for the press

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Munich, 30 January 2008

- **Munich Re Group: Record profit of €3.9bn expected for 2007 on the basis of key preliminary figures**
- **Board of Management to propose dividend of €5.50 (previous year: €4.50) per share**
- **Share buy-back tranche completed early: 15 million shares with a volume of €2bn acquired since May 2007**
- **“Subprime” expenses of less than €10m in fourth quarter**
- **Renewals in property-casualty reinsurance at 1 January 2008: Munich Re continuing to compete successfully**
- **Positive development in new life business in primary insurance**

On the basis of key preliminary figures, Munich Re clearly surpassed its previous profit targets for 2007, achieving a fourth record result in succession of €3.9 bn (previous year: €3.5bn). The Group thus even exceeded its increased profit guidance of €3.5–3.8bn published in August 2007. “With this outstanding result, our shareholders are again reaping the rewards of our strategy with primary insurance and reinsurance under one roof”, said CFO Jörg Schneider.

Subject to the approval of the Supervisory Board, the dividend proposal of the Board of Management at the Annual General Meeting will be €5.50 (4.50) per share, which would – given the number of shares currently entitled to a dividend – result in an overall payout of around €1,124m (988m) to shareholders. The share buy-back of over €2bn launched in May 2007 has already been concluded. More than 15 million shares were acquired at an average price of €131.96. This means that in the past 14 months, a total of €3bn has been returned to shareholders through share buy-backs. As announced in May 2007, further shares with a volume of at least €3bn are to be repurchased by 2010, at least €1bn of these by the 2009 Annual General Meeting.

US mortgage crisis and turbulence on the stock exchanges: Munich Re's prudent investment policy pays off

The crisis in the US subprime mortgage market and the subsequent turbulence on the global credit and financial markets has resulted in relatively low expenses for Munich Re in 2007.

The Group with its fixed income portfolio is only affected to a small extent by the upheavals on the credit markets. "Our prudent investment policy and healthy scepticism towards excesses in individual markets have proved justified", said Schneider.

In the fourth quarter, the Group recorded disposal losses of under €10m on financial instruments with exposure to the US subprime mortgage segment. Disposals have reduced the Group's portfolio of subprime-exposed investments to €0.34bn (30 September 2007: €0.37bn), or less than 0.2% of the overall investment portfolio. Up to 30 September 2007, subprime-related write-downs and disposal losses had resulted in expenses of around €150m. The burdens were thus within the expected range given by Schneider.

Risks from bonds guaranteed by US bond insurers ("wrapped bonds") are also relatively small for the Munich Re Group. Of the €0.32bn which the Group holds in such investments as at 31 December 2007, 80% is invested in communal bonds and 20% in corporate bonds and structured financing. The securities in question would be barely impaired in value even without a guarantee from the bond insurers, so that at most only a very low two-digit million write-down would have to be made. The Munich Re Group stopped reinsuring credit enhancement business as far back as 2003, and the portfolio in run-off has not exhibited any problems so far.

Munich Re's conservative investment policy is also reflected in its portfolio of fixed-interest investments, including short-term items, totalling approximately €135bn: a good 45% of these are government bonds or similarly secure instruments for which public institutions are liable. Around 30% are securities and debt instruments with top-quality collateralisation, mainly German pfandbriefs. Nearly 20% are corporate or bank bonds or deposits with banks, all with very good ratings. Only 4% (€5.5bn) of the fixed-interest investments are structured credit products, of which only €0.34bn – as stated above – have subprime exposure.

"We have a well-balanced investment portfolio", said Schneider. "Our restraint with regard to credit risks in recent years, because risk spreads were completely inadequate, is now paying off for us. Therefore, it is all the better that we have hedged ERGO against the fall in interest rates."

In insurance business, the Group has received only provisional loss notifications in connection with the subprime crisis, without any specific claims data, so it is still too early for a sound estimate. Liability insurance in particular (both D&O and professional indemnity) could be affected by lawsuits against financial institutions. Munich Re has made the necessary provision for this in its 2007 financial statements.

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Renewals in property-casualty reinsurance at 1 January 2008: Munich Re continuing to compete successfully

At 1 January 2008, about two-thirds of the Munich Re Group's treaty business (i.e. without facultative reinsurance) in property-casualty reinsurance was up for renewal. This corresponds to a premium volume of around €8.5bn.

The market is characterised by ever greater competition. Price increases in recent years have improved the financial strength of many companies. There has been sufficient capacity available in the market, causing prices in different classes of business to come under mounting pressure. Nevertheless, the majority of reinsurers have remained disciplined, contrary to several market players' expectations. Given the generally improved capital situation of many companies, as well as various mergers and acquisitions in the insurance industry, the trend towards higher retentions among cedants has continued.

Munich Re succeeded in limiting the average price erosion in renewed business to a very satisfactory 2.8%. Board member Torsten Jeworrek: "The renewals are a success for us. In the current highly competitive environment, we consistently adhered to our strategy of writing business only at risk-adequate prices, terms and conditions. Thanks to our high underwriting competence, the intelligent use of sales channels and our good client relationships, our portfolio still has a high earnings potential after the renewals."

Treaties with a total premium volume of €1.2bn were not renewed, but the Group was able to partially make up for this business in more attractive segments. Growth areas mainly include fields in which Munich Re distinguishes itself from the mass of its competitors through its outstanding risk expertise or particular client access. The growth initiatives launched as part of Munich Re's Changing Gear programme have borne fruit in this regard – for instance in business placed via Managing General Agents (MGAs) and microinsurance. Altogether, the renewals resulted in a 4% decline in premium volume (to €8.1bn) from renewal business, also owing to the planned reduction of a major individual treaty relationship.

In property reinsurance, there were only minor price fluctuations in personal lines business and agricultural reinsurance, whereas prices in industrial lines business declined appreciably. Where natural hazard events (especially Winter Storm Kyrill) had given rise to losses, prices were stable and even rose to some extent.

In a number of primary insurance markets, such as the UK, the prices for motor business increased, which had a positive effect on the proportional reinsurance of this business. In non-proportional motor business, rates remained generally stable or rose where claims inflation had resulted in high losses in the past (e.g. in the UK and France).

"We are proud of how successfully we have exploited our competitive advantage. Thanks to our excellent underwriting, intelligent marketing and outstanding client relationships, we strengthened our position in areas where others do not have access. This gives us the equanimity to continue resolutely taking any steps that may be necessary in highly competitive segments", said Jeworrek. "It is also gratifying that many markets are increasingly coming round to the view that better quality and greater security justify a higher price, which benefits a quality reinsurer like Munich Re."

Primary insurance: Positive development in new life business
In primary insurance, new life business developed favourably, especially in Germany towards the end of the year. Overall, ERGO's German and international new business grew by 3.7% to €1.9bn. In Germany, growth amounted to 5.0%, the total premium written being €1.6bn (1.5bn). The trend observed for some time throughout the market that single-premium business is growing more strongly, whereas new regular-premium business is stagnating or even receding, was again confirmed in 2007, though the figure for 2006 had been "inflated" by the third subsidisation stage for Riester policies. Adjusted to eliminate this underlying effect, new business rose by 9.3%. The fourth and last Riester subsidisation stage followed at the beginning of 2008. Persons qualifying for subsidisation can now invest up to 4% of their gross income, or a maximum of €2,100 per year, towards old-age provision by taking out state-subsidised Riester pension policies. ERGO therefore expects a strong one-off effect from new regular-premium business this year.

The very favourable development of new business in company pensions and unit-linked life insurance is particularly gratifying, with unit-linked life and annuity insurance growing by over 50%. Company pension business – one of ERGO's target lines in life insurance – also expanded significantly. New business was 26.6% higher in 2007 than in the previous year.

New international business decreased minimally by 3.7% to €277m (287m), the reason being ERGO's planned reduction of single-premium business in Italy. In contrast, there was substantial growth in regular-premium volume (+24.8%), most importantly for new business concluded by the ERGO companies in Poland and the Baltic States. The new business growth recorded by Vorsorge Luxemburg, a company specialised in unit-linked life insurance, was also strong.

Note:
Jörg Schneider and Torsten Jeworrek will be available to answer questions in a telephone conference at 10 a.m. (CET). The lines will be opened ten minutes before the conference begins. The number to dial is **+49 (89) 2030 3244.**
The telephone conference will be held in German and will be transmitted in full on the internet as an audio webcast at **www.munichre.com**.

Munich Re will provide extensive information on its reinsurance strategy at the forthcoming Investors' Day for property-casualty reinsurance (19 February 2008).

As planned, details of Munich Re's provisional figures for the 2007 financial year will be published on 25 February 2008.

Disclaimer
This press release 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.

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Munich, 30 January 2008
Münchener Rückversicherungs-Gesellschaft
signed Dr. Schneider signed Dr. Lawrence

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Appendix: graph renewals

Renewals 1 January 2008
Changes in premium

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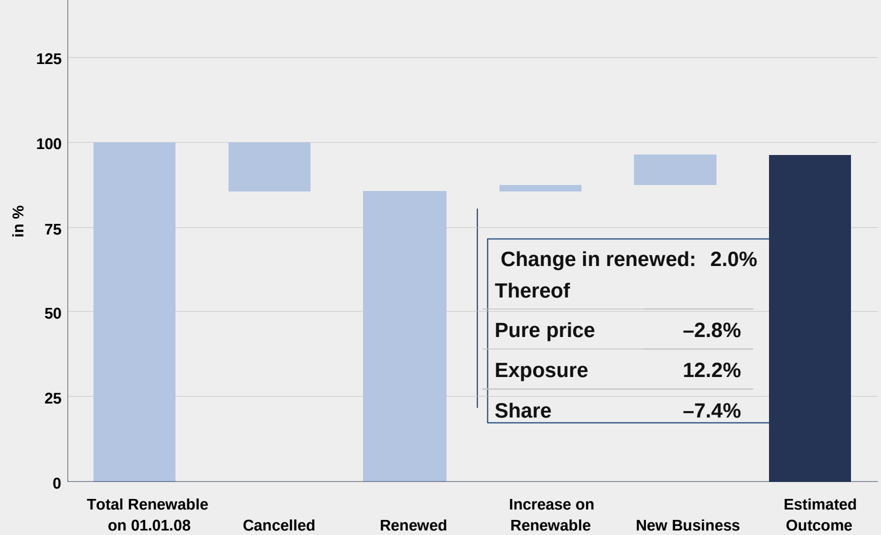
in %	100	–14.4	85.6	1.6	8.8	96.1
in €m	8,470	1,217	7,253	142	744	8,139



- 65% of total treaty property-casualty business was up for renewal
- Overall premium decrease of around 4%
- Price decrease of 2.8%