Munich RE

Munich Reinsurance Company
Annual General Meeting 2012

Report of the Chairman of the Board of Management,
Nikolaus von Bomhard, 26 April 2012

REPORT

Key figures (IFRS)

Munich Re

		2011	2010	2009	2008	2007
Gross premiums written	€bn	49.6	45.5	41.4	37.8	37.3
Operating result	€m	1,180	3,978	4,721	3,834	5,573
Taxes on income	€m	–552	692	1,264	1,372	801
Consolidated result	€m	712	2,430	2,564	1,579	3,923
Attributable to non-controlling interests	€m	10	8	43	24	83
Investments	€bn	201.7	193.1	182.2	174.9	176.2
Return on equity	%	3.3	10.4	11.8	7.0	15.3
Equity	€bn	23.3	23.0	22.3	21.1	25.3
Valuation reserves not recognised in balance sheet[1,2]	€bn	5.7	3.6	3.2	2.5	0.8
Net technical provisions	€bn	181.2	171.1	163.9	157.1	152.4
Staff at 31 December		47,206	46,915	47,249	44,209	38,634

Reinsurance[2]

[1]		2011	2010	2009	2008	2007
Gross premiums written	€bn	26.5	23.6	21.8	21.9	21.5
Investments	€bn	88.7	83.7	76.8	78.4	81.9
Net technical provisions	€bn	64.3	56.6	53.4	55.8	55.5
Large and very large losses (net)	€m	5,126	2,228	1,157	1,507	1,126
Natural catastrophe losses	€m	4,544	1,564	196	832	634
Combined ratio property-casualty[3]	%	113.6	100.5	95.3	99.4	96.4

Primary insurance[2]

[1]		2011	2010	2009	2008	2007
Gross premiums written	€bn	17.6	17.5	16.6	17.0	17.3
Investments	€bn	123.9	121.8	118.4	114.0	109.3
Net technical provisions	€bn	113.5	111.2	107.7	101.4	96.9
Combined ratio property-casualty	%	97.8	96.8	93.2	90.9	93.4

Munich Health[2]

[1]		2011	2010	2009		
Gross premiums written	€bn	6.1	5.1	4.0		
Investments	€bn	5.9	4.1	3.1		
Net technical provisions	€bn	3.4	3.3	2.9		
Combined ratio[4]	%	99.4	99.7	99.4		

Our shares

[1]		2011	2010	2009	2008	2007
Earnings per share	€	3.94	13.06	12.95	7.74	17.83
Dividend per share	€	6.25	6.25	5.75	5.50	5.50
Amount distributed	€m	1,110	1,110	1,072	1,073	1,124
Share price at 31 December	€	94.78	113.45	108.67	111.00	132.94
Munich Re's market capitalisation at 31 December[5]	€bn	17.0	21.4	21.5	22.9	29.0
Book value per share	€	129.86	126.31	114.89	106.42	119.33

[1] Including amounts attributable to minority interests and policyholders.
[2] Before elimination of intra-Group transactions across segments.
[3] The figure for 2011 is not adjusted for relief of 1.3 percentage points from economic risk transfer to the capital markets.
[4] Excluding health insurance conducted like life insurance.
[5] This includes own shares earmarked for retirement.

Ladies and gentlemen,

On behalf of the Board of Management, I would like to welcome you to the 125th Annual General Meeting of your Company, Munich Re. Good morning to all of you here at the Congress Center in Munich and also to those following our AGM on the internet.

As in the previous years, our shareholders have the opportunity to exercise their voting rights from home by postal vote or online. I am pleased that so many of you have nevertheless chosen to attend in person.

Before I talk about Munich Re, a few brief words about the business environment, which had a significant influence on our operations and result last year.

The banking crisis and the sovereign debt crisis are primarily crises of trust – among countries, banks and investors and, in the meantime, individual citizens as well. Particularly for insurers, and naturally also for Munich Re, trust is a cornerstone of our business. Clients, employees and you, our shareholders, must be able to rely on Munich Re meeting its promises and obligations, even over decades.

In insurance business, we give a promise for the future. In concrete terms, we agree that in return for a fixed amount, calculated and paid in advance, we will pay for losses and claims, which in some cases may not manifest themselves until many years later. In order to be able to do this, the insurer must know its business.

Besides this, the conduct of employees and management – in short, the company's reputation – must be trustworthy. Otherwise no insurance will be purchased, or you will not buy our shares. Fledgling employees, too, only want to work for a company with a good reputation.

With regard to the first aspect, knowing the business, our largest individual shareholder Warren Buffett put it well – and with typical pithiness – in his most recent letter to shareholders: "At bottom, a sound insurance operation needs to adhere to four disciplines.

It must

- understand *all* exposures that might cause a policy to incur losses;
- conservatively evaluate the likelihood of any exposure actually causing a loss and the probable cost if it does;

- set a premium that will deliver a profit, on average, after both prospective loss costs and operating expenses are covered; and
- be willing to walk away if the appropriate premium can’t be obtained."

Many insurers pass the first three tests and fail the fourth, according to Buffett.

I would like to stress here that the first three disciplines in themselves present quite a challenge. Especially in reinsurance, but also in long-term primary insurance business such as sections of life and health insurance, it is not that easy to determine the "appropriate premium". After all, it often involves correctly estimating the development of trends over many years; just think of climate change, the development of life expectancy or the interest-rate level. And we should not forget people's claims mentality either, which plays an important role in liability insurance, for example.

We adhere to all four disciplines; in fact, we place them at the very centre of our operations. And the fourth discipline – be willing to walk away – is indeed something that many find very difficult to practise consistently. Rest assured, we can promise you as shareholders that we do not write risks at any price but only if it adds lasting value for our clients and shareholders.

The notion of adding lasting value is also reflected in our business model. By combining primary insurance, reinsurance and Munich Health under one roof, we can gain advantages from diversification and better absorb fluctuations in results. Last year demonstrated once again that this integrated business strategy is effective. Despite the very challenging business environment, we achieved a solid result to which ERGO and Munich Health together contributed more than half.

If one compares the performance of Munich Re's share price since the beginning of the crisis with that of our most important competitors, it is evident that our focus on insurance business and our fundamentally conservative approach geared to sustainability have been and are duly recognised on the capital markets.

Permit me now to return to the second aspect necessary for delivering on our promise – reputation. For a trusting relationship with clients, it is essential that employees in the company are aware of their responsibility and act accordingly, as we are wont to say. Can companies always guarantee this everywhere? The honest answer has to be no. But it must be their aim and aspiration, as it indeed is throughout our Group. Of course, there cannot be detailed rules and regulations for every conceivable situation. However, there is a framework and a foundation of values that gives employees sufficiently clear guidance for individual decisions.

Last year, serious misconduct on the part of individual employees and agents of the structured sales organisation HMI and ERGO came to light – conduct that grossly violated the rules and values of our Group and triggered justified public criticism.

As I will be returning to this issue later, just a brief comment at this point: ERGO accepted responsibility for the incidents, apologised, put a great deal of energy into investigating them, and initiated measures to remedy the consequences of the misconduct and to ensure that such incidents could not be repeated. I am convinced that ERGO reacted appropriately.

As I said at the outset, our clients' trust is a cornerstone of our business; our success depends on the trust of our employees, shareholders and ultimately the public. This trust constitutes our greatest capital. Over the years, the conduct of the overwhelming majority of our employees has ensured that Munich Re as a group has acquired a good reputation in the insurance industry – and beyond. And so it shall remain.

But now a more concrete look at the most important parameters for our business last year.

Parameters in 2011

Due to chance, 2011 presented us with exceptional challenges in reinsurance. For us, the year was marked by an accumulation of natural catastrophes with a claims burden that we only expect in this form every 50 years or so. Very severe earthquakes and weather-related catastrophes claimed many lives and caused overall economic losses of around US$ 380bn globally. At US$ 100bn, insured losses also reached a new high.

The terrible earthquake in Japan on 11 March 2011, with the subsequent tsunami, were events I considered in detail in my report last year. Today we know that it was the largest single loss event in 2011, giving rise to huge insured losses. Munich Re's share was approximately €1.5bn. The earthquakes in New Zealand together cost us around the same amount in 2011. Losses from natural catastrophes came to around €4.5bn for Munich Re in the year as a whole, thus totalling three to four times the expected annual average amount.

The earthquake in Tōhoku/Japan, with its far-reaching consequences, and other natural catastrophes in this league caused enormous human suffering and devastating material damage. Our world is vulnerable and is becoming ever more so, be it as a result of climate change, the ongoing settlement of exposed regions, or constantly increasing globalisation of supply chains. That is why we are constantly making the case for greater awareness in dealing with these risks. As an important risk carrier, we play our part in making such risks manageable by identifying, diversifying and partially assuming them, thus also contributing with our payments to the reconstruction process after a disaster. This is part of our core business, which we have been intensively developing for decades.

Munich Re absorbed last year's heavy burdens from natural catastrophes well, managing to make a profit of over €700m. We therefore demonstrated that, even in such a year, we are resilient and able to deliver.

With the financial crisis continuing, we also had to face the challenge of an extremely low interest-rate level and major upheavals on the capital markets. Consequently, our investment result fell by 22% compared with the previous year. This includes the substantial write-downs we had to make on Greek government bonds.

How did we deal with these difficult economic circumstances? We had already begun to diversify our investments broadly some years ago as a consequence of our business approach, in which investments are primarily geared to the structure of our liabilities, and on the basis of conservative asset management. And so we are, in principle, prepared for very different scenarios.

I regard the efforts to preserve the European currency union as important and right. It is always possible, especially with the benefit of hindsight, to argue about what measures would have been better and why. But the currency union, and thus Europe, were and continue to be worth the effort. There still remains a great deal to do politically; for too long, European integration has lagged too far behind economic dynamics in Europe.

As I have already said, the sovereign debt crisis is primarily a crisis of trust. Governments have to fundamentally alter their budgetary policies. They also have to make it clear that there is much more at stake than the euro: at stake is security and prosperity in Europe, the chance for Europe still to play a part in the world as a political force and as an economic and value community.

I now come to the Group's business results.

Solid Group business result

Given the very testing parameters I have just mentioned, our ambitious expectations were not fulfilled. It was already clear at the time of last year's AGM that we would not be able to achieve our profit target. Nevertheless, I would say that we mastered the challenges well and achieved a reasonable profit for the year. That is proof of our Group's strength. But above all it is the result of hard work by colleagues throughout the Group, whom I would expressly like to thank here.

A word on our capital resources: Our capital foundations are solid. Shareholders' equity had even risen slightly to €23.3bn at the end of 2011.

As you know, our capital management is geared to always being adequately capitalised. In other words, our available financial resources must cover the capital requirements we determine with our internal risk model and those set by the supervisory authorities and rating agencies. At the same time, we aim to have a sufficient buffer to seize opportunities for profitable growth. Any fluctuations in business experience or on the capital markets are modelled by us in the internal and external capital requirements, with a distinctly conservative approach applied in the calculation and calibration.

I must now say something about the dividend. This will be paid out of the German GAAP profits of Munich Reinsurance Company. And German GAAP specifies an accounting item for insurers that requires a little explanation: claims equalisation provisions. These mitigate fluctuations in claims incidence over time – through allocations and withdrawals calculated for individual classes of insurance according a fixed formula over several years. In years with low claims costs, the result is adversely affected by "savings" for the claims equalisation provision. In a heavily loss-affected year like 2011, withdrawals from the provision provide relief so that the claims only partially affect the annual result, thus maintaining the capacity to pay a dividend. So we are not living off our capital.

With our previously mentioned solid capitalisation and good earnings prospects in the current year, we are therefore advocating in our proposal for the appropriation of profits to keep the dividend unchanged at €6.25 per share. Subject to your approval, the German GAAP profit will therefore be passed on to you. Naturally, we are pleased that we can thus continue paying you an attractive dividend, uninterrupted by the financial crises of the last few years and supplemented by the previous years' share buy-backs.

And now to the individual fields of business.

As far as primary insurance is concerned, ERGO's resilience was seriously tested. It needed to master the very volatile and difficult situation on the capital markets, especially the extremely low interest rates and write-downs on Greek bonds. With a result of €349m, ERGO achieved a profit of around the same level as in the previous year, thus passing the test and making an important contribution to the Group's result.

In fact, ERGO's result was strongly affected by individual special factors, both positive and negative in nature. On the one hand, it had to absorb the aforementioned write-downs on Greek government bonds, which impacted its investment result. On the other hand, ERGO realised gains on the sale of a real-estate company in Singapore and on the transfer of its international health insurance companies to Munich Health. In addition, the result benefited from write-ups on interest-rate hedging instruments that provide protection against prolonged low interest rates. ERGO's international business produced an improved result, but is not scheduled to return to profitability until the current year.

ERGO's gross premiums show a slight rise overall. In the life insurance segment, we have deliberately forgone income in single-premium business. By contrast, ERGO was able to post growth in the health and property-casualty segments. Property-casualty grew by 2.5%, with commercial and industrial business making the biggest contribution. In health insurance, gross premiums written increased by 4%, a consequence of the abolition in Germany of the three-year waiting period for employees who wish to switch from statutory to private health insurance.

In the context of health insurance, I wish to comment briefly on the current political debate in Germany. Global figures clearly show that we are living longer, partly thanks to advances in medicine and technology, and that is good news. At the same time, the ratio of people paying in to those claiming benefits in our pay-as-you-go system is changing dramatically. The sustainable financing of healthcare services has thus become a central challenge. In the light of demographic development and medical cost inflation, fewer and fewer young people will have to finance the medical costs of an increasingly ageing population in statutory health insurance. Experts predict either an explosion in the contribution rate from around 15% today to as much as 30% in 2050 or – and I see this as the more likely development – a drastic cut in medical insurance benefits.

How can the problem be overcome? It is our conviction that the demographic challenges of financing medical and long-term care can only be met with more private cover; an extension of the pay-as-you-go system of statutory health insurance is not a solution. We are therefore sticking by comprehensive health insurance. The parallel existence of statutory and private health insurance, despite certain weaknesses which we do not deny, is better and more viable for the future than any of the political alternatives currently being discussed. Obvious problems in private health insurance have to be solved by private health insurance itself. DKV, ERGO's specialist insurer in the health sector, is continually refining its range of products in this context, at the same time attaching great importance to even more transparency.

Altogether, I find it disconcerting the way politicians have systematically impeded and repressed private health insurance in recent years.

As mentioned at the outset, I would like to return to the incidents that strongly impacted ERGO's reputation last year.

It came to light that, in connection with an incentive trip for agents of the structured sales organisation HMI in 2007, there had been unacceptable misconduct on the part of individual employees which was in clear contravention of the rules and values that apply throughout our Group. The extent of the misconduct was on a scale that I could never have conceived possible for our companies. The managers responsible no longer work for ERGO.

In the wake of the reporting on the incident, further public allegations were made which also concerned insurance business itself. Even though it emerged in the course of investigations that not all the details of this reporting were accurate, with figures in particular often being grossly exaggerated, it was still a very painful experience overall. What is true is that there had been irregularities and deficiencies that needed to be remedied. At the same time, the incidents weighed heavily on all employees in the Group and on the still young ERGO brand in Germany.

ERGO followed up all of the accusations with urgency, investigating the individual facts with the support of external auditor PricewaterhouseCoopers, and repeatedly providing detailed public information on the results.

In addition, ERGO has taken a whole range of measures. These include more precise rules of conduct for sales forces, stricter guidelines for sales advice, and – very concretely – clear regulations for the organisation and realisation of incentive trips. And last but not least, responsibility for overseeing adherence to corporate rules of conduct – the so-called compliance function – has been transferred to a separate unit, whose head reports directly to ERGO's CEO.

So ERGO has done a great deal to gain the trust so important for our business. ERGO's staff are continuing to work hard to implement the promise of "To insure is to understand". A package of initiatives designed to ensure greater clarity, transparency and sales advice quality have been launched. Despite all the adversities last year, ERGO continued resolutely along the new path it had started down in 2010. ERGO also has ambitious plans for 2012, aimed at tangibly delivering on its promise to clients.

I would now like to turn to the next field of business, Munich Health:

Munich Health

Munich Health combines Munich Re's health reinsurance business worldwide and our health primary insurance operations outside Germany. With a consolidated profit of €45m, Munich Health can show a pretty stable result for 2011.

Its gross premiums written rose by nearly 20% to just over €6bn, a consequence mainly of large-volume treaties from reinsurance that our clients have concluded for capital relief.

In health primary insurance, we recorded slight premium growth of 2.2%. Development is being strongly influenced by the dynamics of US business. In the USA, our companies Windsor – acquired with effect from 1 January 2011 – and specialist insurer Sterling are now operating under the joint brand of Windsor Health Group. The biggest challenge was and is to adjust to the new regulatory parameters resulting from the US health reform.

The global healthcare and insurance market has become one of the fastest-growing sectors of the economy in recent years. Munich Health is in a good position to continue participating in this growth.

Now to the business field of reinsurance.

Reinsurance

Owing to natural catastrophes, the property-casualty result fell markedly in the past year. As a consequence of the exceptionally high claims costs mentioned before, we achieved a result of just over €370m.

By contrast, we are very satisfied with the result of over €400m in life reinsurance, especially in view of the stable development at a high level.

Premium growth in life business totalled over 20%. The main drivers here, too, were a number of large-volume treaties where reinsurance is primarily sought as a capital substitute. Especially business generated in North America, Asia and Continental Europe boosted premium.

In the property-casualty segment, premium income rose by nearly 8%; at unchanged exchange rates, growth would have exceeded 10%. Drivers were motor business and natural catastrophe covers.

We are satisfied with the negotiations to renew reinsurance treaties in 2012 to date. Altogether, we have seen a widespread stabilising of prices, but also marked price increases in loss-affected regions and classes of business. In a distinctly competitive market, we have been able to slightly increase the profitability of our portfolio again. It goes without saying that we will continue to adhere to our disciplined underwriting policy, in line with Warren Buffett's four rules. In doing so, we will repeatedly analyse our decisions and our business, not least in respect of natural hazards.

An analysis we conducted showed that over a prolonged period – we considered 15 years – natural catastrophe business was clearly profitable. And this, even though the period in question includes 2005, another year hit by enormous losses in the form of Hurricanes Katrina, Rita and Wilma. Seen over time, natural catastrophe business is therefore a pillar of our earnings in reinsurance. Of prime importance in this context is that we continue to carefully observe and assess natural hazards and their development, especially trend risks like climate change.

Munich Re will soon have been analysing natural hazards and documenting the relevant losses for 40 years. In the process, we have built up the most comprehensive natural catastrophe database in the world, currently comprising more than 30,000 events.

And these evaluations and analyses present an alarming picture. The number of weather-related natural catastrophes has more than tripled in Germany since 1970; globally, it has also increased by a factor of nearly three since 1980. In 2011 alone, damage caused by thunderstorms, for example, was higher than in any of the past years. In the USA, several series of severe weather events, with numerous tornadoes, together caused a huge overall economic loss. Insured losses were more than twice as high as in the previous record year of 2010.

In our view, the growing number of weather-related catastrophes cannot be explained without climate change. By contrast, the number of geophysical natural catastrophes, such as volcanic eruptions and earthquakes, has remained unchanged. The view that weather extremes are generally more frequent and intense due to global warming is in keeping with current scientific findings as set out, for instance, in the Fourth IPCC Assessment Report and in the special report on weather extremes. According to a study by the German Insurance Association, there will be relevant increases in both windstorm and flood losses in Germany within the next 30 years.

In other words, climate change is taking place. And the insurance industry can play its part in mitigating the consequences.

What we are thinking of in particular here, besides analysis of the hazards and assumption of risks by the insurance industry, is the promotion of renewable energies to pave the way for a carbon-free power supply. But new technologies are often accompanied by new risks. Insurers can provide support by covering these risks and thus make many a project possible in the first place.

Back in 2003, we became the first insurer worldwide to develop an insurance solution covering the costs of unsuccessful geothermal drilling projects. We are also global leaders in the insurance of technical guarantees for solar installations. In 2010, we launched a performance guarantee insurance for photovoltaic modules which is now a standard cover. This April, we signed the first contract to cover solar-thermal power plants.
We deploy our know-how and expertise in a targeted way to develop innovative covers for the specific risks of these alternative technologies – also in the field of wind power. Through these activities, we help promote alternative energies and thereby support efforts to curb climate change.

We have no doubt that the "energy landscape of the future" will be fed in large part by wind, photovoltaics, solar thermics and comparable renewable technologies. However, efforts must be significantly stepped up to create sufficient storage and transmission capacity. In this connection, both centralised and decentralised structures will develop, and power will also be generated outside Europe's borders. A step in the right direction for achieving this very objective is the Desertec power-from-the-desert initiative, which aims to generate solar and wind power, particularly in the deserts of North Africa. As initiator and shareholder of the Dii industry initiative, we are delighted that the first reference project is scheduled to be realised in Morocco as from 2013.

Outlook

Ladies and gentlemen, let us take another look at the Group as a whole. We mastered last year's demanding challenges and posted a reasonable result. And we have made a good start to 2012, doing much better than in the first quarter last year.

Although the picture is not yet complete, the data we have shows that the volume of major losses remained far below last year's level. At the same time, the situation in the financial markets has calmed down somewhat, at least for the moment. Altogether, the result of the first quarter is therefore likely to be gratifying. We believe that we have achieved a quarterly profit of over €750m.

In view of the continuing sovereign debt crisis, the related need to consolidate public finances, and the great uncertainty still prevailing on the markets, we expect economic development to be fairly subdued in most industrialised countries. Other factors likely to slow economic momentum are high unemployment and efforts to further reduce household debt levels in certain countries. Altogether, we anticipate moderate growth in the global economy.

The financial markets are unstable and liable to react swiftly and strongly to individual political events. For this reason alone, we must reckon with a high degree of volatility on the capital markets, which makes a forecast of our investment result difficult. Nor do we expect any rapid or marked increase in the extremely low capital market interest rates. Overall, we assume that regular income from investments will be somewhat reduced. The return on investment should be around 3.5%, a little higher than in 2011, but certainly lower than in previous years, with their higher risk-free interest rates.

Developments on the markets show that that there is no longer such a thing as "the" safe investment. Munich Re has responded with an even greater spread of its investments so as to be prepared for different developments on the capital markets and in the political environment. For example, we will be investing to an increasing extent in infrastructure projects, in addition to our RENT programme with which we plan to invest €2.5bn in the field of renewable energies and new technologies. This is based on the conviction that we have the necessary risk expertise for these investments.

With our strongly diversified investment strategy and our disciplined risk management, we should at any rate be well prepared for various capital market scenarios.

In primary insurance, we expect a result of around €400m for the ERGO Group. ERGO is aiming to steadily expand its activities in the growth markets of Asia and central and eastern Europe, and to increase the result contribution of its international operations. A word on German business: Here the need for old-age provision and health insurance continues to be high – I have already mentioned the challenges of the demographic trend. Owing to the exceptionally low interest rates, however, the parameters remain demanding from an economic, i.e. risk-based, perspective, especially in life insurance. ERGO is working on innovative product concepts with flexible guarantees that can provide clients with interesting covers for old-age provision even in a difficult interest-rate environment. We will probably be launching these products, which offer an interesting alternative to classic life insurance, midway through next year.

For Munich Health, that is our international health business, we see a whole range of growth opportunities, due on the one hand to medical advances and their consequences, and on the other to an expanding middle class in emerging countries and rising life expectancy. But large-volume capital-relief solutions will also continue to be growth drivers. Munich Health's consolidated result should total between €50m and €100m in 2012.

In reinsurance, we are seeing an increase in general risk awareness, particularly after major losses like those we experienced in the last financial year. This has been confirmed by the renewals so far in 2012, where we have been able to achieve significantly higher prices in individual loss-affected regions and classes of business. We are confident that demand for reinsurance will show an upward trend as a result of the financial crisis and the introduction of Solvency II. In these areas, we offer our clients flexible and customised solutions for capital relief. Altogether, the result in reinsurance should be between €1.9bn and €2.1bn.

We are aiming for a Group consolidated profit of €2.5bn for the current financial year. Thus, as you can see, we intend to remain a safe and profitable investment for you, ladies and gentlemen.

That brings me, lastly, to the items on the agenda on which you will vote today.

Information on the voting items

The agenda, together with our motions, was sent to you by post in the brochure "Your invitation" and has been accessible on our website since the AGM was convened. You will find it among the documents you received at the entrance to the meeting.

This year, the agenda is essentially limited to the annual voting items required by the German Stock Companies Act. Dr. Schinzler has already commented on agenda item 5. I would merely like to comment on item 2, "Appropriation of the net retained profits from the financial year 2011". As already mentioned, our still solid capitalisation and favourable earnings prospects enable us to propose payment of an unchanged dividend of €6.25 per share for approval by the AGM. In relation to the closing share price for 2011, this represents a dividend yield of 6.6%, putting us at the head of the field among DAX 30 stocks. Including the proposed payment, we will have distributed over €5bn in dividends since the beginning of the financial crisis – that is, in the period from 2007 to 2011. We are thus continuing what I believe is an attractive dividend policy.

One more remark on the proposal for the appropriation of profits. Since the convening of the AGM was published in March, the number of own, non-dividend-bearing shares has decreased somewhat. The motion can now take account of the current number of own shares in the items "amount to be distributed" and "amount to be carried forward to new account". You can find the updated motion in the brochure you obtained at the entrance.

In this connection, may I report the following to you on the present status of own shares held in the Group. Today, there are a total of 1,711,014 own shares in the possession of Group companies, representing 0.95% of the current share capital. As the shares acquired in the 2010/2011 share buy-back programme were retired directly following last year's AGM, the own shares still held serve solely to hedge stock appreciation rights granted to management. So far, no utilisation has been made of the authorisation to buy back shares approved by the AGM on 20 April last year. Since then, a total of 47,795 shares have been sold on the stock exchange, representing 0.027% of the share capital. You can find more details on the development of own shares in the financial year 2011 on pages 217 and 218 of our annual report, which again also contains an explanatory report on Munich Re shares and your related rights.

So much for my comments on the items to be voted on at today's AGM. I will conclude my remarks by asking you to vote in favour of our motions on the agenda.

(Check against delivery)

2012

Munich Reinsurance Company
Annual General Meeting 2012

Nikolaus von Bomhard
Chairman of the Board of Management

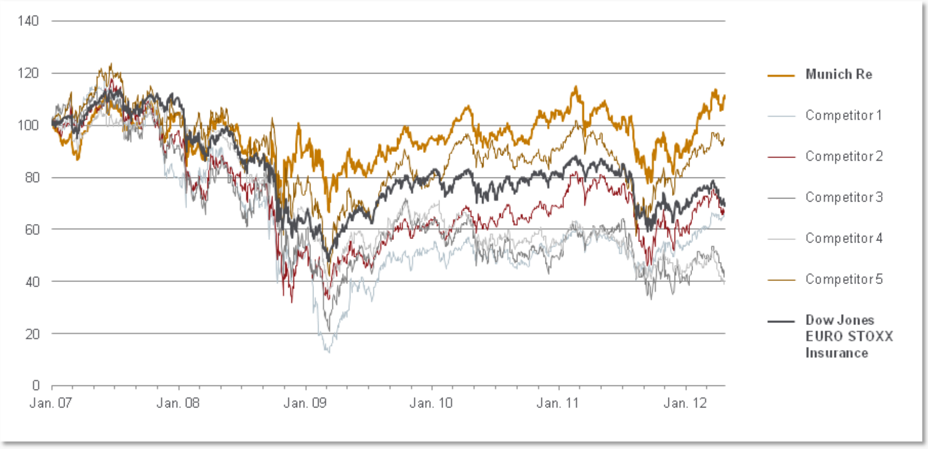
125th Annual General Meeting

Munich RE

Munich Re's share price performance

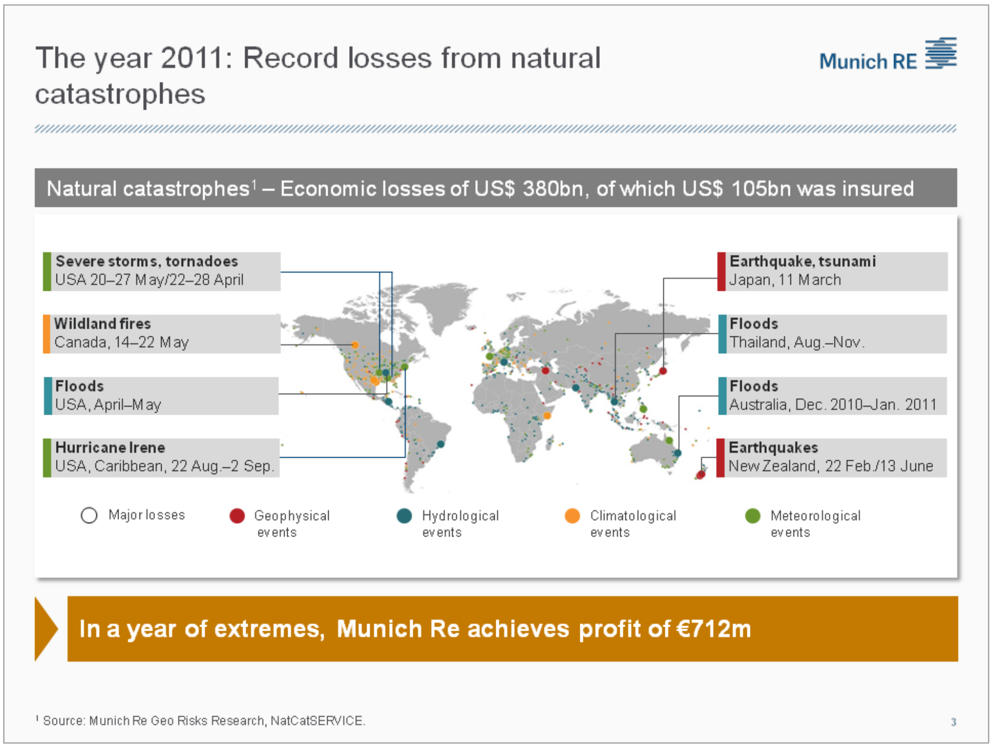
Munich RE

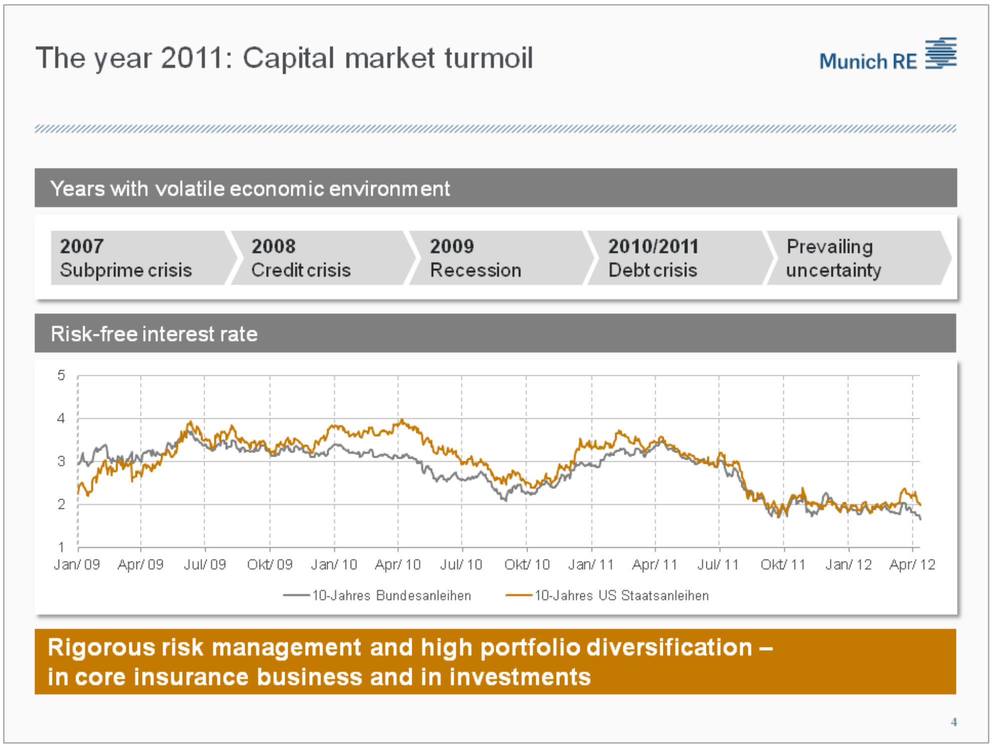
Indexed share performance[1] compared with competitors[2] from 1.1.2007 to 20.4.2012



[1] Including dividend.
[2] Competitors: Allianz, AXA, Generali, Swiss Re (CHF), Zurich Insurance Group (CHF).
Source: Datastream (status: 20.4.2012).

2


The year 2011: Record losses from natural catastrophes
Munich RE
Natural catastrophes[1] – Economic losses of US$ 380bn, of which US$ 105bn was insured
Severe storms, tornadoes
USA 20–27 May/22–28 April
Wildland fires
Canada, 14–22 May
Floods
USA, April–May
Hurricane Irene
USA, Caribbean, 22 Aug.–2 Sep.
Earthquake, tsunami
Japan, 11 March
Floods
Thailand, Aug.–Nov.
Floods
Australia, Dec. 2010–Jan. 2011
Earthquakes
New Zealand, 22 Feb./13 June
Major losses
Geophysical events
Hydrological events
Climatological events
Meteorological events
In a year of extremes, Munich Re achieves profit of €712m
[1] Source: Munich Re Geo Risks Research, NatCatSERVICE.
3


The year 2011: Capital market turmoil
Munich RE
Years with volatile economic environment
2007
Subprime crisis
2008
Credit crisis
2009
Recession
2010/2011
Debt crisis
Prevailing uncertainty
Risk-free interest rate
5
4
3
2
1
Jan/09
Apr/09
Jul/09
Okt/09
Jan/10
Apr/10
Jul/10
Okt/10
Jan/11
Apr/11
Jul/11
Okt/11
Jan/12
Apr/12
10-Jahres Bundesanleihen
10-Jahres US Staatsanleihen
Rigorous risk management and high portfolio diversification –
in core insurance business and in investments
4

The year 2011: Satisfactory Group business result

Munich RE

Munich Re (Group)

Consolidated result €712m (2,430m in 2010)	Satisfactory result in the light of natural catastrophes and capital market turbulence
Equity €23.3bn (23bn in 2010)	Solid capitalisation, increase of €300m
Investment result Return of 3.4%[1] (4.5% in 2010)	Diversification and duration management pay off

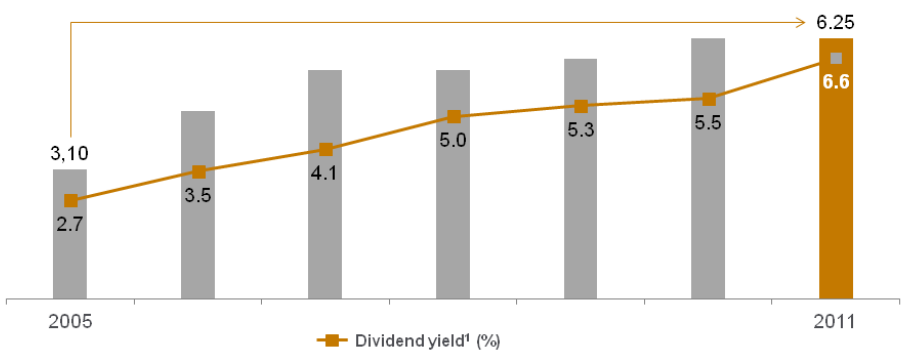
[1] Q1–4 2011. After adjusting for the transfer of insurance risks to the capital market: return on investment ~3.3%.

5

Dependable payout to shareholders

Munich RE

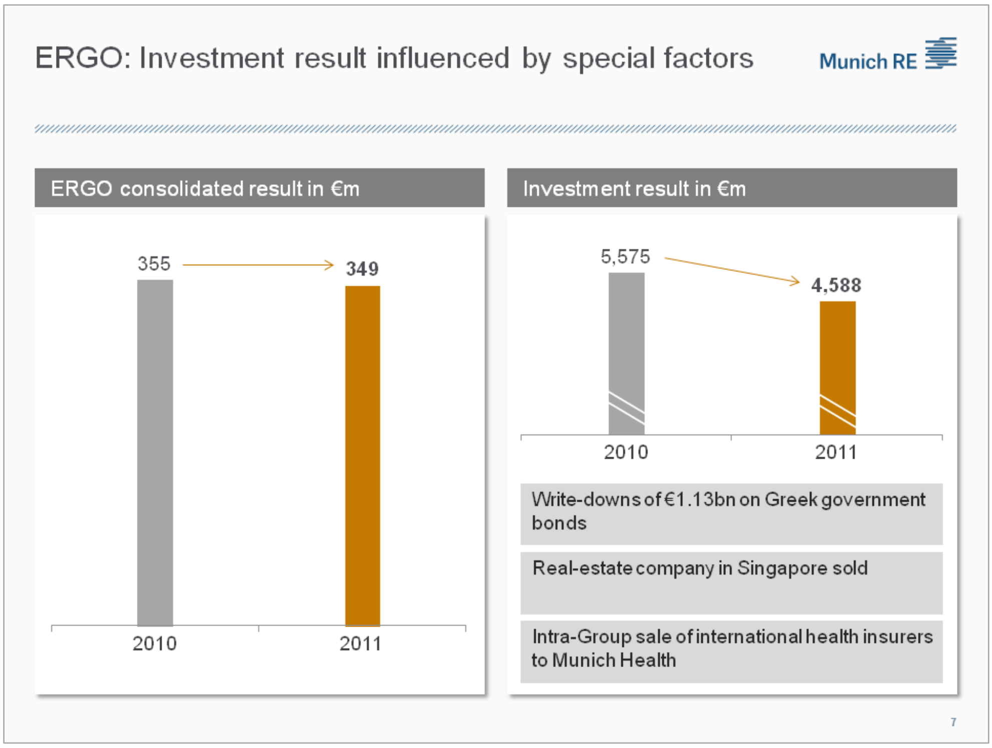
Dividend

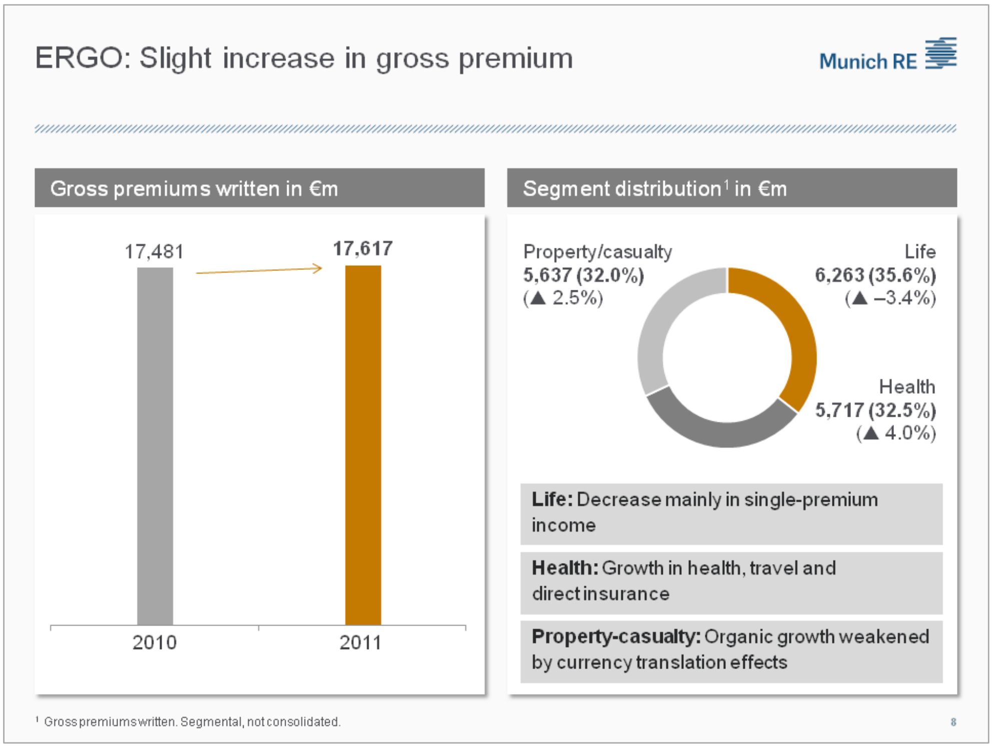


Attractive dividend yield even in difficult times – Sustained increase in payout over decades[2]

[1] Dividend in relation to the share price at year-end.
[2] 1969 was the only year with a lower dividend since 1952.

6


ERGO: Investment result influenced by special factors
Munich RE
ERGO consolidated result in €m
355
349
2010
2011
Investment result in €m
5,575
4,588
2010
2011
Write-downs of €1.13bn on Greek government bonds
Real-estate company in Singapore sold
Intra-Group sale of international health insurers to Munich Health
7


ERGO: Slight increase in gross premium
Munich RE
Gross premiums written in €m
17,481
17,617
2010
2011
Segment distribution[1] in €m
Property/casualty
5,637 (32.0%)
(▲ 2.5%)
Life
6,263 (35.6%)
(▲ –3.4%)
Health
5,717 (32.5%)
(▲ 4.0%)
Life: Decrease mainly in single-premium income
Health: Growth in health, travel and direct insurance
Property-casualty: Organic growth weakened by currency translation effects
[1] Gross premiums written. Segmental, not consolidated.
8

Demographics: How can health services be financed sustainably?

Munich RE

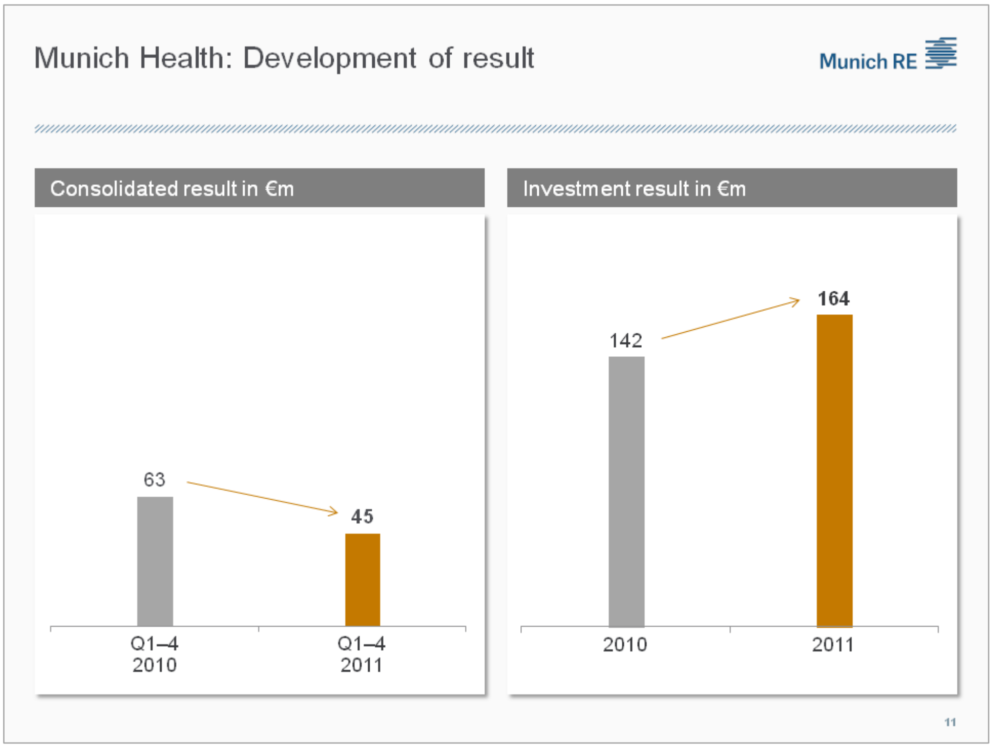
9

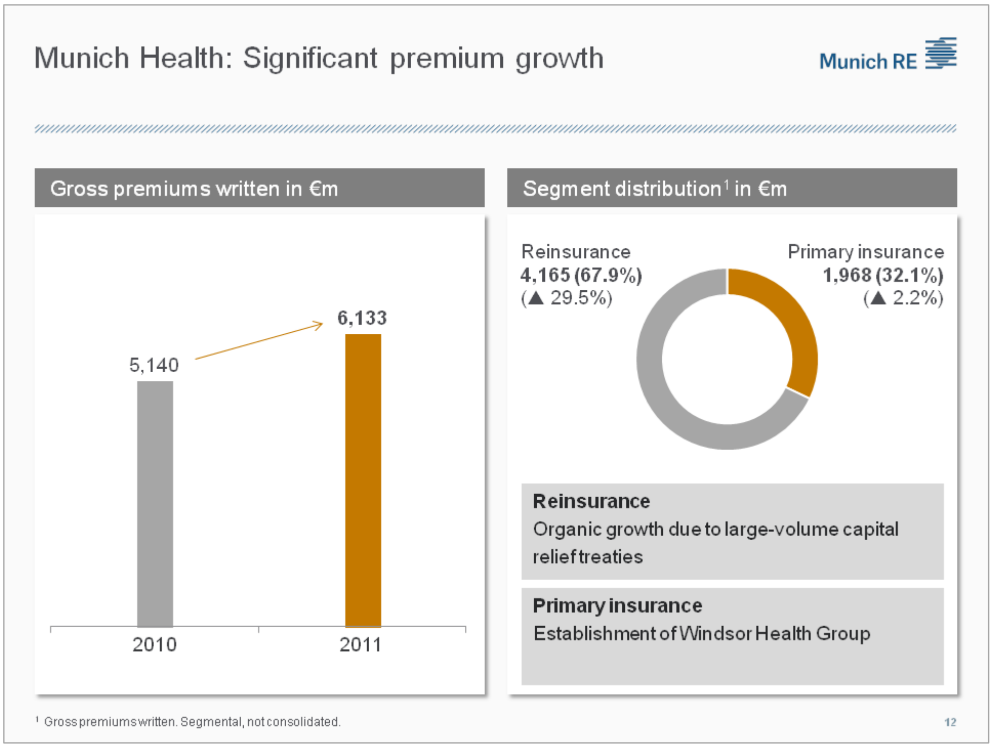
ERGO: Programme of measures

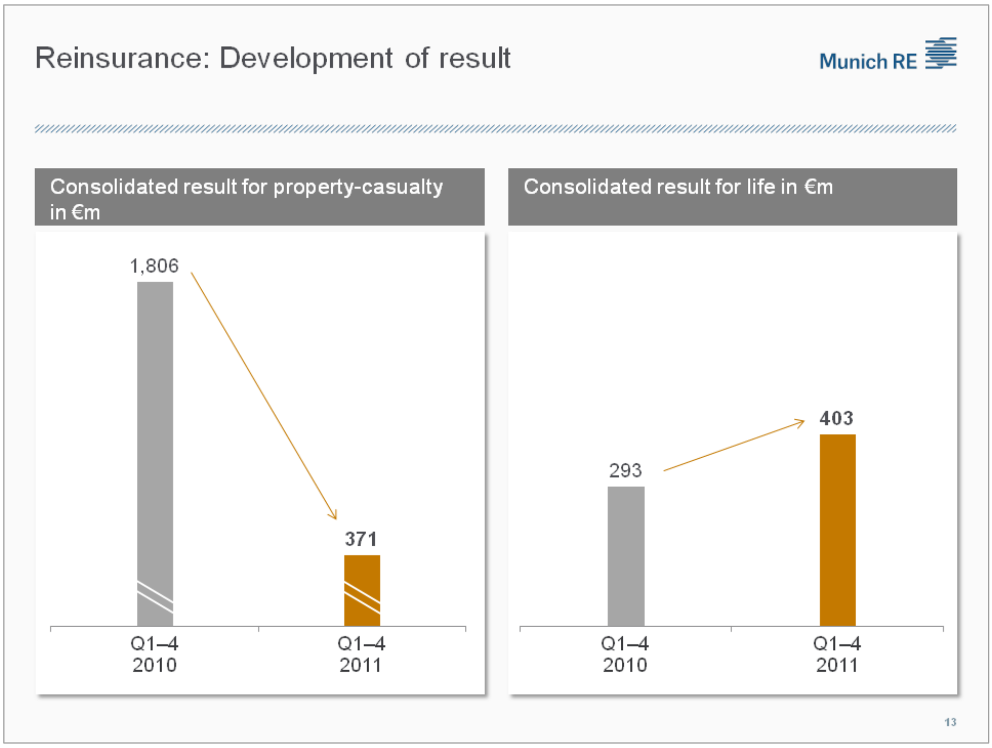
Munich RE

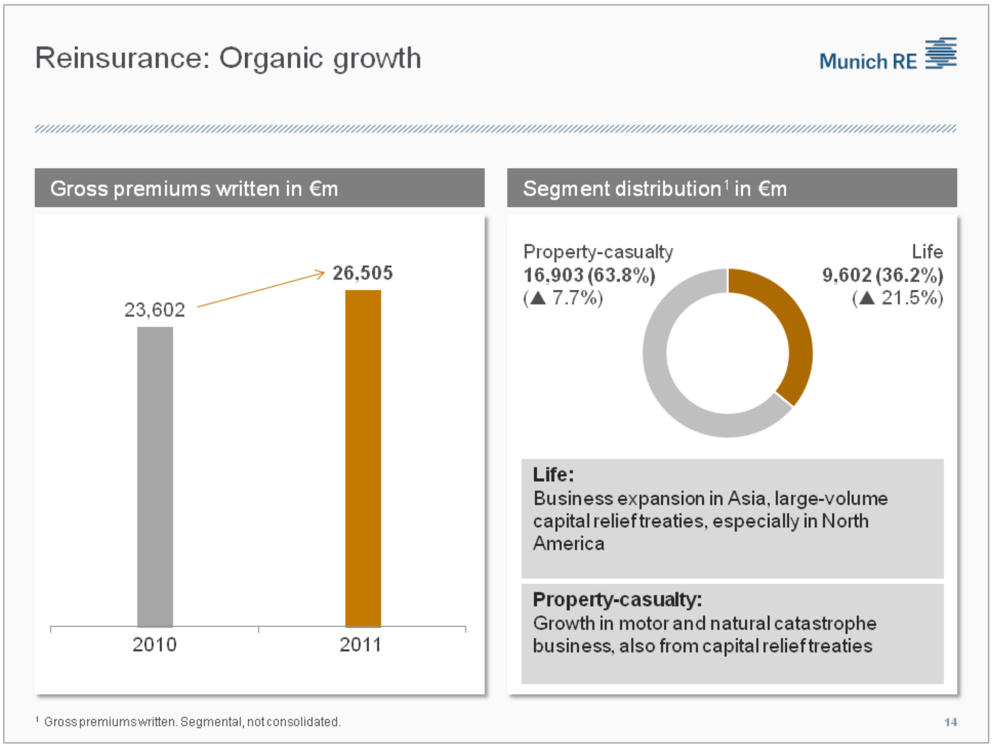
Topic
Strengthening of compliance function
New regulations for incentives/centralised procurement
Code of conduct for independent sales staff
Quality offensive ERGO Pro (formerly HMI)
Improvement of product information
Uniform sales advice process
New regulations for documentation of advice
Mystery shopping (test purchases)
Agent assessment on the internet

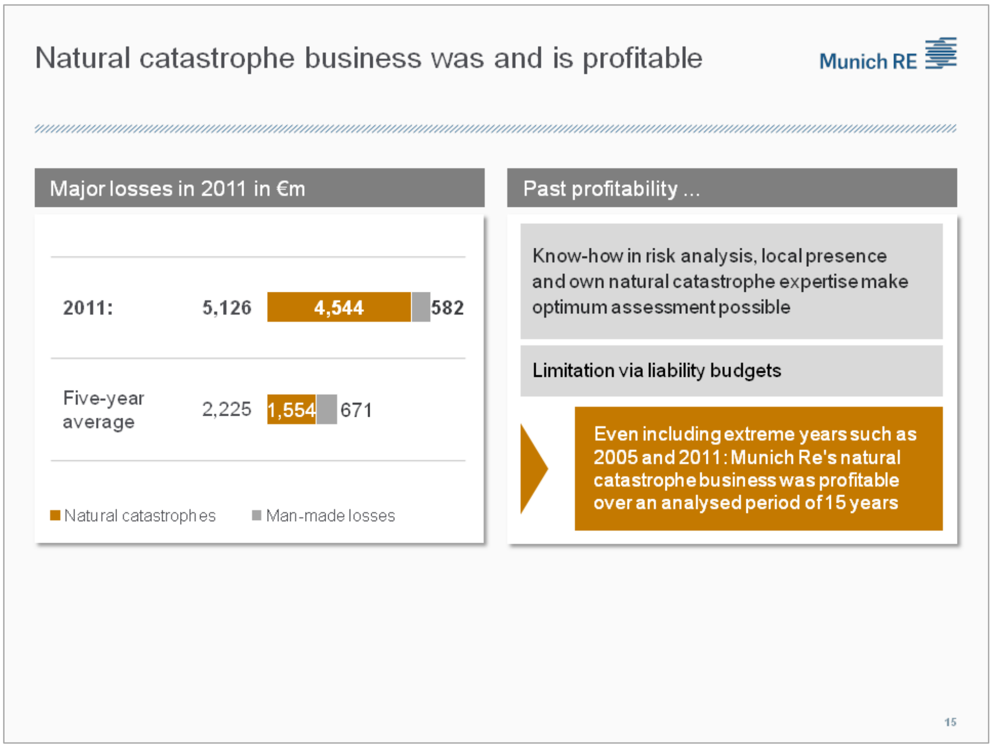
10

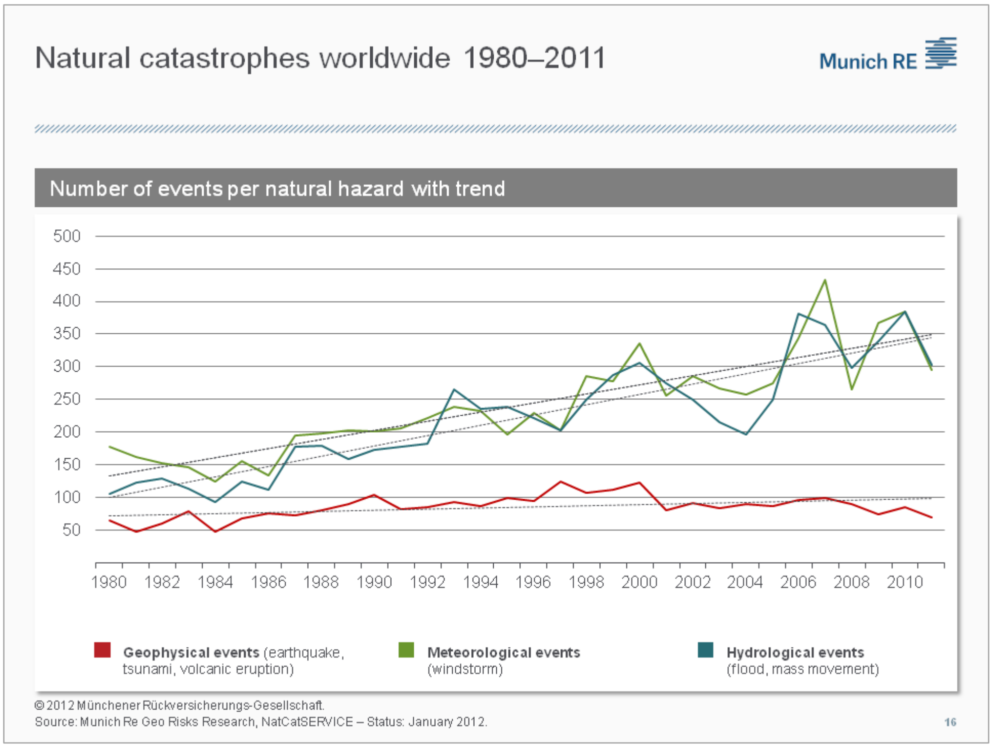

Munich Health: Development of result
Munich RE
Consolidated result in €m
63
45
Q1–4 2010
Q1–4 2011
Investment result in €m
142
164
2010
2011
11


Munich Health: Significant premium growth
Munich RE
Gross premiums written in €m
5,140
6,133
2010
2011
Segment distribution¹ in €m
Reinsurance
4,165 (67.9%)
(▲ 29.5%)
Primary insurance
1,968 (32.1%)
(▲ 2.2%)
Reinsurance
Organic growth due to large-volume capital relief treaties
Primary insurance
Establishment of Windsor Health Group
¹ Gross premiums written. Segmental, not consolidated.
12


Reinsurance: Development of result
Munich RE
Consolidated result for property-casualty in €m
1,806
371
Q1–4 2010
Q1–4 2011
Consolidated result for life in €m
293
403
Q1–4 2010
Q1–4 2011
13


Reinsurance: Organic growth
Munich RE
Gross premiums written in €m
23,602
26,505
2010
2011
Segment distribution¹ in €m
Property-casualty
16,903 (63.8%)
(▲ 7.7%)
Life
9,602 (36.2%)
(▲ 21.5%)
Life:
Business expansion in Asia, large-volume capital relief treaties, especially in North America
Property-casualty:
Growth in motor and natural catastrophe business, also from capital relief treaties
¹ Gross premiums written. Segmental, not consolidated.
14


Natural catastrophe business was and is profitable
Munich RE
Major losses in 2011 in €m
2011: 5,126 4,544 582
Five-year average 2,225 1,554 671
Natural catastrophes
Man-made losses
Past profitability ...
Know-how in risk analysis, local presence and own natural catastrophe expertise make optimum assessment possible
Limitation via liability budgets
Even including extreme years such as 2005 and 2011: Munich Re's natural catastrophe business was profitable over an analysed period of 15 years
15


Natural catastrophes worldwide 1980–2011
Munich RE
Number of events per natural hazard with trend
500
450
400
350
300
250
200
150
100
50
1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
Geophysical events (earthquake, tsunami, volcanic eruption)
Meteorological events (windstorm)
Hydrological events (flood, mass movement)
© 2012 Münchener Rückversicherungs-Gesellschaft
Source: Munich Re Geo Risks Research, NatCatSERVICE – Status: January 2012.
16

Insurance solutions for renewable energy

Munich RE

Wind energy

Innovative solution for major losses arising from guarantees – Manufacturers profit from the capital relief this provides

Solar energy

Cooperation with 15 photovoltaic plant manufacturers – Collaboration with first solar thermal plant manufacturer in 2012

Geothermal energy

The exploration risk is often the great stumbling block for projects – Rising demand for Munich Re's special covers

Image © Geothermie Unterhaching GmbH & Co KG

17

Renewable energies and infrastructure

Munich RE

Renewable energies

- Investment programme RENT (Renewable Energy and New Technologies) is on track; ~€0.5bn invested so far; target volume continues to be €2.5bn

New: Infrastructure

- Additional infrastructure investment programme with a planned volume of €1.5bn in the medium term
- Possible segments: transportation, utilities, communications worldwide
- Use of know-how from core business

18

Outlook for 2012 – Return to accustomed earnings level

Munich RE

Munich Re (Group)

Reinsurance	Primary insurance	Munich Health
Segment result €1.9–2.1bn	**ERGO net result** ~€400m	**Segment result** €50–100m

19

Information on the agenda

Munich RE

Agenda item 2	Resolution on the appropriation of the net retained profits from the financial year 2011
Agenda item 3	Resolution to approve the actions of the Board of Management
Agenda item 4	Resolution to approve the actions of the Supervisory Board
Agenda item 5	Resolution to approve the remuneration system for the Board of Management

20

Imprint

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

Responsible for content
Group Reporting
Group Communications

The official German original of this report is also available from the Company. In addition, you can find our annual report and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

Greenhouse gas emissions from paper productions for this annual report are offset through Munich Re's carbon-neutral strategy.

Service

Service for investors and analysts
If you have general questions on Munich Re shares, please use our shareholder hotline:

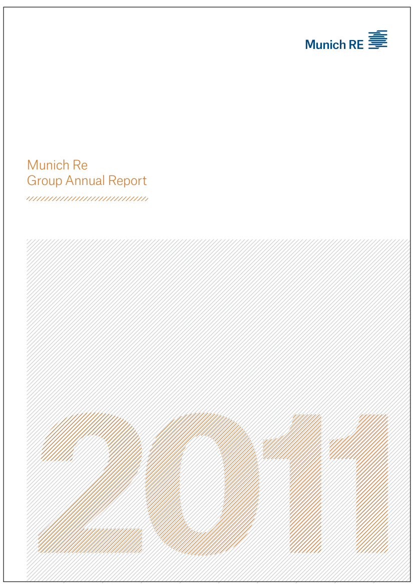
// Tel.: +49 89 3891-2255
// shareholder@munichre.com

If you are an institutional investor or analyst, please contact our investor relations team:

Christian Becker-Hussong
// Tel.: +49 89 3891-3910
// Fax: +49 89 3891-9888
// ir@munichre.com

Service for media
Journalists may address their queries to our Media Relations Department:

Johanna Weber
// Tel.: +49 89 3891-2695
// Fax: +49 89 3891-3599
// presse@munichre.com



All the facts and figures for the 2011 financial year can be found in our Group Annual Report.
More at www.munichre.com/annualreport2011

Important dates 2012

- // **26 April 2012**
  Annual General Meeting
- // **27 April 2012**
  Dividend payment
- // **8 May 2012**
  Interim report as at 31 March 2012
- // **7 August 2012**
  Interim report as at 30 June 2012
- // **7 August 2012**
  Half-year press conference
- // **7 November 2012**
  Interim report as at 30 September 2012

Important dates 2013

- // **12 March 2013**
  Balance sheet press conference
  for 2012 consolidated financial statements
- // **25 April 2013**
  Annual General Meeting
- // **7 May 2013**
  Interim report as at 31 March 2013
- // **6 August 2013**
  Interim report as at 30 June 2013
- // **6 August 2013**
  Half-year press conference
- // **7 November 2013**
  Interim report as at 30 September 2013