



Münchener Rück
Munich Re Group

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Munich Re agrees to terms for acquisition of AIG subsidiary Hartford Steam Boiler

Munich Re has agreed to acquire specialty insurer HSB Group from AIG. The planned purchase is a further step in Munich Re's strategy for the US insurance market, decided on last year. The agreed purchase price is US\$ 742m (€531m), funded entirely from existing resources.

The HSB Group, headquartered in Hartford, Connecticut, is a wholly owned subsidiary of the American International Group (AIG). The core of the HSB Group is Hartford Steam Boiler Inspection and Insurance Company (HSB), one of the largest insurance and inspection companies specialising in engineering risks in the USA. HSB is a market leader in providing machinery/plant and equipment breakdown insurance, inspection, certification and engineering consulting services. In 2007, HSB posted an after-tax profit of US\$ 158m and the company's average combined ratio since 2003 has been an outstanding 73.8% (both figures based on consolidated statutory financial statements). The gross written premium income of HSB Group in 2007 amounted to US\$ 904m (based on US-GAAP).

Munich Re is acquiring 100% of HSB for US\$ 742m (€531m) in cash. Munich Re will finance the purchase price from internal resources. Completion of the transaction is subject to regulatory approval, which is expected to be completed at the end of the first quarter of 2009.

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"The acquisition of HSB is a perfect fit for our US strategy: It is another step in developing our position in high return specialised niche segments. This is one of the declared aims of our Changing Gear programme for profitable growth," said Peter Röder, Munich Re Board member responsible for US business. He added that the specific business model offered by insurers such as HSB helps to reduce the volatility of traditional reinsurance business. Direct operating control of HSB will lie with

Munich Re America after the acquisition. Tony Kuczinski, Chief Executive Officer (CEO) of Munich Re America: "We extend a warm welcome to the clients and employees of HSB. HSB has built a tremendous reputation for underwriting highly technical machinery and engineering risks. We believe the strong underwriting culture of HSB and the company's exceptional client focus makes it an excellent fit for Munich Re. We believe Munich Re's clients will greatly value the addition of HSB's products and services."

CFO Jörg Schneider: "With HSB, we are acquiring a company that has an exceptional track record of underwriting expertise and sustained profitability. Owing to our strong capital base, this acquisition will not affect our share buy-back programme or the planned dividend of €5.50 per share for the financial year 2008."

Douglas G. Elliot, President and Chief Executive Officer of HSB Group, welcomed the agreement with Munich Re. "Munich Re offers HSB new opportunities to grow our business profitably and expand our offerings in North America and globally," said Elliot. "With Munich Re's outstanding financial strength behind us, we can offer our clients the reassurance that they're looking for in today's uncertain market environment," he added.

About HSB

HSB Group, Inc. is the parent company of Hartford Steam Boiler Inspection and Insurance Company (HSB), a leading global provider of specialty insurances and inspections for commercial and industrial companies and institutions.

Since 2000, the HSB Group has been a wholly owned subsidiary of the American International Group, Inc. (AIG). A.M. Best Company has assigned the financial strength rating A (Excellent) to the HSB Group, Inc.

The HSB was founded in 1866 in Hartford, Connecticut, and was the first company in America devoted primarily to industrial safety. Originally, HSB offered inspections and insurance cover for locomotives of the private railroad companies. Its operations were expanded to include additional offerings in the service, engineering and inspection sectors and supplemented by reinsurance for risks of industrial and commercial clients.

Today HSB is one of the largest insurance and inspection companies for engineering risks worldwide, offering its services in the USA, Canada, the UK and Ireland. Around half of HSB's 2,500 employees are engineers and technical inspectors who support clients in managing their risks and help them to improve the reliability and efficiency of their technical plant and equipment. HSB boasts one of the world's largest databases on machinery/plant and equipment breakdown and its causes.

Further information about HSB can be obtained on the internet at
www.hsb.com.

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The **Munich Re Group** operates worldwide, turning risk into value. In the financial year 2007, it achieved a profit of €3,937m, the highest since the company was founded in 1880, on premium income of approximately €37bn. The Group operates in all lines of business, with around 43,000 employees at over 50 locations throughout the world and is characterised by particularly pronounced diversification, client focus and earnings stability. With premium income of around €21.5bn from reinsurance alone, it is one of the world's leading reinsurers. Its primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance, and 34 million clients in over 30 countries place their trust in the services and security it provides. The global investments of the Munich Re Group amounting to €176bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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.

The financial information contained in this press release 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