Munich Re Group

Acquisition of The Hartford Steam Boiler Group

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22 December 2008

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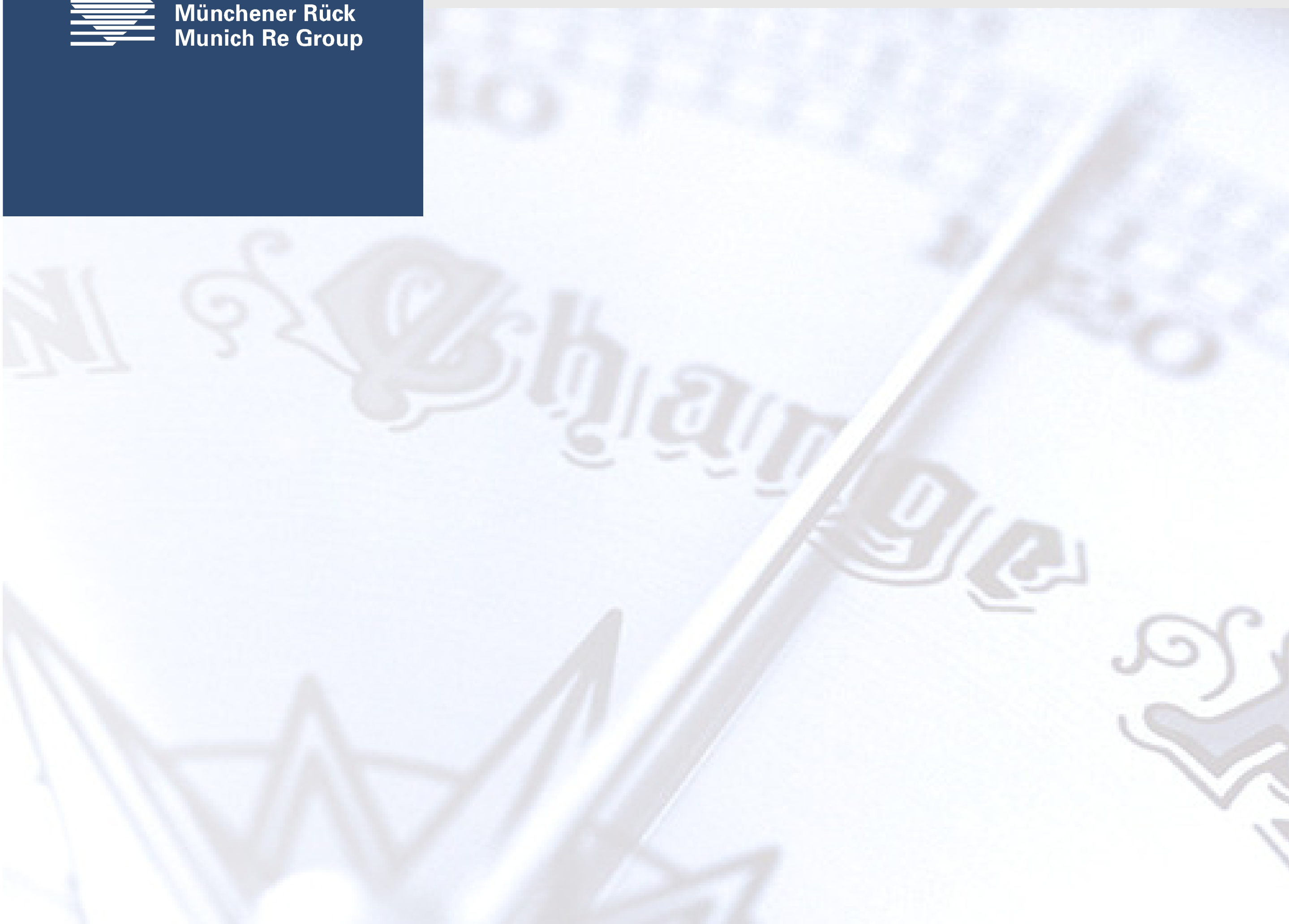

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Transaction highlights

Transaction
Highlights

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Offer	A total of US$ 742m paid in cash, equals 1.25x price-to-book multiple[1]
Structure	Munich Re America will acquire 100% of the outstanding shares of HSB Group Inc.
Funding	Transaction will be fully funded from Munich Re's internal sources; Munich Re's share buy-back programme will not be affected
Conditions to closing	No material adverse change; regulatory approval in US, Canada and UK
Timeline to closing	Signing on 22 December 2008 → Regulatory approval → Closing expected end of Q1 2009

[1] Based US GAAP book value (unaudited) as of 30 September 2008.

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- Transaction highlights
- **Products and business model**
- Acquisition rationale
- Transaction terms and financial impact
- Summary

Products and business model

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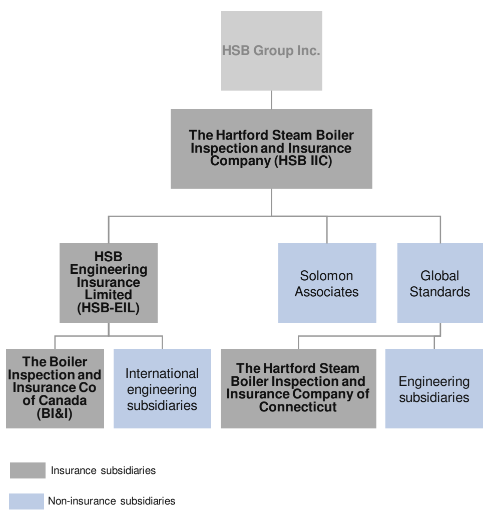
Corporate structure

Independent business providing highly specialised products and services

Corporate structure



- HSB is a highly profitable specialty insurer and reinsurer providing:
  - coverage for equipment breakdown (EB);
  - all risk property, contract works, inland marine and other specialty products;
  - inspection services and engineering consulting.
- HSB Group operates in 12 countries. Its main foreign subsidiaries are HSB-EIL in UK and BI&I in Canada
- Largely autonomous unit within AIG Group with strong recognition of own brand
- HSB independently manages own claims and investments, purchases reinsurance and operates own systems and customer service infrastructure
- Rated “A” by A.M. Best, HSB’s rating expected to benefit from strong Munich Re Group rating going forward

Products and business model

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Equipment breakdown insurance

Worldwide brand recognition based on Engineering knowledge

Property covers have standard exclusions	HSB fills this gap in coverage
Mechanical breakdown	Mechanical breakdown, including rupture or bursting caused by centrifugal force
Electrical arcing	Artificially generated electrical current, including electrical arcing, that damages electrical devices, appliances or wires
Explosions of steam boilers, piping, engines, and turbines	Explosions, excluding combustion explosion, of steam boilers, steam pipes, steam engines or steam turbines
Loss or damage to steam boilers	An event inside steam boilers, steam pipes, steam engines or steam turbines that damages such equipment
Loss or damage to hot water boilers	An event inside hot water boilers or other water heating equipment that damages such equipment

HSB uses multiple distribution channels

Client company business model: Reinsurance assumed from leading US and international commercial and personal lines insurers and white label arrangements

Direct via brokers and independent agents

Engineering revenues (mainly generated through direct sales to clients)

Products and business model

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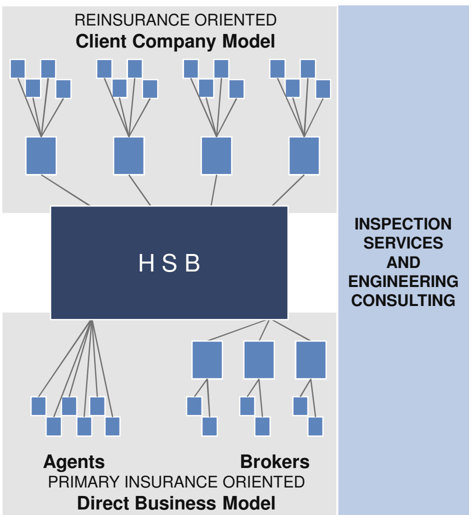
Business model

Unique business model based on strong relationships



CLIENT COMPANY MODEL
Gross written premium 2007: US$ 674m[1]

- Insurance coverage and services fully integrated into Client Companies products
- Long-standing relationships with 15 of the 25 largest commercial insurers
- HSB acts as reinsurer with an intensive service component
- Rapid expansion of new strategic products[2] to complement core business

INSPECTION SERVICES AND ENGINEERING CONSULTING Revenues 2007: US$ 172m[1]

- Global presence of 1,200 engineers
- Provides critical contribution to HSB's engineering knowledge base and experience, enhancing underwriting decisions and claims prevention

DIRECT BUSINESS MODEL
Gross written premium 2007: US$ 230m[1]

- Large network of independent agents: 6,000 in US, 4,000 in Canada and 1,000 in the UK
- Intellectual capital and best-in-class reputation supports long-standing customer relationship and high agent satisfaction

[1] US GAAP figures as of 31 December 2007 as reported by HSB.
[2] Equipment breakdown for homeowners and farmowners, identity recovery insurance, data compromise and employment practices liability, and miscellaneous professional liability.

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Company profile

HSB results driven by intellectual capital

Engineering knowledge	Approximately 50% of HSB's approx. 2,500 employees have engineering or technical background
Machinery and equipment information	HSB owns one of the world's largest databases tracking equipment failures and causes
Risk management expertise	More than 800 employees hold commissions from the National Board of Boiler and Pressure Vessel Inspectors
Underwriting expertise	Highly specialised underwriting expertise in equipment breakdown; major focus on loss prevention result in lower, less volatile loss ratio
Claims expertise	In-house expertise enables HSB to adjust majority of claims in-house, reducing costs and losses and ensuring high level of service
Product development	Proven ability to design, market and service non-engineering insurance products as well as new strategic products

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Acquisition rationale

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HSB acquisition

Ideal strategic fit – Significant value creation

Strategic rationale

1	Consistent with US market strategy	▪ US market strategy is an integral part of our Changing Gear growth initiatives ▪ HSB's risk management approach and product know-how closely related to Munich Re's reinsurance business
2	Expanding in specialty business	▪ Specialty business is a natural evolution of our business model ▪ HSB has a unique business model providing highly specialised products and services
3	Strong position in attractive segment	▪ Market leader in the US and Canada; growing international presence ▪ Significant barriers to entry
4	Track record of outstanding financial performance	▪ Strong profitability on a sustainable basis (21.6% average return on policyholders surplus ("RoPHS") since 2003) contributing to sound capital[1] ▪ High-quality earnings driven by superior underwriting performance and claims management (73.8% average combined ratio since 2003)[1]

A natural extension of our US market strategy to build a dominant position in specialty business and deliver growth and healthy underwriting results

[1] Based on consolidated statutory financial statements.

Acquisition rationale

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1 Consistent with US market strategy

Further realisation of US market strategy goals

Employing a client-centric approach to develop client strategies and reinsurance solutions

Establishing a dominant position in the US specialty business, combining product know-how and strong distribution capacity

Acquisition of HSB supporting full leverage of Munich Re's global risk know-how

Acquisition rationale

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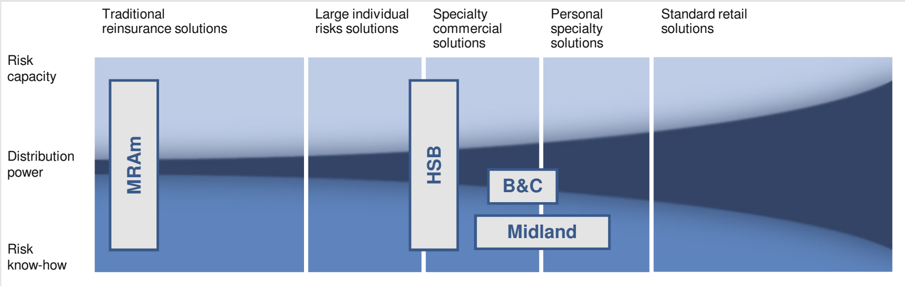
2 Expanding in specialty business

Low-cyclicality specialty business



Specialty business

Relatively low exposure to cycle of traditional P-C reinsurance	Attractive niche not directly competing with mass market primary insurance players
Exhibits low loss ratios due to good risk selection and active claims prevention	HSB sets the industry standards in equipment breakdown insurance

HSB fits in well with Munich Re's culture of technical underwriting

Acquisition rationale

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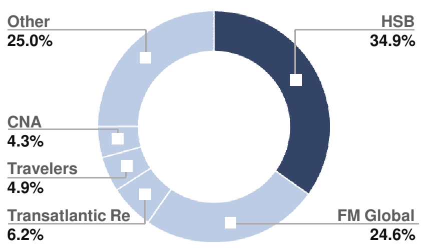
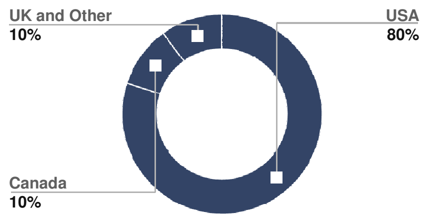
3 Strong position in attractive segment

Clear market leader in North America – Growing international presence

Market shares 2007 in North America[1]



Net written premiums 2007 by country[2]



International NWP (2003-2007) CAGR 18.3%

- Clear leadership position in the US and Canadian market (35% market share) as well as strongly growing presence in other countries (predominantly UK)
- Limited competition from primary commercial insurers, given the significant barriers to entry in terms of required engineering know-how and database of products and claims
- US client company surveys consistently underscore HSB's outstanding reputation and high brand equity

[1] Based on net written premium for North American equipment breakdown market only (Source: A.M. Best).
[2] Based on US GAAP net written premium as of 31 December 2007 as reported by HSB.

Acquisition rationale

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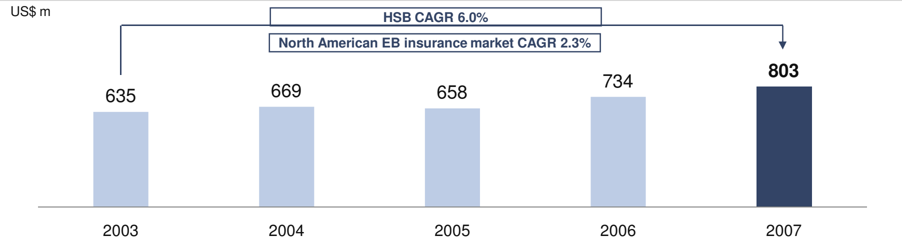
4 Track record of outstanding financial performance

Continued strong top-line growth

Net written premiums[1]



Above-average top-line growth (6.0% CAGR of net written premiums 2003-2007) resulting from successfully working through primary insurers to gain access to more business

… however, HSB focus is on earnings: profit over revenue

Additional US$ 172m fee income from inspection services and engineering consulting

Future new business growth is expected from increasing penetration of the underserved and underinsured middle and small accounts in the US …

… and by leveraging Munich Re's international client base

[1] Based on US GAAP net written premiums as of 31 December 2007 as reported by HSB.

Acquisition rationale

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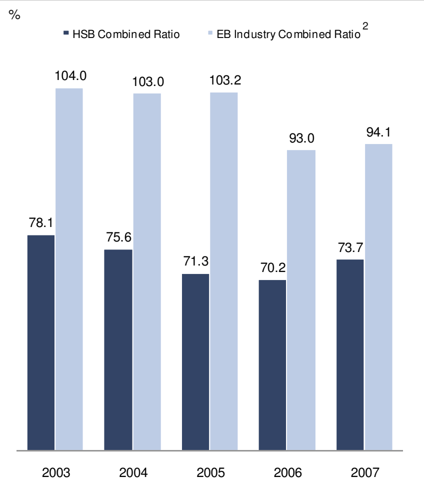
4 Track record of outstanding financial performance

Superior underwriting performance

HSB combined ratio[1]



Superior underwriting results

- Average combined ratio of 73.8% since 2003 due to
  - highly specialized underwriting expertise
  - strong emphasis on preventative inspection measures
  - benefits from very large database
- HSB's average combined ratio is 26% lower than the EB Industry average combined ratio since 2003

Excellence in claims management

- 99% equipment breakdown claims in US settled within one year of date reported
- Supported by almost 50% of HSB's employees who are engineers and inspectors

Low reserve risk

- Short-tail nature of business
- 80% of claims are recorded in the year of the accident

[1] Based on consolidated statutory financial statements. Statutory combined ratio was lower than 78.1% for each year since 2003.
[2] Equipment breakdown insurance market for North America as per A.M. Best (10 November 2008).

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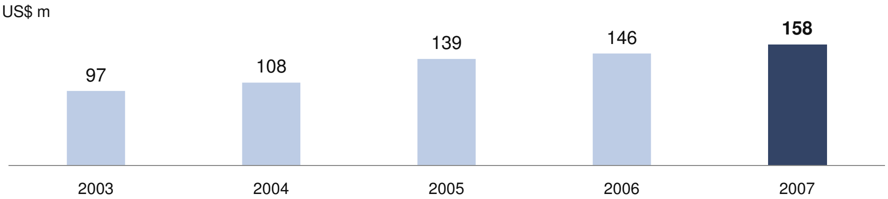
4 Track record of outstanding financial performance

Superior development of key financials

Continuously growing net income



Note: Statutory net income.
Based on consolidated statutory financial statements.

Sustainable high quality profits

- Consistently stable RoPHS (2003-2007 average of 21.6%) supported by
  - low correlation with natcat events
  - strong product knowledge and good risk management
  - superior underwriting skills and claims management
  - low reserve risk due to short-tail nature of business
- Revenue synergies by delivering HSB proposition to Munich Re client base

Note: RoPHS was higher than 18.5% for each year since 2003.
Based on consolidated statutory financial statements.

Robust capital position to be further enhanced

- Strong and consistent earnings supported by excellent underwriting results have contributed to a solid capital base
- Sound capital position of US$ 594m based on US GAAP (unaudited) as at 30 Sept 2008; A rated by A.M. Best
- Purchase price adjustment mechanism protects Munich Re from further investment losses contributing to a stable capitalization in line with 30 Sept 2008 levels
- Sound capitalisation considered an increasingly important factor from a market perspective
- Solid cash flow expected

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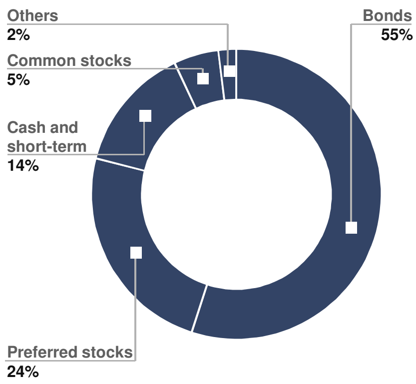
4 Track record of outstanding financial performance

Future asset allocation to reflect a more conservative style

Investment portfolio mix (as at 30 September 2008)[1]



Total investments: US$ 1.2bn

Status quo

- No structured products or derivatives: ABS/MBS (incl. subprime), CDO or CLO
- Investments currently in publicly traded liquid securities
- Good quality of fixed-income investment (73% rated A or better)

Going forward

- Assets will be managed in accordance with Munich Re's ALM approach leading to an even more conservative risk profile
- HSB has already increased portfolio weighting in fixed-income securities, considerably reducing economic risk capital

Munich Re protected from investment losses up to closing through purchase price adjustment mechanism keeping capital in line with 30 September 2008 levels

[1] Based on US GAAP carrying values as of 30 September 2008. Source: Company disclosure and filings.

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Transaction terms and financial impact

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Value consideration

Prudent valuation and thorough due diligence

Value considerations

- Munich Re will acquire 100% of HSB's outstanding and issued common share
- Acquisition fully funded from internal sources

Comprehensive and detailed due diligence process safeguards interests of Munich Re's shareholders

- Valuation based on conservative assumptions for future financial development including adequate allowance for assumed recessionary impact
- Transaction structure allows Munich Re to optimise tax effects through amortisation of goodwill

US$ 742m purchase price implies attractive multiples

- price-to-book 1.25x[1]
- price-to-after-tax operating earnings 4.5x[2]

- US$ 742m purchase price includes the assumption of US$ 76m of outstanding HSB capital securities
- Acquisition metrics compare favourably with current trading multiples[3] and precedent transactions[4]

[1] Based on unaudited US GAAP shareholders equity as at 30 September 2008.
[2] US GAAP after-tax operating earnings in last 12 months from September 2008.
[3] Without taking a strategic premium into account.
[4] Precedent market transactions refer to specialty P-C companies.

Transaction terms and financial impact

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Financial impact

HSB is EPS accretive and safeguards strong capital position

Impact on EPS

EPS accretive for Munich Re shareholders in 2009 even without realisation of synergies

Impact on capital position

Transaction does not impact Munich Re's share buy-back programme

Strong solvency ratios (regulatory, rating agency and internal-model-based) unaffected by acquisition

Synergy potential

- Leverage client base in both directions:
  - Expanding HSB's Client Company model by utilising Munich Re's strong client base and leading position in Europe
  - Extending HSB's customer base by selling specialised Munich Re products
- Significant potential to accelerate HSB's international growth through Munich Re's footprint
- Retain greater share of reinsurance programme within Munich Re
- Product development and product mix diversification: benefit to MARP[1] from superior engineering know-how and risk expertise
- Cost synergies will be limited primarily to the assumption of back-office functions

Transaction not driven by cost synergies

Prudently calculated revenue synergy potential to be realised medium term

[1] Munich-American RiskPartners.

Transaction terms and financial impact

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Post-merger integration

HSB to benefit from Munich Re's ownership

HSB will operate as a subsidiary of Munich Re America

Munich Re plans to maintain HSB's successful business model, keep its highly reputed brand and retain its management team

Back-office functions previously carried out by AIG will be assumed by Munich Re America

Adequate measures will be implemented to leverage cross-divisional synergies and align potential business overlaps

Overall post-merger integration cost will be limited primarily to the assumption of back-office functions

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Summary

HSB acquisition

Key takeaways

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Summary

- Expansion of specialty business fully in line with our Changing Gear programme and US market strategy
- HSB is market leader in coverage of equipment breakdown and fits in well with Munich Re's culture of technical underwriting
- HSB has a track record of outstanding financial performance on a sustainable basis
- Attractive valuation and terms based on thorough due diligence to safeguard shareholders' value
- HSB contributes to future value creation through immediate earnings accretion without impacting Munich Re's share buy-back programme

Appendix

Shareholder information

Financial calendar

3 March 2009	Balance sheet press conference for 2008 financial statements (preliminary figures) Analysts' conference, Munich
22 April 2009	Annual General Meeting
23 April 2009	Dividend payment
6 May 2009	Interim report as at 31 March 2009
4 August 2009	Interim report as at 30 June 2009; Half-year press conference
5 November 2009	Interim report as at 30 September 2009

Appendix

Shareholder information

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The financial information contained in this presentation is based on statutory financial information with respect to the financial performance of HSB except where it is based on US GAAP as indicated. Disclosure of US GAAP financial information is restricted under the terms of the non-disclosure agreement with AIG as US GAAP data for HSB has not been publicly disclosed historically by AIG.