



# QUARTERLY FINANCIAL STATEMENTS AS AT 31 MARCH 2011

Media telephone conference

9 May 2011

## Agenda

<b>Overview</b>	Jörg Schneider	<b>2</b>
<b>The Group</b>	Jörg Schneider	<b>4</b>
<b>Primary insurance</b>	Torsten Oletzky	<b>13</b>
<b>Reinsurance</b>	Torsten Jeworrek	<b>18</b>
<b>Summary and outlook</b>	Jörg Schneider	<b>27</b>

## Financial highlights Q1 2011

## Severe nat cats leaving their mark on Q1 figures

Munich Re (Group)		
<b>Net loss of €948m in Q1</b>  High burden from nat cat events of ~€2.7bn <sup>1</sup> in total – Positive annual result expected	<b>Shareholders' equity reduced to €20.5bn</b>  Net loss, adverse FX development and increased interest-rates	<b>Solid investment result</b>  Annualised RoI of 3.6% <sup>1</sup>
<b>Reinsurance</b>  <b>Significant claims in property-casualty</b> Combined ratio of 159.4% <sup>1</sup> Positive impact on reinsurance prices to be expected	<b>Primary insurance</b>  <b>Positive earnings contribution</b> Consolidated ERGO result of €15m in Q1 burdened by impairment of €34m in respect of Korean business	<b>Munich Health</b>  <b>Well on track</b> Consolidation process making good progress

<sup>1</sup> Adjusted for impact from the transfer of insurance risks to the capital markets.

## Agenda

Overview

**The Group**













Primary insurance

Reinsurance

Summary and outlook

## The Group – Overview

## Strong premium growth, high nat cat claims

GROUP Gross premiums written	GROUP Operating result	GROUP Consolidated result
€m	€m	€m
Q1 2010 11,657 	Q1 2010 770 	Q1 2010 485 
Q1 2011 12,980 	Q1 2011 -1,384 	Q1 2011 -948 
Substantial organic growth in addition to positive FX effects	Decline of technical and investment result	Despite loss in Q1, positive annual result expected
REINSURANCE Consolidated result	PRIMARY INSURANCE Consolidated result	MUNICH HEALTH Consolidated result
€m	€m	€m
Q1 2010 424 	Q1 2010 165 	Q1 2010 -11 
Q1 2011 -683 	Q1 2011 56 	Q1 2011 21 
Significant nat cat losses, strong result in life reinsurance	Good performance in Germany offset by international business	Consolidation making good progress

The Group – Premium development

## Strong organic growth in addition to positive FX contribution

Munich RE 

€m	
Gross premiums written Q1 2010	11,657
Foreign-exchange effects	308
Divestment/Investment	75
Organic change	940
<b>Gross premiums written Q1 2011</b>	<b>12,980</b>

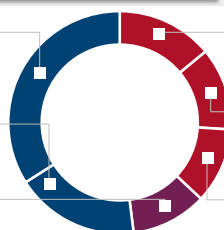
- Overall positive FX development (mainly US\$, Can\$ and Aus\$)
- Windsor acquisition: First-time consolidation as from Q1 2011
- Large-volume deals in life and health reinsurance

### Breakdown by segment (consolidated)

**Reinsurance**  
Property-casualty  
4,363 (34%)  
(▲ 10.5%)

**Reinsurance**  
Life: 2,364 (18%)  
(▲ 30.8%)

**Munich Health**  
1,487 (11%)  
(▲ 24.0%)



**Primary insurance**  
Property-casualty  
1,788 (14%)  
(▲ 4.1%)

**Primary insurance**  
Life: 1,522 (12%)  
(▲ -3.0%)

Total premiums: 1,796 (▲ -8.6%)

**Primary insurance**  
Health Germany: 1,456 (11%)  
(▲ 3.0%)

Quarterly financial statements as at 31 March 2011

6

The Group – Operating and consolidated result

## High claims burden partially mitigated by life reinsurance result

Munich RE 

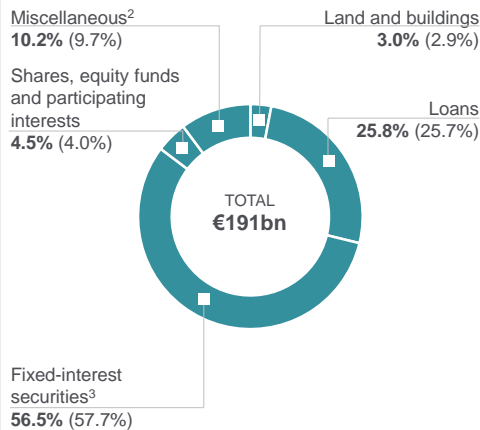
€m	Q1 2010	Q1 2011	Operating result	Consolidated result
Reinsurance Life			243 356	202 259
Reinsurance Property-casualty			-1,613 362	-942 222
<b>Reinsurance Subtotal</b>			<b>-1,257</b> <b>605</b>	<b>-683</b> <b>424</b>
Primary insurance Life			24 27	15 10
Primary insurance Health			34 70	17 37
Primary insurance Property-casualty			193 76	133 9
<b>Primary insurance Subtotal</b>			<b>251</b> <b>173</b>	<b>165</b> <b>56</b>
<b>Munich Health</b>			<b>4</b> <b>40</b>	<b>-11</b> <b>21</b>
<b>Munich Re (Group)</b>			<b>-1,384</b> <b>770</b>	<b>-948</b> <b>485</b>

Quarterly financial statements as at 31 March 2011

7

## The Group – Investments

## Active asset management on the basis of a well-diversified investment portfolio

Investment portfolio<sup>1</sup>

## Active portfolio management

- Ongoing tactical reallocation of portfolio thereby realising disposal gains
- Slight shift from government bonds into corporates and equities
- Further improving geographic diversification
- Reduction of net equity exposure to 2.8%
- Slight duration decrease as a result of active portfolio management and increased risk free yields

<sup>1</sup> Fair values as at 31.3.2011 (31.12.2010).

<sup>2</sup> Deposits retained on assumed reinsurance, investments for unit-linked life, deposits with banks, investment funds (bond, property), held for trading derivatives with non-fixed interest underlying and tangible assets in renewable energies.

<sup>3</sup> Categories "available for sale", "held to maturity" and "at fair value".

Quarterly financial statements as at 31 March 2011

8

## The Group – Market environment

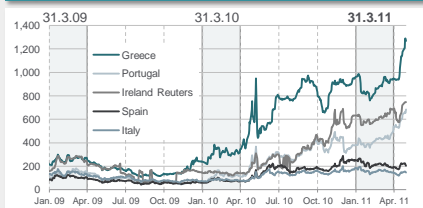
## Index and interest-rate development



## DJ EURO STOXX 50 – Price index



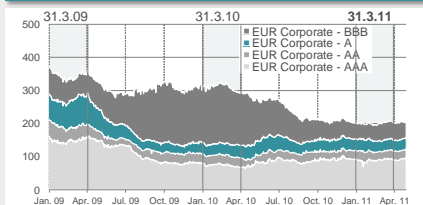
## Spreads (country-spreads in BP)



## Risk-free interest rate



## Spreads (corporate spreads vs. gov. bonds in BP)



Quarterly financial statements as at 31 March 2011

9

Munich Re (Group) – Investment result  
Solid investment result



### Investment result

	€m	Q1 2011	Return <sup>1</sup>	€m	Q1 2010	Return <sup>1</sup>
Regular income	1,903		3.9%	1,882		4.0%
Write-ups/write-downs of investments	-137		-0.3%	-93		-0.2%
Gains/losses on the disposal of investments	400		0.8%	655		1.4%
Other income/expenses	-210		-0.4% <sup>2</sup>	16		0.0%
<b>Investment result</b>	<b>1,956</b>		<b>4.0%<sup>3</sup></b>	<b>2,460</b>		<b>5.2%</b>

#### Regular income

No material change: Cautious increase of credit-exposed fixed-interest investments while running yield drops slightly as a result of higher average market value – reinvestment yield slightly improved, but still below current running yield

#### Write-ups/write-downs

Write-ups on loss-bearing bonds and impact from insurance risk transfer to the capital markets

Write-downs mainly due to equity derivatives and swaptions

#### Gains on disposal

High disposal gains on equities as well as on corporate and government bonds

Realising losses on interest-rate derivatives as duration of investment portfolio is being shortened

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.

<sup>2</sup> Effect from unit-linked business.

<sup>3</sup> If adjusted for impact from insurance risk transfer to the capital markets: RoI at 3.6%.

Quarterly financial statements as at 31 March 2011 10

Munich Re (Group) – Capitalisation  
Reduction in shareholders' equity –  
Capital position remains solid



€m	Q1
Equity 31.12.2010	23,028
Consolidated result	-948
<b>Changes</b>	
Dividend	–
Unrealised gains/losses	-737
Exchange rates	-557
Share buy-backs	-286
Other	6
<b>Equity 31.3.2011</b>	<b>20,506</b>

#### UNREALISED GAINS/LOSSES

Decrease due to rising risk-free interest rates

#### EXCHANGE RATES

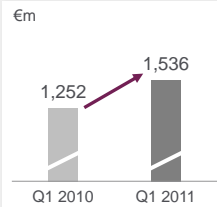
Adverse FX development (mainly US\$ and Can\$)

#### SHARE BUY-BACKS

In April 2011 further €39m were repurchased

Quarterly financial statements as at 31 March 2011 11

Gross premiums written



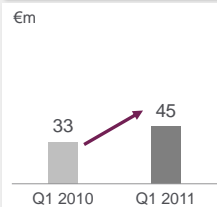
Large-volume deals and positive development of foreign exchange (mainly Can\$)

Technical result



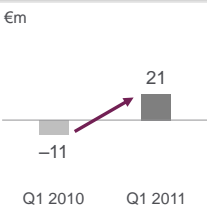
Positive effects from business portfolio consolidation and large-volume deals

Investment result



Higher regular income as a result of increased investment volume

Consolidated result



Increased operating result and positive contribution from foreign exchange

Agenda

Overview

The Group

**Primary insurance**

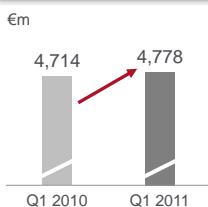
Reinsurance

Summary and outlook

## Primary insurance Key figures

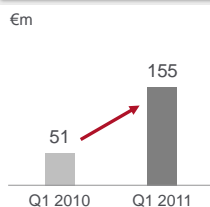


### Gross premiums written



Growth in health and property-casualty. Lower single premiums in life – stronger effect on total (statutory) premiums

### Technical result



Improved result mainly due to lower costs, especially write-downs on deferred acquisition costs

### Investment result



Q1 2010 with high profits from disposals. Major effect from change in unrealised gains/losses in unit-linked life insurance

### Consolidated result



Decline due to lower investment result and impairments in Korean business (€34m)

Quarterly financial statements as at 31 March 2011 14

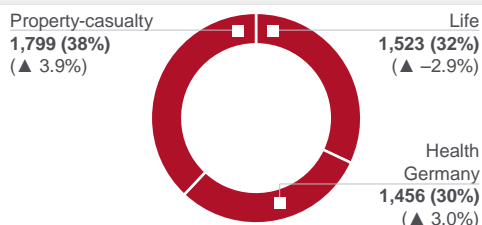
## Primary insurance – Premium development Stable premium income



€m	
Gross premiums written Q1 2010	4,714
Foreign-exchange effects	7
Divestment/Investment	–
Organic change	57
<b>Gross premiums written Q1 2011</b>	<b>4,778</b>

- **Life statutory premiums:** Lower single-premium business in Germany and abroad
- **Health:** Growth in comprehensive, supplementary and travel business
- **Property-casualty:** Organic growth in Germany and abroad

### Breakdown by segment (segmental, not consolidated)



### Total premiums life:

- IFRS premiums €1,523m (▲ –2.9%)
- Savings component of unit-linked and capitalisation products €274m (▲ –30.6%)
- **Total premiums** €1,797m (▲ –8.5%)<sup>1</sup>

<sup>1</sup> Total premiums German life Q1 2011: €1,302m, ▲ –8.9%.

Quarterly financial statements as at 31 March 2011 15



Primary insurance – Life – New business

## Life: New business (statutory premiums)

Munich RE

Total				
€m	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2010	652	125	527	177
Q1 2011	517	141	376	178
Δ	–20.7%	12.9%	–28.7%	0.5%

## Comments

## Germany

- Decline of single-premium annuity business and capitalisation products
- Regular premium growth

## International

- Strong growth in Belgium and Poland
- New business in Austria down on previous year due to lower single premiums (APE –26.8%)

Germany				
€m	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2010	389	87	302	117
Q1 2011	297	91	206	111
Δ	–23.7%	4.6%	–31.8%	–5.1%

## International

€m	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2010	263	38	225	60
Q1 2011	220	50	170	67
Δ	–16.3%	31.6%	–24.4%	11.7%

<sup>1</sup> Annual premium equivalent (APE = regular premiums + 10% single premiums).

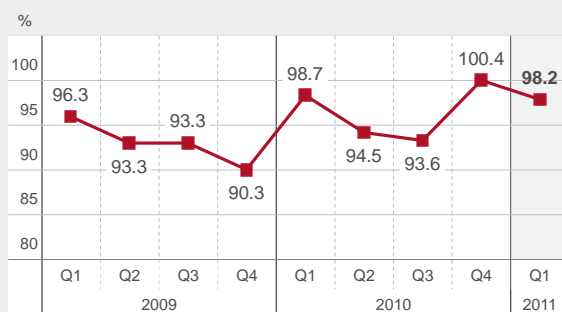
Quarterly financial statements as at 31 March 2011 16

Primary insurance – Property-casualty – Combined ratio

Combined ratio slightly lower –  
Still too high in international business

Munich RE

%		Loss ratio	Expense ratio
2009	93.2	60.3	32.9
2010	96.8	63.1	33.7
Q1 2010	98.7	64.3	34.4
Q1 2011	98.2	63.4	34.8



- Lower effect from weather-related losses (in 2010: Winter Storm Xynthia and severe winter in Poland)
- However, higher claims especially in the international, but also in German motor business

Quarterly financial statements as at 31 March 2011 17

Agenda



Overview

The Group

Primary insurance

Reinsurance

Summary and outlook

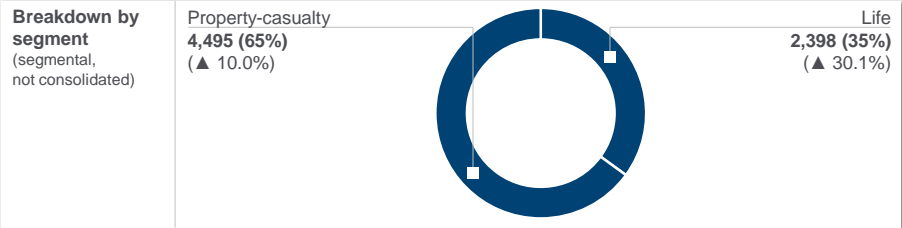
Reinsurance – Premium development

Strong increase mostly from organic growth and favourable FX



€m	
Gross premiums written Q1 2010	5,928
Foreign-exchange effects	244
Divestment/ Investment	0
Organic change	721
Gross premiums written Q1 2011	6,893

- Positive FX effect (mainly Can\$)
- **Property-casualty:** Increase mainly driven by fire, motor and agro
- **Life:** Organic growth owing to large-volume deals

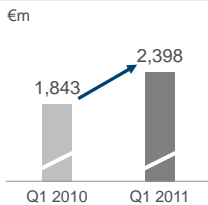


## Reinsurance – Key figures

### Life reinsurance

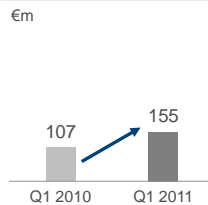


#### Gross premiums written



Strong growth owing to large-volume deals and positive FX development (mainly Can\$)

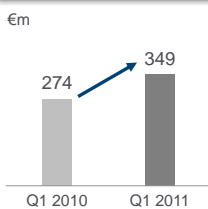
#### Technical result



Improvement of technical result from positive claims experience in US and UK

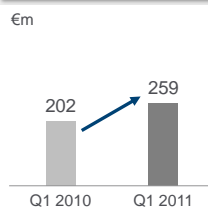
Large deals with positive bottom line impact

#### Investment result



Increase driven by high disposal gains and contribution of ERGO dividends

#### Consolidated result



Strong operating result and positive contribution from foreign exchange

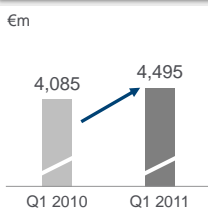
Quarterly financial statements as at 31 March 2011 20

## Reinsurance – Key figures

### Reinsurance property-casualty

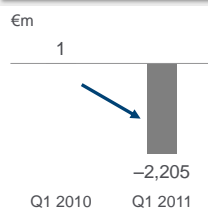


#### Gross premiums written



Premium increase from organic growth (especially in motor, fire and agro)  
Positive FX contribution

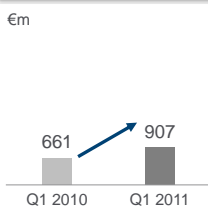
#### Technical result



Negative result from exceptionally high nat cat losses

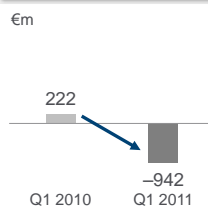
Basic claims remain at a good, profitable level

#### Investment result



High disposal gains and impact from insurance risk transfer to the capital markets  
In addition dividends received from ERGO

#### Consolidated result



High nat cat losses partly mitigated by still high investment result, currency gains and tax relief

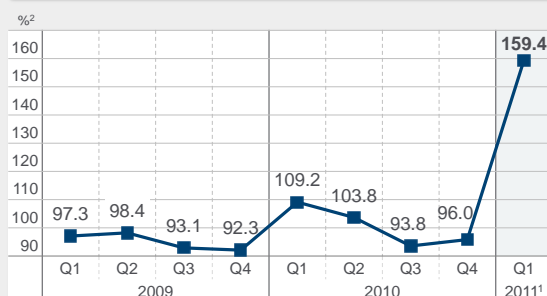
Quarterly financial statements as at 31 March 2011 21

Reinsurance – Property-casualty – Combined ratio

## Combined ratio reflects high nat cat losses in Q1 2011

Munich RE

%		■ Basic losses	■ Nat cat losses	■ Man-made losses	■ Expense ratio
2009	95.3	57.5	1.4	6.9	29.5
2010	100.5	53.6	11.0	4.7	31.2
Q1 2010	109.2	58.2	20.8	2.0	28.2
Q1 2011 <sup>1</sup>	159.4	58.3	69.2	2.5	29.4



- Major losses in Q1 2011 (€2,794m) well above 5-year average (€991m)
- Nat cat losses in Q1 2011 (€2,698m<sup>1</sup>) significantly exceed 5-year average (€870m)
- Moderate man-made losses of €96m in Q1 2011; slightly below 5-year average (€121m)
- No major impact from reserve changes

<sup>1</sup> Adjusted for impact from the transfer of insurance risks to the capital markets.<sup>2</sup> Incl. overhead costs.

Quarterly financial statements as at 31 March 2011

22

Reinsurance – Major nat cat losses

## Frequency of severity is coincidental, not systemic

Munich RE

Nat cat losses in Q1 2011	
Incident	Loss <sup>1</sup> (€m)
Earthquake Japan	1,500
Earthquake Christchurch New Zealand	740
Flood Queensland Australia	260
Cyclone Yasi Australia	100
Other	100
<b>Total</b>	<b>2,700</b>

## Earthquake Japan

- Owing to extent of destruction and given many covers do not attach until high losses, detailed assessment of losses is complex and will take a long time
- Claims for Munich Re mainly result from commercial business – so far losses only based on models
- Further uncertainties result from impact on supply chains – Loss estimate includes a blanket amount for contingent business interruption
- Life and health portfolios will be minimally affected

<sup>1</sup> Rounded numbers. Adjusted for impact from the transfer of insurance risks to the capital markets.

Quarterly financial statements as at 31 March 2011

23

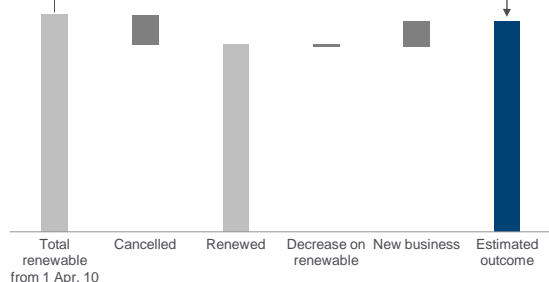
Reinsurance – April renewal

## Impact of Japan earthquake not yet visible to the full extent

Munich RE

%	100	-13.5	86.5	-1.1	11.6	97.0
€m	1,099	-148	951	-12	128	1,066

Change in premium:		-3.0%
▪ Thereof price change:		+1.2%
▪ Thereof change in exposure our share:		-4.2%



### Market environment

- April renewal refers to Japan and Korea (35%), North America and Global Clients (40%)

- Sufficient capacity available

### Munich Re portfolio

- So far limited positive impact of earthquake losses on Japan renewal in general:
- Part of Munich Re portfolio was already locked in, but earthquake covers negotiated after 11 March 2011 achieved significant price increases
- Some business (mainly earthquake XL) was shifted to later renewal periods
- High portion of wind cover with slight price increases
- In other regions rather stable prices

**Consistent cycle management with clear bottom-line focus maintained**

Quarterly financial statements as at 31 March 2011 24

Reinsurance – April renewal

## Price changes of Munich Re's Japan business before and after the earthquake

Munich RE

### First signs of market hardening in April renewal

#### Average price increase

	2 January	Earthquake Japan 11 March	1 April	1 July
	Price projections for negotiations before earthquake Japan	Price increases for business negotiation after earthquake Japan (exposure adjusted)	Shifted business	
Earthquake XL	-4%	25-50%	Further increases expected	
Wind XL and combined XL	-5%	20-25%		
Earthquake prop. (change in commission points)	1%	up to -4%	-	
Liability	-3%	5-20%	-	
Marine	-3%	5-30%	-	

**Loss-affected business responded well, further improvement expected**

Quarterly financial statements as at 31 March 2011 25

Reinsurance – April renewal

Most recent events should have a hardening effect on the market for globally oriented lines of business



Outlook for July renewal	
Up for July renewal	Price expectation
US nat cat	Double-digit – Softening trend expected to convert into a hardening market
Australia/New Zealand	Significant double-digit – Trend should continue
Japan	Further improved terms and price increases of postponed earthquake XL renewals
Global large commercial business	Up to double-digit – Capacity-driven

In market situations influenced by capacity reductions, Munich Re is well placed due to its capital position

Agenda



- Overview
- The Group
- Primary insurance
- Reinsurance

Summary and outlook

Outlook

Outlook 2011 – Even more so after severe events as in Q1 reinsurance remains an attractive business model



Munich Re (Group)		
<b>GROSS PREMIUMS WRITTEN</b> €47–49bn (prev. €46–48bn)	<b>RETURN ON INVESTMENT</b> Slightly below 4%	<b>PROFIT</b> Positive annual result expected RoRaC-target of 15% after tax over-the-cycle to stand
Reinsurance	Primary insurance	Munich Health
<b>COMBINED RATIO P-C</b> 97% over-the-cycle – Not achievable in 2011	<b>COMBINED RATIO P-C</b> < 95%	Positive earnings contribution while concluding consolidation phase
<b>GROSS PREMIUMS WRITTEN</b> €25–26bn	<b>GROSS PREMIUMS WRITTEN</b> €17–18bn	<b>GROSS PREMIUMS WRITTEN</b> ~€6bn

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.