

# Munich Re Press Conference New Munich Re U.S. Strategy

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Münchener Rück  
Munich Re Group

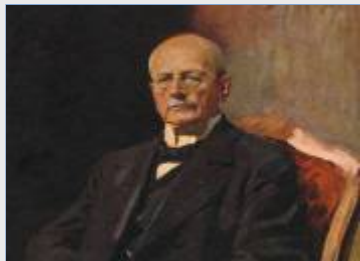


# Agenda

Munich Re Group

Munich Re America

New Munich Re U.S. Strategy



Munich Re is founded on 19 April 1880 at the instigation of Carl von Thieme, BaronTheodor von Cramer-Klett and Wilhelm Finck.

First major loss in the 20th century: the earthquake in San Francisco on 18 April 1906. Munich Re's liability: US\$ 2.5m

Munich Re acts fast to settle losses on the spot:

"Thieme is money."

Munich Re has 511 employees and a premium volume of DM 737m.

Katrina – The largest loss occurrence in insurance history

With wind speeds of up to 280 km/h and gusts reaching 350 km/h, Katrina sweeps over the Gulf of Mexico at the end of August. Estimates put overall losses at US\$ 125bn and insured losses at US\$ 60bn. Financial strain for Munich Re: around € 1.6bn.

Munich Re advises more than 5,000 clients in 150 countries, and has more than 50 business units in its international organisation.

In primary insurance, Munich Re's ERGO Group looks after over 33 million clients.

The Munich Re Group's assets are managed by MEAG.

1880

1906

1960

2005

2006

The **Munich Re Group** operates worldwide in all lines of business

- Profit 2006: €3,519m - the highest in its corporate history
- Premium Income 2006: ~ €37bn (reinsurance: ~€22bn<sup>1</sup>, primary insurance: ~ €17bn<sup>1</sup>)
- Investments 2006: ~ €177bn
- 37,000 employees at over 50 locations throughout the world

**Reinsurance** – unique expertise, excellent service and great financial strength make it one of the world's leading reinsurers

**Primary insurance** – mainly concentrated in the ERGO Insurance Group

→ 33 million clients in 25 countries place their trust in the services, competence and security it provides and make it one of the largest insurance groups in Europe and Germany

<sup>1</sup>before elimination of intra-Group transactions across segment

# Changing Gear

## Utilising scope for profitable growth

### Portfolio remediation successfully concluded – Now scope for profitable growth

#### Ambitious growth targets

- 15 growth initiatives in reinsurance

Examples of the Changing Gear approach:

- Reinsurance closer to the original risk – Acquisition of Bell & Clements
- Innovative solutions: Catastrophe cover for Caribbean states in cooperation with World Bank
- Expansion of collaboration between ERGO and the UniCredit Group

#### Best in class

- Focusing of underwriters on operative business
- Practising risk awareness makes simpler processes possible
- Optimised cycle management
- New incentive systems
- Business plan competition – Promoting entrepreneurial thinking

#### Capital efficiency

- Hybrid bond with a volume of €1.5bn placed
- Capital return of > €8bn to shareholders by 2010
  - Share buy-back programme 2007/2008 half completed
  - Dividend payout of at least €1bn p.a.

Earnings per share average growth p.a. of over 10% (2007–2010)



- Founded 1917 as American Re
- 1996 acquisition of American Re by Munich Re
- January 2002 John P. Phelan appointed Chief Executive Officer of American Re -> reorganization and alignment of UW policy with Munich Re; focus exclusively on the U.S.
- August 2006 American Re changed name to Munich Re America
- Premium income 2006: \$3.7 billion
- Statutory surplus (2Q07): over \$4 billion
- Assets (2Q07): \$17.6 billion
- Over 1200 employees in the U.S.

# Munich Re America – Munich Re’s flagship in the U.S. market

- Munich Re America – one of the leading providers of non-life reinsurance in the United States
- Through its subsidiaries, it writes treaty and facultative reinsurance, insurance, and provides related services to insurance companies, other large businesses, government agencies, pools and other self-insurers.
- With over 50 billion USD in reinsurance premiums and nearly 500 billion USD insurance premiums in 2006, the U.S. non-life (re)insurance market is one of the largest and most competitive in the world. Munich Re considers this a core market.
- Munich Re America has great potential to attain sustainable additional profitable growth.

# Changing Gear

## Goals of the New Munich Re U.S. Strategy

- Achieve the full potential of the U.S. property–casualty market
- Sustainable, profitable growth over the course of the market cycle
- Increase profitability from direct and broker reinsurance as well as primary insurance
  - ➔ by employing a client-centric approach to develop client strategies and reinsurance solutions that leverage the Munich Re Group’s expertise and risk appetite
  - ➔ by developing closer broker relationships to support clients’ needs
  - ➔ by building a dominant presence in niche primary insurance segments

**During all phases of the reinsurance cycle Munich Re stays fully committed to risk adequate pricing.**



# Client-Centric Approach

## Advantages of the New U.S. Strategy

### Old Structure

#### Multiple account coordinators:

- Direct market
  - Broker market
  - Alternative market
  - Treaty / Facultative
  - Multiple geographic locations
- Suboptimal leverage of Group capacity and capabilities

### New Structure

#### Single Client Manager, Close Broker Relationships:

- Clients will be served with a clear and consistent approach by the Client Manager
  - Single Group risk appetite and price
  - Partnership-oriented business development
  - Innovation teams build new product expertise
- Full Group capacity and capabilities brought to bear

# Advantages for the clients and brokers

- Better meeting end-clients' complex risk-transfer needs
- Bring full breadth of Munich Re Group capacity, capabilities and services
- Substantial improvements in responsiveness
- Consistency in product offering across the Munich Re Group
- Joint product development and innovation

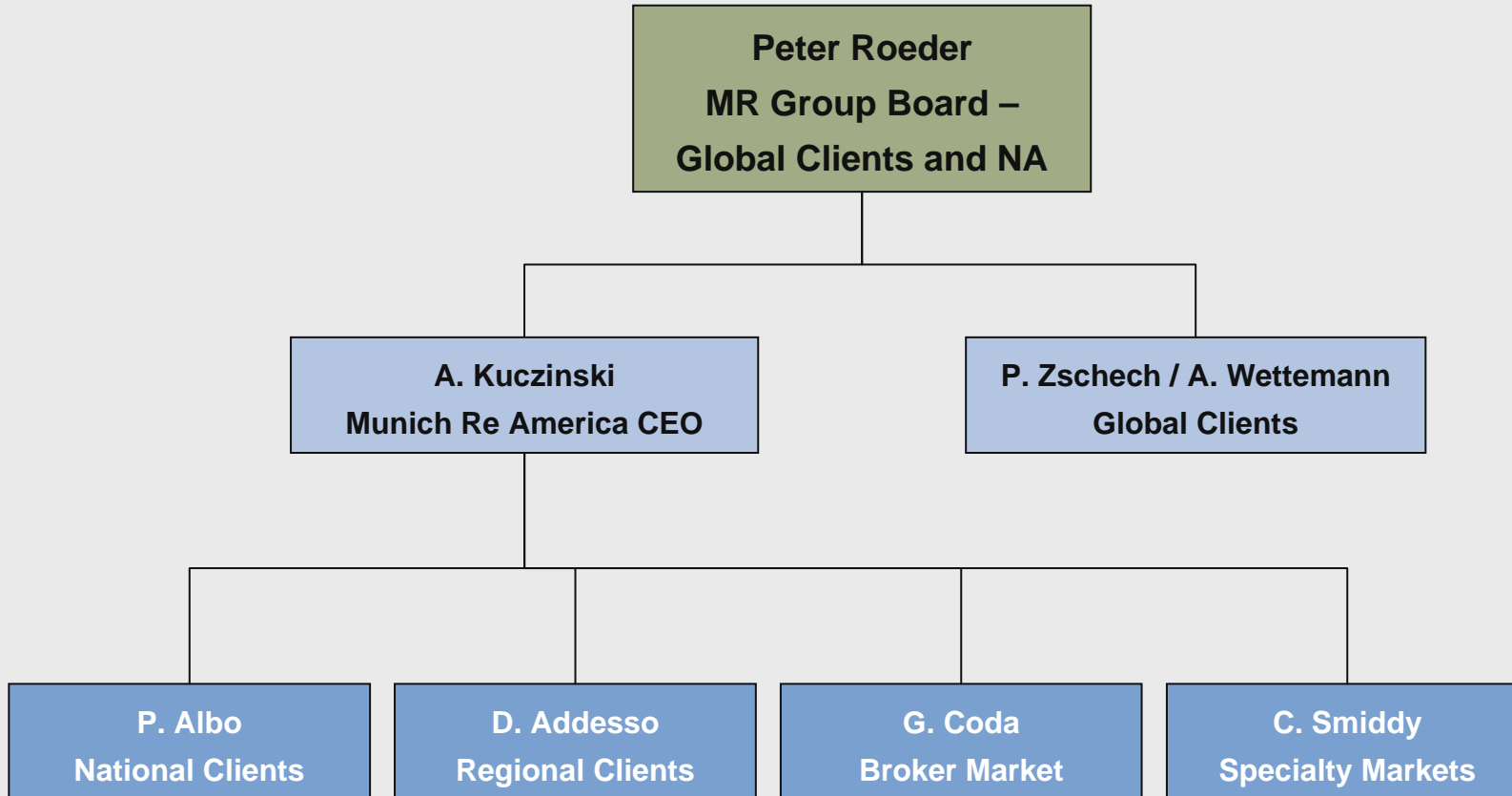
# Primary Niche Strategy

- Targeted pursuit of new niche segments while maintaining underwriting discipline by
  - Identifying above-average profitable specialty niche segments
  - Maximizing synergies with existing primary insurance platform
  - Cost and capability sharing across different niches
- Organic growth
  - e.g. hiring of entire underwriting teams, cross-selling
- Strategic acquisitions
  - e.g. MGA and/or primary insurance carrier acquisitions

**Aim: Build a dominant presence in U.S. niche primary insurance segments**

# Future Organization Effective January 1, 2008

## Strategic Business Units



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## Strategic Business Units

**National Clients** division: Client management responsibility for all Munich Re Group U.S. national property-casualty clients placing business both direct and through reinsurance brokers

**Regional Clients** division: Responsibility for all Munich Re Group U.S. regional property-casualty clients who prefer to do business on a direct basis

**Broker Market** division: Responsibility for all Munich Re Group U.S. regional property-casualty business written through reinsurance brokers, as well as managing overall strategic relationships with brokers

**Specialty Markets** division: Responsibility for all U.S. alternative market and primary property-casualty insurance business

# Munich Re's new U.S. Strategy – An Integral Part of “Changing Gear”

New U.S. Strategy is a core element of the global “Changing Gear” program:

## **Profitable growth from:**

- Gaining greater “share of wallet” of U.S. reinsurance clients
- Expanding business with U.S. brokers
- Increasing presence in many specialty insurance markets
- Greater use of the Munich Re Group's products and services , e.g. Risk Trading Unit

**Strong foundation for profitable growth in the U.S. market**

Thank you very much for your attention.



Münchener Rück  
Munich Re Group



# Appendix

## Munich Re Group Figures





# Overview 2006

## Leveraging our excellent market position

GROUP Gross premiums written		REINSURANCE Combined ratio property-casualty		PRIMARY INSURANCE Combined ratio property-casualty	
in €m		in %		in %	
2005	38,199	2005	111.7	2005	93.1
2006	37,436	2006	92.6	2006	90.8
Adjusted for divestments (Karlsruher, NHL) stable		Strong level reflects portfolio quality and benign NatCat season		Outstanding result further improved	
GROUP Investment result		GROUP Equity		GROUP Group result	
in €m		in € bn		in €m	
2005	10,818	31.12.2005 <sup>1</sup>	24.4	2005 <sup>1</sup>	2,751
2006	8,876	31.12.2006	26.4	2006	3,536
RoI of 5.0% Special effects in prev. year		Excellent result improves capital base		Ambitious target exceeded	

<sup>1</sup> Adjusted due to first-time application of IAS 19 (rev. 2004).

# Premium development 2006

## Almost stable – small decrease only due to divestments

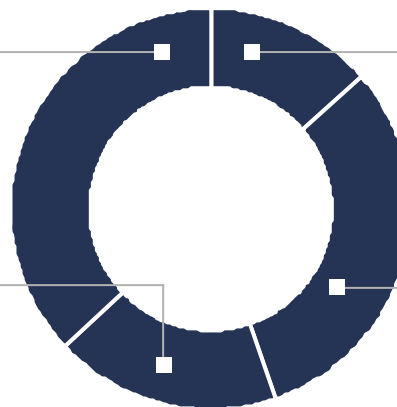
in €m



### Breakdown by segment (consolidated)

**Reinsurance**  
**Property-casualty**  
**13,791 (37%)**  
 (▲+0.7%)

**Reinsurance**  
**Life: 5,844 (15%)**  
 (▲-0.8%)  
**Health: 1,070 (3%)**  
 (▲+0.7%)











**Primary insurance**  
**Property-casualty**  
**5,126 (14%)**  
 (▲-1.8%)

**Primary insurance**  
**Life: 6,503 (17%)**  
 (▲-12.6%)  
**Health: 5,102 (14%)**  
 (▲+4.3%)

# Equity

## Excellent result further enhances capital position

in €m

Equity 31.12.2005 <sup>1</sup>	24,397	
Consolidated result 2006	3,536	
<b>Other changes</b>		
Unrealised gains/losses <sup>2</sup>	166	
Exchange rates	-594	
Dividend	-723	
Share buy-back	-250	
Other	-103	
<b>Equity 31.12.2006</b>	<b>26,429</b>	

<sup>1</sup> Adjusted due to first time application of IAS 19 (rev. 2004).

<sup>2</sup> On other securities.



This presentation 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.