

# Munich Re Group

Preliminary key figures 2008  
and renewals

Media telephone conference

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Münchener Rück  
Munich Re Group



Agenda

**Preliminary key figures 2008 and renewals**



Preliminary key figures 2008	2
New business in primary life insurance	4
Renewals in property-casualty reinsurance	6
Summary	13
Back-up	15

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Preliminary key figures 2008

Preliminary key figures 2008

**Satisfactory result 2008 – Unchanged high dividend of €5.50**



€bn	2008	2007 <sup>1</sup>	Q4 2008	Q4 2007 <sup>1</sup>
Gross premiums written	37.8	37.3	9.7	9.2
Thereof reinsurance <sup>2</sup>	21.8	21.5	5.6	5.0
Thereof primary insurance <sup>2</sup>	17.4	17.3	4.4	4.5
Combined ratio reinsurance (%)	99.5	96.4	97.7	91.7
Combined ratio primary insurance (%)	91.2	93.4	94.2	94.7
Consolidated result	1.5	3.9	0.1	0.6
Dividend per share (€)	5.50	5.50	n.a.	n.a.
Shareholders' equity (as per balance-sheet date)	21.3	25.5	n.a.	n.a.

**Consolidated result impacted by a significant lower investment result**

**Combined ratio: Strong in primary insurance; above average major losses in reinsurance**

**Further reduction of equity exposure in Q4 through sale and reduction of equities; stable market value of hedging positions**

**Capitalisation at solid level of €21.3bn; stable shareholder's equity in Q4**

<sup>1</sup> Adjusted pursuant to IAS 8.

<sup>2</sup> Segmental figures, before elimination of intra-Group transactions across segments.

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New business in primary life insurance

New business (statutory premiums)  
**ERGO new business life insurance**



Total business				
€m	Total	Single premium	Regular premium	APE <sup>1</sup>
2007	1,894	1,282	612	740
<b>2008</b>	<b>1,794</b>	<b>1,186</b>	<b>608</b>	<b>727</b>
<b>Δ</b>	<b>-5.3%</b>	<b>-7.5%</b>	<b>-0.5%</b>	<b>-1.8%</b>

Thereof Germany				
€m	Total	Single premium	Regular premium	APE <sup>1</sup>
2007	1,615	1,148	467	582
<b>2008</b>	<b>1,445</b>	<b>981</b>	<b>464</b>	<b>562</b>
<b>Δ</b>	<b>-10.5%</b>	<b>-14.5%</b>	<b>-0.6%</b>	<b>-3.4%</b>

Comments

**Germany**

- Decrease of single premium business since Q4/2008 owing to financial market crisis
- Impact of amended German insurance contract law on new business sales


**International**

- Excellent growth in Poland and Baltic states
- Good unit-linked business in Austria



Thereof international

€m	Total	Single premium	Regular premium	APE <sup>1</sup>
2007	279	135	144	157
<b>2008</b>	<b>349</b>	<b>205</b>	<b>144</b>	<b>164</b>
<b>Δ</b>	<b>25.1%</b>	<b>51.9%</b>	<b>± 0.0%</b>	<b>4.5%</b>

<sup>1</sup> Annual premium equivalent (10% of single premium plus regular premiums).

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Renewals in property-casualty reinsurance		
<b>Market environment</b>		
<b>Market environment clearly changed</b>		
<b>Market environment</b>		
<ul style="list-style-type: none"> <li>▪ Financial crisis and AIG turmoil changed the renewal expectation significantly</li> <li>▪ Munich Re started swing to hard market in Monte Carlo</li> <li>▪ However, heterogeneous picture regarding regions and lines of business</li> <li>▪ Negotiations significantly driven by recent loss experiences</li> </ul>		
<b>Supply</b> <ul style="list-style-type: none"> <li>▪ Major competitors generally showed a stricter underwriting strategy ...</li> <li>▪ ... however, competitors often took a more heterogeneous underwriting approach</li> <li>▪ Aggressive attitude in specific segments (e.g. US casualty, Central European motor, China)</li> <li>▪ No major capacity reductions visible yet, but also no new market entrances</li> <li>▪ Retrocession capacity only at prohibitive prices</li> </ul>	<b>Demand</b> <ul style="list-style-type: none"> <li>▪ Trend of decreasing rates has stopped</li> <li>▪ In general, cedants are clearly more sensitive to security</li> <li>▪ Flight to quality; cedants increasingly accept differential terms</li> <li>▪ However, some local markets demonstrate lack of perception for current developments and implications on underwriting policies and risk management</li> </ul>	
 Turnaround achieved in nearly all segments		

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Renewals in property-casualty reinsurance



Munich Re approach and impact on portfolio

## Inflection point reached – Rates start to increase

### Munich Re renewal approach

- Make use of strong balance sheet
- Underwriting policy adjusted for upcoming hard market
- Initiative to improve terms and conditions and achieve differential terms
- Clear communication of necessary price increases ahead of renewal
- Strict focus on profitability maintained
- Consistent cancellation of business not priced adequately

Clear bottom-line focus

### Impact on Munich Re portfolio

#### Portfolio management

- Strong US renewal, mixed picture in Europe, and still competitive in Asia
- Shift from casualty to more profitable property and marine
- Independence of retrocession market pays off

#### Profitability

- Substantial price increases in loss-affected regions and capital-intensive lines (e.g. US NatCat, specialty lines, offshore energy)
- Significant price increases in XL business
- Proportional: Original rates in most cases flat or slightly up
- Strict avoidance of unattractive segments

#### Terms and conditions

- Improved terms and conditions (e.g. exclusions, introduction of index clauses, sliding scales)
- Increased share of business at differential terms

Portfolio quality improved

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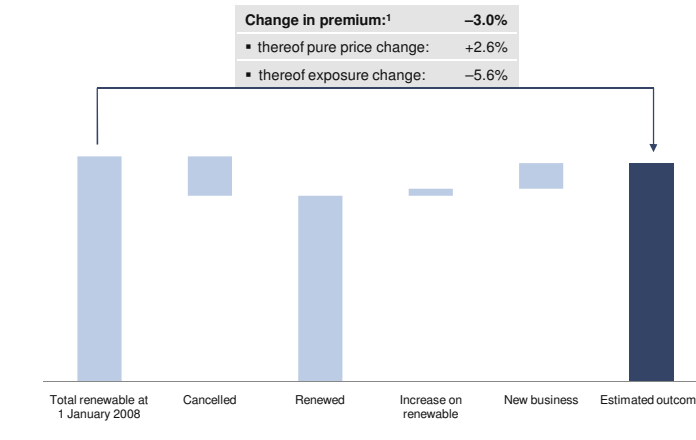
Renewals in property-casualty reinsurance



Changes in premium

## Total book: Market hardening successfully started

%	100	-17.6	82.4	3.1	11.5	<b>97.0</b>
€m	8,290	1,457	6,833	256	954	<b>8,044</b>



#### Market

- Financial crisis impact not yet as strong as expected, but inflection point reached

#### Munich Re portfolio

- €8.3bn treaty business up for renewal
- 3% overall premium decrease due to strict underwriting
- Certain segments (US NatCat, offshore energy) with double-digit price increases

Portfolio quality improved

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<sup>1</sup> Pure price change reflects change in relation of premium volume to underlying risk (for a hypothetical unchanged underlying risk profile, the above would translate into a +2.6% premium increase). Exposure change refers to the change in risk in Munich Re's portfolio.

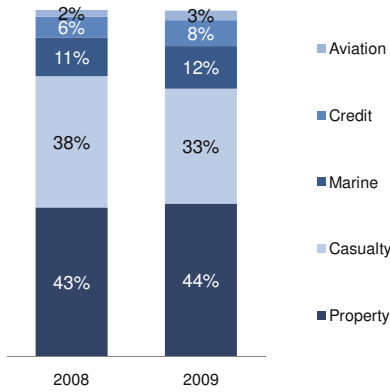
Renewals in property-casualty reinsurance



Split per line of business and region

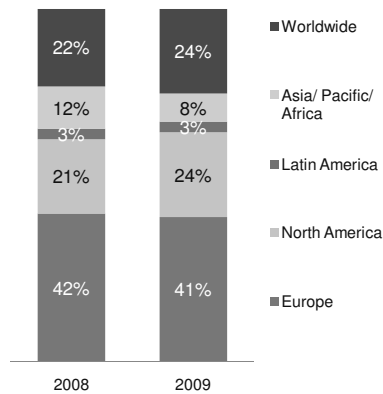
**Portfolio management leads to changes in business mix**

Split per lines of business



Capacity allocation away from casualty towards short-tail lines

Regional split



Large-scale reductions in Germany and China  
Increased presence in North America (agro, offshore energy and NatCat)

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Renewals in property-casualty reinsurance



Concrete initiatives

**Improved portfolio quality due to consistent cycle management**

**Decrease**

Strict reduction of unprofitable business



Region	Value	Examples
Germany motor	-€67m	Proportional -30%, XL -50%
Germany others	-€72m	Mainly other casualty -€23m Property proportional -€36m
US casualty	-€74m	Split equally in motor and workers' comp
China	-€207m	Proportional business
Commercial D&O	-€30m	Substantial reduction of total D&O business

**Selective growth**

Take advantage of significant price increases

Region	Value	Examples
US property cat.	+€75m	Double-digit price increases
Offshore energy	+€140m	Double- to triple-digit price increases
UK motor	+€39m	Original market is hardening
US agro	+€220m	Further continuation of successful business model

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**Clear signs of a continued favourable reinsurance market**

- Upcoming renewals 2009:
  - April: €1.2bn up for renewal, driven by Japan/Korea
  - July: €1.0bn up for renewal, driven by US, Australia, Latin America
- Strong expectation of further hardening in reinsurance markets (e.g. US hurricane)
- With balance sheets of insurers and reinsurers remaining under pressure, the supply-demand equation for reinsurance should lead to more attractive fundamentals
- We assume an increasing demand for security (flight to quality) and no new capacity to enter the market
- Reinsurance remains one of the few functioning capital markets for insurers
- Financial crisis will lead to specific opportunities for large deals in non-life and life reinsurance

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Munich Re prepared to benefit from further hardening of reinsurance markets

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Summary

Munich Re Group  
**Summary**



€1.5bn consolidated result  
satisfactory in view of the severity of the financial crisis

Solid capitalisation  
enables unchanged high dividend of €5.50 per share for 2008

New business development  
in life insurance adversely impacted by financial turmoil

Further improvement of portfolio quality in reinsurance;  
hardening of reinsurance market will lead to further opportunities

Agenda

**Preliminary key figures 2008 and renewals**



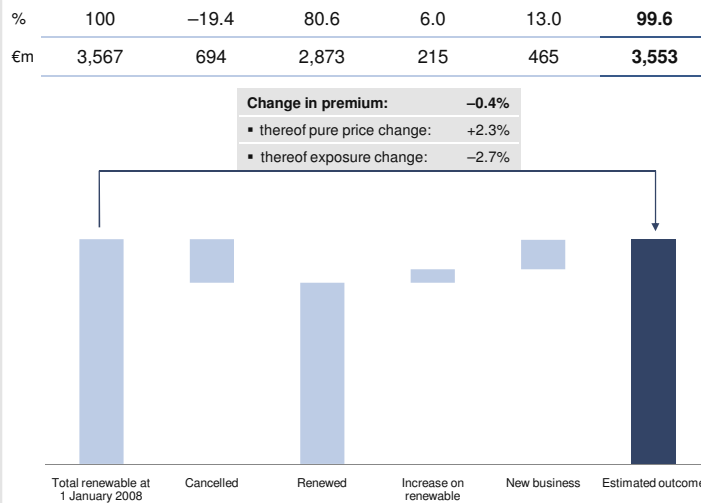
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Back-up: Preliminary key figures 2008 and renewals



## Changes in premium Property



### Market

- Strong rate increase for US NatCat
- Rate increases for loss affected Germany cat
- Stable or slightly positive development in most other regions

### Munich Re portfolio

- Premium reductions in Europe and China
- Significant premium increase in profitable US business
- Double-digit rate increases for US NatCat business; overall rate increase 2.3%
- Slightly improved commissions

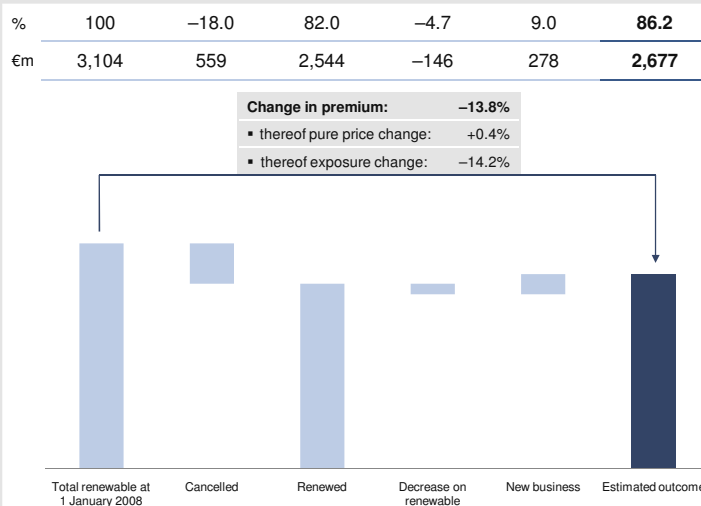
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Back-up: Preliminary key figures 2008 and renewals



## Changes in premium Casualty



### Market

- Still enough capacity available
- High competition in USA, Germany and Asia
- Improving rates in UK motor

### Munich Re portfolio

- 13.8% premium decrease due to deliberate cancellation in USA, Germany and China
- Reductions mainly driven by motor (-€270m), TPL<sup>1</sup> (-€83m), workers' comp (-€45m) and D&O (-€30m)
- Rates slightly increased (+0.4%)
- Improved terms and conditions

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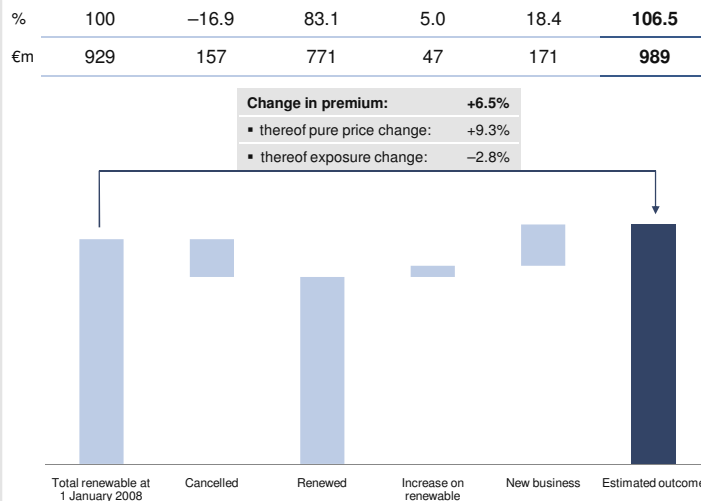
<sup>1</sup> TPL: Third-Party Liability.

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Back-up: Preliminary key figures 2008 and renewals



## Changes in premium Marine



### Market

- Stable or slightly positive development for most lines
- Offshore energy with double-digit rate increases, esp. for Gulf of Mexico

### Munich Re portfolio

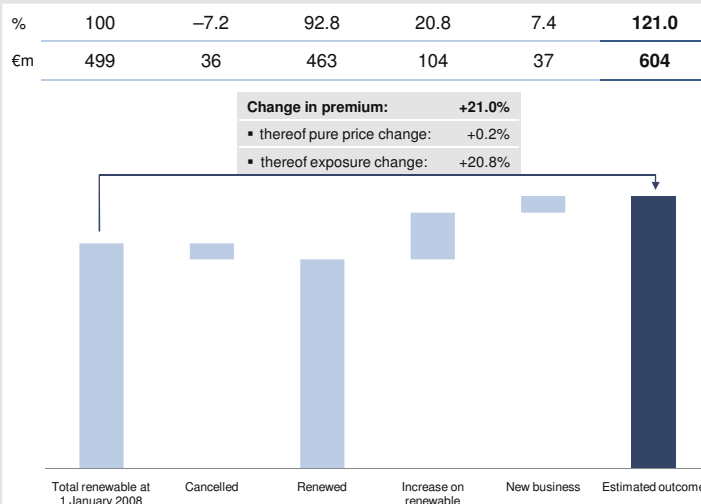
- Offshore energy premiums significantly increased; hull and cargo slightly reduced
- Overall strong rate increase (+9.3%) driven by offshore energy
- Introduction of Non-Marine Liability Exclusion clause
- Stricter terms and conditions in offshore energy in line with hardening market

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Back-up: Preliminary key figures 2008 and renewals



## Changes in premium Credit



### Market

- Considerable impact due to economic recession; rapid risk selection by primary insurance

- Primary insurance significantly increased rates in order to compensate for higher risk

### Munich Re portfolio

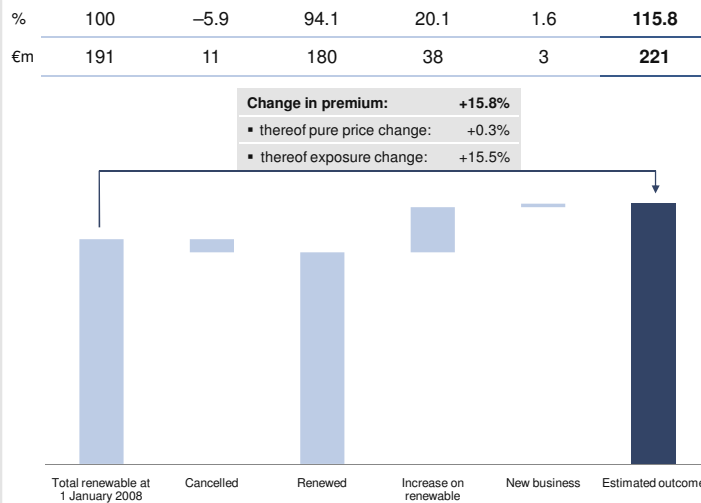
- Munich Re benefits from premium increases of primary insurers
- All rate increases commensurate with exposure increases (profitability level maintained)
- Significantly improved commissions; introduction of sliding scale instead of fixed commissions

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Back-up: Preliminary key figures 2008 and renewals



Changes in premium  
**Aviation**



**Market**

- Considered to be at a turning point

**Munich Re portfolio**

- Premium increase of 15.8% driven by strategic investment (GAUM)
- Further softening could be stopped; small rate increases implemented
- Stable terms and conditions
- Favourable trend is expected to strengthen in later renewals in 2009

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Appendix



**Disclaimer**

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.

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