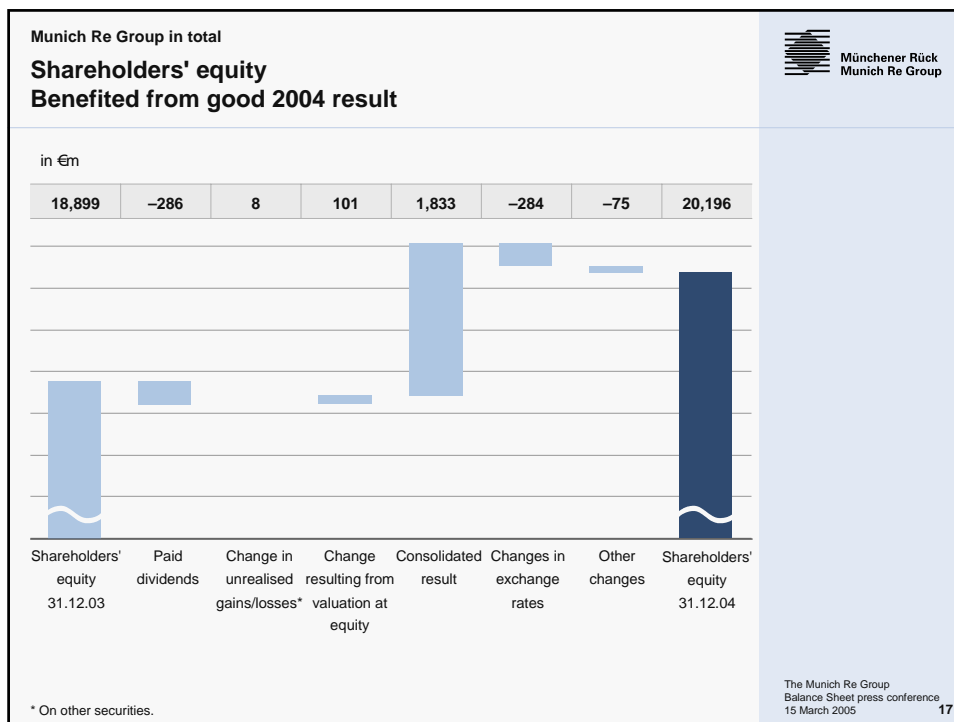
Executive summary	
<b>2004 – Strict profit orientation pays off</b>	
<ul style="list-style-type: none"> <li>▪ Profit of €1,833m, result before amortisation of goodwill approximately €3bn</li> <li>▪ Gross premium income down by 5.8%</li> <li>▪ Combined ratios: Very good in reinsurance at 98.9%, despite burden of 4.5 percentage points for NatCat losses; excellent in primary insurance at 93.0%</li> <li>▪ Exceptional impacts successfully absorbed: Natural catastrophes losses, writedowns on real estate, US reserves strengthening and special writedowns at HVB</li> <li>▪ Investment result increased to €8.0bn Reduction of concentration risks consistently pursued</li> <li>▪ Shareholders' equity strengthened by €1.3bn to €20.2bn</li> </ul>	<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>11</b>

Munich Re Group in total				
<b>Income statement</b>				
<b>Good result 2004</b>				
in €m	2004	2003	▲ in %	
Gross premiums written	38,071	40,431	-5.8	<ul style="list-style-type: none"> <li>▪ Consolidation of premium income</li> <li>▪ Strong investment result</li> <li>▪ Result before amortisation of goodwill increased by 50%</li> <li>▪ Group result within our adjusted target corridor</li> </ul>
Net earned premiums	36,534	37,617	-2.9	
Investment result	8,041	7,131	12.8	
<b>Total income</b>	<b>45,691</b>	<b>45,959</b>	<b>-0.6</b>	
<b>Total expenses*</b>	<b>42,743</b>	<b>43,988</b>	<b>-2.8</b>	
<b>Result before amortisation of goodwill*</b>	<b>2,948</b>	<b>1,971</b>	<b>49.6</b>	
Amortisation of goodwill	344	687	-49.9	
<b>Operating result before taxes on income*</b>	<b>2,604</b>	<b>1,284</b>	<b>102.8</b>	
Taxes on income*	712	1,752	-59.4	
Minority interests in earnings	59	-34	-	
<b>Group result</b>	<b>1,833</b>	<b>-434</b>	<b>-</b>	
<b>Earnings per share in €</b>	<b>8.01</b>	<b>-2.25</b>	<b>-</b>	
<small>* Adjusted after reallocation of "other tax" from "tax" to "other expenses".</small>				
				<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>12</b>











**Munich Re Group in total**  
**Segment results**  
**Positive in primary insurance and reinsurance**

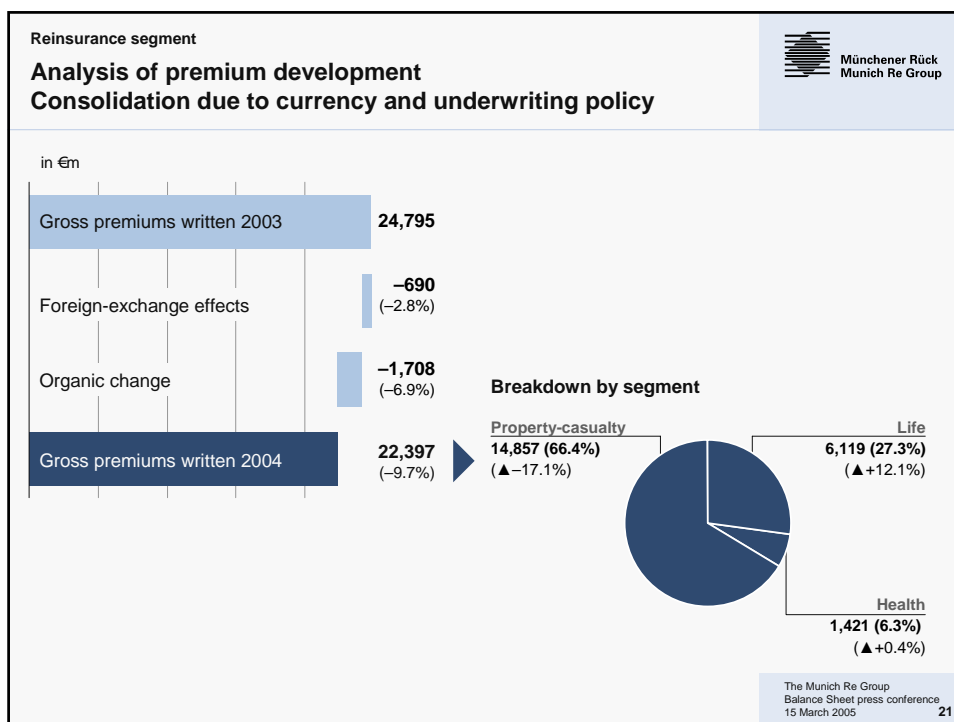
in €m	2004	2003
Reinsurance	1,661	1,632
Primary insurance	261	-1,091
Asset management	-42	20
Consolidation	-47	-995
<b>Group result</b>	<b>1,833</b>	<b>-434</b>

- Despite losses from hurricanes: Strong earnings in reinsurance
- Primary insurance back to positive

The Munich Re Group  
 Balance Sheet press conference  
 15 March 2005 **18**

Agenda		
<b>Nikolaus von Bomhard</b>		
▪ Munich Re – 125 years	3	
▪ Introduction	7	
<b>Jörg Schneider</b>		
▪ <b>Financial reporting 2004</b>		
▪ Munich Re Group in total	10	
▪ <b>Reinsurance segment</b>	<b>19</b>	
▪ Primary insurance segment	25	
▪ Summary	30	
<b>Nikolaus von Bomhard</b>		
▪ Strategy	32	
▪ Outlook	46	
<b>BACKUP</b>	<b>51</b>	
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>19</b>

Reinsurance segment				
Income statement				
Strict bottom-line orientation				
in €m	2004	2003	▲ in %	
Gross premiums written	22,397	24,795	-9.7	<ul style="list-style-type: none"> <li>▪ Consolidation of premium income due to profit orientation and currency effects</li> <li>▪ Reduced taxes due to high storm losses and tax-free gains on disposal of investments</li> <li>▪ Excellent results</li> </ul>
Net earned premiums	21,475	22,651	-5.2	
Investment result	3,597	3,584	0.4	
<b>Total income</b>	<b>25,547</b>	<b>26,747</b>	-4.5	
<b>Total expenses*</b>	<b>23,166</b>	<b>24,036</b>	-3.6	
<b>Result before amortisation of goodwill*</b>	<b>2,381</b>	<b>2,711</b>	-12.2	
Amortisation of goodwill	100	105	-4.8	
<b>Operating result before taxes on income*</b>	<b>2,281</b>	<b>2,606</b>	-12.5	
Taxes on income*	615	984	-37.5	
Minority interests in earnings	5	-10	-	
<b>Group result</b>	<b>1,661</b>	<b>1,632</b>	1.8	
* After reallocation of "other tax" from "tax" to "other expenses".				<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>20</b>



Reinsurance segment

**American Re**  
US GAAP key figures 2004

Münchener Rück  
Munich Re Group

in US\$m	2004	2003	▲ in %
Gross premiums written	4,206	4,611	-8.8
Net earned premiums	1,803	1,603	12.5
Investment result	805	808	-0.4
<b>Total income</b>	<b>2,608</b>	<b>2,411</b>	<b>8.2</b>
<b>Total expenses</b>	<b>2,532</b>	<b>1,908</b>	<b>32.7</b>
<b>Operating result before taxes on income</b>	<b>76</b>	<b>503</b>	<b>-84.9</b>
Taxes on income	-27	240	-
<b>Group result</b>	<b>103</b>	<b>263</b>	<b>-60.8</b>
<b>Statutory surplus as at 31.12.</b>	<b>3,386</b>	<b>3,344</b>	<b>1.3</b>

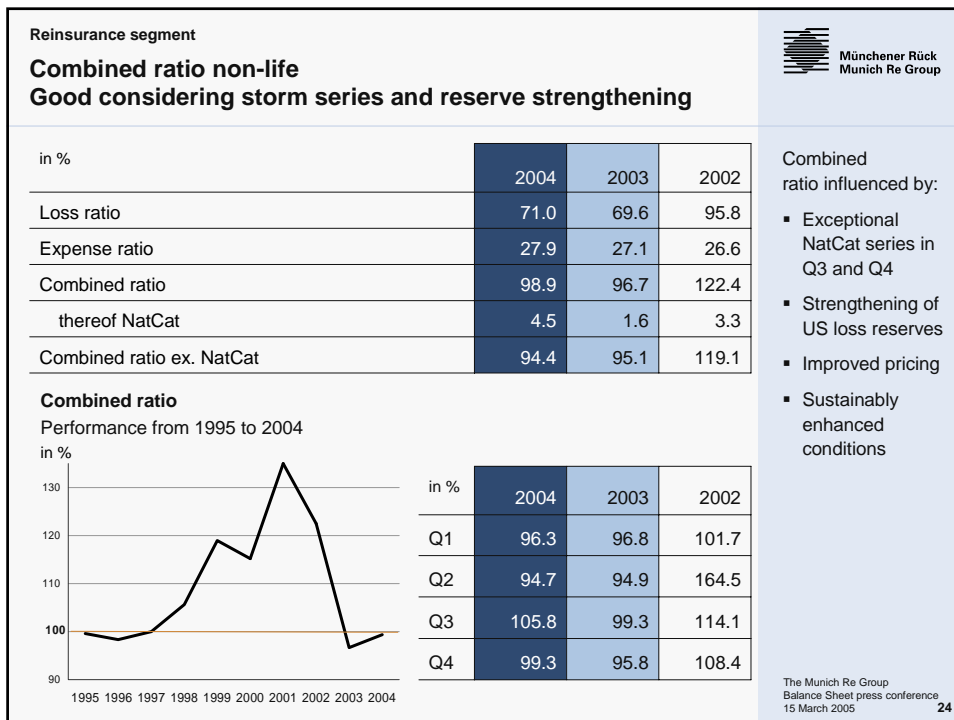
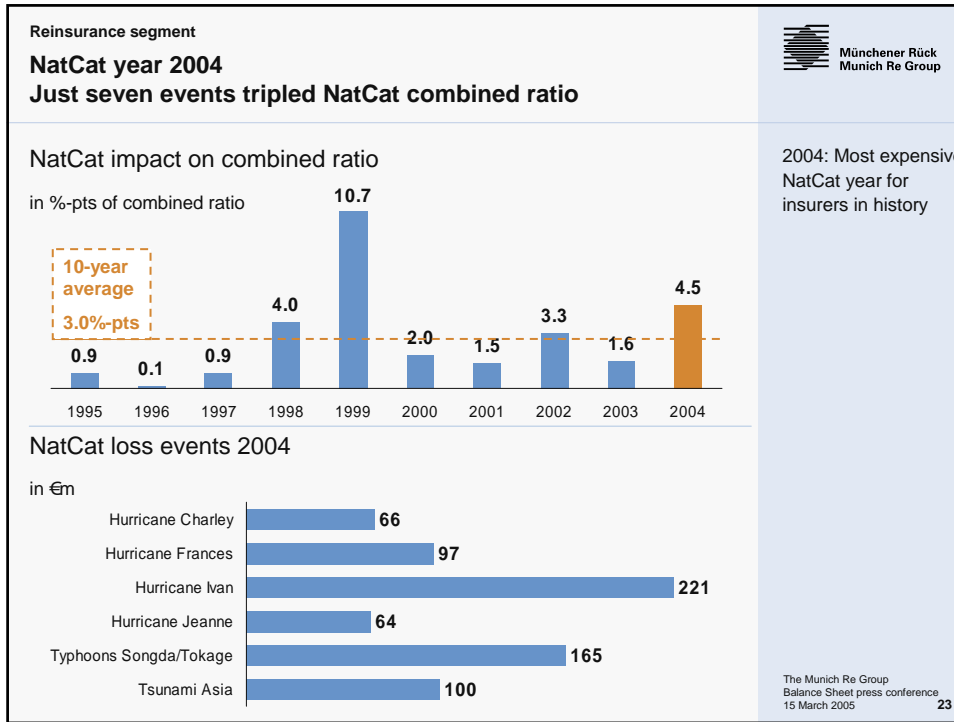
Results significantly impacted by reserve strengthening of US\$ 482m (2003: US\$ 368m) including US\$ 180m (2003: US\$ 0m) for prior-year asbestos liabilities


High catastrophe losses of US\$ 202.1m (2003: US\$ 50.7m)


in %	2004	2003	▲ in %-pts
<b>Combined ratio</b>	<b>122.0</b>	<b>102.6</b>	<b>19.4</b>
<b>Risk based capital ratio</b>	<b>235.7</b>	<b>219.9</b>	<b>15.8</b>

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

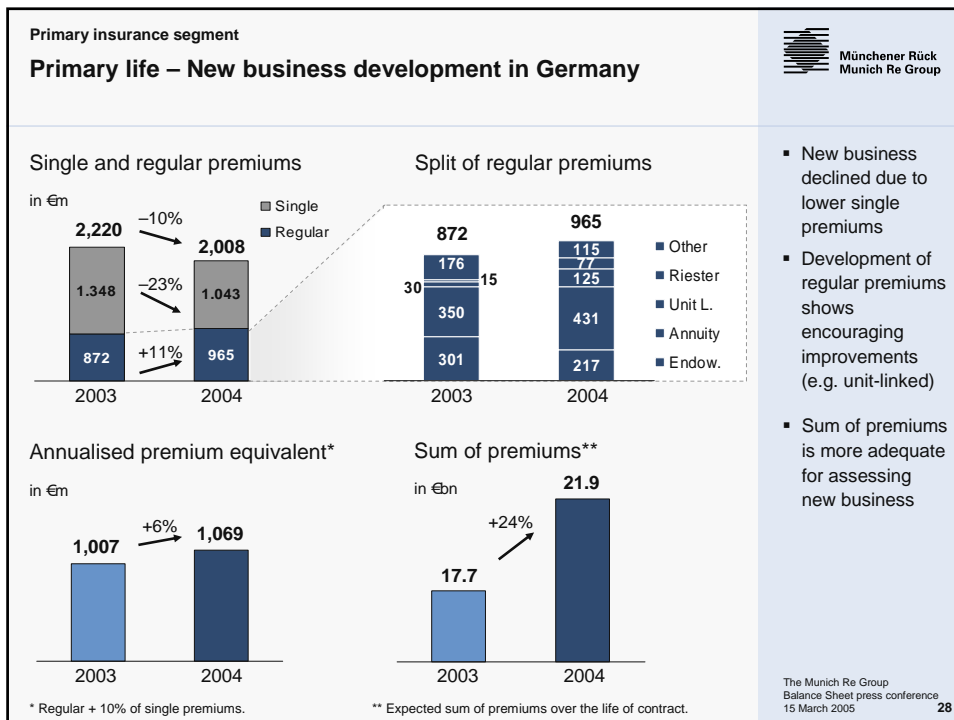
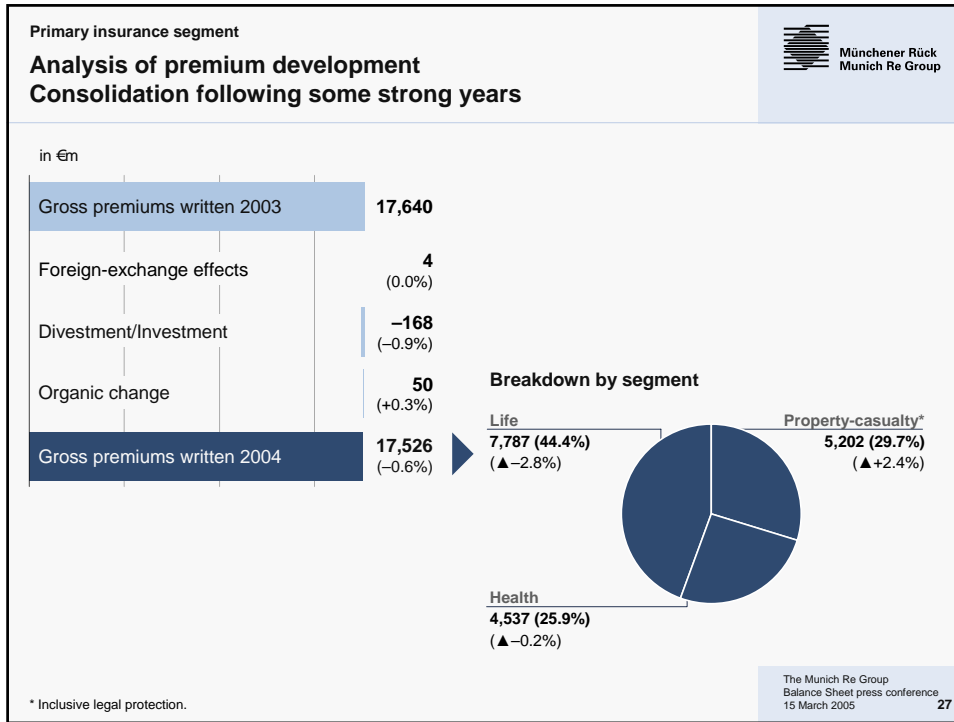
22



Agenda		
<b>Nikolaus von Bomhard</b>		
▪ Munich Re – 125 years	3	
▪ Introduction	7	
<b>Jörg Schneider</b>		
▪ <b>Financial reporting 2004</b>		
▪ Munich Re Group in total	10	
▪ Reinsurance segment	19	
▪ <b>Primary insurance segment</b>	<b>25</b>	
▪ Summary	30	
<b>Nikolaus von Bomhard</b>		
▪ Strategy	32	
▪ Outlook	46	
<b>Backup</b>	<b>51</b>	
		The Munich Re Group Balance Sheet press conference 15 March 2005 <b>25</b>

Primary insurance segment			
<b>Income statement</b>			
<b>Clear return to profitability</b>			
in €m	2004	2003	▲ in %
Gross premiums written	17,526	17,640	-0.6
Net earned premiums	15,059	14,966	0.6
Investment result	4,587	4,209	9.0
<b>Total income</b>	<b>21,091</b>	<b>20,688</b>	<b>1.9</b>
<b>Total expenses*</b>	<b>20,476</b>	<b>20,476</b>	-
<b>Result before amortisation of goodwill*</b>	<b>615</b>	<b>212</b>	<b>190.1</b>
Amortisation of goodwill	236	581	-59.4
<b>Operating result before taxes on income*</b>	<b>379</b>	<b>-369</b>	-
Taxes on income*	57	754	-92.4
Minority interests in earnings	61	-32	-
<b>Group result</b>	<b>261</b>	<b>-1,091</b>	-
<ul style="list-style-type: none"> <li>▪ Stable premium income</li> <li>▪ Improved investment result</li> <li>▪ Result before amortisation of goodwill nearly tripled</li> </ul>			
		The Munich Re Group Balance Sheet press conference 15 March 2005 <b>26</b>	

\* Adjusted after reallocation of "other tax" from "tax" to "other expenses".



**Primary insurance segment**

**Combined ratio property-casualty**  
**Exceptionally low level**

in %	2004	2003	2002
Loss ratio*	58.1	60.0	62.4
Expense ratio*	34.9	36.4	37.5
Combined ratio in property-casualty*	93.0	96.4	99.9

\* Inclusive legal protection.

**Combined ratio**  
Development from 1998 to 2004

in %

in %	2004	2003	2002
Q1	95.4	98.5	108.1
Q2	91.5	96.2	94.6
Q3	90.0	94.6	103.8
Q4	95.1	96.5	93.9

Lower combined ratio due to:

- Improved pricing
- Significantly enhanced conditions
- Excellent portfolio mix

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

29

**Agenda**

**Nikolaus von Bomhard**

- Munich Re – 125 years 3
- Introduction 7

**Jörg Schneider**

- **Financial reporting 2004**
- Munich Re Group in total 10
- Reinsurance segment 19
- Primary insurance segment 25
- **Summary** **30**

**Nikolaus von Bomhard**

- Strategy 32
- Outlook 46

**Backup** 51

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

30

**Summary**

**Convincing performance in 2004**

- Shareholders' equity up by €1.3bn to €20.2bn
- Profit takes precedence over growth
  - Strict focus on business quality, thus decrease in premiums accepted as side effect
  - Combined ratios:  
Reinsurance 98.9%, primary insurance 93.0%
  - Investment result again strong at €8,041m
  - Outstanding result in reinsurance of €1,661m  
Primary insurance clearly back in the profit zone with €261m

€1.8bn profit: Target reached within our adjusted target corridor

Münchener Rück  
Munich Re Group

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

**31**

**Agenda**

**Nikolaus von Bomhard**

- Munich Re – 125 years 3
- Introduction 7

**Jörg Schneider**

- Financial reporting 2004
  - Munich Re Group in total 10
  - Reinsurance segment 19
  - Primary insurance segment 25
  - Summary 30

**Nikolaus von Bomhard**

- **Strategy** **32**
- Outlook 46

**Backup** 51

Münchener Rück  
Munich Re Group

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

**32**



**Strategy**  
**The Munich Re Group**  
**Turning risk into value**

The diagram is a circle divided into three segments. At the center is a dark blue circle labeled 'Sustainable success'. The top segment is light grey and labeled 'Active risk diversification'. The bottom-left segment is light blue and labeled 'Excellent steering and control'. The bottom-right segment is medium blue and labeled 'Focus on risk as our business'.

Münchener Rück  
Munich Re Group

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **33**

**Strategy: Active risk diversification**  
**Success by risk diversification**

The diagram is a hierarchical structure under the heading 'Active risk diversification'. It is divided into two main horizontal sections. The top section contains 'Measuring diversification' and 'Transforming diversification into tangible benefits'. The bottom section contains 'Munich Re Group capital model', 'Capital fungibility', and 'Dynamic portfolio management'.

**Active risk diversification**

**Measuring diversification**      **Transforming diversification into tangible benefits**

**Munich Re Group capital model**  
 Robust determination of diversification and concentration effects using multidisciplinary state-of-the-art tools

**Capital fungibility**  
 Optimising intragroup risk mitigation instruments (e.g. retrocession) with effective Group oversight to limit contagion risks  
 Further derisking, significantly improving our quality and mobility of capital

**Dynamic portfolio management**  
 Active capital management balancing regulatory, rating agency and economic needs  
 Active shift of capital in reinsurance depending on the cycle(s)  
 Comprehensive accumulation control  
 Optimising portfolio risk-adjusted returns through "best of breed" ALM

Münchener Rück  
Munich Re Group

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **34**

Strategy: Active risk diversification

**Optimising portfolio risk-adjusted returns through "best of breed" ALM**

Munich Re Group

Asset/liability management

Deep understanding of the liabilities –  
Their links to economic indicators

The key linkages

- Interest rates
- Inflation (retail, healthcare, wages, etc)
- Economic growth
- Credit cycles

Deep understanding of investment universe –  
Ability to replicate insurance liability profiles

Skill mix

- P&C actuaries
- L&H actuaries
- Underwriting/claims

Skill mix

- Financial analysts
- Financial engineers
- Portfolio management

Liability-driven investment respecting the characteristics of insurance liabilities (timing and level uncertainty)

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

35

Strategy: Focus on risk as our business

**Institutional form of how the risk is attracted increasingly of less importance**

Not insured risks

Insurable risks

Non-insurable risks

Primary insurance

Reinsurance

Risks

- Life
- Health
- Casualty
- Insurable emerging risks
- Credit and surety
- Property
- Marine Aviation

Worldwide

Individuals, groups, companies

Munich Re Group strategy with clear focus on risk

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

36

**Strategy: Focus on risk as our business**

**Insurance growth keeps outperforming growth in the overall economy**

Münchener Rück  
Munich Re Group

Nominal GDP growth p.a. until 2014\* in selected regions

Americas	Europe	Emerging Asia
<p>US: Most advanced P&amp;C market, high share of casualty business, private care</p> <p>Latin America: Catching-up</p> <p>5.5-6% (USA), 4.5-5% (Canada), 8-9% (Latin America)</p>	<p>Demographic shift and social security reforms, integrating economy</p> <p>4% (Western Europe), 6-8% (Eastern Europe), 12% (Russia)</p>	<p>Rapid economic and insurance market growth</p> <p>11-12% (China), 11% (India), 7-10% (Other)</p>

- Non-life insurance continued to grow faster than the economy in the last three decades
- Trend even stronger for life insurance

Non-life insurance penetration until 2003

\* Consensus; sum of real GDP and inflation.

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **37**

**Strategy: Focus on risk as our business**

**Example: ERGO Health Well positioned**

Münchener Rück  
Munich Re Group

**Initiatives**

- Growing importance of supplementary insurance
  - Co-operation with state health insurers for supplementary insurance (>100,000 policies sold)
  - Co-operation covers more than 20% of total state health insurance market
- Extended sales channels
  - Long-term sales co-operation with Gerling Group, Zürich Group Germany and Deutsche Bank
- International activities
  - China: Participation of 19% in the first commercial health insurance company (90,000 sales agents nationwide)
  - Spain: Innovative combination of health insurance and healthcare services in the region of Denia

Management of benefits and health services with

- preventive services and
- medical care

**Profit for the year**

Year	Profit (€m)
2002	-165
2003	-151
2004	84

**Investment result**

Year	Investment Result (€m)
2002	-201
2003	973
2004	844

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **38**

**Strategy: Focus on risk as our business**

**Example: ERGO property-casualty and legal protection**  
**Leveraging the strong position**

**Münchener Rück**  
**Munich Re Group**

**Property-casualty**

Skilled and selective underwriting and rigid portfolio controlling lead to outstanding technical results

- Excellent combined ratios for many years
- Favourable portfolio mix: large portion of personal accident and below average portion of motor business

**Legal protection**

Benefit from leading market position:  
 Example legal protection

- Market leader in Germany and Europe
- Strong rise in premiums (GWP €844m / +7.3%) and profit in 2004
- 49% of premiums from international business (GWP €413m / +15.2%)
- Increase of premium rates in Germany due to new "Court Fees Act"

**Combined ratios**

in %

Year	Property-casualty	Legal protection
2002	97.6	101.1
2003	89.7	99.2
2004	90.1	98.9

\* Adjusted for Victoria Re 93.3%

**Profit for the year**

in €m

Year	Property-casualty	Legal protection
2002	-351	-57
2003	138	-5
2004	261	47

**D.A.S. market leader in nine European countries**

The Munich Re Group  
 Balance Sheet press conference  
 15 March 2005

39

**Strategy: Focus on risk as our business**

**Example: Engineering risks**  
**Success story in reinsurance**

**Münchener Rück**  
**Munich Re Group**

**Basis of business**

Excellent engineering knowledge (in Munich; proximity to clients in offices abroad) focused on:

- Risk assessment
- Design of primary insurance concepts
- Effective loss control

**Business approach**

- High-quality service proposition to clients: Leverage for obtaining substantial treaty participations
- High facultative capacity as leading reinsurer for exceptional and major risks

**Profitable results in engineering insurance. Reputation as world leader in engineering often "door-opener" for participations in other attractive lines of business**

**Gross premiums written**

in €m

Year	Gross premiums written
2002	1,443
2003	1,393
2004	1,281

**Combined ratio**

in %

Year	Combined ratio
2002	105.2
2003	94.5
2004	89.5

- Munich Re Group leading engineering reinsurer with global opinion leadership
- Combining engineering know-how with high-quality underwriting expertise

The Munich Re Group  
 Balance Sheet press conference  
 15 March 2005

40

**Strategy: Focus on risk as our business**

**Example: Marine risks – Enhancing the business model beyond traditional reinsurance via Watkins Syndicate (Lloyd's market)**

**Marine**

**Munich Re Group**

Attract reinsurance market (via Munich Re Munich) | Steering of business activity via Munich Re's Corporate Underwriting | Knowledge transfer into the organisation | Internal retrocession | Attract primary market (via Lloyd's Watkins)

Successful investment: Expansion of Watkins primary business in the London market from £63m gross premiums written in 1997 to £208m in 2004.

Gross premiums written				Combined ratio				Net profit									
in £m				in %				in £m									
2002	208	2003	229	2004	208	2002	93.3	2003	87.2	2004	83.5	2002	10	2003	23	2004	33

Münchener Rück  
Munich Re Group

- Munich Re Group leading marine reinsurer
- Lloyd's Watkins part of Munich Re Group since 1997

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **41**

**Strategy: Excellent steering and control**

**Key initiatives to further enhance steering and control**

**Excellent steering and control**

- Integrity of data
- Clear targets
- Clear structure and responsibilities
- Best-in-class underwriting
- Clear incentives
- Strict performance monitoring and execution

Initiatives

- 2004: ERGO's new structure
- 2005: Uniform control
- Roll-out of RSM\* in the reinsurance group

\*RSM: Renewal Steering & Monitoring

Münchener Rück  
Munich Re Group

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **42**

**Strategy:** Excellent steering and control

**Example: German primary life – Finding the right balance between maximising franchise value and protecting equity capital**

**Münchener Rück  
Munich Re Group**

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **43**

**Strategy:** Excellent steering and control

**Example: ERGO Life – Measures taken to return to profitability**

**Münchener Rück  
Munich Re Group**

**Initiatives**

- Reduction of explicit and implicit guarantees
  - Introduction of a new range of unit-linked and hybrid annuity products
  - Strengthening of terminal bonus
- Strengthening of cost margins (on average 1.25 – 1.50% of the premium)
- Reduced equity exposure to 10.1%
- Proactive implementation of new mortality tables
  - Adjustment of reserves in 2003 and of prices since 2004
  - Increase of premium level on average +5%
- Steering of strong distribution network
  - Enhance sales of new products (e.g. Rürup) to compensate decline in endowments

**Profit for the year**  
in €m


Year	Profit (€m)
2002	-254
2003	-357
2004	2


**Investment result**  
in €m


Year	Investment Result (€m)
2002	-411
2003	3,392
2004	3,167

**Initiatives lower growth but improve sustainable profitability**

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **44**

<p>Strategy: Excellent steering and control</p> <p><b>American Re Corporation</b></p> <p><b>Actions taken</b></p> <ul style="list-style-type: none"> <li>▪ More coordination and alignment with Munich Re</li> <li>▪ Reduction in limits across all strategic business units</li> <li>▪ Tighter underwriting guidelines</li> <li>▪ Uniform underwriting risk appetite across the company in the strategic business units</li> <li>▪ Exited certain classes of business:             <ul style="list-style-type: none"> <li>▪ Casualty and professional liability business written as part of the Global Risk Management portfolio (GWP US\$ 136m in 2004)</li> <li>▪ Public non-profit business written in London</li> <li>▪ Non-standard personal auto business</li> <li>▪ Individual risk exposure from pharmaceutical manufacturing</li> <li>▪ Finite risk reinsurance (US\$ 126m premiums in 2004)</li> </ul> </li> </ul>	
<p>Success of actions taken since 2002 increasingly visible in recent underwriting results</p>	<p>The Munich Re Group Balance Sheet press conference 15 March 2005 <b>45</b></p>


<p><b>Agenda</b></p> <p><b>Nikolaus von Bomhard</b></p> <ul style="list-style-type: none"> <li>▪ Munich Re – 125 years 3</li> <li>▪ Introduction 7</li> </ul> <p><b>Jörg Schneider</b></p> <ul style="list-style-type: none"> <li>▪ Financial reporting 2004             <ul style="list-style-type: none"> <li>▪ Munich Re Group in total 10</li> <li>▪ Reinsurance segment 19</li> <li>▪ Primary insurance segment 25</li> <li>▪ Summary 30</li> </ul> </li> </ul> <p><b>Nikolaus von Bomhard</b></p> <ul style="list-style-type: none"> <li>▪ Strategy 32</li> <li>▪ <b>Outlook 46</b></li> </ul> <p><b>Backup 51</b></p>	
	<p>The Munich Re Group Balance Sheet press conference 15 March 2005 <b>46</b></p>

<p><b>Outlook</b>  <b>Cycle outlook: 1 April 2005 renewals with generally stable rates – Price increases in loss-affected lines expected</b></p>		
<p><b>Korea</b></p>	<p><b>Japan</b></p>	
<ul style="list-style-type: none"> <li>▪ <b>Property:</b> Stable renewal on prices and terms and conditions; demand for capacity remains high</li> <li>▪ <b>Casualty:</b> Only minor changes compared to 2004 expected; prices in some specialty lines (e.g. D&amp;O) remain at too low levels</li> <li>▪ <b>Marine:</b> Biggest claims burden in the past year, e.g. major car carrier losses; need for further improvement of terms and conditions; strain on capacity expected</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Property:</b> Major claims (five storms in 2004) show need for continued increases to include climate change in pricing. Man-made industrial losses further support market discipline</li> <li>▪ <b>Casualty:</b> Stable market expected, need for further improvements in the case of US exposure</li> <li>▪ <b>Marine:</b> Favourable results in 2004; prices, terms and conditions expected to remain stable</li> </ul>	<p>Overall largely stable reinsurance market, but increasing challenges:</p> <ul style="list-style-type: none"> <li>▪ Global reinsurance capacity increasing</li> <li>▪ Most players disciplined</li> </ul>
<p>Munich Re Group committed to risk-adequate pricing: Best guarantee that we can continue to be our clients' preferred and reliable partner</p>		


<p><b>Outlook</b>  <b>Munich Re Group heads for new business opportunities</b></p>			
<p><b>Where we come from</b>                  German financial conglomerate</p>	<p><b>2004/2005:                  Transition phase with focus on...</b></p>		<p><b>Where are we heading to</b>                  Focus on managing risk as a core competence</p>
<ul style="list-style-type: none"> <li>▪ Developing the strategy for growth, starting with "Spearhead projects"</li> <li>▪ Setting the basis for future success: Addressing weaknesses and areas of underperformance</li> </ul>			<p><small>The Munich Re Group                  Balance Sheet press conference                  15 March 2005</small></p> <p style="text-align: right;"><b>48</b></p>




<p><b>Outlook</b></p> <p><b>"Spearhead projects" initiated to develop a growth strategy for Munich Re Group</b></p> <ul style="list-style-type: none"> <li>▪ Global healthcare strategy integrating primary insurance and reinsurance</li> <li>▪ Longevity: Develop coordinated strategy for primary insurance and reinsurance</li> <li>▪ ERGO: Review foreign and domestic business strategy with respect to             <ul style="list-style-type: none"> <li>▪ Improvement of portfolio and profitability</li> <li>▪ Identification of key geographical markets</li> <li>▪ Risk diversification aspects</li> </ul> </li> <li>▪ Exploit business opportunities out of the synergies of different special lines businesses (including bonding, enterprise risk, project finance)</li> <li>▪ Strategy for alternative risk transfer to capital markets</li> </ul>	 <p>The Munich Re Group Balance Sheet press conference 15 March 2005</p> <p style="text-align: right;"><b>49</b></p>
--	---

<p><b>Outlook</b></p> <p><b>Group financial targets 2005</b></p> <p><b>Next step on the path to sustainable profitability</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="background-color: #1a3d4d; color: white;">Reinsurance</th> <th style="background-color: #1a3d4d; color: white;">Primary insurance</th> </tr> <tr> <td> <p><b>Non-life</b></p> <p>Combined ratio 97%</p> <p><b>Life</b></p> <p>European embedded value operating earnings 8–10%</p> </td> <td> <p><b>Property-casualty<sup>1</sup></b></p> <p>Combined ratio 95%</p> <p><b>Life and health</b></p> <p>European embedded value operating earnings 8–10%</p> </td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <th colspan="2" style="background-color: #e0e0e0;">Asset management</th> </tr> <tr> <td><b>Group assets</b></td> <td></td> </tr> <tr> <td>Return on investment<sup>2</sup></td> <td style="text-align: right;">4.5%</td> </tr> </table> <div style="background-color: #1a3d4d; color: white; text-align: center; padding: 10px; margin-top: 10px;"> <p><b>Munich Re Group:</b> RoE<sup>3</sup> 2005: 12%</p> </div>	Reinsurance	Primary insurance	<p><b>Non-life</b></p> <p>Combined ratio 97%</p> <p><b>Life</b></p> <p>European embedded value operating earnings 8–10%</p>	<p><b>Property-casualty<sup>1</sup></b></p> <p>Combined ratio 95%</p> <p><b>Life and health</b></p> <p>European embedded value operating earnings 8–10%</p>	Asset management		<b>Group assets</b>		Return on investment <sup>2</sup>	4.5%	 <p>The Munich Re Group Balance Sheet press conference 15 March 2005</p> <p style="text-align: right;"><b>50</b></p>
Reinsurance	Primary insurance										
<p><b>Non-life</b></p> <p>Combined ratio 97%</p> <p><b>Life</b></p> <p>European embedded value operating earnings 8–10%</p>	<p><b>Property-casualty<sup>1</sup></b></p> <p>Combined ratio 95%</p> <p><b>Life and health</b></p> <p>European embedded value operating earnings 8–10%</p>										
Asset management											
<b>Group assets</b>											
Return on investment <sup>2</sup>	4.5%										

<sup>1</sup> Inclusive legal protection.  
<sup>2</sup> IFRS investment result based on average IAS book values.  
<sup>3</sup> Profit for the year/average total shareholders' equity, both incl. minorities

<b>Agenda</b>		
<b>Nikolaus von Bomhard</b>		
▪ Munich Re – 125 years		3
▪ Introduction		7
<b>Jörg Schneider</b>		
▪ Financial reporting 2004		
▪ Munich Re Group in total		10
▪ Reinsurance segment		19
▪ Primary insurance segment		25
▪ Summary		30
<b>Nikolaus von Bomhard</b>		
▪ Strategy		32
▪ Outlook		46
<b>Backup</b>		<b>51</b>
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>51</b>

<b>BACKUP: Primary insurance segment</b>			
<b>ERGO – Income statement</b>			
<b>Group total</b>			
in €m			
	2004	2003	▲ in %
Gross premiums written	15,569	15,566	0.0
Net earned premiums	13,736	13,700	0.3
Investment result	4,283	4,330	-1.1
<b>Total income</b>	<b>18,686</b>	<b>18,741</b>	<b>-0.3</b>
<b>Total expenses</b>	<b>18,158</b>	<b>18,734</b>	<b>-3.1</b>
<b>Result before amortisation of goodwill</b>	<b>528</b>	<b>7</b>	<b>&gt;1,000.0</b>
Amortisation of goodwill	203	739	-72.5
<b>Operating result before taxes on income</b>	<b>325</b>	<b>-732</b>	<b>-</b>
Taxes on income	84	653	-87.1
Minority interests in earnings	39	46	-15.2
<b>Group result</b>	<b>202</b>	<b>-1,431</b>	<b>-</b>
		<small>The Munich Re Group Balance Sheet press conference 15 March 2005</small> <b>52</b>	

BACKUP: Primary insurance segment			
<b>ERGO – Income statement</b>			
<b>Life</b>			
in €m	2004	2003	▲ in %
Gross premiums written	6,767	6,955	-2.7
Net earned premiums	5,954	6,116	-2.6
Investment result	3,167	3,392	-6.6
<b>Total income</b>	<b>9,755</b>	<b>9,971</b>	<b>-2.2</b>
<b>Total expenses</b>	<b>9,654</b>	<b>9,798</b>	<b>-1.5</b>
<b>Result before amortisation of goodwill</b>	<b>101</b>	<b>173</b>	<b>-41.6</b>
Amortisation of goodwill	123	387	-68.2
<b>Operating result before taxes on income</b>	<b>-22</b>	<b>-214</b>	<b>89.7</b>
Taxes on income	-34	124	-
Minority interests in earnings	10	19	-47.4
<b>Group result</b>	<b>2</b>	<b>-357</b>	<b>-</b>

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **53**

BACKUP: Primary insurance segment			
<b>ERGO – Income statement</b>			
<b>Health</b>			
in €m	2004	2003	▲ in %
Gross premiums written	4,537	4,547	-0.2
Net earned premiums	4,291	4,298	-0.2
Investment result	844	972	-13.2
<b>Total income</b>	<b>5,219</b>	<b>5,332</b>	<b>-2.1</b>
<b>Total expenses</b>	<b>5,089</b>	<b>5,065</b>	<b>0.5</b>
<b>Result before amortisation of goodwill</b>	<b>130</b>	<b>267</b>	<b>-51.3</b>
Amortisation of goodwill	8	58	-86.2
<b>Operating result before taxes on income</b>	<b>122</b>	<b>209</b>	<b>-41.6</b>
Taxes on income	34	352	-90.3
Minority interests in earnings	4	8	-50.0
<b>Group result</b>	<b>84</b>	<b>-151</b>	<b>-</b>

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 **54**

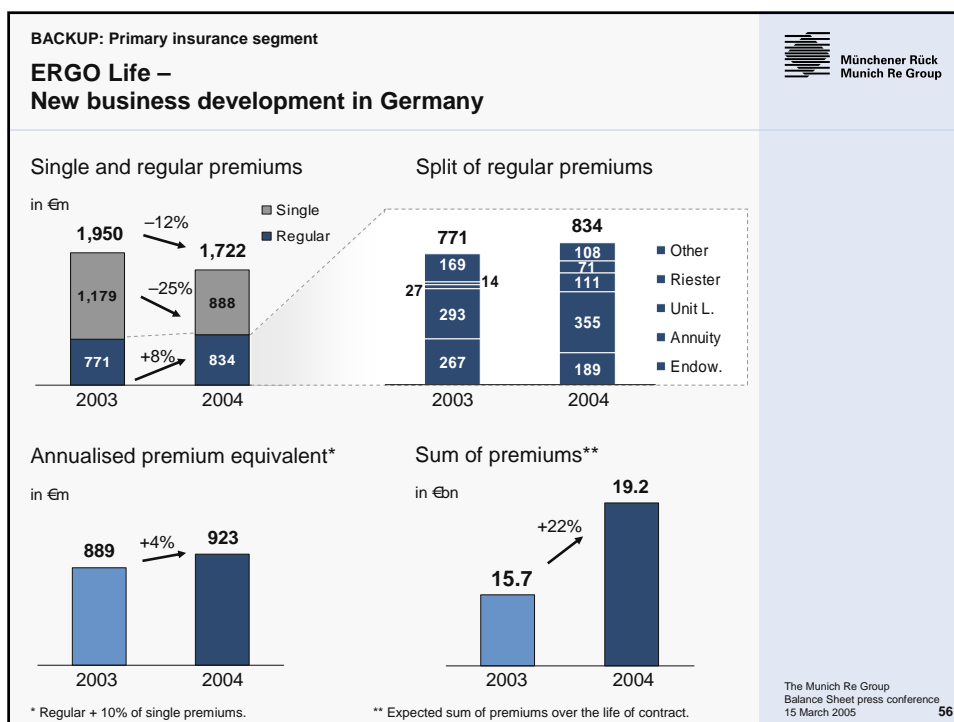
BACKUP: Primary insurance segment

**ERGO – Income statement**  
Property-casualty

Münchener Rück  
Munich Re Group

in €m	2004	2003	▲ in %
Gross premiums written	3,445	3,304	4.3
Net earned premiums	2,676	2,544	5.2
Investment result	250	363	-31.1
<b>Total income</b>	<b>3,038</b>	<b>2,959</b>	<b>2.7</b>
<b>Total expenses</b>	<b>2,598</b>	<b>2,585</b>	<b>0.5</b>
<b>Result before amortisation of goodwill</b>	<b>440</b>	<b>374</b>	<b>17.6</b>
Amortisation of goodwill	44	117	-62.4
<b>Operating result before taxes on income</b>	<b>396</b>	<b>257</b>	<b>54.1</b>
Taxes on income	130	116	12.1
Minority interests in earnings	5	3	66.7
<b>Group result</b>	<b>261</b>	<b>138</b>	<b>89.1</b>
<b>Combined ratio in %</b>	<b>90.1</b>	<b>89.7</b>	<b>0.4</b>

The Munich Re Group  
Balance Sheet press conference  
15 March 2005 55



Appendix

**Disclaimer**



This report contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our company. The company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

The Munich Re Group  
Balance Sheet press conference  
15 March 2005

57