Group Annual Report 2015
Munich Re

2015

WE PROGRESS AS ONE

Key figures (IFRS)[1]

Munich Re at a glance

		2015	2014	2013	2012	2011
Gross premiums written	€bn	50.4	48.8	51.1	52.0	49.5
Net earned premiums	€bn	48.3	47.4	49.2	50.5	47.3
Net expenses for claims and benefits	€bn	–38.7	–39.7	–39.9	–41.0	–40.9
Net operating expenses	€bn	–12.4	–12.0	–12.4	–12.6	–12.0
Operating result	€m	4,819	4,027	4,398	5,349	1,180
Taxes on income	€m	–476	312	–108	–878	552
Consolidated result	€m	3,122	3,170	3,333	3,204	712
Attributable to non-controlling interests	€m	15	18	29	16	10
Earnings per share	€	18.73	18.31	18.45	17.94	3.94
Dividend per share	€	8.25	7.75	7.25	7.00	6.25
Dividend payout	€m	1,335	1,293	1,254	1,255	1,110
Share price at 31 December	€	184.55	165.75	160.15	136.00	94.78
Munich Re's market capitalisation at 31 December[2]	€bn	30.8	28.7	28.7	24.4	17.0
Book value per share	€	188.40	178.13	146.15	152.34	129.99
Investments	€bn	215.1	218.9	202.2	213.8	201.7
Insurance-related investments	€bn	9.2	8.5	7.3		
Equity	€bn	31.0	30.3	26.2	27.4	23.3
Return on equity	%	10.0	11.3	12.5	12.5	3.3
Off-balance-sheet unrealised gains and losses[3]	€bn	16.0	17.4	8.7	11.0	5.7
Net technical provisions	€bn	198.5	198.4	187.7	186.1	181.2
Balance sheet total	€bn	276.5	273.0	254.3	258.4	247.6
Staff at 31 December		43,554	43,316	44,665	45,437	47,206

Reinsurance

		2015	2014	2013	2012	2011
Gross premiums written	€bn	28.2	26.8	27.8	28.2	26.0
Investments (incl. insurance-related investments)	€bn	89.2	88.0	79.2	83.8	79.5
Net technical provisions	€bn	65.4	63.5	60.5	61.1	62.7
Major losses (net)	€m	–1,046	–1,162	–1,689	–1,799	–5,048
Natural catastrophe losses	€m	–149	–538	–764	–1,284	–4,538
Combined ratio property-casualty[4]	%	89.7	92.7	92.1	91.0	113.8

ERGO

		2015	2014	2013	2012	2011
Gross premiums written	€bn	16.5	16.7	16.7	17.1	17.4
Investments (incl. insurance-related investments)	€bn	131.0	135.5	126.7	124.9	117.0
Net technical provisions	€bn	130.3	132.4	125.1	122.8	116.1
Combined ratio property-casualty Germany	%	97.9	95.3	96.7	98.0	
Combined ratio international	%	104.7	97.3	98.7	99.8	

Munich Health

		2015	2014	2013	2012	2011
Gross premiums written	€bn	5.6	5.3	6.6	6.7	6.0
Investments (incl. insurance-related investments)	€bn	4.1	3.9	3.6	4.2	4.6
Net technical provisions	€bn	2.8	2.5	2.2	2.2	2.4
Combined ratio[5]	%	99.9	98.8	98.3	100.2	99.5

1 Previous years' figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".
2 For 2013, 2014 and 2015, this contains own shares earmarked for retirement.
3 Including those apportionable to minority interests and policyholders.
4 The figures for 2011 are not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.
5 Excluding health insurance conducted like life insurance.

Munich Re's global presence[1]

Countries in which Munich Re (Group) is represented by a subsidiary or branch:

- Reinsurance
- Primary insurance
- Reinsurance and primary insurance

1 Including Munich Health's primary insurance and reinsurance activities in the health market as at 31 December 2015.

North America
Bermuda
Canada
USA

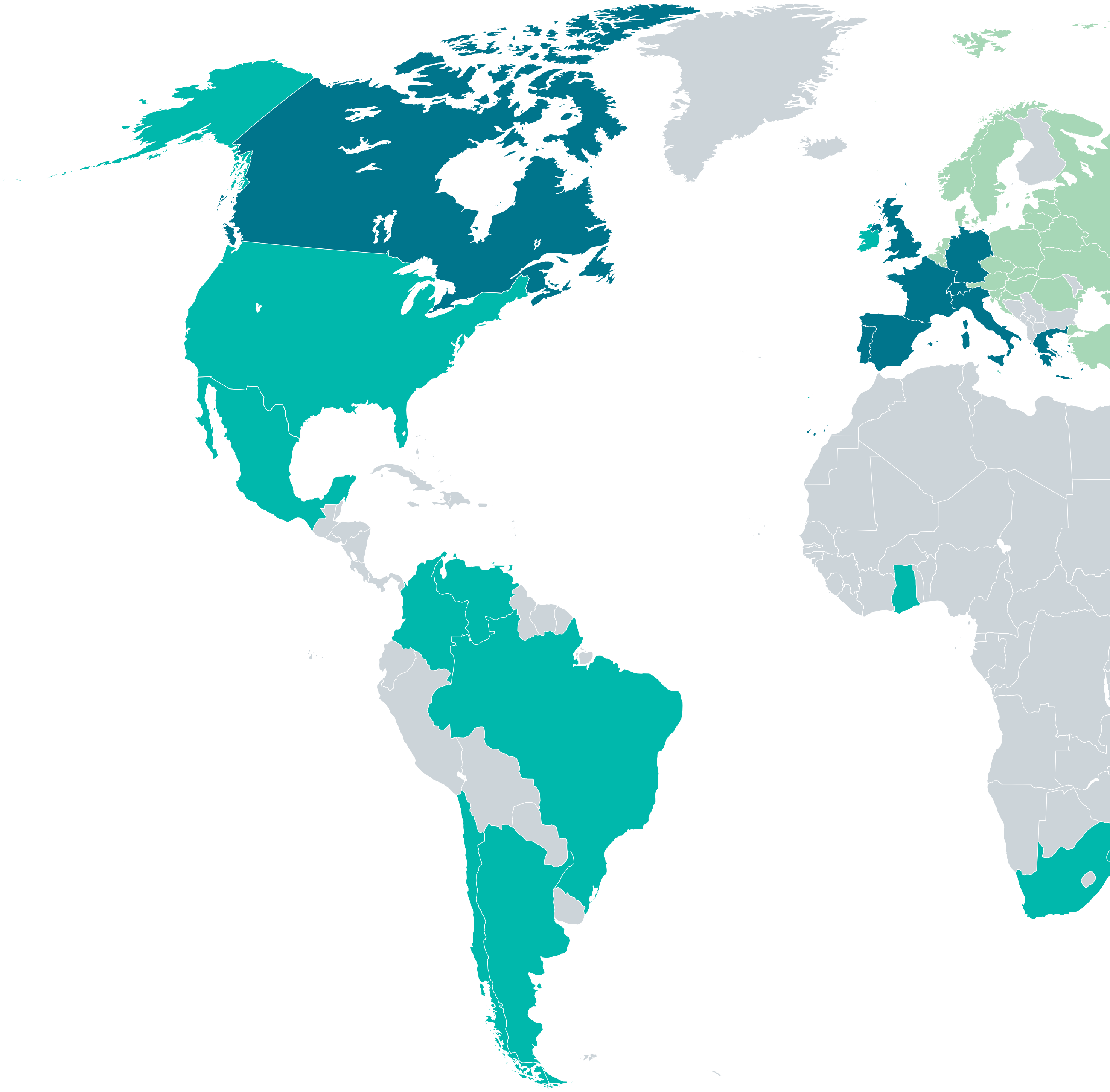
Latin America
Argentina
Brazil
Chile
Colombia
Mexico
Venezuela

Africa
Ghana
Kenya
Mauritius
South Africa
Swaziland

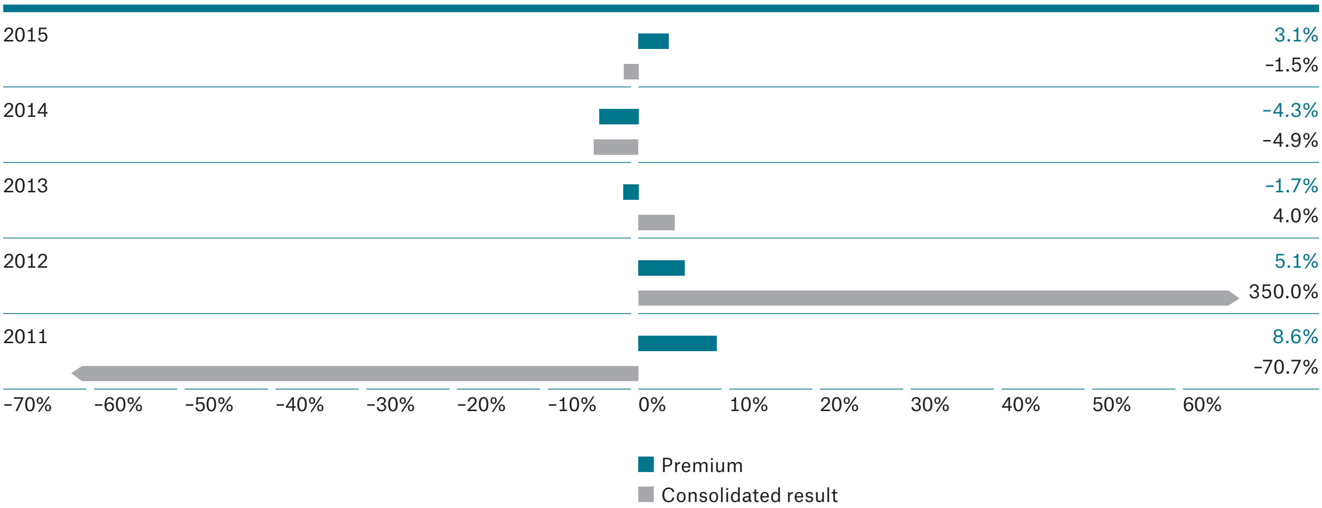
Europe
Austria
Belgium
Belarus
Croatia
Cyprus
Czech Republic
Denmark
Estonia
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Norway
Poland
Portugal
Romania
Russia
Sweden
Switzerland
Slovakia
Slovenia
Spain
Turkey
United Kingdom
Ukraine

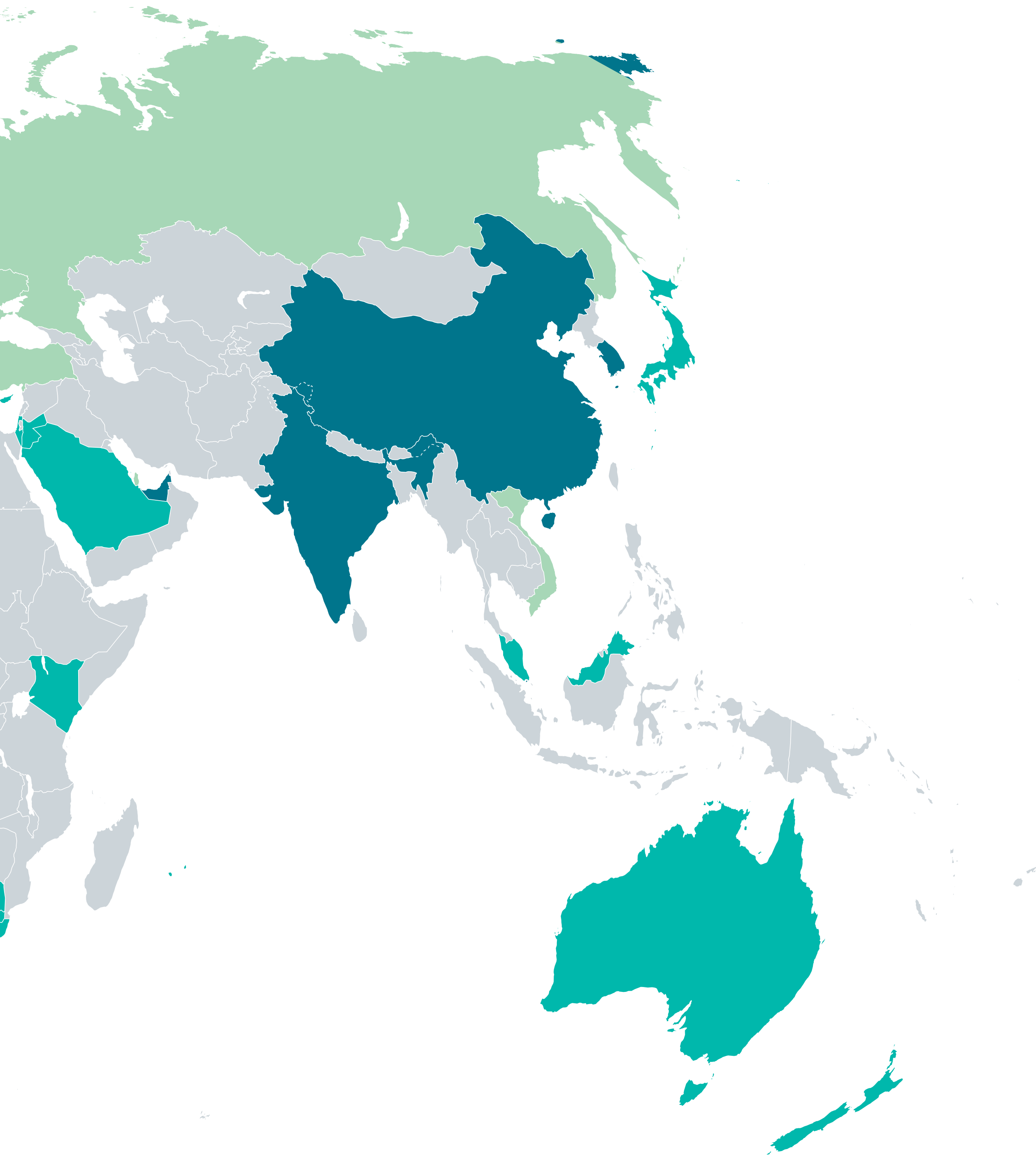
Asia
Bahrain
China
Hong Kong
India
Israel
Japan
Jordan
Malaysia
Qatar
Saudi Arabia
Singapore
South Korea
United Arab Emirates
Vietnam

Australia/ New Zealand



Premium/result development





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More detailed lists of contents are provided on the pages separating the individual sections.

Due to rounding, there may be minor deviations in summations and in the calculation of percentages in the present report.

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

To our shareholders

1

Dr. Nikolaus von Bomhard
Chairman of Munich Reinsurance
Company's Board of Management

Dear Shareholders,

Munich Re posted a profit of €3.1bn in 2015, significantly beating the announced target for the year. The Supervisory Board and Board of Management will thus propose to the Annual General Meeting to increase the dividend to €8.25 per share. This higher dividend is not only justified by the good result from the last financial year – we are also confident of our capacity, going forward, to sustainably generate the necessary funds for this level of dividend and for future share buy-backs. Our share price saw a pleasing improvement in 2015. It increased overall by a total of 11.3%, even though the withdrawal of our previous largest shareholder meant that more than 10% of the shares additionally came on to the market. This demonstrates the strength of our Group, and the trust investors have in its future.

But 2015 was not an easy year. The uncertainties plaguing our business and that of our clients have grown. The number of national and international conflicts multiplied once again, setting in motion a wave of refugees that has struck Europe in particular with full force. The European Union is faced with critical challenges from the refugee issue, the sovereign debt crisis that has still not entirely gone away, and now also the danger of Brexit. For the first time in many decades, it appears possible that the EU may fracture. Necessary steps towards integration and a further democratisation of the EU seem further away than ever. In addition, there are ongoing grave risks from terrorism, the continuing pace of climate change, and a cooling of growth in China – to name but a few of the risks from a very long list of uncertainties. Many of these risks are also interlinked, which makes it even more difficult to find a solution to individual crises. Apart from a few individual success stories, such as the climate negotiations in Paris and the compromise with Iran on nuclear issues, global news was dominated by negative reports in 2015.

This exceptional cumulation of uncertainties is impeding the global economy and causing great volatility in the capital markets. The situation on these markets is aggravated by the ongoing low-interest-rate policies of central banks, and the ensuing dearth of investment opportunities with a reasonable cost-benefit ratio. Against this background, Munich Re further diversified its portfolio in 2015 – for example, by investing in infrastructure and renewable energy facilities. In doing so, we increased our incurred risk moderately. However, our overall focus will still be to earn profits from insurance business, and not from risky investments. Therefore, so long as there is no across-the-board increase in interest rates, we will only be able to slow the progressive decreases in running yields, but not stop them entirely. For conservative investors like Munich Re, the massive interventions of leading central banks continue to pose a challenge, even if the recent rate increases in the USA signal a tentative exit from the low-interest-rate phase.

Overall, Munich Re has made great efforts over the past year to use innovative solutions to cover revised client requirements and new risks. And the uncertainties I mentioned also generate business opportunities, which we try to use to our advantage. We offer our clients innovative coverage concepts for new risks, or risks that have previously not been insured – such as cyber, reputational, non-damage business interruption or terror risks. Of course, we ensure that these covers are conceived in such a way that the assumption of liability is strictly limited. We are gathering experience, and expanding our products incrementally and prudently. Even for well-known risks – such as flood coverage – we are pushing back the boundaries of insurability with newly designed products in Germany and in the USA. In conjunction with international organisations such as the World Bank, we are developing insurance solutions to help protect less well-off countries from the financial consequences of natural catastrophes. All these innovative approaches give us access to new groups of clients and business opportunities.

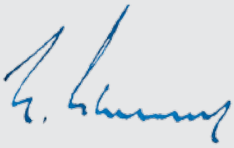
The digitalisation of economies unlocks further important potential for innovation – not only on the product side, but also in dealing with our clients. As a Group, we want to take advantage of these opportunities. So we have not only set up teams across the Group for these purposes, but have also established contacts with start-ups and large and small companies across the world which help us to tap digital business opportunities.

The year 2015 was marked by extremely low levels of claims from natural catastrophes. The combination of below-average major losses and the great difficulties in finding suitable investment opportunities in a low-interest-rate environment, has led outside investors to enter our markets. It has also resulted in continuing pressure on prices, terms and conditions. This pressure had eased slightly during the renewals at 1 January 2016, but it is still too early to speak of a lasting change for the better. Munich Re continues to stick to its strict underwriting discipline, and withdraws from unprofitable business. In view of the challenging competitive environment, we can realistically assume that we are unlikely to be able to maintain the very high profitability of property-casualty reinsurance we have seen in the last two years, especially if expenditure for natural catastrophe claims returns to normal levels. We are therefore not only intensifying our innovation efforts, but also offering our clients more customised and individually negotiated solutions, which are naturally less exposed to competition. As a world-leading reinsurer with a diversified business model, we consider ourselves well placed to write profitable business even in a strained business environment.

The ERGO result suffered a negative impact from significant impairment losses of goodwill, triggered in particular by continuing low interest rates over many years. Markus Rieß took up his appointment as Chairman of the Board of Management of ERGO in the second half of 2015. It is still too early to provide details about the revised strategy for ERGO, but its pillars will be a stronger sales force, exploiting the potential of digitalisation, and a profitable expansion of our international activities.

The consolidated result has once again demonstrated that on account of its capital strength and conservative underwriting and reserving policies, Munich Re is able to remain profitable even under difficult market conditions. Our 2015 result again benefited from the release of reserves, without Munich Re having to deviate from its conservative reserving policies, or to sell off the corporate silverware. Overall, Munich Re not only delivered a very respectable result in 2015, but at the same time took the necessary measures – especially in the area of innovation – to ensure that you, as our shareholders, will remain happy with your investment in the future.

Yours sincerely,



Nikolaus von Bomhard

Q1

3 March 2015
On behalf of Munich Re, MEAG acquires 100% of the shares in three UK photovoltaic plants. These are situated in Southwest Wales, Cornwall and near Cambridge.

17 March 2015
ERGO receives the TÜV certification for understandable communication for the second time. After several months of process testing and much random sampling of texts, TÜV Saarland awarded the rating "good" (1.90). ERGO is using the external assessments to continuously improve its internal processes for understandable communication.

Q2

23 April 2015
Munich Re pays out a significantly increased dividend of €7.75 per share for the 2014 financial year (previous year: €7.25). Munich Re is making a total payout of almost €1.3bn to its shareholders.

1 June 2015
In primary insurance, D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG is merged with the property-casualty insurer ERGO Versicherung AG. This will become the new legal entity for D.A.S. legal protection insurance in Germany, although the brand will remain in use. The independent company D.A.S. Rechtsschutz Leistungs-GmbH is responsible for claims settlement, allowing ERGO to reduce administrative costs.

Q3

6 July 2015
The African drought pool has proven itself in its first year. African Risk Capacity Insurance Company Ltd. (ARC Ltd.) renews its reinsurance programme with Munich Re as one of the leading reinsurers; the scope of cover is increased. This kind of insurance cover has considerable growth potential. Further African countries are expected to participate in the programme. In addition, the cover is to be extended to flood, windstorm and perhaps also to pandemic risks.

Q4

8 October 2015
MEAG concludes its first project-financing deal in the renewable energies sector for the refinancing of a pumped-storage power station in Massachusetts, USA. Owing to their predictable yields, infrastructure investments such as these are well suited to the long-term liabilities of insurers like Munich Re.

26 October 2015
The historians Johannes Bähr and Christopher Kopper present the first academic study on Munich Re's history. Their book "*Munich Re. Die Geschichte der Münchener Rück 1880–1980*" details the Company's rise to the ranks of the world-leading reinsurers and the setbacks it has faced as a result of the two World Wars and the era of National Socialism.

27 March 2015
ERGO receives the market research institute YouGov's insurance industry service innovation prize for its insurance cover for residential buildings in extremely flood-prone areas. The quality seal is awarded to particularly innovative companies. ERGO's flexible coverage offers access to insurance to residents of regions susceptible to flooding that were thus far considered more or less uninsurable with conventional products.

9 June 2015
With effect from 16 September 2015, the Supervisory Board of ERGO Versicherungsgruppe AG appoints Markus Rieß to the ERGO Board of Management and also as its Chairman. At the same time, Munich Re's Supervisory Board appoints him to the Company's Board of Management, where he will be responsible for primary insurance/ERGO and MEAG's third-party business.

16 June 2015
Startupbootcamp's first Insurance Accelerator Program is launched in London. ERGO is one of the programme's many partners from the international financial services sector that are offering collaborations with start-ups.

1 August 2015
MedNet, a Munich Health software and services company, begins operations in Egypt and expands its existing activities to a total of eleven countries in the Middle East and Eastern Europe.

3 August 2015
Together with other investors, MEAG signs an agreement to acquire 100% of Autobahn Tank & Rast Holding GmbH. Tank & Rast is Germany's leading operator and concessionaire of a network of German motorway service areas with 500 million visitors each year.

18 November 2015
ERGO Direkt can now also be contacted via the mobile chat service WhatsApp, where it advises on products and services. In December, ERGO's customer service department also expands its digital provision and is available via live chat to handle client questions and concerns. The aim is to open up the channels clients personally prefer.

23 November 2015
The ERGO Insurance Group sells its Italian subsidiary ERGO Italia along with the insurers ERGO Previdenza and ERGO Assicurazioni to the private equity investor Cinven.

25 November 2015
Munich Re has been incorporating risk-based corporate management for a long time. For around ten years, Munich Re has been drawing up and developing its own internal model. This model is approved by the German Federal Financial Supervisory Authority (BaFin) as part of the new Solvency II supervisory regime. Munich Re also regards Solvency II as opening up new business potential.

17 December 2015
ERGO increases its share in the Indian joint venture HDFC ERGO to 48.7%. HDFC ERGO is India's fourth-largest property insurer in the private sector. The purchase of additional shares was made possible by a change in legislation. ERGO is thus strengthening the Group's presence on the Indian market and continuing its international expansion.

Members of the Board of Management
From left to right

Thomas Blunck
Special and Financial Risks
Reinsurance Investments

Giuseppina Albo
Europe and Latin America

Jörg Schneider
Chief Financial Officer
Financial and Regulatory Reporting
Group Controlling
Corporate Finance M&A
Integrated Risk Management
Group Legal
Group Taxation
Investor and Rating Agency Relations

Ludger Arnoldussen
Germany, Asia Pacific and Africa
Central Procurement
Services

Torsten Jeworrek
Chairman of the Reinsurance Committee
Reinsurance Development
Corporate Underwriting
Corporate Claims
Accounting, Controlling and Central Reserving for Reinsurance
Information Technology
Geo Risks Research/
Corporate Climate Centre

Nikolaus von Bomhard
Chairman of the Board of Management, Chairman of the Group Committee
Group Development
Group Investments
Group Communications
Group Compliance
Group Audit
Group Human Resources

Doris Höpke
Health

Markus Rieß
Primary Insurance/ERGO
Third Party Asset Management

Peter Röder
Global Clients and North America

Joachim Wenning
Labour Relations Director
Life
Human Resources

Munich Re shares

- Munich Re shares showed a solid performance: The share price increased by 11.3% in 2015, giving a total return (including dividends) of 15.8%
- Supervisory Board and Board of Management to again propose payment of an increased dividend of €8.25 per share at the Annual General Meeting
- In 2015, own shares were repurchased with a transaction value of €1.0bn
- Munich Re shares also continued to be attractive for investors in sustainability

The investment year 2015 was marked by persistently low interest rates, global economic worries in the developed and emerging markets, and by uncertainty regarding the future course of Greece. On the other hand, the stock markets caught a tailwind from the continuation of the ECB's cheap money policy.

In the first few months of the year, the stock markets witnessed a steep rise, with many indices hitting new record highs in March. Geopolitical crises and the ongoing debate about Greece did not significantly curb the positive impulses from the European Central Bank's monetary measures. A weak euro and low oil prices resulted in higher profit expectations, in particular with regard to export-oriented European companies.

The DAX presented a very mixed picture in the second quarter of 2015. It climbed to an all-time high of 12,390 points on 10 April, and then began to trend downwards in spasmodic bursts. The Dow Jones saw similar development. The reasons for these ups and downs were the crisis in the Ukraine, the sanctions against Russia, slowed growth, and turbulence on the Chinese stock markets. Europe was especially affected by uncertainty as to the future of Greece in the eurozone.

Fearing a cooling of the global economy, the stock markets suffered major losses in the third quarter. While the Dow Jones and DAX were able to rally in July, the weak growth figures released by China in mid-August were mainly responsible for the subsequent collapse in prices and rising volatility. This trend was reinforced by uncertainty about an imminent increase in interest rates in the USA and turmoil following the diesel emissions scandal towards the end of this quarter. The DAX hit its low for the year on 24 September at 9,428 points.

October was one of the best months for stock exchanges in recent years. The ECB stated that it would continue – and expand – its quantitative easing policy, whilst the Federal Reserve indicated that its first moderate increase in interest rates was unlikely to be followed by further steps for the time being. The mid-November terror wave did not have any impact on the markets, but the further decline in oil prices in December and its uncertain consequences for the global economy weighed on sentiment. The Fed's increase of interest rates did not have any significant effect on prices. The DAX closed the year at 10,743 points.

The European insurance sector continued to perform well in 2015, surpassing the European share index[1] for the fourth consecutive time. Once again, it outperformed the European bank index[2] and the German DAX 30, mainly owing to robust business results, solid balance sheets and high dividends across the board. This makes the sector interesting for investors, particularly in volatile market phases. With the introduction of the new European supervisory regime for insurance undertakings on 1 January 2016, which caused considerable uncertainty in the preparatory phase, the industry should remain attractive for stability-oriented investors. By the end of the year, the pricing levels for insurance stocks were about the same as in the previous year.

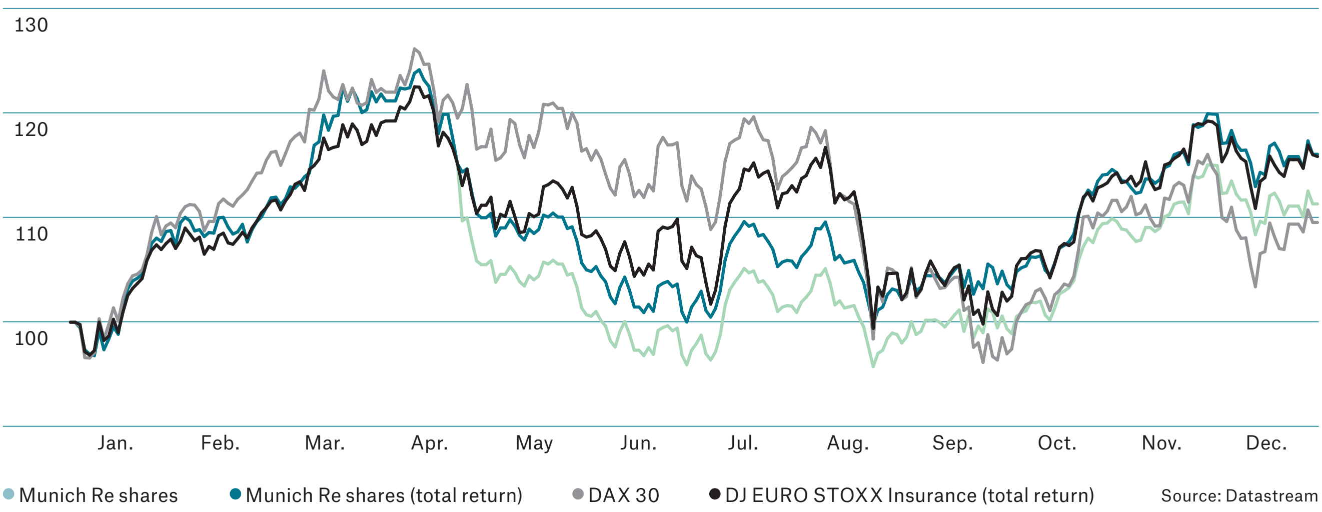
In the year under review, the performance of reinsurance company shares exceeded that of primary insurance companies in most cases. Overcapacity and intense competition, paired with stagnating demand, were responsible for significant pressure on margins in the reinsurance market. Investment income was also down owing to persistently low interest-rate levels. Nevertheless, given the good capitalisation of European reinsurers in particular, investors continued to regard their higher dividends, ongoing share buy-back programmes and special dividend payouts as important investment criteria.

The value of Munich Re's shares increased appreciably in 2015, despite the challenging environment, thus reaffirming their attractiveness as an investment. The price performance of Munich Re's shares was underpinned by operating earnings that were still robust and by the fact that our original profit guidance was again exceeded – also thanks to relatively low major losses. Munich Re's capitalisation continued to be very comfortable, so that a new share buy-back programme totalling €1bn was launched by the Board of Management in June 2015. The Board remained committed to disciplined and responsible capital management in line with shareholders' interests.

Return of 15.8% on Munich Re shares

Munich Re's shares closed the year at €184.55, equivalent to an increase of 11.3%. Including the dividend proposed for the 2015 financial year, the return was a gratifying 15.8%. By comparison, the DAX 30 rose by 9.6%, whilst the European insurance index increased by 19.7%. Taking a longer-term view, the return on Munich Re shares including dividends has thus grown more strongly than the European insurance index over the last five-year period.

Share price performance 1.1.2015 = 100



1 European share index = DJ EURO STOXX 600
2 European bank index = DJ EURO STOXX Banks

The analysts' current recommendations and result estimates can be found on our website.

Around 40 analysts from banks and brokerage houses regularly evaluate our shares. At the end of December 2015, some 33% of the analysts gave our shares a positive assessment, 53% a neutral one, and 14% a negative rating – the average price target being €186. The analysts' current recommendations and result estimates can be found on our website.

The information material accompanying these events was simultaneously published on Munich Re's website.

In June 2015, we organised an Investor Briefing to inform our stakeholders about the opportunities for profitable growth in our reinsurance business in the Asia/Pacific region. At the end of November, we held another briefing for analysts and investors on the new Solvency II supervisory regime for insurance undertakings and on its consequences for Munich Re. The information material accompanying these events was simultaneously published on Munich Re's website.

Munich Re's communication with the capital markets is consistently given very good ratings by analysts and investors. For many years, the team has done extremely well in various rankings of investor relations departments of the European insurance industry.

From a sustainability perspective, Munich Re shares also remain an interesting investment. Since 2001, Munich Re has been continually listed on the Dow Jones Sustainability Index (DJSI) and the FTSE4Good. It is also listed on the MSCI Global Sustainability, the STOXX ESG Leaders and the Euronext World 120, and it is a member of the ETHIBEL Pioneer and Excellence investment registers.

Munich Re rated well in sustainability ratings

Munich Re's rating by specialised sustainability rating agencies, e.g. RobecoSAM, Sustainalytics, Vigeo and MSCI, has been consistently excellent, making the company one of the best in the insurance sector. In 2015, Munich Re came out top compared with its peers in the same market capitalisation category of the Sustainalytics rating.

In October, Munich Re was identified as the most sustainable company in the DAX by STOXX and Sustainalytics and awarded the German ESG Award 2015. In their study, they highlighted the fact that Munich Re applies ecological, social and corporate governance criteria in its core business of primary insurance and reinsurance and in its investments.

Active capital management is an integral component of our business policy. We therefore strive to give our shareholders an appropriate share in our corporate success. Our policy is to at least maintain – and where possible even to increase – our level of dividend of the previous year. The last time we reduced our dividend was in 1970; we use share buy-backs as a flexible means of managing our capitalisation.

Proposed dividend of €8.25

For the financial year 2015, the Board of Management and the Supervisory Board intend to propose a dividend of €8.25 (previous year €7.75) at the Annual General Meeting on 27 April 2016. Altogether, this would mean a total payout of €1.3bn (previous year: €1.3bn). Subject to approval by the Annual General Meeting, the dividend will be paid on 28 April 2016. With an increase in the dividend, we are again underlining the profitability of our business model and the solidity of our capital position.

With a dividend yield of approximately 4.5% (dividend for the 2015 financial year in relation to the year-end share price), Munich Re shares remain an attractive equity investment in the DivDAX, a subindex of Deutsche Börse AG featuring the 15 DAX companies with the highest dividend yields.

Securities reference numbers

Reuters	MUVGn	**ISIN**	DE0008430026
Bloomberg	MUV2	**WKN**	843 002

Munich Re shares are no-par-value registered shares. First admitted to trading on the stock exchange in Munich on 21 March 1888, they are today traded on all German stock exchanges.

Around 206 million Munich Re shares with a total volume of some €36bn were traded on German stock exchanges in the year under review, putting our shares in 11th place among the DAX stocks. In terms of market capitalisation, we ranked 10th with free-float market capitalisation of around €31bn.

At the end of December 2015, a total of 196,000 shareholders were entered in our share register. The vast majority of shares were held by institutional investors such as banks, insurers or investment companies; approximately 16.0% were in the hands of private investors.

At around 64%, the percentage of international investors was slightly lower than in the previous year.

Our largest shareholder at the end of 2015 was the asset management firm BlackRock, with around 6.6% of voting rights according to the most recent notification.

Warren E. Buffett and two companies in his group (Berkshire Hathaway Inc. and National Indemnity Company) notified us pursuant to Section 21 of the German Securities Trading Act (WpHG) that on 28 September 2015 their shareholdings in Munich Reinsurance Company had fallen below the 10% threshold, that on 10 December 2015 the shareholding had fallen below the 5% threshold, and that on 16 December 2015 the shareholding had fallen below the 3% threshold to around 2.5%. Before the notification of 28 September 2015, they held shares totalling around 12% of the share capital of Munich Reinsurance Company.

The remaining part of the share capital remains spread over many countries and different investor groups.

Weighting of Munich Re shares as at 31 December 2015

	%
DAX 30	3.2
DJ EURO STOXX 50	1.3
DJ EURO STOXX Insurance	11.2
MSCI EURO	1.1
FTSE EUROTOP 100	1.0
DJ Sustainability World	0.3

For many years, Munich Re has been awarded consistently excellent ratings at AA level by the leading rating agencies. In the year under review, Munich Re's capital strength was again affirmed. In July 2015, the agency Fitch raised our financial strength rating to AA. The outlook for all Munich Re's ratings remained stable.

Key figures for our shares

		2015	2014
Share capital	€m	587.7	587.7
Number of shares at 31 December	m	166.8	172.9
Year high	€	206.50	170.40
Date		13.4.2015	29.4.2014
Year low	€	156.00	141.10
Date		24.8.2015	16.10.2014
Year-end closing price	€	184.55	165.75
Annual performance (excluding dividend)	%	11.3	3.5
Beta 250 relative to DAX (daily, raw)	%	0.6	0.8
Market capitalisation at 31 December	€bn	30.8	28.7
Market value/equity at 31 December[1]		1.0	0.9
Average trading volume	'000	813	700
Earnings per share	€	18.73	18.31
Dividend per share	€	8.25	7.75
Dividend yield at 31 December	%	4.5	4.7
Dividend payout (status at 2 March 2016)	€bn	1.3	1.3

1 Including minority interests.

Our strategy

- The Group's business model covers the relevant sections of the insurance industry's value chain
- Disciplined financial management ensures appropriate capitalisation
- Innovative business ideas originating from digitalisation and modern data analysis lead to new insurance solutions that secure our competitive advantage, generate profitable growth and help to retain our clients' long-term loyalty.
- A forward-looking and responsible approach is an integral part of our corporate strategy

Turning risk into sustainable value

Our business as an insurer and reinsurer is the professional handling of risk. We create value by using our extensive risk knowledge and sophisticated underwriting techniques to make risks from many different areas of private and business life manageable – for our clients and for us.

We combine primary insurance and reinsurance under one roof. This set-up allows us to cover all sections of the insurance industry's value chain. It benefits our clients, because we can offer them customised solutions that draw on our full spectrum of knowledge. As a Group, we are also less dependent on market cycles in individual insurance and reinsurance segments, and in national markets. We thus aim to secure an attractive return while simultaneously maintaining relatively low volatility. We aim to build lasting value for our shareholders, clients and staff.

The risks that we write differ greatly in nature. Their predominant non-correlation in terms of potential loss occurrence enables us to balance the risks in the portfolio over time, across regions and across fields of business. This diversification benefit is key for our success. The size and mix of the risks assumed mean we can cover a comparatively large number of risks with the capital available. This broad diversification and a risk underwriting strategy geared to profitability enable us to generate stable and sustainable profits and insulate ourselves to a large extent from the fluctuations of the capital markets.

Our business model is supported by disciplined financial management based on Group-wide integrated risk management, an investment policy geared to the structure of our liabilities, and active capital management. More details can be found in the section "Important tools of corporate management" starting on page 41 and on page 114 f. in the risk report.

All our activities are based on a Group-wide corporate responsibility strategy, which is embedded in our corporate strategy. Our aim is to take on global challenges and use our knowledge, experience and creativity to find innovative and sustainable solutions. We systematically take into account environmental, social and governance aspects (ESG) across the whole value chain – from the acquisition and transaction of insurance business to asset management. Most of our investments in shares and government and corporate bonds meet recognised sustainability standards.

More information about our Group-wide activities in the area of corporate responsibility can be found at www.munichre.com/cr-en

We go beyond what is required by law and have also committed ourselves to meeting more stringent standards. These include the UN Global Compact (UNGC), the Principles for Responsible Investment (PRI), and the Principles for Sustainable Insurance (PSI). More information about our Group-wide activities in the area of corporate responsibility can be found in the chapter “Stakeholders” and on our corporate responsibility portal.

Munich Re operates in virtually all classes of reinsurance. Our offering ranges from traditional reinsurance, comprehensive services and consultancy, to complex individual solutions for assuming risks and optimising our clients’ capital. In our business, we consistently pursue an underwriting policy based on risk-commensurate prices, terms and conditions. The transfer of risks to the capital markets is another service we offer our clients.

We write our business directly with primary insurers and also via brokers. In addition to traditional reinsurance business, we participate in insurance pools, public-private partnerships, and business in specialist niche segments, and also as a primary insurer. Through our operating field Risk Solutions, we offer our clients in industrial and major-project business a wide range of specialised products, customised insurance solutions and services, which we manage from within our reinsurance organisation. Our clients thus have direct access to the expertise, innovative strength and capacity of a leading global risk carrier.

New, previously unknown risks pose a particular challenge in a dynamic global environment. We want to be the first to identify and evaluate these, with a view to maintaining our competitive advantage. In so doing, we aim to expand the boundaries of insurability and, at the same time, calculate technically adequate prices. With new insurance solutions, we aim to set ourselves clearly apart from the competition, win our clients’ long-term loyalty, and ultimately generate profitable growth overall. Essential prerequisites for this are our broad risk knowledge, our experience in all global markets and intensive dialogue with our clients.

Thanks to our capital management expertise, we are also a sought-after partner for products geared to our clients’ balance-sheet, solvency and rating-capital requirements, as well as their risk models. Our reputation in the market and our global, client-focused set-up give us quick and direct access to all clients.

We also develop innovative business ideas in cooperation with external partners, and with selected start-ups that we provide with targeted support. We do so by taking advantage of the opportunities of digitalisation and modern data analysis techniques. This is a key component in the ongoing development of our core business in reinsurance that will enable us to maintain our position as a leading provider.

Munich Re’s primary insurance operations are concentrated in the ERGO Insurance Group. ERGO offers a comprehensive range of insurances, pension products and services. It is an internationally operating insurance group and one of the leading providers in its domestic market of Germany.

ERGO gears itself consistently to the needs and requirements of its clients and sales partners with a comprehensive, attractive and modern product range. This comprises not only insurance solutions but also consultancy, claims and benefits, and services. In combination with its very good financial strength, this makes ERGO and its specialists reliable partners for insurance and pension product requirements.

In its domestic market of Germany, ERGO has a diversified sales landscape and sales organisation. This includes its own sales channels, such as self-employed sales agents and direct sales staff, and external sales partners – for instance, brokers, cooperation partners and banks. Its aim is to offer the right channel to every private and corporate client. This encompasses digital media, such as portals and apps.

The primary insurer is making targeted use of its competence in direct selling in order to meet the growing demand from consumers for needs-based digital offerings and services across all distribution channels. In addition, sales partnerships link ERGO with banks in Germany and in various international markets.

Munich Health combines our Group's international health insurance activities

Munich Health combines the Group's international health insurance activities under one roof. We tap the business potential of the global healthcare markets – which are still seeing disproportionate growth – via primary insurance and reinsurance offers and related services.

Our strategic focus in mature markets is on continually developing our local business models. In addition, we concentrate on emerging markets that are growing as a result of the creation and expansion of medical infrastructure – for instance, in numerous Asian and South American countries, and on the African continent.

The development and exploitation of innovative and digital business models in the area of health have cross-market relevance. We see an increasing strategic focus for Munich Health in the development of these business models, combined with the targeted utilisation of the business potential resulting from these models.

Our spectrum of clients ranges from governments, private and state health insurance companies to private clients – backed by various different sales and cooperation partners. By means of our set-up, which comprises vast parts of the healthcare value chain, we are in a position to provide this broad client spectrum with products and solutions consistently geared to their needs. Munich Health is thus active worldwide as a risk carrier and service provider, driving forward high-quality medical care and ensuring it remains financeable.

Corporate governance

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Contents

Dr. Bernd Pischetsrieder
Chairman of the
Supervisory Board

Ladies and gentlemen,

In the financial year 2015, the Supervisory Board fulfilled all the tasks and duties incumbent upon it by law and under the Articles of Association and its rules of procedure. All members of the Supervisory Board and of the committees attended more than half of the respective meetings. We continually monitored the Board of Management in its conduct of the business, and gave advice on all matters of importance for the Group. No inspection measures in accordance with Section 111 (2) sentence 1 of the German Stock Corporation Act (AktG) were required at any time.

Collaboration between Supervisory Board and Board of Management

The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects, both verbally and in writing. The Supervisory Board was involved in all important business transactions and decisions of fundamental significance for the Group. During meetings, we held in-depth discussions with the Board of Management about the information provided to us. Cooperation with the Board of Management was characterised in every regard by targeted and responsible action aimed at promoting the successful development of Munich Re.

Outside of Supervisory Board meetings, the Board of Management informed us promptly about important events in the Group, including pending changes to the ERGO Board of Management, the reduction in the shareholding of Warren Buffett's companies in Munich Reinsurance Company, and progress of the change of legal format and plans to transfer the registered office of the British subsidiary Great Lakes (UK) SE. The shareholder representatives and the employee representatives met with the Chairman of the Board of Management regularly before the meetings for separate discussions of strategic issues and other matters of essential importance.

Between meetings, I held regular discussions with Dr. Nikolaus von Bomhard, Chairman of the Board of Management, about individual questions of strategic development and risk management, as well as about Munich Re's current business situation. Also between meetings, the Chairman of the Audit Committee, Professor Dr. Henning Kagermann, remained in close contact with Dr. Jörg Schneider, the member of the Board of Management responsible for Group reporting.

Focal points of the meetings of the full Supervisory Board

There were seven meetings of the Supervisory Board in the year under review. Two representatives of the German Federal Financial Supervisory Authority (BaFin) routinely attended one of the meetings as guests. We regularly held in-depth discussions with the Board of Management about Munich Re's business performance and current topics, with a special focus on strategic considerations of the Board of Management with respect to the individual fields of business. The Board of Management reported regularly on the situation of Munich Re's investments, addressing the development of the global economy and financial markets in detail, and their impact on the Group's assets and earnings. The Board also kept us informed about developments regarding the European Solvency II supervisory regime, and explained progress concerning implementation of Solvency II requirements at Munich Re. We looked in detail at the importance for Munich Re of the internal model for calculating capital requirements. We also dealt with the following topics in the individual meetings in 2015:

The meeting on 10 March focused on the Company and Group financial statements for 2014 and the motions for resolution by the 2015 Annual General Meeting. We conferred and took decisions regarding the extension of an appointment to the Board of Management, and established the personal objectives for the Board members' variable remuneration for 2015. We also asked for an update about the Group-wide implementation of the compliance management system (CMS) begun in 2014. The meeting on 22 April was devoted solely to matters involving the Board of Management, specifically the evaluation of the individual Board members' annual performance for 2014 and their multi-year performance for 2012–2014. On 23 April, directly prior to the Annual General Meeting, we heard the Board of Management's report on the present status of business performance in 2015. We also used the meeting to make last-minute preparations for the impending Annual General Meeting.

In an extraordinary meeting held on 9 June, we decided to appoint a new member of the Board of Management with effect from 16 September 2015 and to reallocate responsibilities within the Board of Management accordingly.

On 15 July, we discussed implementation of the law regarding equal opportunities for men and women in management positions, and determined a target for female members of the Board of Management. We also discussed changes to the Board of Management's rules of procedure and decided they were to be implemented with effect from 16 September 2015. We set the personal objectives for variable remuneration for 2015 for the newly appointed Board member, discussed the focal points of human resources work within the Group, and were briefed on the 2014 compensation report in accordance with the German Remuneration Regulation for Insurance Companies (VersVergV). We also heard a report on the strategic direction and business development at ERGO International.

On 14 October, we discussed corporate governance issues, including the annual efficiency review, additions to the fixed objectives of the Supervisory Board regarding its composition and specification of the regular limit of length of membership on the Supervisory Board, and the resolution regarding the Declaration of Conformity. The Board of Management also reported in detail on the Group's innovation initiative and presented current initiatives in property-casualty reinsurance in the European and Latin American markets. There was also a report on Munich Re's investment management.

On 8 December, our decisions included changes to the rules of procedure for the Audit Committee. After a comprehensive discussion, we also decided on remuneration for the Board of Management as from 1 January 2016 and the financial targets for members of the Board of Management for 2016. The ERGO CEO reported on the status and focal points of the ERGO strategy project. We looked into the Group's risk strategy in the course of the annual report on Munich Re's risk situation by the Group Chief Risk Officer. The Board of Management also reported on Group planning for 2016–2018, and provided explanations in cases where actual business performance deviated from the planning for the year under review.

Work of the committees

There are five Supervisory Board committees. They prepare the topics to be addressed and decided on by the full Supervisory Board. At each Supervisory Board meeting, information about the work of the committees was provided to the full Board by the respective Chairs of the committees.

More details on the work of the Supervisory Board committees can be found in the Statement of Corporate Governance at www.munichre.com/cg-en. In the Statement, and on page 46 f., you will also find information on the composition of the committees.

The Personnel Committee held seven meetings in the period under review. It essentially prepared the resolutions on matters involving the Board of Management already mentioned in the report on the work of the full Supervisory Board. It also dealt with fringe benefits for members of the Board of Management, with seats held by members of the Board of Management on supervisory, advisory and similar boards, and with Group-wide succession planning, especially with respect to Board-level appointments.

At its four meetings in 2015, the Standing Committee dealt with the preparation of the respective Supervisory Board meetings and topics of corporate governance. In addition, on the basis of a comprehensive questionnaire the Standing Committee carried out a review of the efficiency of the Supervisory Board's work in 2015, and determined that overall the reporting by the Board of Management and the work of the Supervisory Board was efficient and appropriate. A regular report by the Chairman of the Board of Management covered changes to the shareholder structure and the status of the share buy-back programme. The Committee also received the annual report on expenses for donations and sponsoring.

The Audit Committee met six times in 2015, and two of these meetings were attended by the external auditors. At the meetings attended by the auditors, the Committee discussed the Company and Group financial statements, the Company and Group management report, the auditor's report and the Board of Management's proposal for the appropriation of the net retained profits for the financial year 2014. The Audit Committee also considered the 2015 quarterly financial reports and the 2015 half-year financial report, which it reviewed in conjunction with the auditor. Other key tasks of the Committee consisted in monitoring the Group's risk situation and risk management on an ongoing basis, and developing a risk strategy. In addition to quarterly written reports, the Committee also obtained detailed verbal information from the Group Chief Risk Officer on several occasions. Further issues discussed regularly were the internal control system and compliance topics. The Head of Group Audit informed the members of the Committee about the outcome of the audits for 2014 and the audit planning for 2015. The Committee received regular updates on the current status of individual compliance issues and the progress of audits. The members of the Committee took advantage of the opportunity – in the absence of the Board of Management – to confer amongst themselves or with the Head of Group Audit, the Group Chief Compliance Officer, the Group Chief Risk Officer and the external auditors. The Audit Committee also reviewed and monitored the auditors' independence, and received regular reports on auditing and non-audit-related services. Following a resolution by the full Supervisory Board, the Chair of the Committee commissioned KPMG with the audit for the 2015 financial year and also commissioned the auditor's review of the 2015 half-year financial report.

The Nomination Committee met twice in 2015. In the first and fourth quarters of the reporting period, it discussed suitable candidates for election to the Supervisory Board. In making proposed nominations, the Committee took account of the objectives set by the Supervisory Board for composition of the Committee and the set of criteria as updated in the year under review.

There was also no need to convene the Conference Committee in 2015.

→ Details can be found in the Corporate Governance Report on page 28 ff. and in the Statement on Corporate Governance available at www.munichre.com/cg-en.

Corporate governance and Declaration of Conformity

The Supervisory Board pays close attention to good corporate governance. Together with the Board of Management, we therefore published the mandatory annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in November 2015. We again complied with all recommendations of the German Corporate Governance Code, and intend to continue to comply with it in future. We confirmed the assessment we made in 2014 that all 20 members of the Supervisory Board are to be regarded as independent and that they do not have any relevant conflicts of interests.

Munich Re offered an internal information event to all members of the Supervisory Board in 2015. Nearly all the members took advantage of the opportunity to brief themselves about the current status and future effects of Solvency II, particularly with respect to the internal model of Munich Re. There were also discussions about possible effects of certain economic and political extreme scenarios and the options of reacting to such circumstances.

Changes in the Board of Management

Dr. Markus Rieß was appointed to the Board of Management of Munich Reinsurance Company with effect from 16 September 2015. At the same time, he was appointed to the Board of ERGO Versicherungsgruppe AG. As well as being responsible for primary insurance/ERGO, he was also given responsibility for Third Party Asset Management (TPAM).

Company and Group financial statements for 2015

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the Company and Group financial statements and the combined management report for the Company and the Group as at 31 December 2015 and issued them with an unqualified auditor's opinion. The respective reports and the Board of Management's proposal for appropriation of the net retained profits were subsequently submitted directly to the members of the Supervisory Board. At its meeting on 3 February 2016, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2015. On 14 March 2016, it prepared the Supervisory Board's resolution on the adoption of the Company financial statements and the approval of the Group financial statements. To this end, the Audit Committee examined in advance the Company and Group financial statements, the combined management report and the Board of Management's proposal for appropriation of the net retained profits. It discussed these at length with the auditor present at the meeting, and gave detailed consideration to the auditor's reports. The Chair of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting.

The full Supervisory Board also reviewed the financial statements and the combined management report, and the proposal of the Board of Management for appropriation of the net retained profits. On the basis of this examination and having heard the auditor's report, the Supervisory Board raised no objections to the outcome of the external audit. It approved the Company and Group financial statements on 15 March 2016. The financial statements were thus adopted. Having carefully weighed all relevant aspects, the Supervisory Board followed the proposal of the Board of Management for appropriation of the net retained profits.

Words of thanks to the Board of Management and employees

The Supervisory Board wishes to thank all members of the Board of Management and staff worldwide. With their work and commitment, they have once again contributed to another gratifying result for Munich Re.

Munich, 15 March 2016

For the Supervisory Board

Dr. Bernd Pischetsrieder
Chairman

Corporate governance report

Corporate governance report[1]

The corporate governance report and the Statement on Corporate Governance can also be found on our website at www.munichre.com/cg-en

Good corporate governance creates lasting value. We therefore apply the highest standards to our operations and activities, complying with all the recommendations and proposals of the German Corporate Governance Code. Beyond this, all our employees are bound to a corporate Code of Conduct.

Further information on corporate governance is included in the Statement on Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB).

How we view corporate governance

Corporate governance stands for a form of responsible company management and control geared to long-term creation of value. One of our aims in this context is to secure the confidence of investors, clients, employees and the general public in our corporate activities. Efficient practices on the Board of Management and Supervisory Board, good collaboration between these bodies and with the Group's staff, and open and transparent corporate communications are also very important.

What rules govern our actions?

The benchmarks of good corporate governance are determined by national and international requirements, and by internal principles. As a result of our international organisation, we comply with corporate governance rules in different national legal systems, and with internationally recognised best practices.

In Germany, where Munich Reinsurance Company has its headquarters, corporate governance rules are set out in the Stock Corporation Act (AktG) and the German Corporate Governance Code.

The Declaration of Conformity is available at www.munichre.com/cg-en

The German Corporate Governance Code contains the main legal rules to be observed by listed German companies. In addition, it includes recommendations and proposals based on nationally and internationally recognised standards of good and responsible management. Every year, pursuant to Section 161 of the Stock Corporation Act (AktG),

1 In accordance with Section 3.10 of the German Corporate Governance Code.

Munich Reinsurance Company's Board of Management and Supervisory Board make a declaration of how far they have complied, and are complying, with the Code's recommendations.

Besides this, the supervisory requirements for (re)insurance companies, especially the German Insurance Supervision Act (VAG) and the European supervisory regulations (Solvency II implementing rules) are placing additional demands on corporate governance. They include specific rules on various issues such as business organisation or the qualifications and remuneration of members of the Board of Management, Supervisory Board members and other individuals.

Also applicable to Munich Reinsurance Company is a co-determination agreement concluded pursuant to the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG) and governing employee co-determination on the Supervisory Board.

By adopting international guidelines such as the UN Global Compact, the Principles for Responsible Investment (PRI) for the investments we make and the Principles for Sustainable Insurance (PSI) for our core business, we demonstrate how committed we are to corporate responsibility.

Corporate legal structure

The Articles of Association and co-determination agreement can be viewed at www.munichre.com/cg-en

Munich Reinsurance Company is a joint-stock company (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (AktG). It has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. Their functions and powers are derived from the Act, the Articles of Association, the co-determination agreement, rules of procedure and internal guidelines. The principle of parity co-determination on the Supervisory Board has been strengthened in the co-determination agreement by taking into account staff employed in the rest of Europe.

Board of Management

→ An overview of the composition of the Board of Management and the distribution of responsibilities can be found on page 45

The Board of Management is responsible for managing the Company, in particular for setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a sustainable long-term increase in the Company's value. The Board of Management is responsible for effecting adequate risk management and risk control in the Company. It must ensure compliance with statutory requirements and internal company guidelines. The Group Compliance division (GComp) of Munich Reinsurance Company reports directly to the Chairman of the Board of Management. GComp manages the compliance activities of Munich Re (Group) through Group-wide terms of reference, monitoring their implementation on the basis of the compliance management system (CMS). At the instigation of the Board of Management, another channel has been established to complement the external independent ombudsman and thus strengthen compliance within the Group: the compliance whistleblowing portal. Employees and third parties can use this portal to anonymously report suspected criminal behaviour such as bribery and corruption, contraventions of antitrust, insider trading and data protection laws, and other activities causing damage to our reputation.

→ Information about the working practices of the Board of Management can be found in the Statement on Corporate Governance

Pursuant to Article 16 of the Articles of Association, the Board of Management consists of at least two members; beyond this, the number of members is determined by the Supervisory Board. When appointing the Board of Management, the Supervisory Board pays due regard to diversity. At the end of 2015, the Board of Management of Munich Reinsurance Company had ten members, two of whom were women.

Collaboration between Board of Management and Supervisory Board

The Board of Management and the Supervisory Board cooperate closely for the benefit of the Company. The Board of Management reports regularly to the Supervisory Board about all questions relevant to the Company. Certain types of transaction require the consent of the Supervisory Board.

Supervisory Board

→ An overview of the composition of the Supervisory Board can be found on page 45 ff. More details about the work of the Supervisory Board can be found in the Statement on Corporate Governance and in the Report of the Supervisory Board on page 23 ff.

The Supervisory Board monitors the Board of Management and gives counsel where appropriate, but it is not authorised to take management action in place of the Board of Management. The Supervisory Board also appoints the external auditor for the Company and Group financial statements and for the half-year financial report.

In compliance with Munich Reinsurance Company's Articles of Association, the Supervisory Board has 20 members. Half are representatives of the shareholders, elected by the Annual General Meeting. The other half are elected representatives of the Group's employees in the European Economic Area (EEA).

Objectives of the Supervisory Board for its composition, diversity and independence
In accordance with Section 5.4.1 (2) of the German Corporate Governance Code, the Supervisory Board has set itself the following objectives for its composition, which were updated in the year under review:

- The main criteria for selecting future members of the Supervisory Board are professional knowledge, personal abilities and experience (especially of an international nature), independence, commitment to sustained corporate profitability, and enterprise of the nominated persons.
- The Supervisory Board should have at least 16 independent members within the meaning of Section 5.4.2 of the German Corporate Governance Code, including at least eight shareholder representatives. No members of the Supervisory Board should have any relevant conflicts of interest.
- In selecting candidates for membership, the Supervisory Board should pay due regard to diversity, especially in terms of age, internationality and gender. The objective of having a female representation of at least 30% on the Supervisory Board by the start of the following term of office continues to apply. At present, this objective has already been surpassed, as women make up 40% of the members.
- Future nominations of candidates for election to the Supervisory Board should also take into account that, as a rule, at the time of election no candidate should already have been on the Supervisory Board for a continuous period of more than ten years. Normally, Supervisory Board members should not serve on the Board for a continuous period of more than 12 years.

The aforementioned objectives apply to the Supervisory Board as a whole. Shareholder and employee representatives will each contribute towards meeting these objectives. The Supervisory Board's Nomination Committee, which selects candidates for the shareholder representatives, and the European Electoral Board, which is responsible for the election of the employee representatives, both have a corresponding catalogue of criteria at their disposal. Besides the objectives mentioned, the catalogue includes criteria such as special professional skills and personal qualities, as well as the requirement of time availability of the candidates.

In addition, the Supervisory Board's rules of procedure provide for a recommended age limit of 70 for candidates.

The Supervisory Board is of the opinion that all 20 of its members are to be regarded as independent within the meaning of Section 5.4.2 of the German Corporate Governance Code. The Supervisory Board is not aware of any business or personal relationship between a member and the Company, its governing bodies, a controlling shareholder or an entity affiliated with such a shareholder, as a result of which a major and not only temporary conflict of interest could arise. The Supervisory Board assumes that the employee representatives on the Supervisory Board elected in accordance with the Act on the Co-Determination of Employees in Cross-Border Mergers and the co-determination agreement are independent as a matter of principle.

Annual General Meeting

The Annual General Meeting regularly reaches a resolution on the appropriation of profits and approving the actions of the Board of Management and Supervisory Board. Besides this, the Annual General Meeting elects the shareholder representatives on the Supervisory Board and, in particular, votes on changes to the Articles of Association and individual capital measures. Certain corporate contracts also require the approval of the Annual General Meeting to become effective.

The principle of "one share, one vote" applies at the Company's Annual General Meeting. With the aim of making it easier for shareholders to take part and exercise their voting rights, the Company provides the option of online participation at the Annual General Meeting and a postal vote (also electronically).

Share trading and shares held by Board members

The Company has to be notified promptly of the acquisition or sale of Company shares (or financial instruments based on these) by members of the Board of Management and Supervisory Board and by specified persons closely related to or connected with them. This notification must take place for acquisition and sales transactions totalling €5,000 or more in a single calendar year.

Munich Reinsurance Company is obliged to publish information of this kind on its website without undue delay.

The total number of Munich Reinsurance Company shares and related financial instruments held by all members of the Board of Management and Supervisory Board amounts to less than 1% of the shares issued by the Company.

Combined management report

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This report combines the management reports of Munich Reinsurance Company and Munich Re (Group).

Group

— Innovative insurance solutions push back the boundaries of insurability and tap new business potential in primary insurance and reinsurance
— Munich Health continues to sharpen its focus in order to tap into growth opportunities in the international health insurance market

Group structure

Current information on Munich Re is also provided on our website at www.munichre.com

Munich Re combines primary insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. At the same time, it leverages synergies in revenue and costs, whilst reducing the risk-based capital required through broad diversification. Almost all reinsurance units operate worldwide under the uniform brand of Munich Re. The ERGO Insurance Group (ERGO) is active in nearly all lines of life, health and property-casualty insurance. Our international health reinsurance business and health primary insurance outside Germany are combined under the Munich Health brand. Munich Re's investments worldwide are managed by MEAG, which also offers its expertise to private and institutional investors outside the Group.

The reinsurance companies of the Group operate globally and in virtually all classes of business. We offer a full range of products, from traditional reinsurance to innovative solutions for risk assumption. Our companies conduct their business from their respective headquarters and via a large number of branches, subsidiaries and affiliated companies. The reinsurance group also includes specialty primary insurers in niche segments, whose business requires special competence in finding appropriate solutions. These primary insurers have the words "Risk Solutions" added to their logo.

Control and profit-transfer agreements are in place with many Group companies, especially between ERGO Versicherungsgruppe AG and its subsidiaries.

In ERGO, we combine all Munich Re's primary insurance activities with the exception of health insurance business outside Germany, which is handled by Munich Health, and the monoliners in reinsurance. Some 73% (75%) of gross premiums written by ERGO derive from Germany, and 27% (25%) from international business – mainly from central and eastern European countries. ERGO has also extended its activities to Asian markets such as India, China, Vietnam and Singapore.

Munich Health operates on a global basis in reinsurance. In the field of health primary insurance outside Germany, it is active in selected growth markets such as the Gulf region and India, and in established European markets.

Munich Reinsurance Company and ERGO Versicherungsgruppe AG are under unified control within the meaning of the German Stock Corporation Act (AktG). The relevant statutory regulations, control agreements and Group directives govern the distribution of responsibilities and competences for key decisions between Group management and ERGO.

Segmentation

Reinsurance

In reinsurance, we operate in life and property-casualty business. Under reinsurance, we also include specialised primary insurance activities that are handled by the divisions of the reinsurance organisation and business from managing general agencies (MGAs).

As reinsurers, we write our business in direct collaboration with primary insurers, but also via brokers and increasingly within the framework of exclusive, strategic partnerships. In addition to traditional reinsurance business, we participate via our operating field Risk Solutions in the primary insurance business of industrial clients. An important initiative in reinsurance is aimed at promoting innovation to make new risks insurable and develop innovative products together with clients.

Munich Re is already catering to an ever-increasing demand for capital optimisation, and other complex solutions for clients. This is a decisive element in our value proposition. Since 1 July 2015, we have bundled this expertise in the business unit Capital Partners in the Special and Financial Risks division.

The reinsurance divisions

Our international life business is written in the Life division. This is split into four geographical regions and one unit responsible for international activities in the area of risk and capital management, particularly the reinsurance of guarantees for savings products and transactions in the area of corporate financial management. In order to ensure proximity to our clients, we are represented in many markets with local subsidiaries and branches.

Four other divisions conduct property-casualty reinsurance:

Global Clients and North America handles our accounts with major international insurance groups, globally operating Lloyd's syndicates and Bermuda companies. It also pools our know-how in the North American market. It is responsible for our property-casualty subsidiaries there, and for international special lines business such as workers' compensation.

Our Europe and Latin America division is responsible for property-casualty business with our clients from Europe (except Germany), Latin America and the Caribbean.

The Germany, Asia Pacific and Africa division conducts property-casualty business with our clients in Germany, Africa, Asia, Australia and the Pacific Islands.

The Special and Financial Risks Division is in charge of the classes of credit, marine, aviation and space, agriculture, enterprise and other selected contingency risks. The Corporate Insurance Partner unit, which is dedicated to industrial clients and is part of Risk Solutions, also belongs to this division. Until early 2015, the Risk Trading Unit, which covers alternative capital market solutions and retrocession (our own reinsurance) was also a part of this division. During the course of the year, we pooled the Risk Trading Unit and other teams of experts in a new unit called Capital Partners. Structured prospective and retrospective reinsurance solutions have thus been added, so that we can offer our clients all the tools needed for dealing with complex issues from a single source.

The reinsurance units at a glance[1]

Division	Selected subsidiaries and branch offices outside Germany[2]
Life	Munich American Reassurance Company, Atlanta, Georgia Munich Re, Tokyo Munich Re, Toronto Munich Re, Auckland Munich Holdings of Australasia Pty. Ltd., Sydney Munich Re, London
Global Clients and North America	American Alternative Insurance Corporation, Wilmington, Delaware[3] American Family Home Insurance Company, Jacksonville, Florida American Modern Home Insurance Company, Amelia, Ohio American Modern Insurance Company of Florida, Inc., Jacksonville, Florida American Modern Insurance Group, Inc., Amelia, Ohio American Modern Select Insurance Company, Amelia, Ohio American Modern Surplus Lines Insurance Company, Amelia, Ohio American Southern Home Insurance Company, Jacksonville, Florida American Western Home Insurance Company, Oklahoma City, Oklahoma Beaufort Underwriting Agency Ltd., London Bell & Clements Ltd., London First Marine Insurance Company, Amelia, Ohio Global Standards, LLC, Dover, Delaware Groves, John & Westrup Ltd., London HSB Engineering Insurance Ltd., London HSB Group, Inc., Dover, Delaware HSB Solomon Associates LLC, Dover, Delaware HSB Specialty Insurance Company, Hartford, Connecticut MSP Underwriting Ltd., London Munich Re Holding Company (UK) Ltd., London Munich Reinsurance America, Inc., Wilmington, Delaware[3] Munich Reinsurance Company of Canada, Toronto, Ontario Munich Re Underwriting Ltd., London NMU Group Ltd., London Roanoke Group Inc., Schaumburg, Illinois Temple Insurance Company, Toronto, Ontario The Boiler Inspection and Insurance Company of Canada, Toronto, Ontario The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware The Midland Company, Cincinnati, Ohio
Europe and Latin America	Munich Re do Brasil Resseguradora S.A., São Paulo[3] Munich Re, Madrid[3] Munich Re, Milan Munich Re, Paris Munich Re, London

Germany, Asia Pacific and Africa	Great Lakes, Sydney Calliden Insurance Ltd., Sydney Great Lakes, Auckland Munich Re, Auckland Munich Re, Beijing[3] Munich Reinsurance Company of Africa Ltd., Johannesburg Munich Holdings of Australasia Pty. Ltd., Sydney Munich Mauritius Reinsurance Co. Ltd., Port Louis Munich Re, Hong Kong[3] Munich Re, Kuala Lumpur Munich Re, Kuala Lumpur (Retakaful Branch) Munich Re, Seoul[3] Munich Re, Singapore[3] Munich Re, Sydney
Special and Financial Risks	Great Lakes Reinsurance (UK) SE, London[3] Great Lakes, Zurich Great Lakes, Dublin Great Lakes, Milan Munich Re of Malta p.l.c., Ta' Xbiex[3] New Reinsurance Company Ltd., Zurich[3] Munich Re Weather & Commodity Risk Advisors, Wilmington, Delaware

1 A detailed list of shareholdings can be found on page 291 ff. in the notes to the consolidated financial statements.
2 The companies listed are mainly subsidiaries and branches outside Germany with equity capital exceeding €5m.
3 Units that also transact business in Munich Health and are therefore allocated proportionately to reinsurance.

ERGO

Current information is also provided at www.ergo.com

Munich Re's second pillar is primary insurance business. Via ERGO, we offer products from all the main classes of insurance: life insurance, German health insurance, and in nearly all lines of property-casualty insurance, as well as travel insurance and legal protection insurance. These products – in combination with the provision of assistance, other services and individual consultancy – cover the needs of private and corporate clients.

We transact primary life and property-casualty insurance under the ERGO brand. This broad offering is supplemented by health insurance from DKV, travel protection insurance from ERV, ERGO Direkt, ERGO's specialist for direct sales, and D.A.S. for legal protection insurance in Germany. D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG was merged with ERGO Versicherung AG in the year under review. ERGO's many different sales channels include not only its companies' own intermediary organisations and direct selling but also broker relationships and cooperations with banks and other marketing partners.

Segments

In the ERGO International segment, we bundle almost all primary insurance activities outside Germany. In November 2015, we agreed to sell ERGO Italia to private-equity investor Cinven. ERGO Italia includes the insurance companies ERGO Previdenza S.p.A., Milan, ERGO Assicurazioni S.p.A., Milan, and two service companies. The sale still has to be approved by the supervisory authorities. After a legislative change in India, ERGO will increase its shareholding in the joint venture HDFC ERGO – the country's fourth largest non-government property insurer – to 48.7%. The purchase agreement was signed in December 2015. The purchase still has to be approved by the supervisory authorities. We report on business with insurances of the person in Germany in the segment ERGO Life and Health Germany. This includes ERGO Direkt companies' activities in life, health and property-casualty insurance, as well as travel insurance. In the ERGO Property-casualty Germany segment, we bundle German property-casualty insurance business including legal protection insurance, with the exception of direct insurance.

ERGO at a glance[1]

Segment	Selected subsidiaries[2]
Life and Health Germany	DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne ERGO Direkt Krankenversicherung AG, Fürth ERGO Direkt Lebensversicherung AG, Fürth ERGO Direkt Versicherung AG, Fürth ERGO Lebensversicherung Aktiengesellschaft, Hamburg ERGO Pensionskasse AG, Düsseldorf EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich Victoria Lebensversicherung Aktiengesellschaft, Düsseldorf Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf Vorsorge Luxemburg Lebensversicherung S.A., Grevenmacher
Property-casualty Germany	ERGO Versicherung Aktiengesellschaft, Düsseldorf
International	D.A.S. Rechtsschutz Aktiengesellschaft, Vienna D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels DAS Legal Expenses Insurance Company Limited, Bristol DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam ERGO General Insurance Company S.A., Athens ERGO Insurance N.V., Brussels ERGO Insurance SE, Tallinn ERGO Life Insurance SE, Vilnius ERGO Previdenza S.p.A., Milan ERGO Insurance Company, St. Petersburg ERGO SIGORTA A.S., Istanbul ERGO Versicherung Aktiengesellschaft, Vienna Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot

1 A detailed list of shareholdings can be found on page 291 ff. in the notes to the consolidated financial statements.
2 Only subsidiaries with premium volume exceeding €50m are listed.

ERGO Insurance Group will be given a new organisational structure. German, international, and direct and digital business will in future be managed in three dedicated units under the umbrella of the newly named ERGO Group AG. In addition to the existing ERGO International AG, there will be two new holding companies. Traditional German business will be concentrated in ERGO Deutschland AG. The third pillar, ERGO Digital Ventures AG, will be responsible for all of the group's digital and direct activities, including ERGO Direkt business.

Munich Health

Current information is also provided at www.munichhealth.com

The global health market is one of the fastest-growing sectors of the economy. This applies to healthcare and insurance alike. In order to maximise the opportunities involved, Munich Re has combined its health reinsurance worldwide and health primary insurance outside Germany under the Munich Health brand. With a diverse range of local units in primary insurance and reinsurance, Munich Health straddles the full spectrum of the health insurance value chain.

The set-up of Munich Health

Munich Health operates global health reinsurance business under the Munich Re brand and, in addition to assuming risks, also assists local insurance companies with customised cost and quality control services. In primary insurance, we are active in many international markets via subsidiaries, participations and joint ventures. We interact with our clients using proven local brands, e.g. DKV Seguros in Spain, DKV Belgium, or Daman National Health Insurance in Abu Dhabi.

Primary insurance and reinsurance activities are transacted separately under the umbrella of Munich Health to ensure close alignment with the needs of our clients, and to strengthen our market position. With the sale of DKV Luxembourg in the first quarter of 2015, we further streamlined our portfolio of primary insurance units, focusing strictly on markets with growth potential or sufficient scale.

We manage our worldwide activities in reinsurance via four decentralised units. The regions of Europe and Latin America are managed from Munich. Our North American business is based in Princeton. The Middle East and Africa are managed from Dubai, and the Asia-Pacific region via our office in Singapore. Our primary insurance units are managed centrally from Munich.

Munich Health at a glance[1]

Companies fully allocated to Munich Health

Apollo Munich Health Insurance Company Ltd., Hyderabad
Daman – National Health Insurance Company, Abu Dhabi
Daman Health Insurance – Qatar LLC, Doha, Qatar
DKV Belgium S.A., Brussels
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa
ERGO Generales Seguros y Reaseguros, S.A., Madrid
ERGO Vida Seguros y Reaseguros, Sociedad Anónima Española, Saragossa
Globality S.A., Luxembourg
Marina Salud S.A., Alicante
MedNet Holding GmbH, Munich
Munich Health Holding AG, Munich
Munich Health North America, Inc., Wilmington, Delaware
Munich Re Stop Loss, Inc., Wilmington, Delaware
Storebrand Helse ASA, Lysaker
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa

Companies that operate in more than one segment and are allocated proportionately to Munich Health

American Alternative Insurance Corporation, Wilmington, Delaware
Great Lakes Reinsurance (UK) Plc., London
Munich Re do Brasil Resseguradora S.A., São Paulo
Munich Reinsurance Company, Munich
Munich Re of Malta p.l.c., Ta' Xbiex
Munich Reinsurance America, Inc., Wilmington, Delaware
New Reinsurance Company Ltd., Zurich

1 A detailed list of shareholdings can be found on page 291 ff. in the notes to the consolidated financial statements. Only Group companies with equity capital generally exceeding €5m are listed.

Important tools of corporate management

Munich Re's management philosophy – based on value creation

Details of our capital management are provided on page 99 f.

Munich Re's objective is to analyse risks from every conceivable angle and to assess and diversify them, creating lasting value for shareholders, clients, and staff through high profits in relation to the risks assumed. With our entrepreneurial culture, we aim to increase the Munich Re share price on a sustained basis. This is the aim of our active capital management and the consistent application of value-based management systems.

Details of our risk strategy are available on page 115 ff.

The framework for any business activity is our risk strategy, from which we derive various limitations and reporting thresholds. A key element of this is our economic capital resources, which we determine in harmony with the Solvency II supervisory regime, which came into force in 2016. We observe a range of important additional conditions. These include national accounting regulations, tax aspects, liquidity requirements, supervisory parameters, and rating agency requirements. These conditions may even determine a unit's short-term orientation.

Our value-based management is characterised by the following aspects:

— We assess business activities not only according to their earnings potential but also relative to the extent of the risks assumed. Only the risk-return relationship reveals how beneficial an activity is from the shareholder point of view.
— With value-based performance indicators, we ensure an economic valuation and the comparability of alternative initiatives.
— We clearly assign responsibilities and specify the levers for adding value for both management and staff.

Contrasting aspects have to be evaluated when selecting suitable target figures. On the one hand, target figures for investors, staff, and the public should be simple and easy to understand. On the other hand, the often complex economic realities should be reflected as closely as possible in order to emphasise added value as the Group's overriding guiding principle. The parallel use of different performance indicators is thus unavoidable.

The Group's performance indicators

The two main performance metrics at Group level are economic earnings and the return on risk-adjusted capital after tax (RORAC).

Economic earnings

The starting point for value-based management is the economic value added in a fixed period which we determine based on the key performance indicator economic earnings. These correspond with the change in eligible own funds under Solvency II, adjusted for items that do not represent economic value added in the period, such as capital measures. The economic earnings satisfy the Solvency II supervisory regime, which came into force on 1 January 2016.

Information on the calculation of available capital and capital measures can be found on page 129 f.

Economic earnings	=	Eligible own funds 31 Dec.	–	Eligible own funds 1 Jan.	+/–	Capital measures

In particular, economic earnings comprise the contribution to profits from our new business and changes in the value of in-force business against the previous year's assessment. Also considered is the development of eligible own funds owing to the effect of changed capital market parameters on the assets and liabilities sides of the Solvency II balance sheet.

In applying the uniform Group performance measurement model of economic earnings in the individual business fields, we use conceptually consistent measurement approaches that are individually geared to the characteristics of each of the respective businesses. They include the value added by property-casualty reinsurance and Munich Health, and the excess return from our investment activity (asset-liability management). In life reinsurance, the "value added by new business" and the "change in value of in-force business", which are based on the Solvency II balance sheet, are applied. The performance metric economic earnings is used directly for ERGO, as no adjustments for this field of business are necessary. Group corporate management is designed so that we are in a position to maximise value creation while observing subsidiary parameters.

Return on risk-adjusted capital (RORAC)

To highlight Munich Re's value orientation, we also use the after-tax return on risk-adjusted capital (RORAC). With the entry into force of Solvency II as of 1 January 2016 and the changes associated with this, we have adjusted the calculation to the key indicators used under Solvency II.

→ Information on the internal risk model is provided on page 122 ff.

RORAC is a mixture of accounting ratios and economic indicators. It relates the performance indicator customary in the capital markets (IFRS consolidated result), which we adjust to eliminate the risk-free return after tax on additional available economic equity, to the necessary capital requirement. The capital requirement corresponds to 1.75 times the solvency capital requirement under Solvency II, as determined on the basis of our certified internal risk model.

$$\text{RORAC}^{1} = \frac{\text{Net income} - \text{Interest rate x } (1 - \text{Tax rate}) \text{ x Additional available economic equity}}{\text{Capital requirement}}$$

The numerator in the formula comprises the published IFRS net income after deduction of risk-free interest after tax (interest rate x [1 – tax rate]) generated on capital not subject to risk within the given risk tolerance. The latter refers to the additional available economic equity. This corresponds to the surplus of eligible own funds reduced by the subordinated liabilities and the solvency capital requirement multiplied by 1.75. Any excess of liabilities over assets is not taken into consideration.

Although we emphasise risk-based perspectives, we always aspire to meet the high, but fair, expectations of our investors with regard to the return on the total capital placed at our disposal – the return on equity (RoE).

1 To calculate the RORAC, we use the capital figures at the beginning of the period under consideration. That is why, for the 2015 financial year, the calculation is still based on the indicators previously used, in particular economic risk capital (ERC) and additional available economic equity.

Other performance indicators

Value added

We use value added as a component of economic earnings for corporate management in property-casualty reinsurance and for Munich Health. The respective value added (adjusted for random fluctuation) is determined as follows:

Adjusted result – Cost of capital = Value added

The adjusted result is derived from the income statement and consists primarily of the technical result, the normalised investment result and the remaining non-technical result. It contains value-based adjustments, including the smoothing of expenditure for major losses over time and the recognition of future claims expenses at their present value. We compare the result adjusted in this way with the requisite cost of capital.

IFRS consolidated result

The IFRS consolidated result is a performance measure derived from our external accounting. It serves as an important criterion for investors, analysts and the general public to assess corporate performance. With its standardised measurement basis, the IFRS consolidated result can be compared to the results of our market competitors and is thus an indicator used in Munich Re's financial reporting.

Asset-liability management

We mirror important features of our underwriting liabilities on the assets side of the balance sheet

The economic value added by the investment result is calculated collectively for reinsurance and Munich Health due to their joint investment management. The main focus of Munich Re's investment strategy is asset-liability management (ALM), which is a fundamental pillar of our value-based management system, and in which we take into account key characteristics of underwriting and other liabilities in structuring our investment portfolio. With ALM, we aim to ensure that changes in macroeconomic factors influence the value of our investments and that of our technical provisions and liabilities in the same way. For this purpose, we mirror important features of the liabilities – such as maturity patterns, currency structures and inflation sensitivities – on the assets side of the balance sheet by acquiring investments with similar characteristics where possible. This reduces our vulnerability to the effect of capital market fluctuations and stabilises our equity.

Combined ratio

The combined ratio is regularly posted for property-casualty business and international health business. Calculated as the percentage ratio of the sum of expenses for claims and benefits plus operating expenses to earned premiums (all of which are net, i.e. after reinsurance cessions), the combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio of 100% means that premium income was exactly sufficient to cover claims and costs. Expenses for claims and benefits mainly include paid claims, the change in claims provisions, and the bulk of other underwriting expenses. Operating expenses chiefly comprise the costs arising in the acquisition of new business and for the ongoing administration of insurance contracts.

For us, the combined ratio by itself is not a sufficiently informative performance measure. It is only of limited suitability for comparing the financial performance of competitors owing to differing calculation methods and portfolio mixes. Generally, we aim to keep the combined ratio as low as possible by means of good underwriting and claims management.

Non-financial performance measures

In addition to these purely financial performance factors, non-financial performance measures like innovation, speed of processes, staff training level and client satisfaction also play a part. In the long term, a firm can only be successful if it operates sustainably, looking to the future. On the basis of a comprehensive understanding of value creation with short-term and long-term, financial and non-financial parameters, we closely link strategy and operative planning by defining our strategies in structured overviews or “scorecards”, from which we derive initiatives, performance measures and responsibilities. The scorecards have four areas: “financial”, “market and client”, “process” and “employee”. We promote an entrepreneurial culture among our staff through the clear allocation of responsibility and accountability, recognising to the greatest extent possible how much the individual, unit or field of business contributes to increasing value in the long term. Our incentive systems for staff, executives and Board members support this orientation: in general, the higher the hierarchical level, the more remuneration is based on performance.

Governing bodies of Munich Re

Board of Management

Dr. jur. Nikolaus von Bomhard
(Chairman of the Board of Management)
(Chairman of the Group Committee)
Group Development[1]
Group Investments
Group Communications
Group Compliance
Group Audit
Group Human Resources
(since 1 July 2015)

Giuseppina Albo
Europe and Latin America

Dr. rer. pol. Ludger Arnoldussen
Germany, Asia Pacific and Africa
Central Procurement
Services

Dr. rer. pol. Thomas Blunck
Special and Financial Risks
Reinsurance Investments

Dr. jur. Doris Höpke
Health

Dr. rer. nat. Torsten Jeworrek
(Chairman of the Reinsurance Committee)
Reinsurance Development
Corporate Underwriting
Corporate Claims
Accounting, Controlling and Central
Reserving for Reinsurance
Information Technology
Global Business Architecture
(until 30 June 2015)
Geo Risks Research/
Corporate Climate Centre

Dr. rer. pol. Markus Rieß
(since 16 September 2015)
Primary Insurance/ERGO
Third Party Asset Management

Dr. rer. pol. Peter Röder
Global Clients and North America

Dr. jur. Jörg Schneider
(Chief Financial Officer)
Financial and Regulatory Reporting
Group Controlling
Corporate Finance M&A
Integrated Risk Management
Group Legal
Group Taxation
Investor and Rating Agency Relations

Dr. oec. publ. Joachim Wenning
(Labour Relations Director)
Life
Human Resources

Supervisory Board

Dr. jur. Hans-Jürgen Schinzler
(Honorary Chairman)
Former Chairman of the Supervisory Board

**Dr. Ing. E.h. Dipl. Ing.
Bernd Pischetsrieder**
(Chairman)
Member since 17 April 2002,
last re-elected 30 April 2014
Former Chairman of the Board of
Management of Volkswagen AG

Marco Nörenberg
(Deputy Chairman)
Member since 22 April 2009,
last re-elected 30 April 2014
Employee of ERGO
Versicherungsgruppe AG

**Prof. Dr. oec. Dr. iur.
Ann-Kristin Achleitner**
Member since 3 January 2013,
last re-elected 30 April 2014
Scientific Director of the Center for
Entrepreneurial and Financial Studies
(CEFS) at the Technical University of
Munich

Frank Fassin
Member since 22 April 2009,
last re-elected 30 April 2014
Regional Section Head Financial Services,
ver.di North Rhine-Westphalia

1 Including responsibility for environmental, social and governance (ESG) issues

Dr. jur. Benita Ferrero-Waldner
Member since 12 February 2010,
last re-elected 30 April 2014
President of the Euroamérica Foundation, Spain
Partner in the law firm of Cremades & Calvo Sotelo, Spain

Christian Fuhrmann
Member since 22 April 2009,
last re-elected 30 April 2014
Head of Divisional Unit,
Munich Reinsurance Company

Prof. Dr. rer. nat. Ursula Gather
Member since 30 April 2014
Rector of TU Dortmund University

Prof. Dr. rer. nat. Peter Gruss
Member since 22 April 2009,
last re-elected 30 April 2014
Chairman of Siemens Technology & Innovation Council

Gerd Häusler
Member since 30 April 2014
Chairman of the Supervisory Board of BayernLB

Dr. iur. Anne Horstmann
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Ina Hosenfelder
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG
Deputy Chair of the Union Council of the Neue-Assekuranz-Gewerkschaft (NAG)

Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Member since 22 July 1999,
last re-elected 30 April 2014
President of acatech – German Academy of Science and Engineering

Wolfgang Mayrhuber
Member since 13 December 2002,
last re-elected 30 April 2014
Chairman of the Supervisory Board of Deutsche Lufthansa AG

Beate Mensch
Member since 30 April 2014
Trades Union Secretary, ver.di, Hessen

Ulrich Plottke
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Anton van Rossum
Member since 22 April 2009,
last re-elected 30 April 2014
Chairman of the Supervisory Board of Royal Vopak NV, Netherlands
Member of the Board of
Credit Suisse Group AG, Switzerland (until 24 April 2015)

Andrés Ruiz Feger
Member since 22 April 2009,
last re-elected 30 April 2014
Employee of Munich Re, Sucursal en España, Spain

Gabriele Sinz-Toporzysek
Member since 30 April 2014
Employee of ERGO Beratung und Vertrieb AG

Dr. phil. Ron Sommer
Member since 5 November 1998,
last re-elected 30 April 2014
Chairman of the Supervisory Board of MTS OJSC, Russia

Angelika Wirtz
Member since 30 April 2014
Employee of Munich Reinsurance Company

Membership of the Supervisory Board committees

Standing Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Wolfgang Mayrhuber
Marco Nörenberg
Andrés Ruiz Feger

Personnel Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Wolfgang Mayrhuber
Angelika Wirtz

Audit Committee
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann (Chair)
Christian Fuhrmann
Dr. iur. Anne Horstmann
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder
Anton van Rossum

Nomination Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann

Conference Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Marco Nörenberg
Angelika Wirtz

Other seats held by Board members

Board of Management[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Nikolaus von Bomhard (Chairman)	ERGO Versicherungsgruppe AG[2] (Chair) Munich Health Holding AG[2] (Chair)	–
Giuseppina Albo	–	IFG Companies, USA
Dr. rer. pol. Ludger Arnoldussen	–	–
Dr. rer. pol. Thomas Blunck	–	Global Aerospace Underwriting Managers Ltd. (GAUM), United Kingdom (Chair) New Reinsurance Company Ltd., Switzerland[2] (Chair)
Dr. jur. Doris Höpke	–	DKV Seguros y Reaseguros S.A., Spain[2] Apollo Munich Health Insurance Company Ltd., India
Dr. rer. nat. Torsten Jeworrek	–	–
Dr. rer. pol. Markus Rieß	ERGO Beratung und Vertrieb AG[2] (Chair) ERGO International AG[2] (Chair) ERGO Versicherung AG[2] (Chair) ERGO Lebensversicherung AG[2] (Chair) DKV Deutsche Krankenversicherung AG[2] (Chair)	–
Dr. rer. pol. Peter Röder	EXTREMUS Versicherungs-AG	Munich Re America Corp., USA[2] (Chair) Munich Reinsurance America, Inc., USA[2] (Chair)
Dr. jur. Jörg Schneider	MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH[2] (Chair)	–
Dr. oec. publ. Joachim Wenning	–	–

1 Status: 31 December 2015.
2 Own group company within the meaning of Section 18 of the German Stock Corporation Act (AktG).

Supervisory Board[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chairman)	Daimler AG	Tetra-Laval International S.A. Group, Switzerland
Marco Nörenberg (Deputy Chairman)	ERGO Versicherungsgruppe AG[2]	-
Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner	Linde AG METRO AG	Engie S.A. (formerly GDF SUEZ S.A.), France
Frank Fassin	ERGO Versicherungsgruppe AG[2] Provinzial NordWest Holding AG	–
Dr. jur. Benita Ferrero-Waldner	–	Gas Natural Fenosa, Spain
Christian Fuhrmann	–	–
Prof. Dr. rer. nat. Ursula Gather	–	–
Prof. Dr. rer. nat. Peter Gruss	–	Actelion Ltd., Switzerland
Gerd Häusler	BayernLB (Chair)	BHF Kleinwort Benson Group, Belgium (Chair)
Dr. iur. Anne Horstmann	ERGO Versicherungsgruppe AG[2]	–
Ina Hosenfelder	–	–
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann	Bayerische Motoren-Werke AG Deutsche Bank AG Deutsche Post AG	–
Wolfgang Mayrhuber	Infineon Technologies AG (Chair) Deutsche Lufthansa AG (Chair)	Heico Corporation, USA
Beate Mensch	Commerzbank AG	–
Ulrich Plottke	ERGO Versicherungsgruppe AG[2]	–
Anton van Rossum	–	Royal Vopak NV, Netherlands (Chair)
Andrés Ruiz Feger	–	–
Gabriele Sinz-Toporzysek	ERGO Beratung und Vertrieb AG[2]	–
Dr. phil. Ron Sommer	–	Tata Consultancy Services Ltd., India
Angelika Wirtz	–	–

1 Status: 31 December 2015.
2 Own group company within the meaning of Section 18 of the German Stock Corporation Act.

Remuneration report

The remuneration report is structured as follows:

— Remuneration system for the Board of Management
— Total remuneration of the Board of Management
— Remuneration structure for senior executives
— Total remuneration of the Supervisory Board

Remuneration system for the Board of Management

The remuneration system for the Board of Management focuses strongly on long-term objectives, and thus creates a pronounced incentive for sustainable corporate development. It complies with the recommendations of the German Corporate Governance Code applicable since 5 May 2015, and with the provisions of the German Remuneration Regulation for Insurance Companies (VersVergV) of 6 October 2010.

The full Supervisory Board decides on the remuneration system for the Board of Management, and reviews it regularly. The Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative, prepares the resolutions for the full Supervisory Board.

Structure of the remuneration system for the Board of Management

Component	Share[1]	Assessment basis/ parameters	Corridor	Precondition for payment	Payment
Basic remuneration plus remuneration in kind/ fringe benefits	**30%**	Function Responsibility Length of service on Board	Fixed	Contractual stipulations	Monthly
Variable remuneration	**70%**	Corporate performance Result contribution of organisational unit(s) Personal performance			
30% annual performance (for 100% performance evaluation/ achievement of objectives)		Group objective Business-field objectives Divisional objectives Personal objectives Overall performance	**0–200%** (fully achieved = 100%)	Achievement of annual objectives	**In the second year, on condition that 50% of the net amount paid out is invested by the Board member in Munich Re shares that must be held for at least a four-year period**
70% multi-year performance (for 100% performance evaluation/ achievement of objectives)		Objectives for the fields of business – Reinsurance – ERGO – Munich Health Personal objectives Overall performance	**0–200%** (fully achieved = 100%)	Achievement of three-year objectives	**In the fourth year, on condition that 25% of the net amount paid out is invested by the Board member in shares that must be held for at least a two-year period**
Pension					
Defined contribution plan		Target overall direct remuneration[2]	Pension contribution	> Retirement >Insured event > Premature termination	

1 For the variable remuneration, the share shown presupposes 100% performance evaluation/achievement of objectives.
2 Target overall direct remuneration comprises basic remuneration plus variable remuneration based on 100% performance evaluation/achievement of objectives.

Fixed components
The fixed components of remuneration comprise basic remuneration, plus remuneration in kind and fringe benefits.

Basic remuneration
The basic remuneration comprises a fixed cash compensation for the financial year, paid out as a monthly salary.

Remuneration in kind/fringe benefits
Remuneration in kind and fringe benefits include – in particular – company cars, insurance premiums and health screening examinations, and are reviewed against market practice at regular intervals. Income tax on the benefits in question is paid individually for each member of the Board of Management, with the Company bearing the amount due. Remuneration in kind and fringe benefits are disclosed in the annual report using expenditure as the basis of valuation.

Variable remuneration
The variable remuneration component is geared to the overall performance of the Group, to the success of defined organisational units and to the personal performance of the individual members of the Board of Management. The amount depends on the extent to which the annually set objectives for annual and multi-year performance are met, and how the component “Evaluation of overall performance” is assessed.

Processes have been laid down for specifying objectives and assessing their achievement. These processes require review by the external auditor, who checks the criteria for measuring the envisaged financial objectives and whether their achievement has been assessed in accordance with the guidelines established by the Company. The outcome of this review is notified to the Supervisory Board.

Achievement of objectives and overall performance is measured at the end of the one-year and three-year periods in question, there being no adjustment of targets during these periods. The corridor for the achievement of the individual objectives and for the overall annual and multi-year performance is 0–200%. Payouts are made at the end of the periods under consideration. With a view to promoting a management approach that takes due account of the Company's long-term interests, the members of the Board of Management are obliged to invest a fixed part of the paid-out variable remuneration in Munich Reinsurance Company shares.

Annual objectives, multi-year objectives, overall performance evaluation and investment in shares together form a well-balanced and economic (i.e. strongly risk-based) incentive system, with great importance being attached to ensuring that the targets set for the members of the Board of Management do not have undesirable effects. No guaranteed variable salary components are granted.

Variable remuneration based on annual performance

Firstly, annual targets for the variable remuneration component geared to annual performance are set on the basis of the consolidated result of Munich Re (Group), the results from the reinsurance and ERGO fields of business, divisional results and personal performance. In addition, the Supervisory Board assesses overall performance – particularly performance not taken into account in the objectives – of the Board of Management as a whole and the individual Board members, and it also takes into account developments during the appraisal period that are beyond the influence of the Board. Full achievement of the annual objectives (100%) allows for payment of 30% of the overall target amount for variable remuneration.

The variable remuneration for annual performance is determined on the basis of evaluation by the full Supervisory Board and then paid out in the year after the one-year assessment period. Of the net payout amount, 50% must be invested in Munich Reinsurance Company shares that must be held for at least a four-year period.

Details of the assessment bases for the annual performance can be seen in the following table:

Variable remuneration based on annual performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	25%–60%		
Group objective		Derived from key performance indicators in external reporting and other important portfolio and performance data	Return on risk-adjusted capital, RORAC[2]
Business-field objectives			
– Reinsurance		Value-based economic performance indicators: – Property-casualty reinsurance – Life reinsurance	Components of economic earnings:[3] – Value added – Value added by new business – Change in the value of in-force business
– ERGO		Value-based economic performance indicator	Economic earnings[3]
Individual contribution to corporate success	20%–55%		
Divisional objectives		Value-based economic performance indicators: – Property-casualty reinsurance and Munich Health – Life reinsurance	Components of economic earnings:[3] – Value added – Value added by new business – Change in the value of in-force business
Personal objectives		Personal objectives per Board member	Special focal points such as – Pricing and cycle management – Client management – Individual leadership
Overall performance evaluation	20%	Overall performance of individual Board members and of the Board of Management as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AKtG) and the German Corporate Governance Code

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 Further information on RORAC is provided on page 42.
3 Further information on economic earnings is provided on page 41 f.

Variable remuneration based on multi-year performance

For the multi-year performance remuneration component, three-year targets based on the financial results of the reinsurance, ERGO and Munich Health fields of business and on individual performance are fixed every year. The Supervisory Board also assesses the overall performance of the whole Board of Management and the individual Board members. This allows for a response to developments during the three-year appraisal period that are beyond the influence of Board members, and which can also be taken into account along with performance not included in the agreement of objectives. Full achievement of the multi-year objectives (100%) allows for payment of 70% of the overall target amount for variable remuneration.

The variable remuneration for the multi-year performance is determined on the basis of evaluation by the full Supervisory Board and then paid out in the year after the three-year assessment period. Of the net payout amount, 25% must be invested in Munich Reinsurance Company shares that must be held for at least a two-year period.

Details of the assessment bases for the multi-year performance can be seen in the following table:

Variable remuneration based on multi-year performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	0%–60%		
Business-field objectives (three-year average)			
– Reinsurance		Value-based economic performance indicators: – Property-casualty reinsurance – Life reinsurance	Components of economic earnings:[2] – Value added – Value added by new business – Change in the value of in-force business
– ERGO[3]		Value-based economic performance indicator	Economic earnings[2]
– Munich Health[3]		Value-based economic performance indicator	Component of economic earnings:[2] – Value added
Individual contribution to corporate success	20%–80%		
Personal objectives (three-year period)		Personal objectives per Board member	Special focal points such as – Strategic goals – Investment goals – Staff development, including diversity – Sustainable development – General tasks in the context of the business
Overall performance evaluation	20%	Overall performance of individual Board members and the Board of Management as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AktG) and the German Corporate Governance Code

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 Further information on economic earnings is provided on page 41 f.
3 The business-field objective for Munich Health and for ERGO is an "individual contribution to corporate success" for the Board member responsible.

Weighting of remuneration components

In the case of 100% achievement of objectives, the weightings of the individual components in terms of total remuneration were as follows: basic remuneration 30%, variable remuneration 70%, of which 30% was based on annual performance and 70% on multi-year performance.

Continued payment of remuneration in the case of incapacity to work

In the case of temporary incapacity to work due to illness or for another cause beyond the Board member's control, the remuneration is paid until the end of the contract of employment. The Company may terminate the contract prematurely if Board members are incapacitated for a period of longer than 12 months and it is probable that they will be permanently unable to fully perform the duties conferred on them (permanent incapacity to work). In this event, the Board member will receive a disability pension.

Other remuneration

Remuneration for other board memberships

In the case of seats held on other boards, remuneration for board memberships must be paid over to the Company or is deducted in the course of regular remuneration computation. Exempted from this is remuneration for memberships explicitly classified by the Supervisory Board as private.

Severance cap and change of control

The members of the Board of Management have no contractual entitlement to severance payments. If the Board member's activities on the Board are terminated prematurely without good cause, payments due may not surpass the equivalent of two years' total remuneration (three years' total remuneration in the event of acquisition of a controlling interest or change of control within the meaning of Section 29 (2) of the Securities Acquisition and Takeover Act – WpÜG) and may not cover more than the remaining period of the employment contract. If the employment contract is terminated for good cause on grounds that are within the Board member's control, no payments are made to the Board member. The calculation is based on the overall remuneration for the past financial year and, if necessary, on the probable overall remuneration for the current financial year.

Pensions

Up to and including 2008, the members of the Board of Management were members of a defined benefit plan, providing for payment of a fixed pension amount.

As of 2009, newly appointed members of the Board have become members of a defined contribution plan. For this plan, the Company provides a pension contribution for each calendar year (contribution year) during the term of the employment contract. It uniformly amounts to 25.5% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). The pension contribution is paid over to an external pension insurer. The insurance benefits that result from the contribution payments constitute the Company's pension commitment to the Board member.

Board members appointed before 2009 were transferred to the new system. They kept their pension entitlement from the previous defined benefit plan (fixed amount in euros) existing at the date of transfer on 31 December 2008, which was maintained as a vested pension. For their service years as of 1 January 2009, they receive an incremental pension benefit based on the defined contribution plan.

The Supervisory Board determines the relevant target pension level for pension commitments from defined benefit plans and defined contribution plans – also considering length of service on the Board – and takes account of the resultant annual and long-term cost for the Company.

The members of the Board of Management are also members of the Munich Re pension scheme, which is a defined contribution plan.

Benefits on termination of employment

Board members appointed before 2006 and entitled to an occupational pension, disability pension, reduced occupational pension or improved vested benefits continue to receive their previous monthly basic remuneration for a period of six months after retiring or leaving the Company.

Occupational pension

Board members appointed before 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60 or, at the latest, at the end of the calendar year in which they turn 65.

Board members appointed as from 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 62 or, at the latest, at the end of the calendar year in which they turn 67.

Benefit:
- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum.
- In the case of a combination between defined benefit plans and defined contribution plans: Vested pension from the defined benefit plan and annuity from the policy reserve under the defined contribution plan or payment of a lump sum.

Disability pension

Board members are entitled to a disability pension if, due to permanent incapacity to work, their contract ends by mutual agreement, is terminated by the Company, or their appointment is not extended or is revoked. Permanent incapacity to work means that the Board Members are incapacitated for a period of longer than 12 months and it is probable that they will be permanently unable to fully perform the duties conferred on them.

Benefit:
- In the case of defined contribution plans: 80% of the insured occupational pension up to the age of 59 or 61, with subsequent occupational pension.
- In the case of a combination between defined benefit plans and defined contribution plans: Vested pension from the defined benefit plan and 80% of the insured occupational pension benefit up to age 59, with subsequent occupational pension based on the defined contribution plan.

Reduced occupational pension on early retirement

Board members are entitled to an occupational pension if the contract of employment is terminated as a result of non-extension or revocation of their appointment without the Board members having given cause for this through a gross violation of their duties, or at their own request. The precondition is that the Board members have already passed the age of 50, have been in the employment of the Company for more than ten years when the contract terminates, and have had their appointment to the Board of Management extended at least once.

Benefit:
- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the pension benefit is claimed.
- In the case of a combination between defined benefit plans and defined contribution plans: Entitlement of between 30% and 60% of pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday; the Company assumes payment of the difference between the monthly occupational pension and the monthly incremental pension from the external insurance.

Vested benefits for occupational pension, disability pension and surviving dependants

Vested benefits are paid upon the Board member reaching the age of 60 or 62, in the case of incapacity to work, or in the event of the Board member's death.

Vested benefits under the Employers' Retirement Benefits Act (BetrAVG):

Board members have vested benefits under the Employers' Retirement Benefits Act if they leave the Company before reaching the age of 60 or 62 and the pension commitment has existed for at least five years previously.

Benefit:
- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the insured event occurs.
- In the case of a combination between defined benefit plans and defined contribution plans: The entitlement under the vested pension is a proportion of the vested pension based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether up to the fixed retirement age (Section 2 (1) of the Employers' Retirement Benefits Act). The entitlement from the incremental pension comprises the pension benefits fully financed under the insurance contract up to the occurrence of the insured event based on the pension contributions made up to the date of leaving the Company (Section 2 (5a) of the Employers' Retirement Benefits Act). This entitlement is paid out as an annuity or a lump sum.

Provision for surviving dependants

In the event of the death of a Board member during active service, the surviving dependants receive the previous monthly basic remuneration for a period of six months if the deceased was appointed to the Board of Management before 2006. In the case of Board members appointed as from 2006, the previous monthly basic remuneration is paid to the beneficiaries for a period of three months. If the Board member's death occurs after retirement, the surviving dependants receive the previous monthly occupational pension for a period of three months, provided the marriage/registration of the civil partnership took place and/or the child was born before the Board member started drawing the occupational pension. Surviving spouses and registered civil partners normally receive a pension amounting to 60% of the defined benefit or insured occupational pension; half orphans receive 20% and complete orphans 40%. The total amount may not exceed the occupational pension of the Board member. If the Board member's occupational pension was reduced owing to early retirement, benefits for surviving dependants are based on the reduced occupational pension.

Total remuneration of the Board of Management

The level of the target overall direct remuneration for the individual members of the Board of Management is set by the full Supervisory Board, acting on recommendations from the Supervisory Board's Personnel Committee. Criteria for the appropriateness of compensation are the respective Board member's duties, the Board member's personal performance, the performance of the Board as a whole, and the financial situation, performance and future prospects of Munich Re. Other criteria are the relevant comparative benchmarks for Board remuneration and the prevailing remuneration structure at Munich Reinsurance Company. The Supervisory Board takes account of the level of Board salaries in relation to the level of salaries paid to senior managers and to general staff members over a period of time, and also determines how senior managers and general staff are to be classified for the purpose of this comparison. The consideration of what level of remuneration is appropriate also takes into account data from peer-group (DAX 30) companies. New Board members are placed at a level which allows sufficient potential for development of the remuneration in the first three years.

Board of management remuneration is disclosed under two different sets of rules, namely German Accounting Standard No. 17 (DRS 17, revised 2010) and the German Corporate Governance Code. There are therefore deviations in individual remuneration components and total remuneration.

Board of management remuneration under DRS 17

Under DRS 17, remuneration for annual performance 2015 is shown as the provisions set aside for that purpose taking into account the relevant additional/reduced expenditure for the previous year, since the performance on which the remuneration is based has been completed as at the balance sheet date and the requisite Board resolution is already foreseeable. Under DRS 17, remuneration for multi-year performance 2012–2014 is recognised in the year of payment, i.e. in 2015.

Fixed and variable remuneration components

The members of Munich Reinsurance Company's Board of Management received remuneration totalling €23.4m (21.6m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Total remuneration thus shows an increase of around €1.8m compared with the previous year's figure, which was adjusted for the remuneration of a Board member who had left the Board as at the end of 31 December 2014. The increase in total remuneration is especially due to the fact that there has been an additional member on the Board of Management since September 2015 and that the remuneration for two Board members appointed during the course of 2014 was taken into account in full for the first time in 2015.

**Remuneration of individual Board members as per DRS 17 (revised 2010)
(in accordance with Section 285 sentence 1 (9a) sentences 5–8 of the German Commercial Code (HGB) and
Section 314 (1) (6a) sentences 5–8 of the German Commercial Code)**

Name	Financial year	Basic remuneration	Remuneration in kind/fringe benefits	Annual performance[1]	Multi-year performance[2]	Other	Total
	€	€	€	€	€	€	€
Nikolaus von Bomhard	**2015**	**1,230,000**	**33,564**	**1,035,093**	**2,214,800**		**4,513,457**
	2014	1,230,000	31,669	895,361	2,569,560		4,726,590
Giuseppina Albo[3]	**2015**	**487,500**	**96,010**	**439,538**			**1,023,048**
	2014	121,875	61,323	92,199			275,397
Ludger Arnoldussen	**2015**	**600,000**	**38,717**	**461,160**	**1,163,750**		**2,263,627**
	2014	600,000	46,133	370,524	1,246,119		2,262,776
Thomas Blunck	**2015**	**600,000**	**33,996**	**432,390**	**1,173,060**		**2,239,446**
	2014	600,000	40,860	402,244	1,287,720		2,330,824
Doris Höpke	**2015**	**487,500**	**29,884**	**312,925**			**830,309**
	2014	325,000	17,086	184,731			526,817
Torsten Jeworrek[4]	**2015**	**870,000**	**182,311**	**737,803**	**1,745,625**		**3,535,739**
	2014	870,000	34,293	615,620	1,885,520		3,405,433
Markus Rieß[5] (Joined: 16.9.2015)	**2015**	**280,365**	**7,430**	**176,488**		**750,000**	**1,214,283**
thereof for Munich Reinsurance Company		94,063	801	72,691		750,000	917,555
Peter Röder	**2015**	**600,000**	**34,932**	**543,690**	**1,173,060**		**2,351,682**
	2014	600,000	134,808	471,114	1,246,119		2,452,041
Jörg Schneider	**2015**	**870,000**	**34,627**	**723,614**	**1,592,010**		**3,220,251**
	2014	870,000	36,180	659,249	1,838,970		3,404,399
Joachim Wenning	**2015**	**600,000**	**33,699**	**523,950**	**1,093,680**		**2,251,329**
	2014	600,000	34,585	418,152	1,152,480		2,205,217
Total	**2015**	**6,625,365**	**525,170**	**5,386,651**	**10,155,985**	**750,000**	**23,443,171**
	2014	5,816,875	436,937	4,109,194	11,226,488		21,589,494

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2015 annual performance. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted. For the 2014 annual performance, a total of €151,775 more was paid out than had been reserved in the 2014 financial year. The additional/reduced expenditure breaks down as follows: von Bomhard €44,599, Albo €4,205, Arnoldussen –€20,454, Blunck –€25,284, Höpke €51,869, Jeworrek €20,522, Röder €23,016, Schneider €32,764, Wenning €20,538. This results in the following actual bonus payments for 2014: von Bomhard €861,000, Albo €96,404, Arnoldussen €378,000, Blunck € 361,200, Höpke €236,600, Jeworrek €621,180, Röder €466,200, Schneider €633,360, Wenning €394,800. The amounts shown for the annual performance 2014 comprise the respective provision for 2014 and the relevant additional/reduced expenditure for 2013.
2 The amounts paid out in 2015 were for multi-year performance 2012–2014, those paid out in 2014 were for 2011–2013.
3 Remuneration in kind/fringe benefits including travel expenses for flights home to the family owing to the maintenance of two households and relocation costs.
4 Remuneration in kind/fringe benefits for 2015 including anniversary payment.
5 The compensation components that Markus Rieß received for his work at ERGO Versicherungsgruppe AG are included in the total remuneration.
Other: Compensation, payable in four equal instalments, for the forfeited variable remuneration from the previous employer.

The following table shows the amounts payable for the variable remuneration.

Amounts payable for the variable remuneration of the individual Board members in the event of 100% performance evaluation as per DRS 17 (revised 2010), corridor 0–200%

Name	Set in	for	Annual performance[1, 3] €	Multi-year performance[2, 3] €	Total amounts payable €
Nikolaus von Bomhard	**2015**	**2016**	**882,000**	**2,058,000**	**2,940,000**
	2014	2015	861,000	2,009,000	2,870,000
Giuseppina Albo	**2015**	**2016**	**388,500**	**906,500**	**1,295,000**
	2014	2015	341,250	796,250	1,137,500
Ludger Arnoldussen	**2015**	**2016**	**430,500**	**1,004,500**	**1,435,000**
	2014	2015	420,000	980,000	1,400,000
Thomas Blunck	**2015**	**2016**	**430,500**	**1,004,500**	**1,435,000**
	2014	2015	420,000	980,000	1,400,000
Doris Höpke	**2015**	**2016**	**388,500**	**906,500**	**1,295,000**
	2014	2015	341,250	796,250	1,137,500
Torsten Jeworrek	**2015**	**2016**	**619,500**	**1,445,500**	**2,065,000**
	2014	2015	609,000	1,421,000	2,030,000
Markus Rieß[4] (Joined: 16.9.2015)	**2015**	**2016**	**592,125**	**1,381,625**	**1,973,750**
thereof for Munich Reinsurance Company			236,250	551,250	787,500
	2015	2015	169,641	395,828	565,469
thereof for Munich Reinsurance Company			65,844	153,635	219,479
Peter Röder	**2015**	**2016**	**430,500**	**1,004,500**	**1,435,000**
	2014	2015	420,000	980,000	1,400,000
Jörg Schneider	**2015**	**2016**	**619,500**	**1,445,500**	**2,065,000**
	2014	2015	609,000	1,421,000	2,030,000
Joachim Wenning	**2015**	**2016**	**430,500**	**1,004,500**	**1,435,000**
	2014	2015	420,000	980,000	1,400,000
Total	**2015**	**2016**	**5,212,125**	**12,161,625**	**17,373,750**
	2014	2015	4,611,141	10,759,328	15,370,469

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for 2015. The amount shown for annual performance remuneration is based on estimates, i.e. the relevant provisions and the additional/reduced expenditure for 2014 posted in the table on page 57.
2 The remuneration set for multi-year performance for 2015 is payable in 2018, that for 2016 in 2019.
3 The information on the assessment bases and parameters on page 52 f. for the amounts set for 2015 also applies to the amounts set for 2016.
4 The compensation components that Markus Rieß received for his work at ERGO Versicherungsgruppe AG are included in the amounts payable.

Pension entitlements

Personnel expenses of €6.1m (4.9m) were incurred in the financial year to finance the pension entitlements for active members of the Board of Management. Of these, €1.8m was apportionable to defined benefit plans and €4.3m to defined contribution plans. As a consequence of the risk transfer to an external insurer under the defined contribution system, the visible pension costs since 2009 are noticeably higher. The Company accepts this increase in order to avoid higher costs in future and to eliminate long-term pension-specific risks. The following defined benefits, present values, contribution rates and personnel expenses result for the individual members of the Board of Management:

Pension entitlements

Name	Financial year	Defined benefit plan Defined benefit[1]	 Present value of defined benefit as at 31 December	 Personnel expenses for provisions[2]
		€/year	€	€
Nikolaus von Bomhard[3, 4]	**2015**	**407,100**	**15,054,562**	**527,633**
	2014	407,100	15,617,525	372,943
Giuseppina Albo[4, 5]	**2015**	**–**	**–**	**686**
	2014	–	–	–
Ludger Arnoldussen[4, 6]	**2015**	**157,500**	**3,311,629**	**393,528**
	2014	157,500	3,265,461	257,315
Thomas Blunck[4, 6]	**2015**	**120,000**	**2,705,000**	**180,249**
	2014	120,000	2,862,476	113,941
Doris Höpke[4, 5]	**2015**	**–**	**–**	**604**
	2014	–	–	1,856
Torsten Jeworrek[4, 6]	**2015**	**171,000**	**5,000,570**	**213,884**
	2014	171,000	5,314,770	141,610
Markus Rieß[4, 5, 7] (Joined: 16.9.2015)	**2015**	**–**	**–**	**–**
thereof for Munich Reinsurance Company	2014	–	–	–
Peter Röder[3, 4]	**2015**	**90,000**	**2,760,386**	**113,204**
	2014	90,000	2,894,574	75,812
Jörg Schneider[4, 6]	**2015**	**275,000**	**9,151,294**	**356,457**
	2014	275,000	9,575,691	244,725
Joachim Wenning[4, 6]	**2015**	**–**	**–**	**1,395**
	2014	–	–	1,021
Total	**2015**	**1,220,600**	**37,983,441**	**1,787,640**
	2014	1,220,600	39,530,497	1,209,223

See table on next page for footnotes

Pension entitlements

				Defined contribution plan	
Name	Financial year	Pension contribution rate for target total direct remuneration	Entitlement as at 31 December	Present value of entitlement as at 31 December	Personnel expenses
		%	€/year	€	€
Nikolaus von Bomhard[3, 4]	**2015**	**17.00**	**186,676**	**7,371,076**	**697,000**
	2014	17.00	159,165	6,828,230	697,000
Giuseppina Albo[4, 5]	**2015**	**25.50**	**17,442**	**–[8]**	**414,375**
	2014	25.50	3,505	–[8]	103,594
Ludger Arnoldussen[4, 6]	**2015**	**14.75**	**81,462**	**3,138,144**	**295,000**
	2014	14.75	69,383	3,060,380	295,000
Thomas Blunck[4, 6]	**2015**	**16.25**	**95,599**	**3,623,503**	**325,000**
	2014	16.25	81,600	3,609,722	325,000
Doris Höpke[4, 5]	**2015**	**25.50**	**24,428**	**–[8]**	**414,375**
	2014	25.50	9,846	–[8]	276,250
Torsten Jeworrek[4, 6]	**2015**	**19.50**	**158,167**	**6,092,019**	**565,500**
	2014	19.50	135,157	5,908,988	565,500
Markus Rieß[4, 5, 7] (Joined: 16.9.2015)	**2015**	**25.19**	**6,056**	**148,851[9]**	**213,026**
thereof for Munich Reinsurance Company		25.50	2,261	–[8]	79,953
Peter Röder[3, 4]	**2015**	**20.25**	**105,744**	**4,159,381**	**405,000**
	2014	20.25	89,589	3,948,345	405,000
Jörg Schneider[4, 6]	**2015**	**16.50**	**131,119**	**5,119,359**	**478,500**
	2014	16.50	112,249	4,846,279	478,500
Joachim Wenning[4, 6]	**2015**	**25.50**	**113,759**	**–[8]**	**510,000**
	2014	25.50	95,448	–[8]	510,000
Total	**2015**		**920,452**	**29,652,333**	**4,317,776**
	2014		755,942	28,201,944	3,655,844

1 In the case of Board members with a combination between defined benefit plans and defined contribution plans, the amount corresponds to the value of the annual vested pension at 31 December 2008.
2 Expenses for defined benefit plan, including provision for continued payment of salary for surviving dependants.
3 Entitled to a reduced occupational pension on early retirement, and to an occupational pension in the event of regular termination of employment.
4 Entitled to an occupational pension in the event of termination of employment owing to incapacity to work.
5 Entitled to vested benefits under the Employers' Retirement Benefits Act in the event of premature or regular termination of employment.
6 Entitled to a reduced occupational pension on early retirement in the event of premature or regular termination of employment.
7 The benefits that Markus Rieß received for his work at ERGO Versicherungsgruppe AG are included in the pension contributions.
8 Defined Contribution Plan within the meaning of IAS 19, Employee Benefits, so no present value shown.
9 Munich Reinsurance Company: see footnote 8; ERGO Versicherungsgruppe AG: No Defined Contribution Plan within the meaning of IAS 19, so present value shown.

Board of Management remuneration under the German Corporate Governance Code

As required by the provisions of the German Corporate Governance Code, the following tables show the benefits granted and remuneration paid out to individual members of the Board of Management in the year under review.

The basic remuneration, remuneration in kind/fringe benefits and pension expenses (sum of personnel expenses for defined benefit plans and defined contribution plans) are in accordance with German Accounting Standard No. 17 (DRS 17). There are some deviations with regard to the variable remuneration for annual and multi-year performance.

The following tables show the benefits granted and the remuneration paid in accordance with the German Corporate Governance Code.

Benefits granted in accordance with the German Corporate Governance Code

	Nikolaus von Bomhard				Giuseppina Albo			
	Chairman of the Board of Management				Board member			
€	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	1,230,000	1,230,000	1,230,000	1,230,000	487,500	487,500	487,500	121,875
Remuneration in kind/fringe benefits	33,564	33,564	33,564	31,669	96,010	96,010	96,010	61,323
Total	**1,263,564**	**1,263,564**	**1,263,564**	**1,261,669**	**583,510**	**583,510**	**583,510**	**183,198**
One-year variable remuneration								
Annual performance 2014				861,000				85,313
Annual performance 2015	861,000	0	1,722,000		341,250	0	682,500	
Multi-year variable remuneration								
Multi-year performance 2014–2016				2,009,000				199,063
Multi-year performance 2015–2017	2,009,000	0	4,018,000		796,250	0	1,592,500	
Other								
Total	**4,133,564**	**1,263,564**	**7,003,564**	**4,131,669**	**1,721,010**	**583,510**	**2,858,510**	**467,574**
Pension expenses	1,224,633	1,224,633	1,224,633	1,069,943	415,061	415,061	415,061	103,594
Total remuneration	**5,358,197**	**2,488,197**	**8,228,197**	**5,201,612**	**2,136,071**	**998,571**	**3,273,571**	**571,168**

→	Ludger Arnoldussen				Thomas Blunck			
	Board member				Board member			
€	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Remuneration in kind/fringe benefits	38,717	38,717	38,717	46,133	33,996	33,996	33,996	40,860
Total	**638,717**	**638,717**	**638,717**	**646,133**	**633,996**	**633,996**	**633,996**	**640,860**
One-year variable remuneration								
Annual performance 2014				420,000				420,000
Annual performance 2015	420,000	0	840,000		420,000	0	840,000	
Multi-year variable remuneration								
Multi-year performance 2014–2016				980,000				980,000
Multi-year performance 2015–2017	980,000	0	1,960,000		980,000	0	1,960,000	
Other								
Total	**2,038,717**	**638,717**	**3,438,717**	**2,046,133**	**2,033,996**	**633,996**	**3,433,996**	**2,040,860**
Pension expenses	688,528	688,528	688,528	552,315	505,249	505,249	505,249	438,941
Total remuneration	**2,727,245**	**1,327,245**	**4,127,245**	**2,598,448**	**2,539,245**	**1,139,245**	**3,939,245**	**2,479,801**

→	Doris Höpke				Torsten Jeworrek			
	Board member				Board member			
€	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	487,500	487,500	487,500	325,000	870,000	870,000	870,000	870,000
Remuneration in kind/fringe benefits	29,884	29,884	29,884	17,086	182,311	182,311	182,311	34,293
Total	**517,384**	**517,384**	**517,384**	**342,086**	**1,052,311**	**1,052,311**	**1,052,311**	**904,293**
One-year variable remuneration								
Annual performance 2014				227,500				609,000
Annual performance 2015	341,250	0	682,500		609,000	0	1,218,000	
Multi-year variable remuneration								
Multi-year performance 2014–2016				530,833				1,421,000
Multi-year performance 2015–2017	796,250	0	1,592,500		1,421,000	0	2,842,000	
Other								
Total	**1,654,884**	**517,384**	**2,792,384**	**1,100,419**	**3,082,311**	**1,052,311**	**5,112,311**	**2,934,293**
Pension expenses	414,979	414,979	414,979	278,106	779,384	779,384	779,384	707,110
Total remuneration	**2,069,863**	**932,363**	**3,207,363**	**1,378,525**	**3,861,695**	**1,831,695**	**5,891,695**	**3,641,403**

Continued on next page

	Markus Rieß							
	Board member (Joined: 16.9.2015)							
	Total[1]				thereof for Munich Reinsurance Company			
€	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	280,365	280,365	280,365	–	94,063	94,063	94,063	–
Remuneration in kind/fringe benefits	7,430	7,430	7,430	–	801	801	801	–
Total	**287,795**	**287,795**	**287,795**	**–**	**94,864**	**94,864**	**94,864**	**–**
One-year variable remuneration								
Annual performance 2014				–				–
Annual performance 2015	169,641	0	339,281		65,844	0	131,688	
Multi-year variable remuneration								
Multi-year performance 2014–2016				–				
Multi-year performance 2015–2017	395,828	0	791,656		153,635	0	307,270	
Other[2]	750,000	750,000	750,000		750,000	750,000	750,000	
Total	**1,603,264**	**1,037,795**	**2,168,732**	**–**	**1,064,343**	**844,864**	**1,283,822**	**–**
Pension expenses	213,026	213,026	213,026	–	79,953	79,953	79,953	–
Total remuneration	**1,816,290**	**1,250,821**	**2,381,758**	**–**	**1,144,296**	**924,817**	**1,363,775**	**–**

	Peter Röder				Jörg Schneider			
	Board member				Board member			
€	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	600,000	600,000	600,000	600,000	870,000	870,000	870,000	870,000
Remuneration in kind/fringe benefits	34,932	34,932	34,932	134,808	34,627	34,627	34,627	36,180
Total	**634,932**	**634,932**	**634,932**	**734,808**	**904,627**	**904,627**	**904,627**	**906,180**
One-year variable remuneration								
Annual performance 2014				420,000				609,000
Annual performance 2015	420,000	0	840,000		609,000	0	1,218,000	
Multi-year variable remuneration								
Multi-year performance 2014–2016				980,000				1,421,000
Multi-year performance 2015–2017	980,000	0	1,960,000		1,421,000	0	2,842,000	
Other								
Total	**2,034,932**	**634,932**	**3,434,932**	**2,134,808**	**2,934,627**	**904,627**	**4,964,627**	**2,936,180**
Pension expenses	518,204	518,204	518,204	480,812	834,957	834,957	834,957	723,225
Total remuneration	**2,553,136**	**1,153,136**	**3,953,136**	**2,615,620**	**3,769,584**	**1,739,584**	**5,799,584**	**3,659,405**

	Joachim Wenning			
	Board member			
€	2015	2015 (Min)	2015 (Max)	2014
Basic remuneration	600,000	600,000	600,000	600,000
Remuneration in kind/fringe benefits	33,699	33,699	33,699	34,585
Total	**633,699**	**633,699**	**633,699**	**634,585**
One-year variable remuneration				
Annual performance 2014				420,000
Annual performance 2015	420,000	0	840,000	
Multi-year variable remuneration				
Multi-year performance 2014–2016				980,000
Multi-year performance 2015–2017	980,000	0	1,960,000	
Other				
Total	**2,033,699**	**633,699**	**3,433,699**	**2,034,585**
Pension expenses	511,395	511,395	511,395	511,021
Total remuneration	**2,545,094**	**1,145,094**	**3,945,094**	**2,545,606**

1 The compensation components and pension contributions that Markus Rieß received for his work at ERGO Versicherungsgruppe AG are included in the total remuneration.
2 Markus Rieß has been granted compensation, payable in four equal instalments, for the forfeited variable remuneration from his previous employer.

Remuneration table – Remuneration paid in accordance with the German Corporate Governance Code

	Nikolaus von Bomhard Chairman of the Board of Management		Giuseppina Albo Board member		Ludger Arnoldussen Board member	
€	2015	2014	2015	2014	2015	2014
Basic remuneration	1,230,000	1,230,000	487,500	121,875	600,000	600,000
Remuneration in kind/fringe benefits	33,564	31,669	96,010	61,323	38,717	46,133
Total	**1,263,564**	**1,261,669**	**583,510**	**183,198**	**638,717**	**646,133**
One-year variable remuneration						
Annual performance 2014[1]		861,000		96,404		378,000
Annual performance 2015[2]	990,494		435,333		481,614	
Multi-year variable remuneration						
Multi-year performance 2012–2014[1]		2,214,800		–		1,163,750
Multi-year performance 2013–2015[3]	1,958,138		–		974,943	
Long-term Incentive Plan 2007[4]		577,433				208,088
Long-term Incentive Plan 2009[4]						
Other						
Total	**4,212,196**	**4,914,902**	**1,018,843**	**279,602**	**2,095,274**	**2,395,971**
Pension expenses	1,224,633	1,069,943	415,061	103,594	688,528	552,315
Total remuneration	**5,436,829**	**5,984,845**	**1,433,904**	**383,196**	**2,783,802**	**2,948,286**

→	Thomas Blunck Board member		Doris Höpke Board member		Torsten Jeworrek Board member	
€	2015	2014	2015	2014	2015	2014
Basic remuneration	600,000	600,000	487,500	325,000	870,000	870,000
Remuneration in kind/fringe benefits	33,996	40,860	29,884	17,086	182,311	34,293
Total	**633,996**	**640,860**	**517,384**	**342,086**	**1,052,311**	**904,293**
One-year variable remuneration						
Annual performance 2014[1]		361,200		236,600		621,180
Annual performance 2015[2]	457,674		261,056		717,281	
Multi-year variable remuneration						
Multi-year performance 2012–2014[1]		1,173,060		–		1,745,625
Multi-year performance 2013–2015[3]	974,943		–		1,462,415	
Long-term Incentive Plan 2007[4]		242,774				381,490
Long-term Incentive Plan 2009[4]						
Other						
Total	**2,066,613**	**2,417,894**	**778,440**	**578,686**	**3,232,007**	**3,652,588**
Pension expenses	505,249	438,941	414,979	278,106	779,384	707,110
Total remuneration	**2,571,862**	**2,856,835**	**1,193,419**	**856,792**	**4,011,391**	**4,359,698**

See table on next page for footnotes

→	Markus Rieß Board member (Joined: 16.9.2015) Total[5]		thereof for Munich Reinsurance Company		Peter Röder Board member	
€	2015	2014	2015	2014	2015	2014
Basic remuneration	280,365	–	94,063	–	600,000	600,000
Remuneration in kind/fringe benefits	7,430	–	801	–	34,932	134,808
Total	**287,795**	**–**	**94,864**	**–**	**634,932**	**734,808**
One-year variable remuneration						
Annual performance 2014[1]		–		–		466,200
Annual performance 2015[2]	176,488	–	72,691		520,674	
Multi-year variable remuneration						
Multi-year performance 2012–2014[1]		–		–		1,173,060
Multi-year performance 2013–2015[3]	–		–		974,943	
Long-term Incentive Plan 2007[4]						52,029
Long-term Incentive Plan 2009[4]						392,406
Other[6]	750,000		750,000			
Total	**1,214,283**	**–**	**917,555**	**–**	**2,130,549**	**2,818,503**
Pension expenses	213,026	–	79,953	–	518,204	480,812
Total remuneration	**1,427,309**	**–**	**997,508**	**–**	**2,648,753**	**3,299,315**

→	Jörg Schneider Board member		Joachim Wenning Board member	
€	2015	2014	2015	2014
Basic remuneration	870,000	870,000	600,000	600,000
Remuneration in kind/fringe benefits	34,627	36,180	33,699	34,585
Total	**904,627**	**906,180**	**633,699**	**634,585**
One-year variable remuneration				
Annual performance 2014[1]		633,360		394,800
Annual performance 2015[2]	690,850		503,412	
Multi-year variable remuneration				
Multi-year performance 2012–2014[1]		1,592,010		1,093,680
Multi-year performance 2013–2015[3]	1,395,173		974,943	
Long-term Incentive Plan 2007[4]		416,176		
Long-term Incentive Plan 2009[4]		586,057		
Other				
Total	**2,990,650**	**4,133,783**	**2,112,054**	**2,123,065**
Pension expenses	834,957	723,225	511,395	511,021
Total remuneration	**3,825,607**	**4,857,008**	**2,623,449**	**2,634,086**

1 In the Annual Report 2014, the amounts to be paid for the 2014 annual performance and multi-year performance 2012–2014 were recognised on the basis of the reserves, as no Supervisory Board resolution had yet been passed on the amounts to be paid for the actual bonus amounts. The Annual Report for 2015 shows the actual amounts set by the Supervisory Board and to be paid out for 2014.
2 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2015 annual performance. The amount shown for the 2015 annual performance remuneration is based on estimates and the relevant provisions posted.
3 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2013–2015 multi-year performance. The amount shown for the 2013–2015 multi-year performance remuneration is based on estimates and the relevant provisions posted.
4 Disclosure of proceeds from the exercise of stock appreciation rights granted in 2007 and 2009.
5 The compensation components and pension contributions that Markus Rieß received for his work at ERGO Versicherungsgruppe AG are included in the total remuneration.
6 Markus Rieß has been granted compensation, payable in four equal instalments, for the forfeited variable remuneration from his previous employer.

Remuneration structure for senior executives

The fixed components for Munich Reinsurance Company senior executives comprise a fixed annual basic remuneration, paid out as a monthly salary, plus customary market fringe benefits and remuneration in kind (most notably a company car and a company pension scheme). The variable components are made up of the short-term components "performance-related bonus" and "Company result bonus", and the longer-term share-price-linked component Mid-Term Incentive Plan.

The performance-related bonus is based on quantitative and qualitative objectives. We use indicators from operative planning for the quantitative objectives, while personal objectives are agreed on for the qualitative portion.

The Company result bonus gives employees a share in corporate success. The key indicator used for the Company result bonus is RORAC. The targets correspond to the Group objective for the variable remuneration of members of the Board of Management. Depending on the degree to which the RORAC target is met, an aggregate amount is calculated that can be distributed among staff as a bonus. The higher the management level, the higher the share of the Company result bonus. The way this bonus works ensures that the performance of Munich Re as a whole is systematically reflected in the remuneration of all staff and that the bonus amount bears a reasonable relationship to overall corporate performance.

The Mid-Term Incentive Plan, with a duration of three years, is based on the same quantitative targets as the multi-year bonus of Munich Reinsurance Company's Board of Management. In addition, the development of the total shareholder return is taken into account. Besides the senior executives in Munich, selected executives in Munich Reinsurance Company's international organisation also participate in the Mid-Term Incentive Plan.

The individual variable components are granted – subject to different weightings – at all management levels. For the first management level below the Board of Management, the share of aggregate variable remuneration is more than 50% of total remuneration (fixed remuneration plus all variable components). Proceeding down the management hierarchy, this percentage decreases successively, making up around one-third at the lowest management level. There is a well-balanced combination of short and long-term components. At the first management level below the Board of Management, the Mid-Term Incentive Plan makes up around 25% of total remuneration or more than 50% of overall variable remuneration, so that there is provision for a longer-term incentive system. No guaranteed variable remuneration components are granted.

Total remuneration of the Supervisory Board

The provisions in place since the financial year 2014 provide for fixed remuneration only. Each member of the Supervisory Board shall receive annual remuneration of €90,000. The Chairman of the Supervisory Board shall receive annual remuneration of €180,000, and the Deputy Chairman annual remuneration of €135,000.

Members of the Audit Committee each receive an additional €45,000; members of the Personnel Committee each receive an extra €27,000; and members of the Standing Committee each receive an additional €13,500. The Chairs of these committees receive double the amounts stated for members. No additional remuneration is paid for serving on the Nomination Committee or the Conference Committee.

In addition, members of the Supervisory Board receive an attendance fee of €1,000 for each Supervisory Board meeting and each meeting of a Supervisory Board committee – with the exception of the Conference Committee.

Remuneration of Supervisory Board members in accordance with Article 15 of the Articles of Association[1]

Name	Financial year	Annual	Fixed remuneration[2] For committee work	Total
		€	€	€
Bernd Pischetsrieder	**2015**	**187,000**	**135,000**	**322,000**
Chairman	2014	186,000	136,000	322,000
Marco Nörenberg	**2015**	**142,000**	**13,500**	**155,500**
Deputy Chairman	2014	129,750	27,125	156,875
Ann-Kristin Achleitner	**2015**	**97,000**	**1,000**	**98,000**
	2014	96,000	–	96,000
Frank Fassin	**2015**	**97,000**	**–**	**97,000**
	2014	96,000	–	96,000
Benita Ferrero-Waldner	**2015**	**96,000**	**–**	**96,000**
	2014	95,000	–	95,000
Christian Fuhrmann	**2015**	**96,000**	**51,000**	**147,000**
	2014	96,000	51,000	147,000
Ursula Gather	**2015**	**96,000**	**–**	**96,000**
	2014	71,500	–	71,500
Peter Gruss	**2015**	**96,000**	**–**	**96,000**
	2014	95,000	–	95,000
Gerd Häusler	**2015**	**97,000**	**–**	**97,000**
	2014	71,500	–	71,500
Anne Horstmann	**2015**	**97,000**	**51,000**	**148,000**
	2014	71,500	37,750	109,250
Ina Hosenfelder	**2015**	**97,000**	**–**	**97,000**
	2014	70,500	–	70,500
Henning Kagermann	**2015**	**96,000**	**110,500**	**206,500**
	2014	96,000	111,500	207,500
Wolfgang Mayrhuber	**2015**	**97,000**	**42,500**	**139,500**
	2014	95,000	42,500	137,500
Beate Mensch	**2015**	**96,000**	**–**	**96,000**
	2014	70,500	–	70,500
Ulrich Plottke	**2015**	**97,000**	**–**	**97,000**
	2014	71,500	–	71,500
Anton van Rossum	**2015**	**95,000**	**51,000**	**146,000**
	2014	95,000	51,000	146,000
Andrés Ruiz Feger	**2015**	**97,000**	**13,500**	**110,500**
	2014	96,000	10,125	106,125
Gabriele Sinz-Toporzysek	**2015**	**97,000**	**–**	**97,000**
	2014	71,500	–	71,500
Ron Sommer	**2015**	**97,000**	**–**	**97,000**
	2014	96,000	–	96,000
Angelika Wirtz	**2015**	**96,000**	**29,000**	**125,000**
	2014	71,500	20,250	91,750
Total[3]	**2015**	**2,066,000**	**498,000**	**2,564,000**
	2014	1,841,750	487,250	2,329,000

1 Plus turnover tax (USt) in each case, in accordance with Article 15 (6) of the Articles of Association.
2 Including attendance fees in each case, as per Article 15 (4) of the Articles of Association.
3 The figures for the previous year do not include remuneration for members who left the Board in the 2014 financial year.

Remuneration of Supervisory Board members for membership of supervisory boards at Munich Reinsurance Company subsidiaries, in accordance with the companies' respective articles of association[1]

		Fixed remuneration		
Name	Financial year	Annual[2]	For committee work[2]	Total
		€	€	€
Frank Fassin	**2015**	**29,822**	**–**	**29,822**
	2014	35,000	–	35,000
Anne Horstmann	**2015**	**44,110**	**5,932**	**50,042**
	2014	35,000	–	35,000
Marco Nörenberg	**2015**	**33,849**	**2,425**	**36,274**
	2014	35,000	7,500	42,500
Ulrich Plottke	**2015**	**21,575**	**10,260**	**31,835**
	2014	–	–	–
Gabriele Sinz-Toporzysek	**2015**	**15,000**	**–**	**15,000**
	2014	9,990	–	9,990
Total	**2015**	**144,356**	**18,617**	**162,973**
	2014	114,990	7,500	122,490

1 Plus turnover tax (USt) in each case, in accordance with the relevant provisions of the respective Group companies' articles of association.
2 Including attendance fees in each case insofar as provided for under the relevant provisions of the articles of association.

Macroeconomic and industry environment

- Moderate growth in the global economy
- Interest rates still at a very low level
- Solid overall growth of global premium income in primary insurance
- Prices in property-casualty reinsurance continue to fall

In 2015, the global economy continued to grow only moderately. The recovery in the eurozone gathered some speed, and the USA and the United Kingdom both showed solid growth. But weak economic conditions in many emerging markets and developments in Asia had a dampening effect: Japan's economy expanded only slowly, while the structural slowdown of growth continued in China. Germany grew slightly more strongly than the eurozone average.

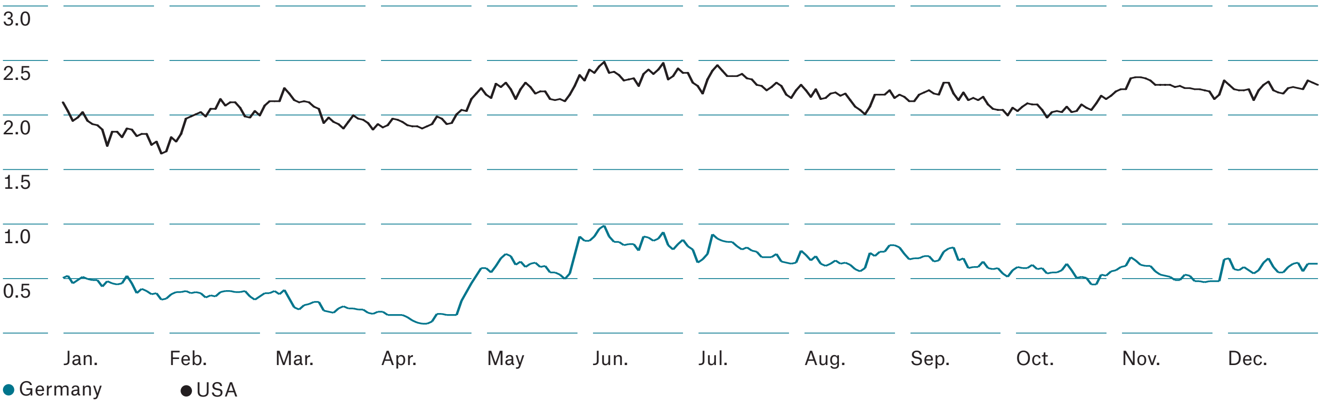
Capital markets

In December 2015, the US Federal Reserve fundamentally changed the course of US monetary policy by increasing the key interest rate for the first time in many years. By contrast, the European Central Bank (ECB) further intensified its very expansionary monetary policy throughout the year by buying bonds on a large scale and cutting its deposit rate even further to its most recent level of –0.3%.

Uncertainty in the global capital and foreign exchange markets increased in 2015 compared with the previous year. Factors such as the upheaval in the Chinese stock markets, the vulnerability of some emerging markets and the resurfacing of the Greek debt crisis had knock-on effects on other markets.

Yields on German and US government bonds at year-end were slightly higher than at the beginning of the year, although in the second quarter German yields showed a marked reversal of the downward trend that had prevailed until then. As at 31 December 2015, yields on US and German bonds with periods to maturity of ten years were 2.3% and 0.6% respectively, compared with 2.2% and 0.5% at the end of 2014. Overall, the historically low interest-rate environment continued to present insurers with considerable challenges, especially since regular interest income saw a further decline.

Development of yields on ten-year government bonds (in %)



We write a large portion of our business outside the eurozone. Appreciation of the euro has an adverse effect on premium income development posted in euros, while depreciation causes an increase. On average, the euro depreciated by 16.5% against the US dollar compared with the previous year. The average exchange rate of the euro was also lower against the Canadian dollar (–3.2%), the Japanese yen (–4.3%) and the British pound sterling (–9.9%). Therefore, currency translation effects have distorted premium income upwards compared with the previous year.

Currency translation effects had a positive impact on investment performance, with the value shown for investments translated at period-end exchange rates. On 31 December 2015, the euro stood at US$ 1.09, down by 10.2% compared with the 2014 year-end rate (US$ 1.21). The euro was down year on year by 9.8% against the Japanese yen and by 5.1% against the British pound sterling, but up by 6.9% against the Canadian dollar.

Insurance industry

According to provisional estimates, in primary insurance global premium income in the property-casualty segment grew robustly in 2015 when adjusted for inflation. In particular, North America as the most important market again boasted solid growth rates. While the development in some European countries and especially in eastern Europe continued to be subdued, key Asian markets were seeing strong growth. Provisional estimates indicate that global premium income in life primary insurance grew significantly more slowly in 2015 than in the previous year when adjusted for inflation. In most industrialised countries in Asia and western Europe, growth rates slowed down. Among the emerging and developing countries, China in particular stood out with impressive growth rates in primary life insurance business.

Inflation-adjusted premium income in the German insurance industry stagnated in 2015 according to provisional estimates, especially due to a significant decrease in single-premium volume in life insurance business. Private health insurance also posted only moderate growth. As in previous years, overall premium income development was bolstered by solid growth in the property-casualty segment.

Throughout 2015, renewal prices of property-casualty reinsurance business continued to fall, albeit at a slower pace than in the previous year. Alternative capital continued to add capacity to the reinsurance market. The more-than-adequate capital base of reinsurance companies – which benefited from low claims expenditure – further contributed to the difficult market environment. As a result, no reversal of the price trend was observed at the 1 January 2016 renewals.

Business performance

- Increase of 3.1% in gross premium income
- Major-loss expenditure again well below projected range
- Decrease in investment result of 5.8%
- Return on risk-adjusted capital (RORAC) of 11.5% (13.2%) after tax
- Proposed dividend increase to €8.25 (7.75) per share

Board of Management's overall assessment of the business performance and situation of the Group

The consolidated profit for 2015 exceeded the target we set ourselves. The figure of €3.1bn almost reached the very good level of the previous year. In property-casualty reinsurance, our profit was really pleasing at €2.9bn, with major losses again remaining well below the volume we expected. Life reinsurance contributed €0.3bn to the consolidated result; it was impacted by very high expenditure for two mortality claims. The ERGO segments contributed an overall loss of €0.2bn, including on account of goodwill impairment. At €0.1bn, Munich Health's result met our expectations.

Munich Re's business performance – Overview and key figures

Return on risk-adjusted capital (RORAC) and economic earnings

		2015	Prev. year	Change
				%
RORAC	%	11.5	13.2	
Economic earnings	€bn	5.3	3.2	67.1

Dividend

		2015	Prev. year	Change
				%
Total dividend payout	€bn	1.3	1.3	3.2
Dividend amount	€	8.25	7.75	6.5

→ A definition of RORAC is provided on page 42

The return on risk-adjusted capital (RORAC) totalled 11.5% for the 2015 financial year, compared with 13.2% in 2014. The RORAC for 2015 was thus below our long-term target of 15%. This target, which we set for the first time in 2006 when market interest rates were significantly higher, is difficult to reach in the current environment of very low interest rates. We were able to exceed our other result target for 2015, namely to achieve a profit in the range of €2.5–3bn, by posting a total of €3.1bn.

Information on economic earnings can be found on page 41 f.

Economic earnings were attributable to factors from new and in-force business deriving from underwriting, and to the development of the economic parameters. The latter are strongly influenced by currency gains and positive effects from bonds and investments in real estate and infrastructure. These contrasted in particular with losses in market values due to increased credit risk spreads. Releases of tax provisions for prior years also continued to have a positive effect on the result.

We want our shareholders to participate in our gratifying result again, and will thus propose to shareholders at the Annual General Meeting payment of a dividend of €8.25 (7.75) per dividend-bearing share.

Key figures[1]

		2015	Prev. year	Change
				%
Gross premiums written	€bn	50.4	48.8	3.1
Combined ratio				
Reinsurance property-casualty	%	89.7	92.7	
ERGO Property-casualty Germany	%	97.9	95.3	
ERGO International	%	104.7	97.3	
Munich Health[2]	%	99.9	98.8	
Technical result	€m	4,014	3,242	23.8
Investment result	€m	7,536	8,002	-5.8
Results from insurance-related investments	€m	140	414	-66.1
Operating result	€m	4,819	4,027	19.7
Taxes on income	€m	-476	312	–
Consolidated result	€m	3,122	3,170	-1.5
Investments	€bn	215.1	218.9	-1.8
Insurance-related investments	€bn	9.2	8.5	8.3
Net technical provisions	€bn	198.5	198.4	0.0
Equity	€bn	31.0	30.3	2.2

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".
2 Excluding health insurance conducted like life insurance.

Gross premium income was up on the previous year. This was partly on account of the development of exchange rates.

Combined ratio 2015 at a gratifyingly low 89.7%

Expenditure for major losses, particularly from natural catastrophes, was again well below the expected range. This is also reflected in the combined ratio for property-casualty reinsurance, which amounted to 89.7% (92.7%) for the full year.

Group premium income

Reinsurance life	21%	(21%)
Reinsurance property-casualty	35%	(34%)
ERGO Life and Health Germany	19%	(20%)
ERGO Property-casualty Germany	6%	(6%)
ERGO International	8%	(8%)
Munich Health	11%	(11%)

Consolidated result

	2015	Prev. year	Change
	€m	€m	%
Reinsurance life	345	409	–15,5
Reinsurance property-casualty	2,915	2,483	17,4
ERGO Life and Health Germany	–329	269	–
ERGO Property-casualty Germany	214	176	21,8
ERGO International	–112	–276	59,3
Munich Health	88	109	–18,9
Total	**3,122**	**3,170**	**–1,5**

Detailed information on the business performance of our segments can be found on page 74 ff.

In the 2015 financial year, we posted a consolidated result of €3.1bn (3.2bn), which came close to equalling the very good figures of the previous year. Although the result in property-casualty reinsurance is excellent, negative figures emanated from a goodwill impairment in the ERGO Life and Health Germany segment.

In the year under review, we posted an effective tax rate of 13.2% (–10.9%). This is attributable to the fact that Munich Re operates in many locations with lower tax rates than in Germany. In addition, tax income for prior years contributed to the low effective tax rate in 2015.

Asset management for clients

MEAG MUNICH ERGO AssetManagement GmbH (MEAG) is the asset manager of Munich Re. MEAG MUNICH ERGO Kapitalanlagegesellschaft mbh also offers its expertise to private and institutional clients. The volume of assets under management rose by €0.2bn to €14.1bn.

Assets under management for third parties

	31.12.2015	Prev. year	Change
	€bn	€bn	%
Third-party investments	14.1	13.9	1.1
Thereof: External institutional investors	10.5	10.8	–3.0
Thereof: Private-client business	3.6	3.1	15.1

Events after the balance sheet date

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management in March 2015, we repurchased a further 1.0 million Munich Re shares with a volume of €169m from the balance sheet date to the end of February 2016.

On 1 January 2016, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Lynt Farm Solar Ltd, London, England, from Solarpark Lynt GmbH, Gräfelfing, Germany. The solar park has an installed peak capacity of 26.9 megawatts.

On 12 January 2016, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the wind park company Eolus Vindpark Tio AB, Hässleholm, Sweden, from Eolus Vindpark Nio AB, Hässleholm, Sweden. Eolus Vindpark Tio AB was renamed Wind Farms Västra Götaland AB immediately after the acquisition and owns wind power plants with an installed capacity of 12 megawatts.

The acquisitions are part of our infrastructure investment programme (including renewable energies and new technologies).

ERGO Versicherungsgruppe AG acquired an additional 22.9% of the shares in HDFC ERGO General Insurance Company (HDFC ERGO), thus increasing its shareholding in the company to 48.7%. The purchase price amounts to €155m. The carrying amount of the shareholding will probably be increased in the first half of 2016.

Reinsurance – Life

- Increase in gross premiums written of 4.9% to €10.5bn due to currency translation effects
- Technical result of €335m slightly weaker than expected
- Investment result of €898m above previous year's level
- Satisfactory consolidated result of €345m

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	10,536	10,040	4.9
Share of gross premiums written in reinsurance	%	37.3	37.5	
Share of international business in gross premiums written	%	96.7	96.2	
Operating result	€m	500	459	9.0
Consolidated result	€m	345	409	–15.5

Premium

The increase in gross premium volume is attributable to the fact that the foreign currencies pertinent for Munich Re's business operations appreciated against the euro. We generated around 90% of premium in foreign currencies, of which 37 percentage points were in Canadian dollars and 25 percentage points in US dollars.

If exchange rates had remained unchanged, our premium income would have decreased by 2.5%. Large-volume treaties are a key factor in our business and have a significant influence on premium development. Our clients conclude them to reduce their capital requirements. Last year, some of these treaties were terminated as planned or renewed with a lower volume.

In our traditional reinsurance business, premium development was largely stable in the year under review. The ongoing low-interest-rate phase and the sluggish economy in many of our key markets had a dampening impact on our clients' business and curbed demand for reinsurance. By contrast, in Asia our new business continued to develop very positively.

Result

At €335m (279m), the technical result was somewhat below our expectation of around €400m. It was impacted by expenditure for two large mortality claims, each with a payout in the double-digit million euro range.

By contrast, in Canada, Asia and the European markets, our business showed very satisfactory results. In the USA and Australia, our business largely developed as expected after negative effects had burdened the result in 2014.

At €898m (811m), the investment result was above the level for the previous year. The increase is attributable to higher regular income, which was favourably affected in particular by currency translation effects, and to improved gains on derivatives. Inflation and equity derivatives showed lower losses than in the previous year.

Focus of our business activities

In life reinsurance, we operate on a global basis and have local offices in most of our important markets. The focus of our business activities is on traditional reinsurance solutions that concentrate on the transfer of mortality risk. Moreover, in the last few years we have been increasingly active in the market for living benefits products. These include products such as disability, long-term care, and critical illness, where demand has grown significantly. Finally, several years ago we began to provide a limited amount of capacity for longevity risks. Until now, we have offered this only in the United Kingdom, where the existing market environment is good.

Besides assuming insurance risks, we offer our clients a wide range of services, from medical expertise to automated risk assessment processes. For the latter, we offer software solutions available worldwide through our subsidiary Munich Re Automation Solutions Limited.

In addition, we continuously expand our tailor-made structured concepts for clients seeking to optimise their capitalisation, liquidity or specific items on their balance sheet. In this area, we have responded especially to the changes in supervisory regulations such as Solvency II in Europe. With these products, we met with particular success in Europe, Asia and North America in 2015.

Demand for reinsurance is growing also with regard to capital market risks such as those embedded in unit-linked life insurance products. We provide our clients with comprehensive advice on product design while offering hedging for embedded options and guarantees linked to the capital markets. Our own exposure is transferred back to the capital markets.

Rapidly increasing digitalisation, and its impact on the insurance industry, have become a key issue. We are investing in this area by expanding our data sources and enhancing our analytical methods. Our aim is to support our clients in making their sales processes and risk assessment more efficient and improving their claims management.

In all pillars of our business activity, our clients benefit from our global expertise relating to insurance products and biometric risks, from our structuring know-how and, in particular, from our capital strength.

Our individual core markets

Based on premium volume, over half (approx. 60%) of our global life reinsurance business is written in North America, where Canada (approx. 35%) continues to rank before the USA (approx. 25%). Around a fifth (approx. 20%) of our premium comes from Europe, of which approx. 10% is from the United Kingdom and approx. 5% from Germany. Further substantial shares are contributed by Asia (approx. 10%) and Australia/New Zealand (approx. 5%). We are also well positioned in Africa and Latin America, but due to the size of the markets their share of our global business is small (approx. 5%).

Our Canadian branch, Munich Re, Toronto (Life), generated premium income of €3.7bn (3.5bn) in the life reinsurance segment, the increase being partly due to currency translation effects. The unit maintained its leading market position and again posted a very good technical result. It accounts for an over-proportionate contribution to the overall result. The favourable development of basic losses was able to almost fully compensate for the expenditure for a major loss in the two-digit-million-euro range.

In the USA, our subsidiary Munich American Reassurance Company posted an increase in gross premium income to €2.5bn (2.1bn), also influenced by currency translation effects. We thus continue to be one of the leading reinsurers in this largest market worldwide. The technical result largely developed as we expected, apart from expenditure for a randomly very high mortality claim. As a result of this special situation, we posted a loss in 2015.

Premium income in Europe totalled €2.1bn (2.1bn), of which €1.2bn (1.0bn) was from our branch in the United Kingdom, and a further €344m (377m) from Germany. The technical result was satisfactory overall.

In Asia, our premium income climbed to €910m (870m). The technical result developed very well and reached a record level.

At our subsidiary Munich Reinsurance Company of Australasia Ltd., which writes our life reinsurance business in Australia and New Zealand, premium income decreased to €658m (727m), mainly due to the termination of several large treaties. Following the negative impact of disability business in the past two years, we posted a balanced technical result again in 2015. It was thus generally in line with our current expectations.

On the African continent, our South African subsidiary Munich Reinsurance Company of Africa Ltd. posted an increase in premium volume to €187m (164m). The technical result was again within the expected range.

Reinsurance – Property-casualty

— Gross premiums written up by 5.7% to €17.7bn due to currency translation effects
— Very good combined ratio of 89.7%
— Investment result climbs to €2,046m
— Very good consolidated result of €2,915m

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	17,680	16,730	5.7
Share of gross premiums written in reinsurance	%	62.7	62.5	
Share of international business in gross premiums written	%	96.2	95.4	
Loss ratio	%	57.0	60.2	
Thereof: Major losses	Percentage points	6.2	7.2	
Expense ratio	%	32.6	32.5	
Combined ratio	%	89.7	92.7	
Operating result	€m	3,641	2,824	28.9
Consolidated result	€m	2,915	2,483	17.4

Premium

Gross premiums by division

Global Clients and North America	39%	(40%)
Special and Financial Risks	22%	(18%)
Germany, Asia Pacific and Africa	20%	(21%)
Europe and Latin America	19%	(21%)

The increase in premium income is attributable to the fact that the foreign currencies pertinent for Munich Re's business operations were up against the euro. Approximately 11% of the portfolio is written in euros and 89% in foreign currency, of which 51 percentage points is in US dollars and 14 percentage points in pounds sterling. Compared with the previous year, changes in exchange rates had a positive effect of €1,916m on our premium income.

If exchange rates had remained unchanged, premium volume would have decreased by 5.8%. We reduced our portfolio in areas in which risk-adequate prices, terms and conditions could no longer be realised. This mainly related to property and marine business, which are under particular pricing pressure at present. In the specialty class of agriculture, premium income and the risks insured are linked to the development of strongly eroding commodity prices for agricultural products. Higher client retentions – for example in credit insurance – also reduced premium income. However, our long-term client relationships and comprehensive expertise enabled organic growth with major business partners, which enabled us to mitigate the fall in premium income. The relatively stable business of our specialty primary insurers operating in niche segments also played a role in this.

The environment of the renewal rounds was highly competitive in 2015

Intense competition again characterised the renewals in 2015, as most market players were able to further improve their capital position thanks to good results. This suppressed demand for reinsurance cover on the primary insurance side, whilst there continued to be an oversupply of reinsurance capacity on the reinsurance side. This situation was exacerbated in the US market by the ongoing availability of alternative capital. Pension funds and hedge funds continue to regard reinsurance as an attractive investment alternative for diversifying risks and meeting return requirements in the present low-interest-rate environment. This difficult overall market situation led to unchanged strong pressure on prices, terms and conditions, and to further significant price falls in the area of non-proportional natural catastrophe covers.

Result

Technical result of €3,116m

The consolidated result in property-casualty reinsurance increased slightly compared with the previous year. The operating result, which includes the investment and technical result, also rose. The technical result totalled €3,116m (2,392m). Expenditure for major losses was again well below the expected range. Adjusted for commissions, Munich Re's customary review of reserves resulted in a reduction in the claims provisions for prior years by around €1,200m for the full year, which is equivalent to around 7.2 percentage points of the combined ratio. This positive development related to almost all lines in our portfolio. The safety margin in the reserves remained unchanged at a high level in 2015.

Major-loss expenditure totalling €1,046m (1,162m) after retrocession and before tax was lower than in the previous year and below expectations. As in the previous years, 2015 was marked by a large number of major losses, but there were once again no exceptional individual events. Run-off profits were somewhat higher than the reserve strengthening for major losses from previous years.

Aggregate losses from natural catastrophes were randomly very low once more and came to €149m (538m). This is equivalent to 0.9% (3.3%) of net earned premiums, i.e. far below the level to be expected. Heavy rainfall in northern Chile, which triggered considerable flooding, was the largest loss event of the year at €47m. A severe earthquake off the coast of Chile gave rise to expenditure of €45m. In December, Storm Desmond caused heavy rainfall in northern England, for which we reserved €43m. Storm Niklas, which swept across Europe in March, caused losses totalling €40m.

At €897m, man-made major losses were up on the previous year's figure (€625m) and slightly higher than the expected level, accounting for 5.3% (3.9%) of net earned premiums. The explosion at Tianjin harbour in China (€175m) and a dam failure in Brazil (€156m) were by far the two largest individual losses of the year. Extensive losses resulted from a fire in a South Korean warehouse (€51m), and we reserved €45m for a marine loss. A fire in a US refinery (€36m) also had an impact on our result.

The investment result amounted to €2,046m (1,785m). The increase was largely a consequence of a significant improvement in the net balance of derivatives. Especially inflation and equity derivatives, and derivatives on fixed-interest securities, showed lower losses than in the previous year. Additionally, in the third quarter we realised a positive one-off effect of around €220m from the acquisition of almost all the shares in 13th & F Associates Limited Partnership Columbia Square, Washington, D.C. (13th & F).

Development of premium income and results in each division

Germany, Asia Pacific and Africa

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	3,607	3,588	0.5
Combined ratio	%	87.4	97.5	

This division writes business in Germany, the Asia-Pacific region and Africa. In terms of the division's premium income, approximately 30% is written in Australia/New Zealand and Japan combined, around 30% in Greater China and approximately 10% in Africa/MENA. Whilst the focus of our activities in Australia/New Zealand and Japan is on natural hazards cover, the Greater China portfolio is largely made up of motor business.

Adjusted for exchange rates, the division's premium volume sank compared with the previous year. This was due particularly to the planned reduction of a large customised motor reinsurance treaty in Australia in 2014. The strong pricing pressure in various markets also led to business attrition, for example in Japan and Greater China. By contrast, we successfully expanded our business in India and South Korea.

China is one of the markets from which we expect considerable growth potential in the long term, irrespective of subdued development in 2015. Consequently, we have again strengthened our local presence in order to remain in a very good position under the new solvency regulations applicable in China from 2016, and to be able to exploit the opportunities arising for profitable growth.

The combined ratio improved year on year thanks to low major-loss expenditure and the positive run-off of provisions for basic losses.

Europe and Latin America

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	3,279	3,452	–5.0
Combined ratio	%	85.4	85.0	

The Europe and Latin America Division writes business in Europe (except Germany), the Caribbean, and Central and South America. Approximately 75% of the division's premium income derives from Europe. While the focus in the Caribbean and in Central and South America is on property business, particularly in the area of natural hazards covers, European business is strongly weighted in favour of UK motor business.

The division's premium volume was down because we have consciously reduced our portfolio. We kept constant the capacity we provide for the coverage of natural hazards, particularly windstorm and earthquake, and successfully defended our strong market position in the Caribbean, Latin America and Europe with margins still remaining adequate.

The division's combined ratio was again at a very low level. We benefited from an extremely low incidence of major losses and from positive loss reserve releases for prior years.

Global Clients and North America

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	6,817	6,702	1.7
Combined ratio	%	91.9	89.5	

The Global Clients and North America Division writes the international business of defined global clients (approx. 25%), worldwide Lloyd's business (approx. 10%) and property-casualty business in the USA and Canada (approx. 65%). The share of global Lloyd's business is lower than in the previous year because the Special and Financial Risks Division is now responsible for the Watkins Syndicate.

The division's premium volume rose compared with the previous year, largely backed by currency translation effects. We saw slight growth in liability reinsurance and were able to selectively write profitable business, particularly in the USA. As pressure on reinsurance prices, particularly for natural hazards covers, persisted, we made a deliberate decision to reduce our business in the areas especially affected. By contrast, the premium income of Hartford Steam Boiler Group (HSB Group) improved to €968m (752m). Overall, our primary insurers HSB Group and American Modern Insurance Group (American Modern) contribute almost 50% to our premium in North America. Moreover, Munich Reinsurance America accounted for €2,463m (2,239m).

The results of our subsidiaries in the USA were again very pleasing. In 2015, they paid dividends totalling US$ 915m to the Group parent Munich Reinsurance Company.

Our strategy of combining insurance and reinsurance activities remains on a successful track that we will continue to pursue in the future.

The division's combined ratio was again gratifying, even if it had deteriorated slightly year on year. We benefited from a very low incidence of major losses and from positive loss reserve releases for prior years.

Special and Financial Risks

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	3,976	2,988	33.1
Combined ratio	%	91.8	103.1	

The Special and Financial Risks Division writes business in the specialty classes of agriculture (around 25%), credit and bond (around 15%), and aviation and space (around 10%). This division also comprises Corporate Insurance Partner (around 15%) and our Swiss subsidiary New Reinsurance Company Ltd. (around 15%). Since 2015, we have also bundled marine underwriting (including the Watkins Syndicate) in this division for strategic reasons (approx. 20%). In order to support global business activities, we have renamed the Watkins Syndicate "Munich Re Syndicate Ltd." with effect from 1 January 2016.

The Capital Partners unit also belongs to this division. It offers our clients a broad spectrum of structured, individual reinsurance and capital market solutions. We also use this unit's services for our own purposes in order to buy retrocession cover on the basis of our defined risk strategy. We placed six transactions with investors in 2015: two client transactions worth €200m and US$ 100m, two of our own securitisations, each worth US$ 100m (Queenstreet X and Queenstreet XI), and two sidecar transactions worth US$ 75m and US$ 290m (Eden Re I Ltd. and Eden Re II Ltd 2015).

The division's premium income was up year on year. The bundling of marine is a key reason for the increase in premiums. This effect was curtailed by lower premium income in agricultural business derived from the negative development of commodity prices for agricultural products. The low claims burden and the positive run-off of provisions for basic losses contributed to a considerable improvement in the division's combined ratio. This includes the cost of Group-wide retrocession, which totals 2.3 percentage points.

ERGO Life and Health Germany

— Overall premium income down to €10.3bn, gross premiums written decreased to €9.4bn
— Technical result increased to €383m
— Reduced investment result of €3.8bn
— Consolidated result of –€329m impacted by impairment of goodwill

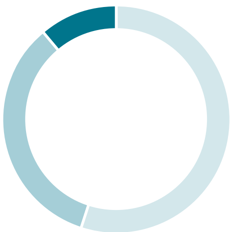
Key figures

		2015	Prev. year	Change
				%
Total premium income[1]	€m	10,322	10,730	–3.8
Gross premiums written	€m	9,426	9,812	–3.9
Share of gross premiums written by ERGO	%	57.0	58.6	
Operating result	€m	311	44	607.5
Consolidated result	€m	–329	269	–

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

Gross premiums by business segment



Health Germany	55%	(54%)
Life Germany	34%	(36%)
Direct business Germany	11%	(10%)

In the ERGO Life and Health Germany segment, we report on German life business, German health business and German direct business.

The decrease in overall premium income was due in particular to continuing poor market conditions driven by low interest rates. Gross premiums written also went down in the past financial year. The decrease in this segment was mainly attributable to lower single-premium income in life insurance.

Result

Technical result
€383m

The technical result in the ERGO Life and Health Germany segment was €383m (144m). The increase is mainly due to lower benefits in life and health insurance. At €3,841m, the investment result was down on the previous year (€4,453m), mainly due to an expected reduction in net gains on derivatives. In view of the decline in interest rates, in 2014 we had posted high gains on our interest-rate hedges. In 2015, long-term interest rates increased slightly, however, resulting in write-downs on our interest-rate hedging instruments. The improved technical result was the main reason for the enhanced operating result. The decrease in the consolidated result is due to the write-down of €429m on goodwill.

Development of premium income and results by segment

Life Germany

Key figures

	2015	Prev. year	Change
	€m	€m	%
Total premium income[1]	4,016	4,363	-8.0
Gross premiums written	3,214	3,553	-9.6
Technical result	-25	-160	84.4
Operating result	6	53	-88.7

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Life Germany encompasses German life insurance with the exception of direct insurance business.

The decrease in premium income was due in particular to lower single-premium business. Overall, new business volume in 2015 was down by 12.2% year on year in terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors. The new generation of life insurance products accounted for just under one-fourth of total new business.

At the end of 2015, we largely stopped underwriting new business that provides traditional guarantees for private provision for old age. This excludes business in force and all term insurance products – including death benefits – and immediate annuities. In future, we will focus on our new products for unsponsored deferred annuities for old age. These are a combination of traditional and unit-linked life insurance that can be customised to the individual needs of the customer if required.

New business Life Germany

	2015	Prev. year	Change
	€m	€m	%
Regular premiums	189	207	-8.6
Single premiums	670	848	-21.0
Total	**859**	**1,055**	**-18.6**
Annual premium equivalent[1]	256	292	-12.2

1 The annual premium equivalent corresponds to the regular premium income plus 10% of single-premium volume.

The technical result increased compared with the previous year. The main reason for this positive development was the year-on-year reduction in expenses for premium refunds, aided by a decrease in acquisition costs. The investment result for the past financial year was €2,377m (2,896m). This deterioration was largely attributable to lower net gains on derivatives, mainly due to write-downs of interest-rate derivatives. The development of the investment result was one of the reasons for the decreased operating result.

Health Germany

Key figures

	2015	Prev. year	Change
	€m	€m	%
Total premium income	5,202	5,250	–0.9
Gross premiums written	5,202	5,250	–0.9
Technical result	337	220	53.2
Operating result	233	–88	–

In Health Germany, we report on domestic health insurance with the exception of direct insurance business. Our worldwide travel insurance activities are also included under this category. Approximately 91% of the premium income in Health Germany derives from health insurance, and around 9% from travel insurance.

In supplementary health insurance business, premium income remained stable year on year, while it declined by 1.7% in comprehensive health business. New business increased by 5.3% in comprehensive health insurance, and by 14.9% in supplementary health insurance. Nevertheless, premium income was down overall because the number of policyholders withdrawing from our comprehensive health cover was greater than the number of new policies we concluded.

In travel insurance, which we account for in our Health Germany field of business and write in Germany and abroad, premium volume totalled €449m (433m) and was thus above the level of the previous year (+3.8%). German business expanded, whilst international business decreased.

The technical result was above the level of the previous year. The increase is mainly attributable to the fact that the preceding year had been impacted by higher benefits due to the participation of our policyholders in an anticipated tax refund. The investment result of €1,320m decreased slightly compared with the previous year (€1,392m). Negative contributing factors included write-downs on equities and on our investments in HETA Asset Resolution AG, Klagenfurt (HETA). Overall, our operating result improved significantly.

German direct business

Key figures

	2015	Prev. year	Change
	€m	€m	%
Total premium income[1]	1,104	1,117	–1.2
Gross premiums written	1,011	1,009	0.2
Technical result	71	84	–15.5
Operating result	72	79	–8.9

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

German direct business encompasses direct life, health and property-casualty insurance business transacted in Germany. Life insurance accounts for approximately 46% of the premium income in this field of business. Approximately 39% of the premium income derives from health insurance, and around 15% from property-casualty insurance.

The decline in premium volume was mainly attributable to the drop in single premiums in life insurance. In accordance with the low capital-market interest rates, we too lowered the interest rates for our MaxiZins capitalisation product and thus realised €15m less premium than in 2014. Adjusted for premiums from MaxiZins, however, overall premium income would have been slightly up by 0.2% on the previous year. Gross premiums written increased moderately by 0.2%.

At 87.8%, the combined ratio for property-casualty business was higher than last year's (86.3%), but remained at a very good level.

New business direct life Germany

	2015	Prev. year	Change
	€m	€m	%
Regular premiums	29	29	–1.2
Single premiums	98	131	–25.1
Total	**127**	**160**	**–20.8**
Annual premium equivalent[1]	38	42	–8.4

1 The annual premium equivalent corresponds to the regular premium income plus 10% of single-premium volume.

The decline in the technical result is partly attributable to lower income from technical interest in life insurance business. At €143m, the investment result was below that of the previous year (€165m), one negative contributing factor being diminished regular income. All in all, the operating result decreased.

ERGO Property-casualty Germany

- Slight increase in premium income to €3.2bn
- Higher combined ratio of 97.9%
- Investment result of €187m down on previous year
- Good consolidated result of €214m

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	3,162	3,115	1.5
Share of gross premiums written by ERGO	%	19.1	18.6	
Loss ratio	%	64.7	63.1	
Expense ratio	%	33.2	32.2	
Combined ratio	%	97.9	95.3	
Operating result	€m	219	304	–28.1
Consolidated result	€m	214	176	21.8

Premium

In the ERGO Property-casualty Germany segment, we report on property-casualty insurance business in Germany, with the exception of ERGO Direkt business. Our main classes of business include personal accident and motor insurance, each of which accounts for approximately 21% of the segment's premium income.

Premium income increased slightly compared with the previous year. Performance varied from one class of business to the next: we posted higher premium income in fire and property insurance (+8.5%) and third-party liability insurance (+0.3%). By contrast, premium volume saw a decline in personal accident insurance (–2.6%), legal protection insurance (–1.2%) and motor insurance (–0.4%). In personal accident and legal protection business, the reduction of business in force was partly responsible for the decreased premium.

Result

The technical result in the ERGO Property-casualty Germany segment decreased to €122m (214m). The decline in 2015 was mainly due to higher major-loss expenditure in fire insurance and greater losses from natural hazards in houseowners' comprehensive insurance and other property business. The decline in the investment result to €187m (204m) was largely attributable to write-downs on equities. Overall, the operating result was down on the previous year, while the consolidated result increased due to the reversal of a tax provision.

The combined ratio was higher than in the previous year. Flooding caused by the low-pressure systems Eva and Frank in the fourth quarter was the largest loss event of the year. In addition, we were impacted by a number of major man-made losses. Paid claims and the change in claims provisions totalling €1,981m (1,942m), along with net operating expenses of €1,015m (994m) compared with net earned premiums of €3,059m (3,080m).

ERGO International

- Increase in overall premium income to €4.4bn
- Combined ratio of 104.7% up on the previous year
- Reduced investment result of €447m
- Consolidated result of –€112m

Key figures

		2015	Prev. year	Change
				%
Total premium income[1]	€m	4,382	4,213	4.0
Gross premiums written	€m	3,947	3,809	3.6
Share of gross premiums written by ERGO	%	23.9	22.8	
Loss ratio	%	65.3	58.5	
Expense ratio	%	39.4	38.8	
Combined ratio	%	104.7	97.3	
Operating result	€m	68	278	–75.5
Consolidated result	€m	–112	–276	59.3
Thereof attributable to non-controlling interests	€m	11	13	–12.5

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

In the ERGO International segment, we bundle our life and property-casualty insurance business outside Germany. Approximately 45% of the segment's premium income derives from life insurance, and around 55% from property-casualty insurance. Our biggest markets include Poland, accounting for approximately 30% of the premium volume, Austria (approx. 17%) and Belgium (approx. 14%).

The increase in premium income is attributable to good organic growth in Poland and Turkey. In the United Kingdom, positive currency translation effects led to premium growth. Adjusted to eliminate currency translation effects, gross premiums written in the ERGO International segment would have increased by 4.1% compared with the previous year.

At €1.99bn (2.03bn), overall premium income from international life insurance business decreased by 1.9% year on year. The growth in Poland contrasted with decreases in premium income in particular in Belgium and Austria. In terms of annual premium equivalent, new international life business in 2015 was down by 17.5% on the previous year. We posted premium volume of €2.4bn (2.2bn) in international property-casualty business. The increase in premium volume is due especially to growth in Poland and in Turkey. The property-casualty insurer ERGO Insurance Pte. Ltd., Singapore (ERGO Insurance), acquired in 2014, accounted for €34m (15m) of the overall premium volume in the past financial year.

New business Life International

	2015	Prev. year	Change
	€m	€m	%
Regular premiums	146	194	–25.0
Single premiums	856	857	–0.2
Total	**1,001**	**1,051**	**–4.7**
Annual premium equivalent[1]	231	280	–17.5

1 The annual premium equivalent corresponds to the regular premium income plus 10% of single-premium volume.

At the end of 2015, we sold our Italian subsidiary ERGO Italia along with the insurers ERGO Previdenza and ERGO Assicurazioni to the private equity investor Cinven, resulting in an expected loss on disposal totalling €82m. The sale is subject to approval by the competent authorities. The transaction is another step towards ERGO's aim of reducing its traditional life insurance business involving guaranteed products in Germany and abroad.

Also at the end of 2015, we acquired an additional 22.9% of the shares in HDFC ERGO General Insurance Company (HDFC ERGO) from our joint-venture partner Housing Development Finance Corporation (HDFC) in India. Upon completion of the transaction, we will own a 48.7% share. The acquisition is subject to approval by the supervisory authorities. Through the acquisition, ERGO is strengthening its presence in India, one of the target markets of its international growth strategy.

Result

The technical result in the ERGO International segment decreased to €33m (136m). The main reason for the reduction was the year-on-year increase in expenditure in Turkey, Belgium, and Poland. The investment result for the past financial year was €447m (662m). The decrease is primarily due to write-downs of fixed-interest securities and to losses on derivatives, the latter deriving mainly from interest-rate and equity hedging transactions. The operating result consequently declined overall. On the other hand, the consolidated result improved on the previous year, which had been impacted by write-downs on goodwill of €445m.

The higher combined ratio is primarily due to an increased loss ratio, which is partly attributable to new regulations issued by the Polish supervisory authority governing claims settlement in Poland. Higher allocations to claims provisions in Turkey and the UK had an additional negative effect. In international property-casualty business, the expense ratio also saw a rise, not least because of the disproportionate increase in acquisition costs in the UK. Paid claims and the change in claims provisions totalling €1,373m (1,152m), along with net operating expenses of €828m (763m) compared with net earned premiums of €2,103m (1,968m).

Munich Health

— Gross premiums written of €5.6bn up slightly on previous year
— Higher combined ratio of 99.9%
— Improved investment result of €118m
— Consolidated result down to €88m

Key figures

		2015	Prev. year	Change
				%
Gross premiums written	€m	5,623	5,342	5.3
Share of international business in gross premiums written	%	99.0	98.6	
Loss ratio[1]	%	84.5	82.0	
Expense ratio[1]	%	15.4	16.8	
Combined ratio[1]	%	99.9	98.8	
Operating result	€m	80	118	–32.3
Consolidated result	€m	88	109	–18.9
Thereof attributable to non-controlling interests	€m	2	5	–48.8

1 Excluding health insurance conducted like life insurance.

With the exception of the German health insurers belonging to ERGO, our global healthcare insurance and reinsurance business is combined under the Munich Health brand. We offer our international clients across the world innovative insurance solutions and individual consultancy and services.

Premium

Gross premiums written were slightly higher than in the previous year.

Gross premiums

Reinsurance		
North America	54%	(55%)
Europe and Latin America	10%	(12%)
Middle East/Africa	9%	(7%)
Asia-Pacific	4%	(2%)
Primary insurance		
Spain	13%	(13%)
Belgium	9%	(9%)
Other	1%	(2%)

In reinsurance, positive currency translation effects from Canadian and US dollars, which more than offset the reduction of our share in a large treaty in North America, resulted in an increase in gross premium volume of 6.8% to €4.3bn (4.1bn). In primary insurance, premium volume grew slightly by 0.5% to €1.3bn (1.3bn) despite the sale of DKV Luxembourg. Our companies in Belgium and Spain in particular increased their premium income. If exchange rates had remained unchanged, and adjusted for the sale of DKV Luxembourg, Munich Health's gross premiums would have increased by 0.5% year on year.

Result

At €24m (77m), the technical result was significantly below the level of the previous year. The decreased result is a consequence of considerably higher claims expenditure in individual segments of our reinsurance business in the USA. A significantly higher investment result of €118m (87m) resulted from a subsequent purchase price adjustment from the sale of the Windsor Health Group, and the fact that the previous year had been impacted by write-downs on associates.

The Munich Health combined ratio, which relates only to short-term health business and not to business conducted like life insurance, was up on the previous year. Business conducted like life insurance accounted for 9.0% (9.9%) of gross premiums written in the year under review. In reinsurance, the combined ratio amounted to 101.1% (99.4%); in primary insurance, it was 93.2% (95.5%).

Investment performance

— High portfolio weighting of government bonds with very good credit ratings
— Net on- and off-balance sheet unrealised gains down, but at a very high level of €26.5bn
— Investment result of €7.5bn
— Return on investment (RoI) of 3.2% for the year as a whole

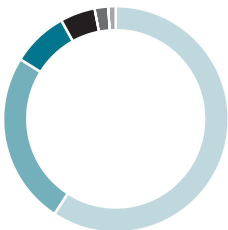
Investment mix

	31.12.2015	Prev. year	Change
	€m	€m	%
Land and buildings, including buildings on third-party land	4,317	3,732	15.7
Investments in affiliated companies	145	274	–46.9
Investments in associates and joint ventures	1,132	1,285	–11.9
Loans	53,516	54,550	–1.9
Other securities available for sale			
Fixed-interest	127,661	129,806	–1.7
Non-fixed-interest	13,882	14,037	–1.1
Other securities at fair value through profit or loss			
Held for trading			
Fixed-interest	30	45	–34.0
Non-fixed-interest	56	45	25.4
Derivatives	2,107	1,874	12.4
Designated as at fair value through profit or loss			
Fixed-interest	165	204	–19.1
Non-fixed-interest	193	1	>1,000.0
Deposits retained on assumed reinsurance	7,253	8,750	–17.1
Other investments	4,635	4,324	7.2
Total	**215,093**	**218,927**	**–1.8**

Capital-market interest rates in the established markets increased slightly in 2015, but developments in the course of the year were marked by significant volatility. The further relaxation of ECB monetary policy and the end of the US zero-interest-rate policy played a key role in this regard. As a consequence, the euro depreciated appreciably against the US dollar. During the year, stock markets were also subject to increased fluctuations, but overall they showed moderately positive development. In the period under review, the EURO STOXX 50 up by about 4%, the Dow Jones fell by about 2% and the DAX 30 climbed by around 10%. In the first quarter of 2015, yields on ten-year German government bonds fell to a historic low; in the second quarter, they climbed markedly and fell again marginally in the third quarter. Yields were slightly higher at the end of the year than at the beginning.

Distribution of investments by type

Total: €215bn (219bn)



Fixed-interest securities	60%	(60%)
Loans	25%	(25%)
Other investments	8%	(8%)
Shares and equity funds	5%	(4%)
Real estate	2%	(2%)
Participating interests	1%	(1%)

We select our investments according to economic criteria and gear them to the characteristics of our technical provisions and liabilities. In addition, we use derivative financial instruments for portfolio management (especially for acquisition preparation) to hedge against fluctuations and protect against inflationary developments on the interest-rate, equity and currency markets. Volatilities on the capital markets result in changes in the values of derivatives, which under IFRS accounting we recognise in profit or loss.

The carrying amount of our investment portfolio – which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments – saw a reduction, largely due to ERGO Italia being posted as a disposal group. At 31 December 2015, the carrying amount of our investments amounted to €215.1bn (218.9bn).

Our return on investment (RoI) fell to 3.2% (3.6%).

Off-balance-sheet unrealised gains and losses

	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Land and buildings[1]	9,514	8,647	2,795	2,491	6,719	6,156
Associates	1,678	1,796	553	516	1,125	1,280
Loans	66,126	68,950	12,610	14,400	53,516	54,550
Total	**77,318**	**79,393**	**15,958**	**17,407**	**61,360**	**61,986**

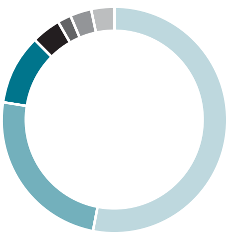
1 Including owner-occupied property.

→ An overview of the on-balance-sheet unrealised gains/losses is available in the notes to the consolidated financial statements on page 221

Our on- and off-balance-sheet unrealised gains and losses (including owner-occupied property), which could be turned into realised gains upon disposal of the relevant investments, fell from €32.0bn to €26.5bn. This decrease was mainly owing to gains on disposals of fixed-interest securities and equities, and to the slight increase in long-term interest rates.

Fixed-interest portfolio by economic category[1]

Total: €203bn (207bn)



Government bonds[2]	52%	(50%)
Thereof: inflation-linked bonds	8%	(8%)
Covered bonds	24%	(27%)
Corporate bonds	10%	(10%)
Cash positions/other	4%	(4%)
Structured products (credit structures)	2%	(3%)
Bank bonds	3%	(3%)
Policy and mortgage loans	3%	(3%)

1 Presentation essentially shows fixed-interest securities and loans, including deposits and cash at banks, at market value. The approximation is not fully comparable with IFRS figures.
2 Including other public-sector issuers and government-guaranteed bank bonds.

In the period under review, we increased our portfolio of government bonds, but reduced our investments in covered bonds and structured credit products.

Over half of our fixed-interest portfolio is invested in government bonds. In the current financial year, we have mainly made new investments in US, French and Spanish government bonds. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Reductions focused on our holdings of bonds from German and Italian issuers, the latter chiefly via the classification of ERGO Italia as a disposal group. The vast majority of our government bonds continue to come from countries with a high credit rating. As part of our risk management, we gear our risk capital requirements and limits to the ratings of the relevant issuers, but we do not treat any credit exposure as risk-free. Approximately 46% of our government bond portfolio is made up of German and US bonds, with 9% from Italian, Spanish, Portuguese and Irish issuers. We do not hold any government bonds from Greece, Cyprus or Argentina.

Covered bonds make up 24% of our fixed-interest securities. The emphasis remained on German pfandbriefs, at around 34%.

Corporate bonds account for 10% of our interest-bearing investments. Our credit exposure is increased by a further percentage point through derivatives.

Government bonds[1], covered bonds and corporate bonds by country[2] according to fair values[3]

€bn	31.12.2015	Prev. year	Change
Government bonds			
Germany	29.0	30.6	-1.6
USA	20.0	16.1	3.9
Supranational institutions[4]	6.3	7.6	-1.3
Canada	5.5	5.7	-0.2
UK	5.2	4.9	0.3
Spain	3.7	3.3	0.4
France	3.7	3.3	0.4
Italy	3.2	4.5	-1.3
Belgium	3.2	3.0	0.2
Australia	3.0	3.1	-0.1
Austria	2.7	3.5	-0.8
Poland	2.0	1.6	0.4
Ireland	2.0	1.7	0.3
Netherlands	1.8	2.1	-0.3
Finland	1.8	1.9	-0.1
China	1.5	1.2	0.3
Covered bonds			
Germany	17.0	19.2	-2.2
France	9.2	10.3	-1.1
UK	4.2	4.7	-0.5
Netherlands	3.5	3.8	-0.3
Sweden	2.9	3.2	-0.3
Norway	2.8	3.1	-0.3
Spain	2.4	3.4	-1.0
Corporate bonds			
USA	8.5	8.1	0.4
UK	2.0	1.9	0.1
Netherlands	1.7	1.9	-0.2

1 Including other public-sector issuers and government-guaranteed bank bonds.
2 Presentation based on approximation and not fully comparable with IFRS figures.
3 Country exposures with more than €1.5bn each within these asset classes.
4 Especially EU and EFSF.

Our portfolio of government bonds, covered bonds and corporate bonds has a good rating structure: as at 31 December 2015, approximately 84% were rated AAA to A.

Rating of government bonds, covered bonds and corporate bonds by country[1] according to carrying amounts

€bn	AAA	AA	A	BBB	Lower	No rating	Total
Germany	23.5	14.9	1.1	0.5	0.1	0.1	40.1
USA	19.6	1.1	3.0	3.9	0.9	0.1	28.6
France	5.0	6.6	0.3	0.9	0.2	0.0	13.0
UK	3.8	5.3	0.6	1.2	0.2	0.0	11.0
Canada	2.7	3.1	1.3	0.2	0.0	0.0	7.3
Netherlands	4.8	0.2	0.3	1.0	0.3	0.0	6.5
Spain	0.0	0.7	0.9	4.2	0.6	0.0	6.4
Supranational institutions	4.1	2.1	0.0	0.0	0.0	0.0	6.2
Australia	3.3	0.9	0.1	0.0	0.0	0.0	4.3
Italy	0.0	0.4	0.2	3.4	0.1	0.0	4.2
Ireland	0.0	1.4	2.1	0.0	0.1	0.0	3.7
Austria	0.4	2.4	0.1	0.2	0.2	0.2	3.5
Belgium	0.1	2.7	0.4	0.0	0.0	0.0	3.2
Norway	2.4	0.1	0.0	0.0	0.0	0.0	2.6
Sweden	2.3	0.0	0.1	0.1	0.0	0.0	2.6
Finland	1.1	0.9	0.0	0.0	0.0	0.0	2.1
Poland	0.0	0.0	2.0	0.0	0.0	0.0	2.0
Denmark	1.4	0.0	0.0	0.2	0.0	0.0	1.6
China	0.0	1.5	0.0	0.0	0.0	0.0	1.5
Other	1.4	1.6	3.6	5.2	2.1	0.0	14.0
Total	**75.9**	**45.8**	**16.1**	**21.3**	**4.8**	**0.3**	**164.2**

1 Presentation based on approximation and not fully comparable with IFRS figures.

The rating categories are based on those of the leading international rating agencies.

Periods to maturity of government bonds, covered bonds and corporate bonds[1] according to carrying amounts

€bn	Carrying amounts
Up to one year	13.0
Over one year and up to two years	11.1
Over two years and up to three years	10.7
Over three years and up to four years	11.4
Over four years and up to five years	13.0
Over five years and up to ten years	45.2
Over ten years	59.8
Total	**164.2**

1 Presentation based on approximation and not fully comparable with IFRS figures.

Our investment in bank bonds is limited and at the reporting date amounted to 3% of our portfolio of fixed-interest securities. Financial instruments from states in southern Europe and Ireland make up 7% of the portfolio. Most of our bank bonds (79%) are senior bonds, i.e. bonds that are not subordinated or subject to loss participation. Subordinated bonds and loss-bearing bonds made up 21% of our bank bond holdings.

Fixed-interest securities: Bank bonds[1]

%	31.12.2015	Prev. year
Senior bonds	79	81
Loss-bearing bonds	6	5
Subordinated bonds	15	14

1 Presentation essentially shows fixed-interest securities and loans at market value. The approximation is not fully comparable with the IFRS figures.

Following disposals, our portfolio of structured credit products at market value fell to €4.7bn (6.0bn). This asset class involves securitised receivables (asset-backed securities or mortgage-backed securities), e.g. securitisations of real estate finance, consumer credit or student loans. Around 56% of our portfolio of asset- and mortgage-backed securities have a rating of AAA.

Due to interest rates remaining low, in reinsurance we brought the duration of our fixed-interest investments down closer to the lower duration of our underwriting liabilities, thereby further decreasing our interest position on the assets side. At the end of the year, the interest-rate sensitivity of fixed-interest investments in reinsurance was slightly below the duration of the underwriting liabilities.

In the ERGO field of business, the durations of fixed-interest investments have also come into somewhat closer alignment with those of the underwriting liabilities. The durations of underwriting liabilities decreased while those of fixed-interest investments increased. The interest-rate sensitivity of fixed-interest investments in reinsurance remained below that of the underwriting liabilities at the end of the year.

Together with the duration position at ERGO, the reduced interest position in reinsurance leads to a slight year-on-year increase in exposure to falling interest rates at Group level.

The carrying amount of our equity portfolio (before taking derivatives into account, and including investments in affiliated companies, associates and joint ventures at market value) fell marginally in the course of the year. Our equity-backing ratio still amounted to 5.2% (5.2%). Including derivatives, our equity-backing ratio was 4.8% (4.3%). Besides this, we are protecting ourselves against accelerated inflation in an environment of continuing low interest rates. For this, we hold inflation-linked bonds with a market value of €8.9bn (8.5bn) and inflation-linked swaps with an exposure of €3.8bn (5.9bn). We are suffering losses of market value here due to particularly low inflation rates. Real assets like shares, property, commodities, and investments in infrastructure, renewable energies and new technologies also serve as protection against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Investment result[1]

	2015	Return[2]	Prev. year	Return[2]
	€m	%	€m	%
Regular income	7,370	3.1	7,203	3.2
Write-ups/write-downs of non-derivative investments	–754	–0.3	–234	–0.1
Gains/losses on the disposal of non-derivative investments	2,693	1.1	2,629	1.2
Net gains on derivatives	–1,226	–0.5	–1,068	–0.5
Other income/expenses	–548	–0.2	–528	–0.2
Total	**7,536**	**3.2**	**8,002**	**3.6**

1 Details of the result by type of investment are shown on page 264 f. in the notes to the consolidated financial statements.
2 Return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates.

In 2015, regular income increased slightly against the previous year, despite the decreased value of the investment portfolio. Positive currency translation effects and higher dividend income were able to compensate for lower interest payments from fixed-interest securities. Our reinvestment return was 1.8% (2.1%). Due to the low levels of interest-rates in the financial year, yields on new investments remain far lower than the average return on our existing portfolio of fixed-interest investments.

We posted net write-downs of €754m (234m) on non-derivative investments, particularly on our share portfolio.

In the 2015 financial year, through active asset management we posted net gains of €2,693m (2,629m) on non-derivative investments. These derive primarily from our portfolio of fixed-interest securities – most notably government bonds – and our equity portfolio. The year-on-year improvement in our result from disposals was due chiefly to higher gains realised on fixed-interest securities, and to a positive one-off effect from acquiring almost all the shares in 13th & F Associates Limited Partnership Columbia Square, Washington D.C. (13th & F). The result was negatively impacted by the expected loss from the sale of ERGO Italia, which we are showing as a disposal group at the reporting date.

In the financial year, we posted a negative balance totalling –€1,226m (–1,068m) from write-ups and write-downs of derivatives and losses on the disposal of derivatives. This result is mainly on account of negative figures from equity, inflation, commodity and interest-rate derivatives, particularly from ERGO's interest-rate hedging. In the previous year, the interest-rate derivatives were still showing a positive effect, and the losses for commodity derivatives are higher year on year.

Financial position

- Higher equity despite dividend payout and share buy-back programme
- Lower debt leverage
- Group capital more than three times the legal solvency requirement

Financial strength

Munich Re's financial strength continues to be assigned the second-highest rating category by each of the leading rating agencies.

Financial strength ratings for Munich Re

Rating agency	Rating	Outlook
A.M. Best	A+ (Superior)	Stable
Fitch	AA (Very strong)	Stable
Moody's	Aa3 (Excellent)	Stable
Standard & Poor's	AA– (Very strong)	Stable

Analysis of our capital structure

Our primary insurance and reinsurance operations have a significant influence on our balance sheet: as we have consistently geared our Group towards value creation in its core business, investments serve to cover technical provisions (73% of the balance sheet total). Equity (11% of the balance sheet total) and bonds classified as strategic debt (2% of the balance sheet total) are the most important sources of funds.

Group equity

Development of Group equity

	31.12.2015	Prev. year	Change
	€m	€m	%
Issued capital and capital reserve	7,418	7,417	0.0
Retained earnings	14,110	12,991	8.6
Other reserves	6,032	6,458	–6.6
Consolidated result attributable to equity holders of Munich Reinsurance Company	3,107	3,152	–1.4
Non-controlling interests	298	271	10.1
Total	**30,966**	**30,289**	**2.2**

The increase in equity was attributable not only to the consolidated result but also to a rise in the reserve for currency translation adjustments. Equity was reduced by the dividend payment, the share buy-back programme, and a negative balance in terms of unrealised gains and losses, which derived mainly from our fixed-interest securities available for sale.

Strategic debt

We define as strategic debt all financial instruments with the character of outside financing that do not have a direct link to our operative business. Strategic debt supplements our financial resources, is essentially designed to optimise the cost of capital, and ensures that we have sufficient liquidity at all times. With a view to making our capital structure transparent, we quantify our debt leverage, which is pleasingly low compared with that of our competitors: it is defined as the ratio – expressed as a percentage – of strategic debt to the sum of Group equity and strategic debt. Our technical provisions are not considered, even though they are mostly available to us on a long-term basis as a source of financing for investment.

Debt leverage

		31.12.2015	Prev. year	Change
		€m	€m	%
Strategic debt		4,791	4,757	0.7
Group equity		30,966	30,289	2.2
Total		**35,757**	**35,046**	**2.0**
Debt leverage	%	13.4	13.6	

The composition of our subordinated liabilities can be found in the notes to the consolidated financial statements on page 240 f.

Our subordinated bonds are recognised in part as own funds by the German Federal Financial Supervisory Authority (BaFin). When this is considered in calculating the strategic debt, the latter is reduced to €833m and the debt leverage amounts to only 2.6%.

Technical provisions

Reinsurance business accounts for approximately 33% of technical provisions, around 66% comes from primary insurance and about 1% is from Munich Health. In contrast to liabilities under loans and securities issued, we cannot foresee with certainty how high our liabilities from underwriting business will be, and when they will arise. This is especially true of reinsurance. Whereas in property insurance a major portion of the provisions is generally paid out within two to three years, in life or liability insurance substantial amounts may still be due decades after the contracts were concluded. The currency distribution of our provisions reflects the global orientation of our Group. Besides the euro, our main currencies are the US dollar, the British pound sterling and the Canadian dollar.

Restraints on disposal

Information on contingent liabilities is provided on page 286 f. in the notes to the consolidated financial statements

Since we are an international (re)insurance group, some of our financial resources are subject to restraints on disposal. Supervisory authorities in some countries, for example, require foreign reinsurers to establish premium and reserve deposits to the benefit of primary insurers, or set up trustee accounts or guarantees with certain financial institutions. At the reporting date, this involved investments with a volume of €9.1bn (8.4bn). In addition, there were contingent liabilities.

Asset-liability management

More details on ALM as a tool of corporate management are available on page 43 f.

The structure of our technical provisions and other liabilities is the basis for Munich Re's investment strategy, the main focus of which is asset-liability management (ALM). With ALM, we aim to ensure that macroeconomic factors influence the value of our investments and that of our technical provisions and liabilities in the same way. This stabilises our position against capital market fluctuations. For this purpose, we mirror important features of the liabilities, such as maturity patterns, currency structures and inflation sensitivities, on the assets side of the balance sheet by acquiring investments with similar characteristics where possible.

In this approach, any deviations from the structure of our liabilities are made consciously, taking due account of our risk tolerance and the achievable risk spreads. These have the purpose of generating income in excess of the expected return on funds required to meet the liabilities. Therefore, we measure investment risks incurred not only in absolute terms, but also in relation to changes of values in our liabilities. In terms of currency positioning, exchange-rate fluctuations thus affect assets and liabilities in equal measure as a result of this approach. Currency translation losses on assets are largely offset economically by currency translation gains on underwriting liabilities, although due to accounting regulations that are imperfect from an economic perspective, this relationship is not always adequately reflected in the financial statements. To a limited extent, we also align our investment portfolio in such a way that it increases in value in line with rising inflation rates. To achieve this, we invest in inflation-sensitive asset classes such as inflation-linked bonds and inflation-linked swaps, as well as in real assets.

To configure our economic ALM as effectively as possible, we also use derivative financial instruments in order to hedge investment products against fluctuations on the interest-rate, equity and currency markets. Under IFRS accounting, we recognise fluctuations in the value of these derivative products in profit or loss, i.e. as income or expense in our income statement. However, such recognition in the income statement is not usually possible with regard to the related underlying transactions themselves. Despite our economically well-balanced underwriting and investment portfolios, accounting inconsistencies of this kind and other differences between the economic and balance-sheet perspectives can give rise to considerable fluctuations in our IFRS investment, currency and consolidated result, particularly in times of greater volatility on the capital markets.

Capital management

Information on the revenue reserves and claims equalisation provision of Munich Reinsurance Company is available on page 155 ff.

Through active capital management, we ensure that Munich Re's capital is always maintained at an appropriate level, and does not unnecessarily exceed required levels. Our eligible own funds must cover the capital requirements determined using our certified internal risk model. In addition, more far-reaching requirements by regulatory authorities, rating agencies and our key insurance markets must be met. Furthermore, our financial strength should open up profitable growth opportunities, not be significantly impacted by normal fluctuations in capital market conditions and remain in place even after large claims events or substantial share price losses. At the same time, we also define an appropriate level of Group eligible own funds as one which does not lastingly exceed that which is required. In practice, we come up against limits because German Commercial Code (HGB) regulations force our parent, Munich Reinsurance Company, to maintain the claims equalisation provision in local GAAP accounting at a level that exceeds the economic requirements. This restricts the revenue reserves and profit distribution possibilities. In principle, however, needs-based, risk-commensurate capitalisation is our guiding maxim, as it plays a decisive role in ensuring our discipline in all business processes. Excess capital is returned to our shareholders via attractive dividends and share buy-backs. A total of €19.7bn was distributed in this way from

2006 to 2015. In March 2015, we announced a further share buy-back programme of a maximum of €1bn up to the 2016 Annual General Meeting. By the end of February 2016, we had bought back shares with a volume of €867m.

Information in accordance with Section 315 (4) of the German Commercial Code (HGB) and explanatory report of the Board of Management

Composition of the subscribed capital

As at 31 December 2015, Munich Reinsurance Company's share capital of €587,725,396.48 was divided into 166,843,961 registered, no-par-value, fully paid shares. The rights and obligations deriving from these shares follow from the applicable statutory requirements and the Company's Articles of Association. With respect to the Company, the only parties deemed shareholders in accordance with Section 67 of the Stock Corporation Act (AktG) are those entered as such in the Company's register of shareholders.

Restrictions on voting rights or the transfer of shares

The listed registered shares are subject to transfer restrictions. The issuing of restrictedly transferable registered shares by Munich Reinsurance Company dates back to the Company's foundation in 1880. Restricted transferability means that these shares may be transferred to another holder only with the Company's consent, which, according to Article 3 (2) of Munich Reinsurance Company's Articles of Association, is granted at the Company's discretion. Since the share-trading processes have been made very efficient, the consent requirement does not lead to any delays in entry in the register. In recent decades, it has been granted without exception. Contractual agreements are in place with the members of the Board of Management providing for two- or four-year minimum holding periods for the shares of the Company they have to purchase as part of share-based remuneration programmes.

Each share carries one vote at the Annual General Meeting and determines the shareholders' participation in the Company's profit. This excludes own shares held by the Company, from which it enjoys no rights. In the cases specified in Section 136 of the Stock Corporation Act (AktG), voting rights from the shares concerned are excluded by law. If shareholders are entered under their own name for shares which belong to a third party and exceed at this time the upper limit of 2% of the share capital as stated in the Articles of Association, pursuant to Article 3 (5) of the Articles of Association the shares entered shall not carry any voting rights.

Shareholdings exceeding 10% of the voting rights

Munich Reinsurance Company has not been notified, nor has it otherwise learned, about any direct or indirect shareholdings in the Company that exceeded 10% of the voting rights as at 31 December 2015.

Warren E. Buffett and two companies in his group (Berkshire Hathaway Inc. and National Indemnity Company) notified us pursuant to Section 21 of the German Securities Trading Act (WpHG) that on 28 September 2015 their shareholdings in Munich Reinsurance Company had fallen below the 10% threshold, that on 10 December 2015 the shareholding had fallen below the 5% threshold, and that on 16 December 2015 the shareholding had fallen below the 3% threshold to around 2.5%. Warren E. Buffett and the aforementioned companies had held more than 10% of the Company since October 2010. When they bought the shares, we were informed that the objective of the investment was to generate trading profits and not to implement strategic objectives. Before the notification of 28 September 2015, they held shares totalling around 12% of the share capital of Munich Reinsurance Company.

Shares with special control rights

There are no shares with special control rights.

System of control for employee share scheme where the control rights are not exercised directly by the employees

Like other shareholders, employees of Munich Reinsurance Company exercise their control rights in accordance with statutory provisions and the Articles of Association.

Statutory regulations and provisions of the Articles of Association regarding appointment and dismissal of members of the Board of Management and concerning amendments to the Articles of Association

The legal parameters for the appointment and dismissal of members of the Board of Management are specified in the Company's co-determination agreement, Articles 13 and 16 of the Articles of Association, Sections 84 and 85 of the German Stock Corporation Act (AktG), and Sections 24, 47 and 303 of the German Insurance Supervision Act of 2016 (VAG). Munich Re's co-determination agreement and Articles of Association follow the legal tenets of the German Co-Determination Act (MitbestG). Pursuant to Article 16 of the Articles of Association, the Board of Management must comprise a minimum of two persons; beyond this, the number of members is determined by the Supervisory Board. There are currently ten members of the Board of Management. The Supervisory Board appoints the members of the Board of Management pursuant to Section 84 of the Stock Corporation Act and may dismiss them at any time for good cause. On initial appointment, members of the Board of Management are usually given contracts for a term of three to five years, and extensions of up to five years are possible. For the appointment or dismissal of members of the Board of Management, Article 13 (3) of the Articles of Association stipulates a two-thirds majority of the votes cast on the Supervisory Board. If the requisite majority is not obtained in the initial resolution, the appointment or dismissal of the Board of Management requires a simple majority of the votes cast. The second resolution is only possible following a suitable period of reflection and after the issue has been dealt with in the competent committee, but is thereafter also possible by written consent in lieu of a meeting. In exceptional cases, members of the Board of Management may also be appointed by a court of law, pursuant to Section 85 of the Stock Corporation Act.

The German Stock Corporation Act contains general provisions governing amendments to the Articles of Association (Section 124 (2) sentence 2, and Sections 179–181 of the Act). These state that only the Annual General Meeting can make resolutions on changes to the Articles of Association. In order to be carried, such a resolution must receive the votes cast by at least three-quarters of the share capital represented in the vote. The Articles of Association may stipulate a different capital majority (higher or lower) or other requirements, but the Company's Articles of Association do not provide for any such special features.

The Stock Corporation Act contains special regulations on amendments to the Articles of Association where increases and reductions in share capital are concerned (Sections 182–240 of the Act). Under these regulations, resolutions on capital measures are generally to be made by the Annual General Meeting. Within a self-determined scope, however, the Annual General Meeting can authorise the Board of Management to initiate certain (capital) measures. The authorisations relating to Munich Reinsurance Company are listed below. In all such cases, a resolution of the Annual General Meeting is required that has been adopted by at least a three-quarter majority of the share capital represented in the vote. Where these resolutions are concerned, the Company's Articles of Association again do not provide for other (i.e. higher) majorities or further requirements. Pursuant to Article 14 of the Articles of Association and Section 179 (1) sentence 2 of the Stock Corporation Act, the Supervisory Board is empowered to make amendments to the Articles of Association which affect only the wording.

Powers of the Board of Management with particular regard to the option of issuing or buying back shares

The powers of the members of the Board of Management are defined in Sections 71 and 76–94 of the Stock Corporation Act (AktG). The Board of Management has the following powers to issue and buy back shares:

→ The complete text of the authorisations is provided in the agenda of the Annual General Meetings mentioned on our website at www.munichre.com/agm/archive

Munich Reinsurance Company's Articles of Association are also available on the internet at www.munichre.com/articles-of-association

— The Annual General Meeting of 23 April 2015 authorised the Company, pursuant to Section 71 (1) no. 8 of the Stock Corporation Act, to buy back shares until 22 April 2020 up to a total amount of 10% of the share capital. The shares acquired, plus other own shares in the possession of the Company or attributable to the Company in accordance with Section 71a ff. of the Stock Corporation Act, may at no time amount to more than 10% of the share capital. In accordance with the provisions of the authorisation, the shares may be acquired in various ways. The Company may buy back shares amounting to a maximum of 5% of the share capital using derivatives. The Board of Management is authorised to use shares thus acquired for all legally permissible purposes, in particular those specified in the authorisation, whilst excluding subscription rights. Among other things, the Board of Management is empowered under Section 71 (1) no. 8 of the Stock Corporation Act to retire the shares without requiring further approval from the Annual General Meeting. By resolution of 11 March 2015, the Board of Management decided to utilise this authorisation to acquire own shares. Around 4.1 million shares had been acquired by 31 December 2015 at a purchase price of €698m.

— The Annual General Meeting of 23 April 2015 authorised the Board of Management to issue, with the consent of the Supervisory Board, in one or more issues up to 22 April 2020, convertible bonds, bonds with warrants, profit participation rights, profit participation certificates or combinations of such instruments (hereinafter collectively referred to as "bonds") for a maximum nominal amount of €3bn with or without a limited term to maturity. Shareholders are generally entitled to a subscription right in respect of these bonds, but the Board of Management is authorised, with the consent of the Supervisory Board, to exclude this subscription right in the cases specified in the authorisation. The holders of such bonds may be granted conversion or option rights or conversion obligations in respect of shares issued by the Company up to a maximum amount of €117m of the share capital, in accordance with the respective bond or warrant conditions. As a precautionary measure, capital of €117m was conditionally authorised under Article 4 (3) of the Articles of Association (Contingent Capital 2015).

— Under Article 4 (1) of the Articles of Association, the Board of Management is authorised, with the consent of the Supervisory Board, to increase the Company's share capital at any time up to 24 April 2018 by an amount of up to €280m by issuing new shares against cash or non-cash contribution (Authorised Capital Increase 2013). In accordance with the above-mentioned provisions of the Articles of Association, it may exclude subscription rights.

— Under Article 4 (2) of the Articles of Association, the Board of Management is authorised to increase the share capital at any time up to 22 April 2020 by an amount of up to €10m by issuing new shares against cash contribution (Authorised Capital Increase 2015). The subscription right of shareholders is excluded insofar as this is necessary to allow the shares to be issued to employees of Munich Reinsurance Company and its affiliated companies.

Significant agreements which take effect, alter or terminate upon a change of control following a takeover bid, and resultant implications

Based on our underwriting guidelines, our reinsurance agreements generally include a clause that grants both parties to the agreement a right of extraordinary cancellation in the event that "the other party merges with another company or its ownership and control undergoes a material change". Such or similar clauses are typical of the industry. Munich Reinsurance Company's Long-Term Incentive Plan also provides for special exercise options in the event of a change of control.

→ Detailed information on the Long-Term Incentive Plan of Munich Reinsurance Company is provided on page 281 ff. in the notes to the consolidated financial statements

Compensation agreements concluded with members of the Board of Management or employees for the event of a takeover bid

There are no compensation agreements with members of the Board of Management or employees for the event of a takeover bid.

Group solvency

Munich Re is subject not only to the supervisory requirements applying to individual insurance companies but also to supervision at Group level.

On 1 January 2016, the new European Solvency II regulatory regime came into force. Under the new supervisory regulations, capital requirements are linked much more closely to the actual risks incurred by insurance companies than under Solvency I. The method of calculation under Solvency I was applied for the last time as at 31 December 2015.

→ Solvency capital requirements, eligible own funds, and the adjusted solvency ratio were calculated in accordance with Solvency II for the first time at year-end 2015. For further details, see the risk report on pages 122 f. and 129 f.

Solvency in the case of insurance companies is generally understood to be the ability of an insurer to always meet the obligations assumed under its contracts. In concrete terms, this means an insurance company must fulfil specific minimum capital requirements. The aim of the "adjusted solvency" rules is to prevent the multiple use of equity to cover risks from underwriting business at different levels of the Group hierarchy. To calculate the adjusted solvency, the minimum equity required for the volume of business (required solvency margin) is compared with the eligible equity actually available (actual solvency margin) on the basis of the IFRS consolidated financial statements. To determine the eligible capital elements, the IFRS equity is adjusted; in particular, it is increased by portions of the subordinated liabilities and reduced by intangible assets. Munich Re's eligible capital is 3.2 times higher than the legal requirement.

Adjusted solvency under Solvency I

		31.12.2015	Prev. year	Change
				%
Eligible capital of the Group	€bn	31.4	30.6	2.5
Adjusted solvency ratio	%	315.6	307.9	

The increase in the adjusted solvency ratio is mainly due to higher IFRS Group equity.

Analysis of the consolidated cash flow statement

Our primary insurance and reinsurance operations have a significant influence on Munich Re's cash flow. We generally first collect the premiums for the risks assumed and do not make payments until later, when claims need to be settled. Cash flow statements of insurance companies are therefore of limited relevance. The cash flow statement is adjusted to eliminate the effects of fluctuations in exchange rates and changes in the entities consolidated.

Consolidated cash flow statement

	2015	Prev. year	Change
	€m	€m	%
Cash flows from operating activities	4,327	7,527	–42.5
Cash flows from investing activities	–1,030	–4,939	79.1
Cash flows from financing activities	–2,337	–2,694	13.3
Cash flows for the financial year	**960**	**–106**	**–**

In the consolidated cash flow statement, the consolidated profit of €3,122m is used as the starting point for determining the cash inflows from operating activities. The consolidated result is also adjusted by €3,798m to take account of the higher technical provisions. The net gains on the disposal of investments – which in adjusting the consolidated profit have to be deducted from the cash flows – are essentially attributable to the disposal of securities available for sale.

Outflows from investing activities were determined by payments for the acquisition of investments. They exceeded the inflows from the sale and/or maturity of investments by €566m.

In the 2015 financial year, Munich Re acquired an additional 18% of the shares in the capital of 13th & F Associates Limited Partnership Columbia Square, Washington D.C. (13th & F). In the cash flow statement, we have reduced the purchase price by the cash held by the company acquired. Furthermore, Munich Health Holding AG, Munich, sold its shares in the fully consolidated company DKV Luxembourg S.A., Luxembourg. We have reduced the purchase price by the cash held by the company sold.

The cash outflows for financing activities stem mainly from the dividend payment in 2015 and the share buy-back programme.

In the year under review, cash – which encompasses cash with banks, cheques and cash in hand – rose by €960m (including currency effects) to €4,041m overall. Of the cash held at the end of the financial year, €86m related to disposal groups. There were items pledged as security and other restrictions on title amounting to €23m (15m).

Stakeholders

- Client orientation offers both traditional and innovative solutions
- Constant, open communication with all stakeholders
- Targeted development of our staff in light of changing markets and conditions
- Expansion of Group-wide environmental management

For Munich Re, dialogue with clients, brokers, shareholders, investors, staff members and the society within which we operate as an enterprise is a crucial requirement for identifying new challenges and changes at an early stage and for developing appropriate solutions.

Clients and client relationships

Munich Re has different client bases in reinsurance and primary insurance. In reinsurance, we do business with over 4,000 corporate clients from more than 160 countries. ERGO serves over 35 million (mainly private) clients in over 30 countries, with the focus on Europe and Asia. The Munich Health field of business has over six million clients in primary insurance and 400 in reinsurance. In Germany, our asset manager MEAG offers its competence not only to well over 100,000 private investors, but also to over 50 institutional investors outside the Group, e.g. insurers, utilities, pension funds, church organisations, foundations, local authorities and industrial enterprises.

We want to have the best possible understanding of our clients and their risks, and to develop customised insurance solutions for them. Therefore, we need to be close to our clients to understand their needs, give them comprehensive advice and provide optimal solutions. Our objective is to be a competent, reliable and transparent partner, whom clients can trust.

Reinsurance

As reinsurers, we apply our extensive risk knowledge to find individual solutions that meet our clients' diverse requirements and to add value. We know our cedants' needs, develop innovative risk transfer solutions with them, and aim to continue driving forward the expansion of risk competence through strategic cooperations, thus providing our clients with the full range of underwriting products and a wide variety of services. As well as our own client platform (connect) and special product publications, these services include tools to improve business processes, individual consulting services and client seminars on many aspects of the insurance business.

Depending on the clients' wishes, we work directly with them or via the reinsurance brokers they commission. We maintain relationships with all relevant reinsurance brokers at local operating and strategic level, and develop these contacts systematically in order to adapt them to changing circumstances. We view brokers as competent representatives of our clients and key know-how partners in developing new, client-centric solutions.

Client managers are responsible for determining clients' needs as precisely as possible and offering tailor-made solutions and support. To this end, we bring all our knowledge and innovative strength to bear and do not shy away from taking unusual approaches – true to our claim NOT IF, BUT HOW. We regularly assume a pioneering role in new coverage concepts, such as preparing European cedants for Solvency II. We reach new client groups through our operating field Risk Solutions, where we provide customised solutions for corporate clients and industrial firms. Predominantly in North America, but also in the Asia-Pacific region, we generate business via managing general agencies (MGAs). Beyond this, our target groups include public-private partnerships and insurance pools. With branches and subsidiaries around the world, we ensure that our clients can always find us where they need us.

Changed parameters generate demand for new insurance solutions

Economic growth and changes in the areas of technology, climate, society and politics mean that entirely new areas of risk are arising worldwide, and these can be covered with the help of innovative insurance concepts. We develop complex customised solutions together with our clients, and extend the frontiers of insurability with innovative products, such as coverage for cyber risks, business interruption, and reputational risk.

ERGO

ERGO attends to the needs of private, commercial and industrial clients, with private clients making up the bulk of its customers. ERGO offers them products and services in connection with old-age provision and saving schemes, protection of property, health, legal cover, and travel insurance. Clients can contact us through a wide range of channels: via full-time self-employed agents, through brokers, via the internet, by phone for direct insurance, or via various corporate partners.

You will find the ERGO customer report for 2015 at www.ergo.com/en/Unternehmen/Overview/Understand

ERGO's brand proposition "To insure is to understand" expresses the primary insurance group's strong client orientation and aim of focusing systematically on customers' actual requirements. We chart the implementation of the brand proposition in the ERGO customer report, which was published for the fourth time in April 2015.

In keeping with this motto, ERGO is developing new solutions to respond to new trends and client expectations. In particular, ERGO is expanding its services in a targeted manner to meet the needs of the growing number of internet-savvy consumers, using its many years of experience in direct sales. The range of products for sale online was further expanded in 2015. With live chat and WhatsApp or its Chinese equivalent WeChat, clients can use an increasing number of digital channels to contact the company. Further digital services such as independent settlement of dental cleaning costs simplify and accelerate processes for clients and companies.

ERGO relies on feedback from consumers in order to constantly optimise its products. Listening to their opinions is an integral part of the product development process. The ERGO Customer Advisory Board and ERGO's Customer Workshop on the internet are also ways of maintaining ongoing dialogue with its customers.

In 2011, ERGO responded to consumer demand for clear and comprehensible communication with its “clear language” initiative. Insurance conditions and product information were simplified and shortened, texts and letters are prepared according to binding writing rules and checked by special software for comprehensibility. After extensive testing, in February 2015 TÜV Saarland awarded the primary insurer its certification for understandable communication with the rating “good” (1.90). The TÜV experts will continue to monitor and evaluate these activities in the future.

Munich Health

Munich Re’s global healthcare insurance and reinsurance expertise is combined under the Munich Health brand, enabling a very broad spectrum of clients to be served. Munich Health devises integrated solutions tailored to the individual needs of clients in the different markets. A key driver for the development of these solutions is the increasing digitalisation of interaction with our clients.

In primary insurance, we offer individual policies (for private individuals) and group policies (e.g. for companies, employees or public servants). For providers that do not operate their own health business, such as banks, Munich Health develops health insurance products and handles their administration.

We provide our reinsurance clients with market-specific data models, reinsurance models and capital management solutions. Alongside specialised client managers, further specialists are available to advise our clients directly on business development and offer specific service packages. Feedback from our clients plays a major role in the further development of our range of products.

Our clients can also outsource extensive elements of their business operations to Munich Health – from claims handling to management of medical networks (hospitals, medical centres, etc.). Our MedNet service units act as specialist Third Party Administrators (TPAs), particularly in the Middle East and southern Europe.

Investments

MEAG handles the investment activities of Munich Re and ERGO as their asset manager. Its range of services includes advice on strategic asset allocation, the tactical implementation of this, and the selection of the individual investments. It also offers its competence to other institutional and private investors. MEAG is represented in Europe, North America (MEAG New York) and Asia (MEAG Hong Kong) and manages all important asset classes. As well as the more traditional classes such as bonds, equities, currencies and real estate, these now also include forestry, infrastructure, renewable energies and new technologies, as well as two sustainability funds.

MEAG’s investment experts adopt a stringent, risk-based approach with the aim of generating excess return – for the same risk – compared with the requirements of their clients within the Group and externally. Munich Re’s insurance units derive their asset management targets from their payment obligations in their core business (asset-liability management) and also specify their risk and return preferences.

MEAG’s Mandate Management Division is the interface between MEAG’s various units on the one hand, and the Group’s insurance companies and MEAG’s external clients on the other. The Division advises the Group on strategic investment issues and is responsible for tactical asset management. The disciplined investment process means that MEAG’s retail funds also achieve a generally above-average performance, leading to corresponding recognition from independent fund-rating agencies.

Staff

Developing and keeping comprehensive expertise and broad experience for the benefit of the Group is one of our most important objectives.

The talent and performance of our staff are the cornerstones of our success. Their professional expertise, commitment and readiness to embrace innovation are the factors that drive our business forward. We create attractive conditions for nurturing and enhancing their personal development and performance in all areas. Developing and keeping this comprehensive expertise and broad experience for the benefit of the Group is one of our most important objectives.

Consequently, a Group-wide emphasis of human resources work in 2015 was the focusing of the Group Human Resources (Group HR) unit with the objective of making the identification and development of high potentials for management functions in the Group as uniform as possible. Existing measures for the identification of high potentials and succession planning are being further optimised and additional new formats and concepts implemented. Group HR's core activity is management development for the current and future generations of managers. We support managers in expanding their personal Group-wide networks and offer them a learning environment with challenging content.

In the medium term, we aim to achieve further integration of HR systems and processes in the fields of business for effective holistic control of HR work.

Rotation of managers and staff members within the Group supports the accumulation of expertise and the transfer of knowledge. To promote this permeability between fields of business, the framework conditions were optimised over the last year and set out in corresponding guidelines.

Munich Re's position as a knowledge leader is promoted by the systematic development of outstanding specialists in business-relevant knowledge areas. One key element of this is a wide range of up-to-date seminars and workshops. Internal training events provided by our in-house experts are an invaluable resource, especially with respect to fast-developing current topics such as the digitalisation of the insurance industry. Specific entry programmes ensure that specialists recruited from the external labour market, such as engineers with broad professional experience, receive a sound induction to reinsurance business. In this manner, we can provide our clients with specific expert know-how and ensure that knowledge within the organisation remains up to date.

We are exploring new avenues in the training of managers and key persons, and thus promoting change and innovation capacity within the Group. In doing so, we rely on programmes and methods with direct relevance to our business.

The establishment of new units is a reaction to market challenges. For example, the Cyber Support Unit founded in Munich in July 2015 reflects the increasing demand for cyber insurance and reinsurance solutions. This unit supports operational units on all topics relating to cyber risks, such as accumulation control, treaty wording and the development of new cyber products, as well as – together with the HSB Loss Control Engineering unit – the evaluation of risks.

The extensive development of the management culture and competencies is the aim of the initiative "ERGO – Focus on Leadership", launched in the autumn of 2013. Approximately 2,300 ERGO managers in Germany are currently completing this "manager triathlon" – a mandatory, multi-stage development programme. The goals here are imparting up-to-date methodical knowledge and training for job-related situations.

Moreover, the starting shot for human resources initiatives in ERGO's sales force sounded in 2015: for example, we are currently strengthening the sales focus of our initial training course.

Important topics were also broached at MEAG in 2015:

The Employer Branding project was launched to determine the company attributes valued by its staff members. The result was a fitting slogan for communications: "All the assets – one team", meaning that as an asset manager, MEAG handles not only securities but also real estate and the new "illiquid" assets. MEAG staff members are clearly supporting this as a team.

Furthermore, in 2015 we invested in management development: the values and competences for managers were adjusted in line with Group standards and events held on topics such as "appreciative management" and "innovation".

The challenges of today's working world are characterised by rapidly-changing trends, internationalisation, dynamic team structures, increased mobility and rapid changes in the market. Staff also increasingly want to enjoy more individuality and a better work-life balance at the various stages of their lives. In order to meet these demands, the reinsurance group also launched flexible models for working hours and leaves of absence for managerial staff in 2015.

Internationality is a key focus of our diversity management. This also includes the establishment of international talent pools. In this context, the number of international staff members in Munich who do not speak German increased in 2015.

Another key emphasis of diversity management is the improvement of opportunities for women in management positions. Here, within the framework of the self-commitment of the DAX 30 companies and four years before the statutory obligation arising from the Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions (FührposGleichberG), Munich Re (Group) has set itself the objective of achieving a quota of women in leading positions in Germany of 25% by the end of 2020. At the end of December 2015, the percentage of women was 23.5%.

Worldwide, the percentage of women in leading positions in our Group is already 30.8%

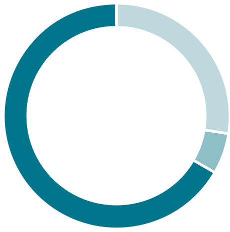
The quota is also to be expanded further internationally. Worldwide, the percentage of women in leading positions in our Group is already 30.8%. We are realising numerous activities to help us accomplish our goals, and we measure our progress regularly.

Improving opportunities for women across the board throughout our organisation is the key prerequisite to raising the percentage of women at the top management levels.

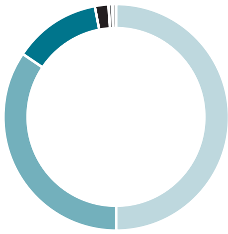
The number of staff in the Group increased marginally year on year owing to individual regional factors in the fields of business.

Staff

Total: 43,554 (43,316)



Staff by field of business		
Reinsurance	27.6%	(27.1%)
Munich Health	5.7%	(7.0%)
ERGO	66.6%	(65.9%)



Staff by region		
Germany	50.1%	(50.6%)
Rest of Europe	34.5%	(33.7%)
North America	12.5%	(12.4%)
Asia and Australasia	2.1%	(1.8%)
Africa, Middle East	0.6%	(1.2%)
Latin America	0.3%	(0.3%)

Age structure of staff

Average: 43.3 (42.7) years

Over 61	3.5%
56–60	8.1%
51–55	14.0%
46–50	16.9%
41–45	15.4%
36–40	14.3%
31–35	13.7%
26–30	10.2%
21–25	3.7%
Up to 20	0.2%

Length of service of staff

Average: 12.7 (12.4) years

Over 41	0.5%
36–40	1.6%
31–35	3.1%
26–30	5.3%
21–25	10.8%
16–20	11.3%
11–15	16.7%
6–10	19.4%
1–5	23.6%
Below 1	7.7%

Percentage of women

2015	54.0%
2014	53.9%

Percentage of women in management positions

2015	30.8%
2014	31.1%

Shareholders

At the end of the year, our register of shareholders listed around 196,000 shareholders (previous year: 180,000). The vast majority of shares were held by institutional investors such as banks, insurers or investment companies; around 16.0% (14.3%) were in the hands of private investors. At around 64%, the percentage of foreign investors was somewhat lower than in the previous year. Our shareholders also include sustainability-minded investors.

Our largest shareholder at the end of 2015 was the asset management firm BlackRock, with around 6.6% of voting rights according to the most recent notification.

Regional distribution[1]

North America	27%
Germany	36%
Rest of Europe	23%
UK	13%
Other countries	1%

1 Percentage of share capital. Status: 31 December 2015.

Source: Munich Re share register

Our corporate strategy geared to a sustained increase in value is accompanied by ongoing and open communication with all capital market participants. The main task of Investor and Rating Agency Relations at Munich Re is to cultivate contact with existing shareholders and attract new ones. At the same time, we ensure that due account is taken of our investors' opinions and preferences in internal decision-making processes. We chiefly use roadshows and investor conferences to initiate and intensify dialogue with institutional investors, our main focus being on financial centres in Europe and North America. We regularly supplement our investor relations activities with special events, such as the analysts' meeting we organised in London on the topic of Solvency II. We also offer regular forums for exchanges between investors who systematically gear their investment strategy to sustainability criteria.

Detailed information on Munich Re's investor relations can be found at www.munichre.com/ir-en

Our investor relations work continues to meet with a positive response. In several cross-sector analyses of the quality of investor dialogue, Munich Re once more achieved leading positions, with our business partners particularly appreciating the consistency and transparency of our reporting. All the presentations we use in our meetings with analysts and investors, and in our conferences and roadshows, are published on the internet, and are also sent to interested private investors on request. Many of these events are transmitted live via webstreaming. Enquiries reaching us via our shareholder hotline or by e-mail are answered promptly by our team for private investors. Additionally, the service pages of our shareholder portal on the internet provide our registered shareholders with a wide range of information and communication options.

Around 4,500 shareholders and shareholder representatives participated in the 128th Annual General Meeting on 23 April 2015. Some 44.9% of the voting share capital was represented in the votes. All the motions were adopted with a clear majority in each case. With online participation in the Annual General Meeting and (electronic) postal voting, Munich Reinsurance Company again offered its shareholders all the facilities for casting their votes on agenda items.

Environment and society

In addition to strategic integration of sustainability aspects, the topics of environment and climate protection, and of social commitment constitute major elements of our corporate responsibility strategy.

Environment

Further information on our environmental management can be found online at www.munichre.com/environment

One of the defined objectives of Munich Re (Group) is to minimise the environmental and climate impact of its business operations while preserving resources.

Our strategy: Group-wide environmental management and climate protection
In 2012, a uniform environmental management system based on the international standard DIN ISO 14001 was introduced and made binding Group-wide for Munich Re's locations. Our environmental guidelines, CO_2 reduction targets, standardised Group-wide processes and organisational structures, which anchor our approach in all fields of business, are components of this management system. Thus, we are continually improving our environmental performance while at the same time supporting and developing environmentally conscious behaviour amongst all Group staff.

We exceeded the Group-wide target for the period 2009–2015 (saving 10% of CO_2 emissions per staff member and achieving carbon neutrality by 2015). With an employee coverage of more than 80%, we succeeded in cutting approx. 14% of CO_2 emissions per staff member between 2009 and 2015 by reducing our consumption of energy, water and paper, and by avoiding business travel and waste. A further 10% of CO_2 emissions were cut back by using electricity from renewable sources. Unavoidable CO_2 emissions are offset by CO_2 certificates from carefully selected projects with significant social impact. Munich Re (Group) has thus been carbon-neutral since 2015.

In September 2015, the Board of Management adopted the new environmental and climate protection strategy for the period 2016–2020. This is based in essence on the successes of the strategy to date and comprises the following elements:

- Munich Re (Group) will remain carbon-neutral and invest in further climate-protection projects
- We will improve the quality and transparency of our environmental data via external audits
- We will raise our CO_2 reduction target to 35% per staff member for the period 2009–2020
- By 2020, almost 100% of the electricity we purchase will come from renewable sources
- We will continuously review and improve the energy efficiency of buildings, technical equipment, consumables, the vehicle fleet, etc.
- We will rigorously and sustainably promote and support environmentally conscious behaviour amongst our staff members
- Managers and staff members with significant responsibilities relevant to environmental and climate protection will be set corresponding performance objectives

Society

The objective of our social commitment is to create added value for society wherever possible. This is governed by the transparent sponsorship guidelines set out in our corporate citizenship concept. In addition to providing basic assistance for social and cultural projects at our corporate locations, we would like to make a difference on topics that are related to our business activities and generate effects for both the Group and for society in future on the basis of projects or cooperations. This applies particularly to the innovative national and international cooperations we have had in place since 2015 in the sectors of regenerative energy production, natural catastrophe prevention and the protection of natural resources. Munich Re has corporate foundations: the Munich Re Foundation, the Dr. Hans-Jürgen Schinzler Foundation and the ERGO Foundation "Jugend und Zukunft"(Youth & Future). They support both long-term projects and missions which show a measurable effect in meeting societal challenges at regional, national and international level.

Successful projects undertaken during the past financial year include the following:

In the Franco-German initiative POC21 (proof of concept), a professional cooperation accompanied by various representatives from non-governmental organisations (NGOs), research institutions and industry, over one hundred creative minds and young experts from all around the world designed innovative solutions for a climate-neutral and resource-efficient future. The twelve projects selected in advance, whose prototypes were developed into market-ready offerings, came from the energy, food, mobility, communication, recycling management and domestic sectors. Munich Re supported these projects as a corporate partner.

As part of Impact Hub Munich and Munich Re's Eight Billion Lives fellowship programme, young entrepreneurial teams in start-ups developed selected social and sustainable business ideas for handling the challenges of a steadily increasing global population. The objective of the one-year programme is to cultivate new methods and tools to make social processes more sustainable in the future. Its focus is on urbanisation, the production and consumption of food, and the opportunities offered by digitalisation.

Many of our staff members wish to get involved with charitable projects. Under the slogan "Join in and lend encouragement", since 2015 ERGO has offered its staff members the opportunity of spending a day together with their colleagues getting involved in social facilities in a corporate volunteering programme. Be it offering hands-on help, a group outing or imparting knowledge – staff members could choose between various projects supporting or meeting with senior citizens, disabled people, children, disadvantaged youths or refugees.

Munich Re has also made a commitment to refugees in Germany and is promoting the medium and longer-term integration of asylum seekers in Germany with several initiatives. Targeted cooperations with Caritas, the Red Cross and ArrivalAid e.V. direct our support to where it is needed. For example, staff members with knowledge of Arabic and volunteer helpers were placed with social centres and reception facilities in Munich and the surrounding area. The association Horizont e.V. received support for numerous special projects in Munich to expand its ongoing refugee aid provision. In cooperation with the German Red Cross, ERGO donated money and needs-based gifts in kind from staff members to a number of reception facilities near its administrative centres. Integration days with refugees were offered as part of the corporate volunteering programme.

With regard to natural disasters and the impact of climate change, Bangladesh is one of the countries most at risk in the world. In partnership with the United Nations University (UNU-EHS) in Bonn, Munich Re Foundation supports the International Centre for Climate Change and Development (ICCCAD). In addition to research on the resilience of the people in Bangladesh, the primary aim is to preserve basic living standards – for example, communities in risk zones should be protected against storms and floods. Experience from the previous early-warning projects in Mozambique helps those responsible in the cooperation to tailor appropriate systems and processes to the people affected. The latest work results clearly show that numerous adaptation measures are required to effectively prepare the country and its people for environ- mental changes in the long term.

Risk report

- Risk situation manageable and under control
- Capital position still comfortable
- Internal risk model certified for use under Solvency II

Risk governance and risk management system

Risk management organisation, roles and responsibilities

Organisational structure
As required for Solvency II, Munich Re has a risk management function (RMF) at Group level in addition to the key functions of Compliance, actuarial and Group Audit. It is part of the Integrated Risk Management Division (IRM) and reports to the Chief Risk Officer (Group CRO). In addition to the Group functions, there are risk management units in the fields of business, each headed up by its own CRO. Our extensive documentation, guidelines and instructions ensure that staff in our risk management structure and the Group as a whole are kept informed of our risk strategy and the RMF's organisation and processes. This provides the basis for active management of the risks we incur.

Risk governance
Our risk governance maintains and fosters an effective risk and control culture, which encompasses all significant risk categories. It is supported by various committees at Group and field-of-business level.

Group level
Ensuring that risk management and risk governance systems are in place and continuously enhanced at Group level is one of the most important tasks of the Group Committee of the Board of Management.

The Group Committee normally meets as the Group Risk Committee, on which it is joined by the Group CRO and representatives from the fields of business with responsibility for risk management. The Group Risk Committee is responsible for ensuring that risk management and risk governance systems are in place and continuously enhanced both at Group level and in the fields of business.

The Group Investment Committee is responsible for important issues affecting the investments made by the Group and the fields of business, including the assumption and management of specific investment risks. The Committee is made up of members of the Group Committee, representatives from the fields of business and MEAG with responsibility for investments, and the Group CRO.

The Group Actuarial Committee considers the appropriateness of the methodology and assumptions applied to determine the technical provisions, and the uncertainties in the modelling involved. It also supports the actuarial function in assessing the general acceptance policy for underwriting risks and the retrocession arrangements made.

The Group Compliance Committee deals with compliance risks and reputation issues and risks that have arisen in the business units. This ensures that we address those risks in a uniform way throughout the Group.

Field-of-business level

We have created further committees with risk governance responsibilities in our fields of business. The Group CRO is also a member of these committees, notably the Global Underwriting and Risk Committee, which is responsible for setting up appropriate risk management processes in the reinsurance field of business and ensuring that they are followed, the Munich Health Risk Committee and the ERGO Risk Committee.

Determining the risk strategy

Our business essentially comprises the assumption of risks. The risk strategy, which is derived from the business strategy, defines where, how and to what extent we are prepared to incur risks. The further development of the risk strategy is embedded in the annual planning cycle, and hence in our business strategy. It is approved by the Board of Management and discussed regularly with the Supervisory Board.

Risk strategy

Objectives

Maintain our financial strength, thereby ensuring that we can meet our liabilities to our clients	Sustainably protect and increase the value of our shareholders' investment	Safeguard Munich Re's reputation

We determine our risk strategy by defining risk appetites for a series of risk criteria

We determine our risk strategy by defining risk appetites for a series of risk criteria. These criteria are based on the capital and liquidity available and on our earnings target within specified volatility limits, and the risk appetites provide a frame of reference for the Group's operating divisions:

— Whole portfolio criteria relating to the entire portfolio of risks are designed to protect our capital and limit the likelihood of an economic loss for the year. Of particular importance is the financial strength criterion, which is the ratio of eligible own funds to the solvency capital requirement under Solvency II.

— Supplementary criteria are used to limit the loss amounts for individual risk types and potential accumulations, such as natural hazards, terrorism and pandemics, and also to limit market, credit and liquidity risks that could endanger Munich Re's ongoing viability.

— Other criteria support our objective of preserving Munich Re's reputation and protecting its future business potential. These criteria encompass limits for individual risks that, although they would not threaten Munich Re's existence, could cause lasting damage to the confidence that clients, shareholders and staff have in the Group.

The risk appetite laid down ensures that an appropriate balance is maintained between business opportunities and risks incurred. Our business model of combining primary insurance and reinsurance ensures that – even in particularly difficult markets – we are in a position to be a strong partner for our clients and a stable investment for our shareholders. With our broadly diversified portfolio of investments, we are well equipped for all market scenarios – even extreme ones – that could realistically arise.

Implementation of strategy and the risk management cycle

The risk appetite defined by the Board of Management is reflected in our business planning and integrated into the management of our operations. If capacity shortages or conflicts with our system of limits and rules arise, defined escalation and decision-making processes must be followed. These have been designed to ensure that the interests of the business are reconciled with risk-management considerations.

Our implementation of risk management at operational level embraces the identification, measurement, analysis and assessment of risks, which provide a basis for risk reporting, limits and monitoring. Risk identification is performed by means of appropriate processes and indicators, which are complemented by expert opinions and assessments by selected, highly experienced managers. Our ad-hoc reporting process provides for staff to report risks to the central risk management function (IRM) at any time.

Risk analysis and assessment are carried out at the highest level in IRM on the basis of a consolidated Group view

Risk analysis and assessment are carried out at the highest level in IRM on the basis of a consolidated Group view. They are partly based on the analyses prepared by the fields of business. In this case, IRM is responsible for checking and validating the analyses of upstream units, working closely with numerous areas and specialists to this end. Overall, IRM ensures that a quantitative and qualitative assessment of all risks at consolidated Group level is provided that considers possible interactions between risks.

Our internal model is based on economic principles and has been certified as the internal Group model for the purposes of calculating the solvency capital requirement under Solvency II. Depending on their materiality and effect, certain changes to our internal model must be approved by the supervisory authorities before they are applied. We are in regular communication with the authorities regarding any intended changes. We also validate the results produced by our internal risk model with the help of standard models, and the models of rating agencies and commercial modelling companies, and take part in industry surveys.

Our financial strength is an important criterion for the success of our business. In addition to our internal requirements, our objective is the second-highest rating for financial strength from each of the main agencies that rate us. Meeting this objective is a supplementary parameter of our corporate management and risk strategy, and is monitored at regular intervals. We currently assume that our financial strength, our good competitive position and our sophisticated risk management will continue to be recognised through correspondingly high ratings.

Risk limits are derived from the risk strategy. Taking the defined risk appetite as a basis, limits, rules and any risk-reducing measures required are approved and implemented. We also have a comprehensive early-warning system that draws our attention to any potential shortages of capacity. If a business unit identifies attractive business that exceeds its risk limits, the risk management departments responsible and IRM analyse its potential impact on the Group portfolio and the risk appetite of the Group as a whole. Taking these results and the expected earnings from the business into consideration, we devise a solution that enables us to take the risk onto our books if appropriate.

Quantitative risk monitoring based on indicators is carried out both centrally and within units, for example at MEAG for investments and at ERGO IRM, and then collated centrally. We monitor risks that cannot be expressed directly as an amount either centrally or in our units, depending on their materiality and allocation.

The risk management system is audited by Group Audit, which carries out audits of various functions in accordance with its audit plan.

Control and monitoring systems

Our internal control system (ICS) is an integrated system for managing operational risks that covers all risk dimensions and areas of the Group. It addresses Group management requirements and local regulations.

The risk and control assessments are performed at least annually by managers, specialists and staff in the relevant departments.

For each field of business, the ICS delivers a risk map at process level, thereby systematically linking every step in a process to the significant risks and the controls relating to them. By making our risk situation transparent in this way, we can focus on and react to weaknesses. This enables us to identify operational risks at an early stage, locate control shortcomings immediately and take effective remedial action.

Controls performed for the ICS at entity level are based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), a recognised internal control standard in the finance industry. IT-level controls are based on COBIT (Control Objectives for Information and Related Technology), an internationally recognised framework for IT governance.

However, notwithstanding the careful design and diligent use of our ICS, which is a high-quality system, it cannot provide total certainty that all operational risks have been covered. We are nevertheless certain that the controls and documentation requirements in place justify confidence on the part of our stakeholders.

The Audit Committee of the Supervisory Board regularly calls for reports on changes to the risk and control landscape

The Audit Committee of the Supervisory Board regularly calls for reports on the effectiveness of the ICS and changes to the risk and control landscape from the previous year. They describe the controls applied and state whether all controls considered necessary have been correctly performed. The reports of our external auditors and Group Audit support this.

The identification, management and control of risks arising out of the accounting process is indispensable for the production of reliable annual financial statements at both consolidated and individual-company level. It is essential for all items in the accounts to be shown correctly and valued appropriately, and for the information provided in the notes and the management report to be complete and correct.

Financial accounting and reporting are subject to carefully defined materiality thresholds to ensure that the cost of the internal controls performed is proportionate to the benefits derived. Significance, risk experience and compliance with legal provisions and internal regulations are taken into account in determining the thresholds. All risks significant for financial reporting from a Group perspective are integrated into the ICS in accordance with uniform criteria. The ICS risk map is checked annually by the risk carriers, and updated and amended as necessary.

By means of an accounting manual and regular circulation of information on changes required, Munich Re ensures that uniform rules are applied throughout the Group for the treatment, valuation and disclosure of all items in the balance sheet, income statement and other components of the financial statements

The accounting process is to a large degree dependent on IT systems, which are subject to ongoing controls aimed at protecting against unauthorised access and guaranteeing the effectiveness and stability of the information and communication processes. A central IT solution drawing on general ledgers largely standardised throughout the Group is used to produce the consolidated financial statements. It is based on harmonised basic data, uniform processes and posting rules, and a standard interface for delivery of data to the Group or subgroup. Authorisation procedures regulate access to accounting systems. Group Audit regularly audits data management in the accounting systems to ensure that it is being performed in a proper and orderly manner.

Risk reporting

Internal risk reporting provides the Board of Management with regular information on the risk situation in the individual risk categories and the Group as a whole. Early-warning mechanisms thus ensure that negative trends are identified in sufficient time for counter-measures to be taken.

The purpose of our external risk reporting is to provide clients and shareholders with a clear overview of the Group's risk situation

The purpose of our external risk reporting is to provide clients and shareholders with a clear overview of the Group's risk situation. This includes information on our risk management methods and processes, our risk governance, and the individual risks to which Munich Re is exposed.

In connection with the introduction of Solvency II, we prepare the prescribed quantitative and descriptive risk reports for both the general public and the supervisory authorities. In future, risk reporting for external purposes will be based on these reports.

Significant risks

Our general definition of risk is possible future developments or events that could result in a negative deviation from the Group's prognoses or targets. According to our classification, significant risks are risks that could have a long-term adverse effect on Munich Re's assets, financial situation or profitability. We have applied this definition consistently to each business unit and legal entity, taking account of its individual risk-bearing capacity. There are significant risks in the following risk categories:

Underwriting risk: Property-casualty

→ Further information on risks in property-casualty business can be found on page 276 ff. in the notes to the consolidated financial statements

The property-casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident, marine, aviation and space, and credit classes of insurance, together with special classes also allocated to property-casualty. Underwriting risk is defined as the risk of insured losses being higher than our expectations. The premium and reserve risks are significant components of the underwriting risk. The premium risk is the risk of future claims payments relating to insured losses that have not yet occurred being higher than expected. The reserve risk is the risk of technical provisions established to cover losses that have already been incurred being insufficient.

Premium risk: Property-casualty

Management in the fields of business have primary responsibility for controlling the premium risk, taking account of both the specific exposures in their business and the knowledge and experience of their staff.

In particularly critical areas, the underwriting authorities granted to the operating units are restricted by mandatory Group-wide instructions or limited budgets.

Due to the diversity and extensive ramifications of the business, it is not possible to produce a set of rules for acceptance that would fully cover relevant risks. The expertise of our underwriters on the ground is therefore of prime importance, particularly in reinsurance. We recognise this by providing advanced training and IT systems for risk assessment and pricing, and publishing internal information sheets and underwriting recommendations.

Reserve risk: Property-casualty

The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends can arise for a variety of reasons, for example court rulings, changes in the law, differences in loss adjustment practice or medical and long-term care, or economic factors such as inflation. They can have a significant impact on run-off results.

We calculate the reserves for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving rules guarantees that the process is reliable and consistent. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the reserves, and the actuarial function provides an annual assessment of the appropriateness of the methods and assumptions applied to determine the technical provisions.

Underwriting risk: Life and health

→ Further information on risks in life and health insurance can be found in the notes to the consolidated financial statements on page 273 ff.

The underwriting risk is defined as the risk of insured benefits payable in life or health insurance business being higher than expected. Of particular relevance are the biometric risks and the customer behaviour risks, for example lapses and lump-sum options. We differentiate between risks that have a short-term or a long-term effect on our portfolio.

Random annual fluctuations in insurance benefits can lead to short-term falls in the value of the portfolio. This applies particularly to expenses, which can rise as a result of exceptional one-off events such as a pandemic.

Changes in customer biometrics or lapse behaviour are risks that have a long-term effect on the value of a portfolio, making it necessary to adjust the actuarial assumptions. Important in health insurance are morbidity risks and risks linked to changes in the cost of treatment, whereas mortality, longevity and disability risks are the most significant in life insurance. Limits are laid down for the pandemic scenarios, which affect the portfolio in the shorter-term, and the longevity scenarios with their longer-term effect in conformity with the risk strategy.

The information provided on underwriting guidelines and limits for property-casualty insurance also applies to life and health reinsurance. Regular reviews of the actuarial assumptions by actuaries and amendment of rating rules where necessary generally ensure that risks are effectively controlled. If there is a lasting change in the actuarial assumptions applied in health primary insurance, it is generally possible to adjust the premiums for long-term contracts.

Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. It includes equity risk, general interest-rate risk, specific interest-rate risk, property-price risk and currency risk. The general interest-rate risk relates to changes in the basic yield curves, whereas the specific interest-rate risk arises out of changes in credit risk spreads, for example on government or corporate bonds. We also include in market risk the risk of changes in inflation rates and implicit volatilities (cost of options).

→ An overview of the discount rates used for the technical provisions is available in the notes to the consolidated financial statements on page 274.

Fluctuations in market prices affect not only our investments but also our underwriting liabilities, especially in life insurance. Due to the long-term interest-rate guarantees given in some cases and the variety of options granted to policyholders in traditional life insurance, the amount of the liabilities can be highly dependent on conditions in the capital markets.

→ Information on derivative financial instruments can be found on page 222 ff., and sensitivity analyses of the market-price risks associated with financial instruments on page 279 f.

We use appropriate limit and early-warning systems in our asset-liability management to manage market risks. By means of stress tests and sensitivity and duration analyses, we simulate market fluctuations and devise strategies for counteracting them where necessary. Derivatives such as equity futures, options and interest-rate swaps, which are used in particular for hedging purposes, also play an important role in our management of the risks.

Credit risk

We define credit risk as the risk of economic losses that Munich Re could incur as a result of a change in the financial situation of a counterparty, such as an issuer of securities or other debtor with liabilities to our Group.

In addition to credit risks arising out of investments in securities and payment transactions with clients, we actively assume credit risk through the writing of insurance and reinsurance business, for example in credit and financial reinsurance.

We use a cross-balance-sheet counterparty limit system valid throughout the Group to monitor and control our Group-wide credit risks. The limits for each counterparty (a group of companies or country) are based on its financial situation as determined by the results of our fundamental analyses, ratings and market data, and the risk appetite defined by the Board of Management. The utilisation of limits is calculated on the basis of credit-equivalent exposure (CEE). There are also volume limits for securities lending and repurchase transactions. Investments in asset-backed securities (ABSs) are also controlled through volume limits separate from the counterparty limit system. Group-wide rules for collateral management, for example for OTC derivatives and catastrophe bonds issued, enable the associated credit risk to be reduced. Exposure to issuers of interest-bearing securities and credit default swaps (CDSs) in the financial sector is additionally limited by a financial sector limit at Group level.

We use our limit systems and have permanent working groups in place to monitor continuously all significant credit and country risks, and the quality of our main retrocessionaires. We also make use of credit derivatives, especially CDSs, in our management of credit risks.

We manage the default risk in the area of retrocession and external reinsurance through the Retro Security Committee.

Operational risk

We define operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes criminal acts committed by employees or third parties, insider trading, infringements of antitrust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations, and disagreements with business partners.

Operational risks are managed via our ICS, complemented by the results of scenario analyses. In addition, our Security and Continuity Risk Management Framework (SCRM) defines the rules for a standard Group-wide procedure for, in particular, identifying, assessing and managing security risks for people, information and property.

Appropriate measures – up to and including larger projects and separate business units – are used to reduce operational risks and to correct identified weaknesses or errors.

Liquidity risk

→ Further information on the liquidity risks in life and health insurance business and in property-casualty business can be found in the notes to the consolidated financial statements on pages 275 and 278

We manage liquidity risk through our holistic risk strategy, with the Board of Management defining limits on which minimum liquidity requirements for our operations are based. These risk limits are reviewed annually and compliance with the minimum requirements is continuously monitored.

Our objective in managing liquidity risk is to ensure that we are in a position to meet our payment obligations at all times. We also optimise the availability of liquidity in the Group by means of internal funding. Through stringent requirements regarding the availability of liquidity, which also comply with supervisory rules, we ensure that every unit is able to meet its payment obligations.

Strategic risk

We define strategic risk as the risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. The existing and new potential for success in the Group, and the fields of business in which it operates, involves strategic risks, which we manage by discussing significant strategic issues and decisions in our Strategy Committee and regularly monitoring the implementation of the decisions taken. The Strategy Committee comprises the members of the Group Committee, the Chief Executive Officers (CEOs) of the fields of business and the Head of Group Development. IRM is additionally involved in the operational business planning and in the processes for mergers and acquisitions.

Reputational risk

Reputational risk is the risk of a loss resulting from damage to the Group's public image (for example with clients, shareholders or other parties).

The action we take to monitor and limit reputational risk ranges from the general identification and recording of reputational risks arising out of operational risks for the purposes of the ICS to establishment of whistleblower procedures.

Actual reputational issues arising out of specific incidents are evaluated in the fields of business by Reputational Risk Committees. A legal entity's Compliance Officer can always be consulted on any matter relating to the assessment of reputational risks.

There is also a Group Compliance Committee, which deals with compliance and reputational issues and risks at Group level, with a view to standardising the way they are handled throughout the Group. The Committee mainly considers reputational risks that have been notified by the business units. We have also set up the Group Corporate Responsibility Committee, which concerns itself with identifying and undertaking a general analysis of sensitive issues and defining our position on them. The assessments it makes are used as a basis for strategic decisions taken by units in the Group.

Solvency capital requirement

Overview of the risk situation

Throughout the entire period under review, the risk situation was manageable and under control

We use our risk management to assess our risk situation on the basis of qualitative and quantitative factors. Throughout the entire period under review, the risk situation was manageable and under control. In addition to the underwriting and capital market risks inherent in our business model, there are inevitably a large number of other risks to which Munich Re – like every other undertaking – is exposed. The incidence of these risks is random and their occurrence probability and impact are generally very difficult to estimate. We therefore closely monitor our business and the environment we operate in to identify even these risks in good time and to take suitable measures to avert loss or damage.

Internal risk model

We manage our business on the basis of a consolidated Group view, using a comprehensive internal risk model to determine the capital needed to ensure that the Group is able to meet its commitments even after extreme loss events. For the 2015 year-end, we have calculated the solvency capital requirement (SCR) under the new Solvency II regulatory regime on the basis of our certified internal model. The capital requirements of the previous year are also shown on the basis of the SCR, which corresponds to the economic risk capital (ERC) divided by a factor of 1.75. The SCR figures shown in this report for the end of 2014 are estimates based on our application for certification including the remaining model changes for 2015.

The solvency capital requirement is the amount of eligible own funds that Munich Re needs to have available, with a given risk appetite, to cover unexpected losses in the following year. The solvency capital requirement corresponds to the value at risk of this economic profit and loss distribution over a one-year time horizon with a confidence level of 99.5%. This metric thus equates to the economic loss for Munich Re that, given unchanged exposures, will be statistically exceeded in no more than one year in every 200. Munich Re's objective is to maintain a level of solvency capital that is at least 1.75 times and hence substantially in excess of the solvency capital requirement. This conservative approach provides our clients with a high level of safety.

In the course of the introduction of Solvency II, the following were the main changes affecting the solvency capital requirement: the change from using swap rates to the risk-free interest rates required under Solvency II (EIOPA curves), the application of rules for the recognition of capital fungibility and transferability in determining eligible own funds rather than in determining the solvency capital requirement, and the recognition of the loss absorbency of deferred taxes. In line with the procedure for determining eligible own funds, we use neither the volatility adjustment nor the matching adjustment to the risk-free yield curve in calculating the solvency capital requirement. We also make no use of the transitional measures for risk-free interest rates or technical provisions.

Our risk model is based on specially modelled distributions for the risk categories property-casualty, life and health, market, credit and operational risks.

We use primarily historical data for calibration, complemented in some areas by expert estimates. Our historical data cover a long period to take account of our one-year time horizon and to provide a stable and appropriate estimate of our risk parameters. We also take account of the diversification effects we achieve through our broad spread across the different risk categories (underwriting, market, credit and operational risks) and our combination of primary insurance and reinsurance business. We also take into account dependencies between the risks, which can result in higher capital requirements than would be the case if no dependency were assumed.

We then determine the effect of the loss absorbency of deferred taxes. This generally leads to a reduction in the negative impact of large loss scenarios on Munich Re's economic balance sheet and thus to lower solvency capital requirements, as the occurrence of large loss scenarios generally entails lower tax liabilities.

Every risk category in reinsurance and at ERGO is shown. In the Munich Health field of business, the life and health risk categories and operational risks are shown, but not market and credit risk, which we cover through our internal risk control in reinsurance.

Solvency capital requirements (SCR)

	Reinsurance		ERGO		Munich Health	
	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
	€bn	€bn	€bn	€bn	€bn	€bn
Property-casualty	6.2	5.6	0.4	0.3	–	–
Life and health	3.8	3.6	1.3	2.1	0.3	0.3
Market	5.8	5.5	4.3	5.0	–	–
Credit	2.7	2.8	1.6	1.9	–	–
Operational risk	0.8	0.8	0.4	0.4	0.1	0.1
Other[1]	–	–	–	–	–	–
Subtotal	**19.3**	**18.3**	**8.0**	**9.7**	**0.4**	**0.4**
Diversification effect	-7.4	-7.1	-2.1	-2.6	0.0	-0.1
Tax	-2.0	-1.9	-0.7	-0.5	-0.1	0.0
Total	**9.9**	**9.3**	**5.2**	**6.6**	**0.3**	**0.3**

→	Diversification		Group			
	31.12.2015	Prev. year	31.12.2015	Prev. year		Change
	€bn	€bn	€bn	€bn	€bn	%
Property-casualty	-0.3	-0.2	6.3	5.7	0.6	10.5
Life and health	-0.7	-1.2	4.7	4.8	-0.1	-2.1
Market	-1.4	-1.7	8.7	8.8	-0.1	-1.1
Credit	-0.1	-0.1	4.2	4.6	-0.4	-8.7
Operational risk	-0.3	-0.3	1.0	1.0	0.0	0.0
Other[1]	–	–	0.1	0.2	-0.1	-50.0
Subtotal	**–**	**–**	**25.0**	**25.1**	**-0.1**	**-0.4**
Diversification effect	–	–	-9.2	-9.1	-0.1	1.1
Tax	–	–	-2.3	-2.2	-0.1	4.5
Total	**-1.9**	**-2.5**	**13.5**	**13.8**	**-0.3**	**-2.2**

1 Capital requirements for other financial sectors, e.g. institutions for occupational retirement provisions.

The table shows the solvency capital requirement for Munich Re and its risk categories as at 31 December 2015. The solvency capital requirement was €0.3bn lower than for the previous year. The change in the solvency capital requirement for the categories was substantially determined by two countervailing factors: the depreciation of the euro, which led to an increase in the solvency capital requirement, and the decrease in the solvency capital requirement for the ERGO field of business.

— The main reason for the €0.6bn rise in the solvency capital requirement for the property-casualty category was currency translation effects, which affected both the basic loss risk and the large and accumulation loss risk. The depreciation of the euro against most of the main currencies resulted in an increase in the solvency capital requirement expressed in euros.

— There was virtually no change in the solvency capital requirement for the life and health category. The solvency capital requirement for the reinsurance field of business rose slightly by €0.2bn, due mainly to the depreciation of the euro against the US dollar. The decrease of around €0.8bn in the solvency capital requirement in the ERGO field of business was due in almost equal measure to two factors: the final implementation of the remaining model changes in accordance with the application for certification and the favourable development of the investment portfolio, with higher risk-mitigating items in the solvency balance sheet reducing the underwriting solvency capital requirement.

— The solvency capital requirement for market risks decreased by €0.1bn. The increase of €0.3bn for the reinsurance field of business resulted from a higher equities exposure. The solvency capital requirement in the ERGO field of business was down €0.7bn. As in the life and health risk category, the final implementation of the remaining model changes in accordance with the application for certification and the favourable development of the investment portfolio contributed in more or less equal measure to the reduction.

— The solvency capital requirement for credit risks decreased by €0.4bn, primarily owing to the ERGO field of business. In this risk category too, the reduction in the risk resulted from the final implementation of the remaining model changes in accordance with the application for certification and the advantageous development of the investment portfolio, which led to an increase in the risk-mitigating effect of profit sharing.

— The diversification effect between the risk categories property-casualty, life and health, market, credit and operational risks increased by €0.1bn and stood at 36.9%, the sum of the solvency capital requirements for the individual risk categories (without Other) remaining the same.

Property-casualty
Losses with a potential cost exceeding €10m within a field of business are classified as large losses. Accumulation losses are losses affecting more than one risk (or more than one line of business). We classify all other losses as basic losses. For basic losses, we calculate the risk of subsequent reserving being required for existing risks within a year (reserve risk) and the risk of under-rating (premium risk). To achieve this, we use explicit analytical methods (in the reinsurance field of business) and simulation-based approaches (in the ERGO field of business) that are based on standard reserving procedures, but take into account the one-year time horizon. The calibration for these methodologies is based on our own historical loss and run-off data. Appropriate homogeneous segments of our property-casualty portfolio are used for the calculation of the reserve and premium risks. To aggregate the risk to whole-portfolio level, we apply correlations that take account of our own historical loss experience.

We manage our risk exposure actively. This includes restricting our exposure, for example by setting limits and budgets for natural catastrophe risks, with our experts developing scenarios for possible natural events taking into account the scientific factors, occurrence probabilities and potential loss amounts. On the basis of these models, the impact of various events on our portfolio is calculated and represented in mathematical terms in the form of a stochastic model. These models form the basis for the SCR calculation for the "large and accumulation losses" category – comprising not only natural hazard scenarios, but also man-made losses – and for the limits and budgets for accumulation losses. Our internal risk model treats the accumulation-risk scenarios as independent events.

The up-to-date exposure figures for each scenario are used for the quarterly SCR calculations, and the data are used to adjust the stochastic models for the natural hazards. The current limit utilisation is determined by a bottom-up process. As ERGO's portfolio is more stable, its exposure is only updated annually.

The underwriting solvency capital requirement for property-casualty is made up as follows:

Solvency capital requirements (SCR) – Property-casualty

	Reinsurance		ERGO		Diversification	
	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
	€bn	€bn	€bn	€bn	€bn	€bn
Basic losses	3.5	3.1	0.3	0.3	-0.2	-0.2
Large and accumulation losses	5.7	5.1	0.2	0.2	-0.2	-0.1
Subtotal	**9.2**	**8.2**	**0.5**	**0.5**	–	–
Diversification effect	-3.0	-2.6	-0.1	-0.2	–	–
Total	**6.2**	**5.6**	**0.4**	**0.3**	**-0.3**	**-0.2**

→

	Group			Change
	31.12.2015	Prev. year		Change
	€bn	€bn	€bn	%
Basic losses	3.6	3.2	0.4	12.5
Large and accumulation losses	5.7	5.1	0.6	11.8
Subtotal	**9.3**	**8.3**	**1.0**	**12.0**
Diversification effect	-3.0	-2.6	-0.4	15.4
Total	**6.3**	**5.7**	**0.6**	**10.5**

The depreciation of the euro against most of the main currencies led to a higher solvency capital requirement for the basic losses than in the previous year. In addition, weather-risk exposure increased.

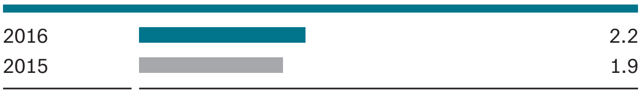
The solvency capital requirement for large and accumulation losses was also higher. This was due mainly to the appreciation of the US dollar against the euro, which led to an increase in the risk in euro terms for some major natural hazard scenarios. As in 2014, the largest natural catastrophe exposure for Munich Re is the €3.9bn currently retained for the "Atlantic Hurricane" scenario (value at risk for a 200-year return period). The second-largest scenario is "Storm Europe" with a retention of €2.3bn, followed by the "Los Angeles earthquake" scenario with a retention of €2.2bn.

The diagrams show our estimated exposure to the peak scenarios for a return period of 200 years.

Atlantic Hurricane
Aggregate VaR (return period: 200 years)
€bn (before tax), retained

Storm Europe
Aggregate VaR (return period: 200 years)
€bn (before tax), retained

Earthquake Los Angeles
Aggregate VaR (return period: 200 years)
€bn (before tax), retained



As a risk carrier operating worldwide, we can achieve a broad mix and spread of individual risks, which enables us to reduce the volatility of total insurance payments considerably and significantly increase value creation in all areas of our business.

Life and health

In life and health business, the risk modelling takes account of both short and long-term developments in risk drivers that influence the value of our business.

In addition to the simple risk of random fluctuations resulting in higher claims expenditure in a particular year, the adverse developments with a short-term impact that we model notably include the risk of above-average claims that could arise on the occurrence of rare but costly events such as pandemics.

Life primary insurance products in particular, and a large part of our health primary insurance business, are long-term in nature, and the results they produce are spread over the entire duration of the policies. The adverse development of risk drivers with a long-term impact, such as changes in the forecast mortality and disablement trends, can cause the value of the insured portfolio to fall (trend risks). The risk modelling attributes probabilities to each modified assumption and produces a complete profit and loss distribution. We use primarily historical data extracted from the underlying portfolios to calibrate these probabilities and additionally apply general mortality rates for the population to model the mortality risk.

To enable us to define appropriate parameters for the modelling of the range of areas in which we operate, portfolios with a homogeneous risk structure are grouped together. We then aggregate the individual profit and loss distributions taking account of the dependency structure to obtain an overall distribution, ensuring in particular that we do not underestimate the effect of large losses that would affect various parts of the portfolio simultaneously, as would be the case for a pandemic, for example.

Market risks

Market risks are established using a scenario-based simulation calculation. The calibration of the scenarios, which depict the possible future values and dependencies of the financial instruments concerned, is based on historical weekly capital-market data (going back to 1999).

Solvency capital requirements (SCR) – Market

	Reinsurance		ERGO		Diversification	
	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
	€bn	€bn	€bn	€bn	€bn	€bn
Equity risk	3.0	2.6	0.7	0.8	0.0	0.0
General interest-rate risk	1.9	1.8	2.2	3.9	–1.0	–1.9
Specific interest-rate risk	1.6	1.7	2.8	2.0	–0.9	–0.6
Property risk	0.9	0.8	0.6	0.5	0.0	0.0
Currency risk	3.3	3.4	0.2	0.2	0.0	–0.1
Subtotal	**10.7**	**10.3**	**6.5**	**7.4**	**–**	**–**
Diversification effect	–4.9	–4.8	–2.2	–2.4	–	–
Total	**5.8**	**5.5**	**4.3**	**5.0**	**–1.4**	**–1.7**

→

	Group			Change
	31.12.2015	Prev. year		
	€bn	€bn	€bn	%
Equity risk	3.7	3.4	0.3	8.8
General interest-rate risk	3.1	3.8	–0.7	–18.4
Specific interest-rate risk	3.5	3.1	0.4	12.9
Property risk	1.5	1.3	0.2	15.4
Currency risk	3.5	3.5	0.0	0.0
Subtotal	**15.3**	**15.1**	**0.2**	**1.3**
Diversification effect	–6.6	–6.3	–0.3	4.8
Total	**8.7**	**8.8**	**–0.1**	**–1.1**

Equity risk

The market value of our investments in equities, including participating interests, was €12.1bn (12.4bn) as at 31 December 2015. As at that date, the ratio of equities to total investments on a market-value basis was 5.2% (5.2%) before taking derivatives into account and 4.8% (4.3%) after derivatives. The higher equities position after derivatives compared to the previous year is reflected in a rise in the solvency capital requirement.

Interest-rate risks

In the reinsurance field of business, the market value of interest-sensitive investments as at 31 December 2015 was €76.9bn (72.3bn). Measured in terms of modified duration, the interest-rate sensitivity of those investments was 5.4 (5.6), while that of the liabilities was 4.8 (4.6). The change in the freely available financial resources in the event of a decrease in interest rates of one basis point would be approximately –€2.9m (0.4m). This means that the interest-rate sensitivity of the liabilities is largely hedged by investments.

In the ERGO field of business, the market value of interest-sensitive investments as at 31 December 2015 was €130.5bn (135.2bn). The modified duration was 8.4 (8.3) for interest-sensitive investments and 9.1 (9.2) for liabilities. This means exposure to falling interest rates, which arises mainly out of the long-term options and guarantees in life insurance business. A decrease in interest rates of one basis point would have reduced the freely available financial resources by approximately €15.4m (16.8m).

The moderate changes in the general and specific interest-rate risks in the reinsurance field of business are attributable to minor investment allocation adjustments.

In the ERGO field of business, the favourable performance of the investment portfolio reduces the general interest-rate risk. The final implementation of the remaining model changes in accordance with the application for certification resulted not only in this further reduction, but also in a change in the recognition of the general and specific interest-rate risk.

Property risk
The rise in the property risk was substantially due to increases in the market values of properties in the portfolio.

Currency risk
Despite the changes in exchange rates observed, the currency risk remained constant year on year thanks to our active management of foreign currency exposure.

Credit risks
Munich Re determines credit risks using a portfolio model, which takes into account both changes in market value caused by rating migrations and debtor default. The model is calibrated over a credit cycle. The credit risk arising out of investments (including deposits retained on assumed reinsurance and CDSs) and reinsurers' shares in technical provisions is calculated by individual debtor. We use historical capital-market data to determine the associated migration and default probabilities. Correlation effects between debtors are derived from the sectors and countries in which they operate, and sector and country correlations are based on the interdependencies between the relevant stock indices. We use our own historical company loss experience to calibrate the credit risk arising out of receivables. For life and health primary insurance business, we also take account of the share of the mitigating effect on the credit risk resulting from policyholders' participation in profits.

→ Information on the ratings of the securities can be found in the notes to the consolidated financial statements on page 220 ff.

The market value of our investments in fixed-interest securities and loans as at 31 December 2015 was €194.6bn (199.7bn), representing 84.4% (84.7%) of the total market value of Munich Re's investments. These securities thus made up the bulk of our portfolio.

In our internal risk model, we calculate and allocate solvency capital requirements even for highly rated government bonds.

→ Further information on receivables relating to insurance business can be found in the notes to the consolidated financial statements on page 227 ff.

Our reserves ceded to reinsurers were assignable to the following rating categories as at 31 December 2015:

Ceded share of technical provisions according to rating

%	31.12.2015	Prev. year
AAA	2.4	4.6
AA	31.3	50.0
A	54.3	40.8
BBB and lower	1.2	0.9
No rating available	10.8	3.7

The shifts are mainly due to changes in the ratings of a small number of reinsurers and the reclassification of ERGO Italia as "held for sale".

Operational risks
We use scenario analyses to quantify operational risks. The analyses are produced or updated annually by experienced staff from the fields of business and affected companies. The results are fed into the modelling of the solvency capital requirement for operational risks and are validated using various sources of information, such as the ICS and internal and external loss data.

Eligible own funds

In 2015, we changed the methodology for calculating own funds (previously "available financial resources") to that prescribed under the Solvency II regime applicable from 1 January 2016. Since then, we have compared the solvency capital requirement with the eligible own funds.

The solvency balance sheet prepared in accordance with Solvency II forms the basis for the calculation of the eligible own funds. This balance sheet is used to determine the excess of the Group's assets over its liabilities, with both assets and liabilities being valued according to the principles of Solvency II, i.e. essentially at market value.

Goodwill and other intangible assets cannot be recognised as assets in the solvency balance sheet as they might not retain their value in crisis situations. Surplus funds, on the other hand, can be included in the solvency balance sheet if they are provided for under national regulations and meet the requirements of own funds classification under Solvency II. They are accumulated profits that have not yet been allocated for payment to policyholders or claimants. Examples are provisions for unallocated premium refunds and terminal bonuses in German life insurance.

→ We provide additional information on underwriting items in accordance with IFRS in our notes to the consolidated financial statements. Information on the underwriting assets is available under (G) on page 190 and details on the underwriting liabilities can be found under (C) and (D) on page 192 ff.

The main differences between the IFRS equity of Munich Re and the excess of assets over liabilities in the solvency balance sheet are due to the differing rules for recognition and valuation. The Solvency II methodology makes more extensive use of market values in the balance sheet than IFRS. For example, investments are recognised in the solvency balance sheet at market value, whereas under IFRS this applies only to securities available for sale. The valuation methodology for underwriting items in accordance with Solvency II differs significantly from the valuation in our consolidated financial statements. The value of the underwriting provisions in accordance with Solvency II corresponds to the current amount that insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance liabilities immediately to another insurance or reinsurance undertaking.

Eligible own funds

€bn	31.12.2015	Prev. year	Change
Excess of assets over liabilities	**37.3**	**34.8**	**2.5**
Subordinated liabilities	4.9	5.0	–0.1
Share buy-backs	–1.1	–1.0	–0.1
Restrictions on eligible own funds	–0.8	–0.8	0.0
Basic own funds	**40.3**	**38.0**	**2.3**
Own funds allocated to other areas of finance	0.4	0.2	0.2
Eligible own funds[1]	**40.7**	**38.2**	**2.5**

1 The capital measures included in the eligible own funds amount to –€2.5bn in the year under review and mainly concern the dividend payment and share buy-backs.

The starting point for the calculation of the eligible own funds is the excess of assets over liabilities. The previous year's figure (€34.8bn) has not been adjusted for methodology and valuation changes relating to the previous year. These adjustments (€0.3bn) relate to issues including the BaFin's recent interpretative decision on deferred taxes.

First, the basic own funds are calculated by adjusting the excess of assets over liabilities according to Solvency II for the factors relevant to Munich Re.

Subordinated liabilities should be added provided that they are available at all times to cover losses on a going-concern basis. Munich Re's subordinated liabilities meet this requirement. Share buy-backs that have been announced but not completed as at the balance sheet date and own shares held must be deducted. The planned dividend for the 2015 financial year is still included in the eligible own funds as at 31 December 2015. The eligibility of certain own-fund items, such as surplus funds and minority interests in Group equity, is subject to restrictions, and they must be deducted. The carrying amounts of shareholdings in companies in other financial sectors such as banks and investment firms must also be deducted.

Finally, capital calculated in accordance with sectoral regulations that is allocated to other financial sectors is included to determine the Group's "eligible own funds".

For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. Munich Re's own funds are of very high quality.

Munich Re's eligible own funds were allocated to the tiers as follows:

Tiering of eligible own funds

€bn	31.12.2015	Prev. year	Change
Tier 1 unrestricted	35.2	32.5	2.7
Tier 1 restricted	1.5	1.5	0.0
Tier 2	3.4	3.5	–0.1
Tier 3	0.6	0.7	–0.1

The solvency ratio under Solvency II is the ratio of the eligible own funds to the solvency capital requirement.

Solvency II ratio

		31.12.2015	Prev. year	Change
Eligible own funds	€bn	40.7	38.2	2.5
Solvency capital requirement	€bn	13.5	13.8	–0.3
Solvency II ratio	%	302	277	

→ The solvency ratio for the regulatory solvency requirement in accordance with Solvency I, which was applied for the last time as at 31 December 2015, can be found on page 103

The Solvency II ratio of 302% (277%) was up by 25 percentage points on the previous year, emphasising Munich Re's financial strength. In line with the Solvency II standard, the solvency capital requirement was based on a value at risk with a confidence level of 99.5%.

Selected risk complexes

Overarching accumulation risks

Global and regional economic and financial crises
Munich Re has substantial investments in the eurozone. We attach importance to maintaining a correspondingly broad diversification of investments to cover our technical provisions and liabilities in euros. We use government bonds to match our underwriting liabilities in terms of currency and duration, especially for life and health primary insurance. Growth in the eurozone stabilised further in 2015, though the sovereign debt crisis dominated the capital markets around the middle of the year due to developments in Greece, with the risk premiums for government bonds issued by other peripheral countries also widening considerably for a time. Notwithstanding agreement with Greece's European partners on a third aid programme, significant political risks remain, with a potential impact on the eurozone. In addition, the refugee crisis and the planned referendum in the United Kingdom on continuing EU membership has created a risk of further European disintegration.

The low-interest-rate environment continues to present life insurance companies in the eurozone in particular with major challenges. The fluctuations in the capital markets give rise to considerable volatility in our investments and liabilities at the valuation dates. We counter these risks with various risk management measures.

In monitoring the country risks, we do not simply rely on the usual ratings, but perform independent analyses of the political, economic and fiscal situation in key countries in which bonds might potentially be issued. Our experts also evaluate and draw conclusions from the movements in the market prices of the bonds or derivatives issued by the country concerned. On this basis, and taking account of the investment requirements of the fields of business in the respective currency areas and countries, proposals for limits or action to be taken are submitted to the Group Investment Committee. These limits are mandatory throughout the Group for investments and the insurance of political risks.

On the basis of defined stress scenarios relating to further developments in the eurozone sovereign debt crisis, our experts forecast potential consequences for the financial markets, the market values of our investments, and the present values of our underwriting liabilities. At Group level, we counter any negative effects with the high degree of diversification in both our investments and our liability structure, and with our active Group-wide asset-liability management.

Current developments in some emerging countries are also giving rise to considerable uncertainty. The large increases in debt in the past, principally in the private sector, falling commodity prices, the tightening of US monetary policy and the resultant risk of capital outflows are posing problems for some emerging countries, notably China, Brazil, Turkey and South Africa.

Apart from the political imponderables in Europe and the situation in the emerging countries, international crises such as the situations in the Middle East and Ukraine are also creating increased uncertainty.

Pandemics

Another example of an overarching accumulation is a serious pandemic, which would expose Munich Re – like other companies in the insurance industry – to risks resulting from a marked increase in mortality and morbidity and from disruptions in the capital markets. We counter this risk by analysing our overall exposure in detail (scenario analysis) and defining appropriate measures to manage the risks.

Climate change

Climate change represents one of the greatest long-term risks of change for the insurance industry

Climate change represents one of the greatest long-term risks of change for the insurance industry. In our Corporate Climate Centre, we analyse and assess this risk and are developing and coordinating a holistic strategic approach. The findings are available to all fields of business, the Group and reinsurance development units, Corporate Underwriting, Integrated Risk Management and the investment management areas (asset-liability management and MEAG).

New and complex risks

Our early identification of risks also covers emerging risks, i.e. those that change or arise as a result of legislative, socio-political, scientific or technological changes, and that may have unmeasured or unknown effects on our portfolio. The degree of uncertainty as to the extent of damage and probability of occurrence is by its nature very high for these risks.

We identify trends and faint signals in many ways, including systematic trend research, using Munich Re's knowledge management. Regular structured discussions are held in our emerging-risks think tank and our global emerging-risk community, a group of experts who investigate the possible impact of emerging risks on Munich Re. They look at interconnections and interdependencies between different risks and other consequences linked directly or indirectly to emerging risks. Cooperation with external partners, such as the CRO Forum's Emerging Risks Initiative, complements our internal early-warning system.

One example of an emerging risk is cyber risk. The growing use of information technology in society and the economy is having serious repercussions. The rapid progress is changing our working life and social behaviour, and creating new conditions for industry, trade, transport and the supply of energy and raw materials. Healthcare systems and international economic and political relations are likewise changing constantly as a result of the rapid advances in IT. In our management of emerging risks, we monitor these developments very closely, at the same time both devising appropriate risk-management methodologies and creating new business opportunities.

Risks arising out of environmental, social responsibility and governance issues are also systematically captured

We also systematically capture risks potentially arising out of environmental, social responsibility and governance (ESG) issues. In addition to the advice and support on ESG risks provided by our Corporate Responsibility unit, the Group Corporate Responsibility Committee identifies and prioritises particularly sensitive issues and has analyses carried out involving all relevant experts in the Group.

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events that test the limits of traditional scenario-based risk management are occurring frequently. Both the occurrence of an event and its potential consequences are increasingly difficult to predict. Current examples are the Ukraine conflict and the war in Syria, which are not only having dramatic consequences for the populations, infrastructure and economies in the countries directly affected. The repercussions of these conflicts are being felt worldwide in the form of migration and changing geopolitical stability, indirectly affecting the economic conditions in which we operate. Such chains of events will take on greater importance in future. We therefore adopt a system-based approach to analyse dependencies in complex risks, for which we have developed our Complex Accumulation Risk Explorer software (CARE). Using this method, risks and their interaction can be made more transparent and at least partially quantified.

Legal, supervisory, balance sheet and tax risks

Legal risks

Legal disputes

Munich Re (Group) companies are involved in court, regulatory and arbitration proceedings in various countries in the normal course of business. The outcome of pending or impending proceedings is neither certain nor predictable. However, the management of Munich Re is of the opinion that none of these proceedings, including those mentioned below, will have a significant negative impact on Munich Re's financial situation.

In December 2009, Munich Re's Spain and Portugal branch lodged an appeal against the Spanish antitrust authority (Comisión Nacional de la Competencia – CNC) in respect of an administrative order imposing a fine of €15.9m for alleged collusion restricting competition. The court of last instance has now confirmed that the accusation of conduct in violation of antitrust law on the part of Munich Re was unfounded and the fine has been overturned.

After the federal legislative procedure for the US Fairness in Asbestos Injury Resolution Act foundered in February 2006, several US states adopted legislation initiatives (tort reform), which in our view may have a positive effect on the settling of asbestos claims. The recent developments indicate that malicious liability claims are being contested in US legal circles with increasing resolve. However, it is too early to say whether and to what extent this will have favourable implications for future losses in the insurance industry, particularly as plaintiff attorneys are trying hard to repel the tort reform initiatives. We are currently still being affected by late-reported claims – in some cases for high amounts – for asbestos-related diseases and similar liability complexes. Although the total number of asbestos claims is declining, the number of severe cases of mesothelioma and other types of cancer has remained relatively constant in recent years.

Former minority shareholders of ERGO Versicherungsgruppe AG are seeking to gain increased squeeze-out cash compensation by way of shareholder compensation complaint proceedings. The material risk is limited by the number of shares eligible for compensation (approximately 237,000) and the upper end of the scale within which the corporate value of ERGO Versicherungsgruppe AG as at the date of valuation can be set.

A number of cases are pending before courts against various companies in the Ideenkapital Group, which developed closed-end funds that it marketed in particular to private investors via banks. Its portfolio includes media, property, life insurance and shipping funds. The claimants are fund investors, who for the most part are filing claims in respect of defects in prospectuses and products. The possibility of other claims being filed and the resultant reputational risks cannot be excluded.

Risk of legal changes

On 19 December 2013, the Court of Justice of the European Union (CJEU) had ruled that the limitation period for the "policy model" for life insurance within the meaning of Section 5a (2) sentence 4 of the German Insurance Contract Act (VVG) (old version) contravened European law. On 7 May 2014, the German Federal Court of Justice (BGH) confirmed the ruling, according to which customers may still have a right to withdraw from an insurance contract more than a year after it has been concluded if they have not received proper instruction on that right. The same applies if they have not received the insurance terms and conditions or pertinent consumer information. Affected are life insurance policies using the “policy model” issued between 1995 and 2007. On 17 December 2014, the Federal Court of Justice extended its ruling to cover contracts based on the “proposal model”, so that customers now have a right of withdrawal more than one month after payment of the first premium if they have not received proper instruction on that right. Affected are life insurance policies based on the proposal model or the invitation model issued from 29 July 1994 to 31 December 2007. The Federal Court of Justice has not reached a definitive decision on the legal consequences of the rulings dated 7 May 2014 and 17 December 2014. We await further rulings. The rulings cannot be applied to classes of business other than life insurance.

Supervisory risks

The entry into force of Solvency II, currently the most important insurance supervision project in the European Union, will profoundly change the supervision of insurers and reinsurers. The changes were translated into German law with effect from 1 January 2016, notably through the Insurance Supervision Act (VAG). The new Insurance Supervision Act will be complemented by directly applicable EU regulations and various communications from the supervisory authorities. We are applying proportionality in our interpretation and implementation of the new principle-based requirements. However, it is evident from practice that there are still numerous uncertainties.

If interest rates decline further, the solvency requirements will increase for a number of life insurance companies in our Group. We are closely monitoring the situation and will take the necessary steps to ensure that the solvency requirements are duly met.

Work is still in progress at a global level on additional supervisory requirements for systemically important financial institutions (SIFIs). Systemic importance is determined not by the fundamental significance of a sector for the economy, but by the impact the insolvency of a company could have on global financial markets and the real economy. The insurance industry believes that the core business of primary insurers and reinsurers does not give rise to systemic risk. In fact, during the financial crisis insurers contributed towards increased stability. Nonetheless, the Financial Stability Board (FSB) has published a list of nine globally operating primary insurance companies that it classifies as systemically important – the “G-SIIs” (global systemically important insurers). A review of the potential systemic importance of reinsurers has been repeatedly postponed by the FSB and is now expected to be undertaken in 2016. It is possible that the global debate will be followed by a national one. In addition, certain legal consequences could have an indirect effect on companies that are not classified as systemically important. Classification of Munich Re as a systemically important institution would be very likely to result in considerably higher regulatory requirements.

In addition to the SIFI issue, the FSB and the IAIS (International Association of Insurance Supervisors) are working on a Common Framework (ComFrame), which is expected to become the international standard for the supervision of large insurance groups operating internationally from 2019. One of the objectives of ComFrame will be to enable the diverse activities of such groups to be captured better through efficient cooperation and coordination between regulators, leading to harmonisation of the supervisory processes worldwide. An important component of ComFrame will be a new global capital requirement – the Global Insurance Capital Standard (ICS). There are already initial thoughts on the requirement, and high-level principles have been proposed. Introduction of the standard is also expected to involve higher regulatory requirements.

In May 2015, the American Modern Insurance Group (American Modern) concluded a "Regulatory Settlement Agreement" with 49 US states and the District of Columbia regarding "force-placed business". In the Agreement, American Modern undertook to pay a net penalty of US$ 6m and is setting up a compensation fund of around US$ 20.4m for debtors and policyholders affected. American Modern also undertook to change certain business practices by 31 March 2016. If it does not do so, the above-mentioned penalty payable will be increased by US$ 6m.

Balance sheet risks

→ Information on the treatment of goodwill can be found in the notes to the consolidated financial statements on page 184, and the results of the impairment tests on page 206 ff.

Balance sheet risk is the risk of our annual results or our capital being adversely affected by unforeseen reductions in the value of our assets or increases in our liabilities. It arises primarily out of changes in capital-market parameters or an unforeseen need to adjust assumptions relating to insurance liabilities that could lead to reserves having to be strengthened. In addition, changes in the general macroeconomic environment may affect the cash flows achievable from assets. Assets include goodwill arising on first-time consolidation of subsidiaries, which is subjected to regular impairment tests. Changes in the assumptions on which we have based our calculations could result in decreases in asset values in the future.

Tax risks

As a reaction to the financial markets and sovereign debt crisis, a trend towards increased corporate tax burdens is apparent across Europe. In Germany, discussion has focused on the introduction of a financial transactions tax and the restriction of tax privileges for investment funds. After the already implemented abolition of tax exemption for free-float dividends, it is not unlikely that in future there will be taxation of gains on disposals of free-float shareholdings. Which of these ideas will actually become reality is not yet clear. Additional annual tax burdens in the lower three-digit million euro range as a result of the plans under discussion cannot be ruled out.

Summary

In accordance with the prescribed processes, our Board committees explicitly defined the risk appetite for significant risk categories in the year under review, and quantified it with key figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout the Group. During the whole of 2015, risk exposures were regularly quantified and compared with the risk appetite. We assess Munich Re's risk situation to be manageable and under control.

Opportunities report

- Technical progress, demographic trends and regulatory changes offer avenues for profitable growth
- Development of emerging economies provides options for expanding and further diversifying the portfolio
- Opportunities also derive from innovative product and service solutions for our clients in key future areas such as renewable energies and weather risks

Munich Re's business model combines primary insurance and reinsurance under one roof. We are convinced of the future viability of traditional reinsurance. With the primary insurance activities we operate out of the reinsurance field of business, and with our ERGO and Munich Health fields of business, we have tapped further profitable growth opportunities. We assume risks from many different areas of private and economic life, and provide financial protection and risk management. However, surprising and unforeseen developments can never be ruled out entirely. To protect ourselves against resultant risks, we have established a sophisticated risk management system, which is described in detail in our risk report. Overall, we are well prepared to seize new opportunities for the benefit of our Group.

Expanded business avenues will open up for Munich Re if key macroeconomic parameters develop better than expected. Stronger economic growth in the USA or Germany – fueled for instance by the positive effects of low energy prices on private consumption – and a more rapid economic recovery in the eurozone or in major emerging markets would have a positive impact on demand for insurance cover, and trigger higher premium volume in most classes of insurance. In addition, such a development (and a presumably less expansive monetary policy) could lead to a normalisation of the bond markets and thus to a gradual increase in yields, including those on US and German government bonds. This would have a negative impact in the short term on our investment result, but it would bring higher returns in the long run, thus benefiting our long-term insurance business.

We are aiming to generate promising business opportunities for our core business by taking account of environmental, social and governance (ESG) aspects in the value-added chain of our core business. Constantly evolving markets and changes in client behaviour call for flexibility in terms of coverage and solutions. The requisite change in perspective with regard to new, innovative products and processes is supported by our cooperation with young and creative start-ups and impact hubs. A direct and transparent dialogue with clients is very important. Where possible, we integrate realisable options and aspects into our business practices after looking at them closely in context. In cooperation with forward-looking partners, we systematically work to gain a deeper understanding of emerging business sectors with potential client segments.

Reinsurance

The field of reinsurance offers many development opportunities, despite an environment that is still highly competitive. Given the regulatory requirements that are constantly becoming more stringent, many insurers face the significant challenge of sustainably managing their capital relief and optimisation programmes, and diversifying as best they can. Thanks to our strong capital base, innovative strength and professional expertise, we are well-placed to be a long-term strategic partner for our clients, with a wide range of products and services from all-round consultancy to tailor-made reinsurance and capital market solutions.

There are long-term opportunities for expansion in our core business of reinsurance. The demand for insurance is rising, since values and insurance density are increasing steeply as a result of growing industrialisation, in particular in many regions exposed to natural hazards. We are excellently positioned thanks to our competence in the analysis of major loss events and the product solutions available on this basis.

We are constantly working together with our clients on pushing back the limits of insurability.

Successful new developments, especially for covering economic risks, are another option for generating additional profitable business. We are constantly working together with our clients on pushing back the limits of insurability. The expansion of digital networking and the rapid rate at which hardware and software are evolving is opening up significant business avenues, for instance in the area of non-damage business interruption insurance or cyber risk coverage. Our experts have been working for many years on cyber risks and enhanced cover options. We now offer a broad spectrum of reinsurance solutions in this field and are also able to cover accumulation perils such as virus-related losses.

Another example of our innovations is the new product line “renewable energy insurance” designed by our subsidiary Hartford Steam Boiler for developers, operators and investors of projects in the fields of wind energy, solar technology, photovoltaics, biofuels, biomass, water power and geothermal systems. We have experts present in all centres of the highly innovative start-up scene, including Silicon Valley, Berlin, London and Tel Aviv, and are engaged in an active exchange with many interesting young companies and research institutions specialised in FinTech and other areas relevant for the insurance industry. These are generating many novel cooperation and business ideas that are gradually expanding our reinsurance business model and opening up avenues in the digital world.

A major impact on our business also derives from severe natural catastrophes. We expect climate change to lead to an increase in weather-related natural catastrophes in the long term, with the impact from weather extremes such as floods or seasonal water shortages varying from one region to another. Our risk-management competences and highly developed risk models allow us to better assess these risks and to develop new solutions for our clients.

The positive economic dynamics and low levels of insurance penetration in many emerging markets also provide opportunities for profitably expanding and further diversifying our business portfolio. In growth markets such as Latin America and Asia in particular, we operate as one of the leading reinsurers and also increasingly participate in primary insurance activities. In India, for instance, we have strengthened our presence and business activities in the non-life reinsurance segment in Mumbai. In addition, niche and specialty insurers that are part of the Risk Solutions unit, such as Hartford Steam Boiler, Corporate Insurance Partners, Watkins Syndicate and American Modern, are also expected to generate promising synergies in product development outside the reinsurance field of business and significant, sustained growth thanks to international innovation networks and outstanding levels of expertise. In addition, this segment offers us valuable opportunities to diversify our risks and expand our portfolio profitably, as its cycle is insulated from that of the reinsurance market and its exposure to natural hazards is minor.

We provide active and forward-looking support through public-private partnerships in the area of sustainable disaster management. We can increase risk awareness and develop risk-transfer solutions that are politically and economically sustainable, and we can guarantee these solutions are implemented thanks to our strong capital base. In this way, we can support a paradigm change from retroactive claims financing to risk prevention (for example via reinsurance solutions), thus helping countries to better handle the costs of natural catastrophes in future.

We aim to make use of opportunities in attractive niche markets.

There are also additional opportunities in attractive niche markets. Crop failure insurance, for example, is seeing strong growth based on public-private partnerships (SystemAgro), since the provision of food to a growing world population and the consequences of climate change are increasing farmers' need to protect themselves against financial risks. As a market leader in this area, Munich Re has built up competence and established sustainable insurance concepts together with supervisory authorities and primary insurers.

In the present economic environment, life insurance presents challenges and opportunities, with rising demand for old-age provision due to greater life expectancy on the one hand, and volatile capital markets with low interest rates on the other. As a reinsurer, we are a competent partner for life primary insurance companies thanks to our tailored range of asset protection solutions, and we develop integrated reinsurance and financial solutions for life insurers in cooperation with our asset manager MEAG.

We also see growth potential in the coverage of longevity risk, although we are adopting a very prudent and selective approach here, given the difficulties involved in robust trend estimates.

ERGO

In primary insurance, ERGO consistently focuses on the needs of its customers. This is an important differential factor in the market, as it is a competitive advantage that opens up growth opportunities for us. We aim to cater to our clients and sales partners with a comprehensive, attractive and modern product spectrum. We want to take advantage of the opportunities resulting from the digital revolution more quickly and consistently than others, and to further develop and complement our traditional business model.

Customers are increasingly purchasing insurance cover via traditional and online channels in parallel, and so we are offering our products through a variety of channels and expanding direct sales in all classes of business. The demands of our customers are rising in terms of contact offers, smooth transitions between channels and the rapid processing of applications. We intend to utilise the resultant opportunities rapidly and systematically. To do so, we are largely building on the competence of ERGO Direkt and taking advantage of intra-group knowledge-sharing.

We are taking account of increasing demand for digital products in our research and development activities.

We are taking account of increasing demand for digital products in our research and development activities. ERGO is investing heavily in the development of e-services, and it has already implemented various measures. We would like to provide our customers with tailored access to the various sales channels. For this purpose, the functional scope and user-friendliness of digital access channels will be expanded. We will also continue to consistently follow our chosen path of using external and internal innovation resources more broadly. In 2015, we continued to strengthen our activities to promote digital innovation. Besides collaborating closely with the accelerator Axel Springer Plug & Play and with start-ups in Berlin, we have extended our external focus to include two other locations – in Silicon Valley and in London. Our internal innovation projects are also on track for success: ERGO's homeowners' comprehensive insurance product was awarded the quality seal "Best Service Innovation" for the insurance sector by the British opinion-research institute YouGov.

In the medium term, we are striving for the highest possible level of automatic processing to improve process security, efficiency and quality across the whole value chain and with new digital customer interfaces. Our processes will be geared to rapid and – ideally – immediate handling.

In our domestic market of Germany, our independent agents continue to be the core of our market presence. The further development of our customer advice and care processes to meet the individual requirements of customers and interested parties provides us with the opportunity to boost our sales.

Outside Germany, ERGO will continue to concentrate on growth markets whilst looking into the possibility of also entering new markets in new regions as an additional source of growth. In this regard, the systematic utilisation of synergies between business in Germany and companies outside Germany offers additional potential.

Munich Health

The global health market is one of the highest-earning and fastest-growing sectors of the economy. The main reasons for this include worldwide population growth and increasing life expectancy, combined with the rising prosperity of broad sectors of the population and an enhanced medical infrastructure, particularly in developing and emerging economies. These trends are being accelerated not only by advances in medicine, and the increasing significance of prevention and disease management programmes, but also by the global increase in lifestyle diseases such as obesity and diabetes.

As a global health primary insurer and reinsurer – and as a service provider – we have a variety of opportunities for servicing many different client needs and expanding our business, depending on the level of development in the international health markets. Our broad set-up and the primary insurance and reinsurance know-how we combine in Munich Health stand us in good stead in this regard.

The pressure on historically grown healthcare and social systems in the industrial nations has been ramped up by recent global economic turmoil. In addition to increasing control and limitations in the public sector, health services are consequently shifting to the privately funded sector. This will open up opportunities in retail health insurance business in highly developed markets. For the analysis of health risks, for example, we provide our reinsurance clients with modern programmes and tools for standardised medical risk assessment. In the private client segment, we aim to unlock new business potential by developing innovative products. The spread of digitalisation provides us with the opportunity to offer individually tailored products. Our aim is to strengthen customer ties even further and to make our spectrum of services more comprehensive by offering digital solutions. These will allow for new and greater activities, specifically in the area of prevention. In the case of chronic diseases or patients with certain risk factors, for instance, digital monitoring techniques can help to optimally adapt ongoing treatment methods to individual patients' needs and to identify acute deteriorations in a person's health at an early stage. Overall, the new digital technologies may contribute to intensifying the cooperation between doctors and patients, allow patients to take more responsibility for their health and tailor treatment methods to an individual's needs.

The developing and emerging markets are faced with the challenge of creating sustainable healthcare systems that offer the largest possible share of the population access to adequate, affordable medical care. Private-sector insurance products, which may be closely intermeshed with state schemes, can play a valuable part here. We have come up with successful ideas for expanding internationally, and these are continually being improved and are transferable to new markets.

As in industrialised countries, digitalisation is also playing a major role in developing and emerging economies. Mobile solutions for smart phones are helping to offset shortcomings in healthcare infrastructure. Mobile apps can be used to secure targeted access to, and the payment of, medical care, thus paving the way for setting up and expanding basic healthcare in many cases. Digitalisation and advanced data management play a major part in the service concepts we develop and the way we expand our business. It is our aim to utilise the new digital opportunities to ensure the sustainable insurability of health risks. In this context, we intend to expand the disease management and prevention programmes of our health primary insurance companies to cover a wider scope of healthcare services in the interests of our clients. Our overall expectation is that, in addition to digitalisation, which will mainly have an impact on user behaviour, fundamental client requirements and expectations will shift away from pure cost coverage for illness towards health maintenance. The traditional business model of health insurance will change – and new business opportunities will emerge for us.

Investments

The prolonged period of low interest rates is a challenge for our asset management

The prolonged period of low interest rates is challenging our asset management to achieve returns with manageable risks. MEAG only takes advantage of higher-interest bond opportunities if the risks can be kept within reasonable bounds. On this basis, MEAG is continually expanding its competence in the assessment of credit risks, in order to be able to seize opportunities in investing in bonds increasingly being traded in illiquid markets. We take a very selective approach to investing in infrastructure credits, including renewable energies, and ensure that they are of the highest quality. In addition, there are improved return opportunities available for equity investors in asset classes such as infrastructure and renewable energies.

We not only provide our products and services to the insurance companies within our Group, but also achieve above-average performance in managing investment portfolios for institutional investors in accordance with our sustainable investment philosophy. We continue to see good growth opportunities in business with institutional clients, whose conservative and safety-oriented requirements are similar to ours on account of specific needs and preferences. Our target clients include insurance companies, pension funds, pension schemes for liberal professions, church institutions, foundations, selected banks, and industrial companies. We see additional growth potential in the sale of award-winning MEAG retail funds through multipliers such as asset managers, umbrella fund managers and banks.

Prospects

- Consolidated result envisaged for 2015 achieved at €3.1bn
- Dividend proposal for 2015: €8.25 per share
- Expected return on investment of around 3% for 2016
- Consolidated result of €2.3–2.8bn envisaged for 2016

Our predictions for the forthcoming development of our Group are based on planning figures, forecasts and expectations. Consequently, the following outlook merely reflects our imperfect assumptions and subjective views. It follows that we do not accept any responsibility or liability in the event that they are not realised in part or in full.

→ Information on the special features of IFRS accounting can be found on page 99

It is not only the obvious fluctuations in the incidence of major losses that make an accurate forecast of IFRS results impossible. The pronounced volatility of the capital markets and exchange rates as well as the special features of IFRS accounting also make this difficult. Thus, there may be significant fluctuations in the investment result, currency result and consolidated result, despite the fact that our assets are geared to the characteristics of our liabilities.

Comparison of the prospects for 2015 with the result achieved

Munich Re (Group)

Comparison of prospects for Munich Re (Group) for 2015 with results achieved

		Target 2015	Result 2015
Gross premiums written	€bn	47–49	50.4
Consolidated result	€bn	2.5–3	3.1
Technical result	€bn	almost 3	4.0
Return on investment[1]	%	at least 3	3.2
Return on risk-adjusted capital (RORAC)	%	15	11.5

1 Excluding insurance-related investments.

At €50.4bn, gross premiums significantly surpassed our target corridor of €47–49bn due to positive currency translation effects.

With a consolidated result of €3.1bn, we beat our original target of €2.5–3bn, in part because expenditure for major natural catastrophe losses in property-casualty reinsurance was lower than expected. We were also able to release claims reserves for basic losses from prior years. Comparatively low tax expenditure – due to adjustments for prior years – also had a positive effect, while a negative impact derived in particular from impairments of goodwill in the ERGO Life and Health Germany segment.

At €4.0bn, our technical result significantly surpassed our target of almost €3bn, mainly due to lower-than-average major-loss expenditure and loss reserve releases in reinsurance.

Our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets is difficult to achieve in the current environment of very low interest rates on low-risk investments. We are very satisfied with the RORAC of 11.5% for 2015, as well as with the return of 10.0% on total IFRS capital (return on equity, ROE).

Economic earnings stood at €5.3bn, and so we significantly surpassed our target in line with the expected IFRS result of €2.5–3bn.

Reinsurance

In 2015, the reinsurance field of business posted gross premiums of €28.2bn – a figure that significantly surpassed the target corridor of €26–27bn – driven by the development of the euro against other currencies. Gross premiums in life reinsurance totalled €10.5bn, thus equally coming in above expectations, which had been in the €9–10bn range. At €17.7bn, property-casualty reinsurance also surpassed the original forecast of around €17bn.

The technical result in life reinsurance totalled €335m, which meant that we fell short of our 2015 target of around €400m, mainly owing to two mortality claims, for each of which Munich Re paid out an amount in the two-digit-million euro range.

An excellent combined ratio of 89.7% in property-casualty reinsurance presented a significant improvement on the envisaged ratio of around 98%. Above all, this was due to lower-than-expected expenditure for major natural catastrophe losses and reserve releases for basic losses from prior years. Munich Re was able to release loss reserves – after adjustments for commissions – in the amount of around €1.2bn for the full year, corresponding to around 7.2 percentage points of the combined ratio.

At €3.3bn, the consolidated result for 2015 in the reinsurance segment significantly surpassed our original expectations of at least €2bn.

ERGO

At €17.9bn, overall premium income in the ERGO field of business was in the upper range of our €17.5–18bn target corridor for 2015. The same applies to gross premiums written, which came to €16.5bn, against a projected range of €16–16.5bn. ERGO Life and Health Germany posted total premium income of €10.3bn, whereas our outlook had been slightly higher at “around €10.5bn”. At €9.4bn, gross premiums written were within the €9–9.5bn range envisaged. ERGO International posted gross premiums written of €3.9bn. At the beginning of the year, our expectation had been between €3.5 and €4bn. The combined ratio of 104.7% for this segment was significantly higher than the expected value of around 97%, mainly owing to the increase in provisions. ERGO Property-casualty Germany posted gross premiums written of €3.2bn, surpassing the 2015 target of “somewhat over €3bn”. The combined ratio of 97.9% in the ERGO Property-casualty Germany segment was significantly higher than the target figure of around 93%, owing to higher expenditure for major losses.

At the beginning of the year, we had aimed at a result of around €500m for the ERGO field of business. At –€227m, we clearly fell short of this target, chiefly owing to the revaluation of goodwill in the ERGO Life and Health Germany segment.

Munich Health

At €5.6bn, gross premium volume significantly surpassed the target of "a good €5bn". The combined ratio – 99.9% – was higher than our target of around 99%. Munich Health's consolidated result totalled €88m, meaning that we met our original target of posting a profit in the range of €50–100m.

Outlook for 2016

Outlook for Munich Re (Group)

		2015
Gross premiums written	€bn	47–49
Consolidated result	€bn	2.3–2.8
Combined ratio property-casualty reinsurance	%	98
Combined ratio ERGO Property-casualty Germany	%	95
Combined ratio ERGO International	%	99
Return on investment[1]	%	around 3

1 Excluding insurance-related investments.

Reinsurance

Reinsurance continues to hold considerable promise for the future, as it offers a wide variety of earnings opportunities in the long term owing to business potential that has not yet been utilised. Although weather-related natural hazard exposure is showing an increasing trend as the climate changes and the concentration of values in exposed regions becomes greater, a large share of the losses from severe natural catastrophes are still uninsured. In addition, the demand for insurance remains high for protecting the large centres of high-quality industrial manufacturing and the rising prosperity of the population. Moreover, generally only a small portion of the risks from potential liability claims by third parties are insured, particularly in the area of complex technologies.

As a well-diversified reinsurer with extensive know-how, Munich Re is able to offer its cedants specialist consulting services and customised solutions. Reinsurance provides primary insurers with efficient and flexible protection against major claims and accumulation losses, and strengthens their capital base. In addition to this, we devise innovative coverage concepts with which we intend to tap profitable business opportunities and balance out some of the reductions in traditional business. Apart from securitising insurance risks and transferring risks to the capital markets, we also partner our clients in adjusting to changes in regulatory requirements, which are currently being revised in many countries.

Gross premium in reinsurance as a whole should be in the range of €26–28bn overall in 2016, i.e. below last year's figure, although currency translation effects could potentially have a considerable impact on this estimate. In reinsurance, the consolidated result for 2016 should be in the order of €1.9–2.4bn. Compared with the excellent result in 2015, this would be a reduction by as much as €1.4bn, attributable over the rest of the year to normal major-loss expenditure, the absence of one-off tax effects, the reduction in prices in property-casualty reinsurance, and the pressure on our investment income owing to continuing low market interest rates.

We see further good development opportunities in life reinsurance. Stimuli will derive in particular from the dynamic expansion of the Asian life insurance markets and from the ongoing privatisation trends in provision for old age, long-term care and disability. We also expect increasing demand for the management of investment risks in life insurance portfolios. By contrast, the continuing weak performance of primary insurance in many established markets has also curbed demand for reinsurance, and we are seeing increasing pressure on prices here.

For 2016, we are expecting gross premiums written in life reinsurance to be in the range of €9–10bn. We are adhering to our objective of achieving a technical result of around €400m.

In property-casualty reinsurance, we are currently experiencing unrelenting competition as a result of stagnating demand, excess supply from traditional reinsurers and the influx of alternative capital. Especially smaller-scale providers have come under pressure, which has recently led to an accumulation of takeovers and mergers in the industry.

For 2016, we anticipate that gross premiums written in property-casualty reinsurance will be in the range of €17–18bn, which is roughly at the same level as last year. Taking into account the low major-loss expenditure in the first two months of 2016, we expect a combined ratio of around 98% of net earned premiums, anticipating reserve releases for losses from prior years in the order of four percentage points while maintaining an unchanged safety margin. The increase of more than eight percentage points on the ratio achieved in 2015 is mainly due to the fact that 2015 saw randomly fewer major losses from natural catastrophes than expected, and that loss reserves for prior accident years could be released on a large scale. For 2016, before the year started we anticipated major losses in the order of some €2bn, which corresponds to 12% of net earned premium.

Also, we are still seeing slight pressure on prices: as in the previous year, the renewal negotiations at 1 January 2016 were again marked by an oversupply of reinsurance capacity and good capitalisation of most market players. In January, treaties with a volume of €9.1bn – more than half of our treaty business in property-casualty reinsurance – were up for renewal. The premium volume generated by renewed business increased slightly by 1% to €9.2bn. We adhered to our profit-oriented underwriting policy and were able to more than compensate for volume reductions through attractive new business and innovative coverage concepts – despite the continuing difficult market environment. Thanks to the very close relations with our clients, we were also able to design a number of customised capital-relief solutions – such as where there were short-term capital requirements following an acquisition.

On balance, we had to accept a slight reduction of 1.0% in the price level for the renewed portfolio as a whole. On an international scale, price reductions were seen mainly in natural catastrophe business – with the downward momentum slowing in North America – and in marine and aviation business. By contrast, price levels in liability and in credit and bond business declined only marginally. The fact that the price erosion for

Munich Re was comparatively moderate underscores the importance of our consistently profit-oriented underwriting policy, and recognises the importance that individual clients are attaching to stable reinsurance relationships. Munich Re's comprehensive service and financial strength are valued more highly than an ever lower price.

The renewals at 1 April 2016 (mainly Japan) and 1 July 2016 (parts of the portfolio in the USA, Australia and Latin America) will involve the renegotiation of a premium volume of around €3bn of reinsurance treaty business. Munich Re is proceeding on the assumption that the market environment will not change significantly in these renewal rounds, unless extraordinary loss events occur or there are other major market upheavals.

ERGO

Munich Re's consolidated financial statements show the business transacted by ERGO in the three segments Life and Health Germany, Property-casualty Germany, and ERGO International.

ERGO Insurance Group will be given a new organisational structure. ERGO Versicherungsgruppe AG will be renamed ERGO Group AG. German, international, and direct and digital business will be managed in three separate units under the umbrella of the newly named ERGO Group AG. In addition to the existing ERGO International AG, there will be two new holding companies: traditional German business will be concentrated in ERGO Deutschland AG; the third pillar, ERGO Digital Ventures AG, will be responsible for all of the group's digital and direct activities, including ERGO Direkt business. ERGO will thus modernise its structure and strengthen the basis for innovation and consistent strategic and operational management. We see good opportunities for ERGO overall, not only in evolving foreign markets but also in various sectors of the German market.

Total premium income in 2016 in the ERGO field of business should be in the range of €17–18bn, with gross premiums written of €15.5–16bn, and therefore below the levels of last year. We project a consolidated result for 2016 of around €250–350m for the ERGO field of business, a significant increase on the 2015 result, which was above all impacted by impairment of goodwill in the Life and Health Germany segment. The target figures already reflect the sale of ERGO Italia, but do not include major expenditure for implementing the strategy currently being developed under a new management.

In the Life and Health Germany segment, our total premium income should amount to slightly more than €10bn, and gross premiums written are expected to be in the range of €9–9.5bn.

In German life business, the economic market environment remains challenging. We will therefore follow the path we chose in 2013 towards a modern product world geared to grasping opportunities even more consistently in future. Our new product family now includes both private pension products and direct insurance solutions. We also expect positive momentum from the new ERGO disability insurance product launched at the beginning of the year. For 2016, we anticipate a decline in single-premium volume and an increase in regular-premium new business. Nevertheless, we expect overall premium volume in the Life Germany field of business to decrease to a figure between €3.5bn and €4bn in 2016 owing to the shrinking old portfolio.

In our Health Germany field of business, we anticipate a marginal increase in gross premiums written to €5–5.5bn. The demand for private provision is still growing in Germany against the backdrop of an aging population. The need for nursing care and insurance products that cover these services remains high and will continue to grow. We aim to achieve our growth targets by designing new products in long-term care insurance and supplementary insurance, and by making improvements in comprehensive insurance.

In 2016, gross premiums written for direct business in Germany should decrease somewhat year on year to around €1bn. Decreases in life insurance and in property-casualty business will probably not be compensated for in the ongoing year by renewed growth in health insurance.

Gross premiums written in the segment Property-casualty Germany should be somewhat over €3bn. We continue to attach great importance to risk-commensurate prices, and are consistently implementing measures to improve the earnings situation. We also intend to further expand personal lines business, which is marked by a highly competitive environment, and to advance our market position in commercial and industrial insurance lines. The combined ratio in property-casualty business in Germany should improve to around 95%, provided major losses remain within normal bounds.

We aim to achieve gross premiums written in the range of €3–3.5bn for the ERGO International segment in 2016, and generate overall premium volume of €3.5–4bn, with uncertainty concerning the demand for single-premium business in life insurance. The target figures already reflect the sale of ERGO Italia. We should see premium income at around the same level as last year in property-casualty business, provided there are no economic setbacks or exchange-rate losses. Provided that major losses remain within normal bounds, we expect the combined ratio to significantly improve to around 99%.

Munich Health

Owing to medical advances, generally higher life expectancies and the increasing prosperity of broad sectors of the population, the international healthcare market offers diverse growth opportunities for Munich Health. We intend to utilise these opportunities even better in future, following some individual adjustments to our strategic orientation. In reinsurance, we see avenues for growth from our clients' increasing numbers of insureds and a strong demand for customised solutions. We have introduced stabilisation and result-improvement measures above all in the USA, our most important market. We expect stable growth of our primary insurance business.

Gross premiums written should be almost €5bn in 2016, below the level of 2015. The combined ratio is likely to be around 99%. Overall, we anticipate a profit in the range of €50–100m for 2016.

Investments[1]

We project that the leading central banks will take diverging measures in 2016. The resulting effects on the world economy in combination with high geopolitical risks will continue to lead to uncertainties and price volatility in the capital markets. We hedge this volatility by means of a widely diversified investment portfolio. The ongoing very low interest rates will continue to have an impact on the whole insurance industry and other large investors in 2016.

Due to the strong diversification of our assets, we are well set up for very different capital market scenarios.

Thanks to our strongly diversified investments, we are well prepared for a great variety of capital market scenarios, each of which involves potential losses in individual asset classes. Given the diversification of our portfolio, however, we are proceeding on the assumption that these losses will be absorbed by increases in value in other asset classes. This balanced investment strategy has proved its worth in recent years. For 2016, we are planning to reduce our portfolio of government bonds in individual industrialised countries somewhat further, and to very selectively build up investments in corporate and emerging-market bonds.

The duration of the investment portfolio is a key lever of our asset-liability management. We gear the duration of our investments to the duration of our liabilities. As a result, both sides of the economic risk-based balance sheet – important for managing our business – respond similarly to changes in interest rates, whilst there may be significant fluctuations in the consolidated balance sheet under IFRS. Over the course of the year, we will make the fine-tuning of our portfolio dependent on our current market assessments, whilst rigorously adhering to our fundamental strategy of gearing assets to the structure of our liabilities.

As in the previous year, in 2016 we intend to moderately increase our investments and investment commitments in infrastructure (including renewable energies and new technologies), provided that the parameters are reliable and we can generate an appropriate return. We continue to rely heavily on a regional, and technology- and infrastructure-specific diversification of these investments, thus spreading the risk of the portfolio. In 2016, we will continue to focus in particular on bonds and loans for infrastructure projects. We plan to slightly expand our real estate portfolio over the next few years, subject to market developments.

For 2016, we expect interest-rate levels overall to remain very low overall, and hence generate lower regular income from reinvestment of fixed-interest securities and loans. We also intend to only minimally change our moderate equity-backing ratio of 5.2%, so that write-down risks will continue to be limited. Regular income from our investments should come to somewhat less than 3%, or at least 0.1 percentage points lower than last year. Taking into consideration the result from the disposal of investments, write-ups and write-downs, and other income and expenses, we expect the investment result to be lower than last year at around €7bn, equivalent to an annual investment return of around 3%.

1 The statements concern the investment portfolio excluding insurance-related investments.

Munich Re (Group)

We expect that the Group's gross premiums written for 2016 will be in the range of €47–49bn; the median value is around €2.4bn lower than in the previous year. We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. In the long term, we want to grow profitably with innovative business. However, in the current environment of very low interest rates on low-risk investments, this target will be difficult to achieve.

→ Information on economic earnings can be found on page 41 f.

As regards the economic value added in terms of economic earnings, we anticipate a pleasing albeit lower figure than in 2015, in line with the IFRS results projected for the Group and the fields of business. This forecast is based on the assumption of stable capital markets and unchanged modelling parameters, and a normal major-loss incidence over the rest of the year. On the basis of current interest-rate developments, we anticipate poorer result contributions from life primary insurance than from the other segments.

Provided that major-loss experience from now onwards is in line with expectations, our assumption for 2016 is that Munich Re will post a technical result that is lower than last year at almost €3bn.

The consolidated profit is likely to fall short of the good result in 2015, mainly due to falling prices in reinsurance and randomly very low major-loss expenditure in the previous year, a decreased investment result, and the absence of one-off tax effects. Added to this, there is exceptionally high political and macroeconomic uncertainty overall, in all markets relevant to us. Nevertheless, we envisage a consolidated result for 2016 of €2.3–2.8bn. The effective tax rate should be higher than in 2015 and reach 20–25%, which is the generally expected range for our Group. This profit guidance is subject to claims experience with regard to major losses being within normal bounds, to claims provisions remaining unchanged and to our income statement not being impacted by severe currency or capital market movements, significant changes in fiscal parameters, special restructuring expenses, or other special factors.

In the period from June 2015 to the end of February 2016, we bought back shares with a value of €867m; another €133m are to be used for share buy-backs before the Annual General Meeting in April 2016. We are using this measure to return unneeded capital to shareholders. Despite the buy-backs, our good capital position will allow us to continue paying attractive dividends and selectively utilising opportunities for profitable growth. Since November 2006, Munich Re has carried out share buy-backs with a total volume of €8.9bn. Subject to approval by the Annual General Meeting, the dividend will rise by 50 cents to €8.25 per share.

Munich Reinsurance Company (Information reported on the basis of German accountancy rules)

For the 2015 financial year, Munich Re is for the first time utilising the option of publishing a combined management report in accordance with Section 315 (3) in conjunction with Section 298 (3) of the German Commercial Code (HGB). Supplementary to our Munich Re (Group) reporting, this section provides details on the performance of Munich Reinsurance Company.

The annual financial statements of Munich Reinsurance Company are prepared in accordance with German accounting rules (HGB). By contrast, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). As a result, there are some deviations in the accounting policies – mainly with regard to intangible assets, investments, financial instruments, individual underwriting assets and liabilities, and deferred taxes.

Market environment and major factors of influence

→ Information on the business evironment can be found on page 68 f.

The macroeconomic and industry environment of Munich Reinsurance Company essentially corresponds to that of the Group.

Business performance

In the 2015 financial year, Munich Reinsurance Company's business performance was very good overall. Major-loss expenditure remained well below the volume to be expected. Moreover, the release of loss reserves for prior accident years, which we were able to make following a review of our reserving position, made a positive contribution to the technical result before claims equalisation provisions.

In the past financial years, the composition of the accounting result of Munich Reinsurance Company has developed as follows:

Condensed income statement for Munich Reinsurance Company

	2015	Previous year	Change
	€k	€k	%
Earned premiums for own account	21,172,217	20,979,607	0.9
Interest on technical provisions for own account	447,521	418,644	6.9
Other underwriting income for own account	5,005	5,030	–0.5
Claims incurred for own account	–14,086,362	–14,782,442	4.7
Change in other net technical provisions	–599,993	–590,178	–1.7
Expenses for premium refunds for own account	–4,198	–7,211	41.8
Operating expenses for own account	–5,747,566	–5,414,897	–6.1
Other underwriting expenses for own account	7,739	–1,716	–
Total	**1,194,362**	**606,837**	**96.8**
Change in claims equalisation provision and similar provisions	–676,931	–1,429,603	52.6
Underwriting result for own account	**517,432**	**–822,766**	**–**
Investment income	5,718,791	5,206,428	9.8
Investment expenses	–3,390,482	–2,022,967	–67.6
Interest income on technical provisions	–505,631	–466,524	–8.4
Other income	415,018	398,239	4.2
Other expenses	–878,859	–835,206	–5.2
Non-underwriting result	**1,358,835**	**2,279,970**	**–40.4**
Operating result	**1,876,267**	**1,457,204**	**28.8**
Taxes on income and profit, and other taxes	701,728	548,680	27.9
Profit for the year	**2,577,995**	**2,005,885**	**28.5**
Profit brought forward from previous year	47,274	46,451	1.8
Withdrawals from other revenue reserves	0	0	–
Allocations to revenue reserves	–1,248,807	–712,030	–75.4
Net retained profits	**1,376,463**	**1,340,305**	**2.7**

Technical result

In the financial year 2015, Munich Reinsurance Company's gross premium income totalled €24,234m (22,491m), a year-on-year increase of 7.7% mainly owing to changes in the value of the euro as against other currencies.

In 2015, gross premium volume in life reinsurance was higher than in the previous year. Gross premiums written were up slightly by 2.5% to €8,021m (7,822m). In health reinsurance, we posted premium totalling €3,567m (3,348m), which represents an increase of 6.5%. The higher amounts were largely attributable to positive currency translation effects. If exchange rates had remained unchanged, our premium income would have decreased by 3.4%. A large part of the decline in premium concerned large-volume treaties written in recent years where reinsurance primarily serves as a capital substitute. As expected, the conclusion of new treaties was insufficient to compensate for the non-renewal or reductions of our share in several particularly large-volume treaties in 2015.

In property-casualty reinsurance, we posted an increase in premium income of 11.7% to €12,646m (11,321m) in 2015. Besides positive currency translation effects, a large-volume, intra-Group reinsurance agreement taken out by Munich Re China Branch via Munich Re America with Munich Reinsurance Company also had a favourable impact on premium. In net terms, the treaty concluded in this financial year had only a limited effect on the result. If currency exchange rates had remained unchanged, the increase would have amounted to only 0.5%. Renewal negotiations for reinsurance treaties continued to take place under extremely competitive market conditions, and were characterised by an oversupply of reinsurance capacity and good capitalisation of most market players. We deliberately reduced portfolios in those areas in which risk-adequate prices, terms and conditions could no longer be realised. However, our long-term client relationships and comprehensive expertise enabled organic growth with major business partners.

Our technical result before claims equalisation provisions amounted to €1,194m in the 2015 financial year, compared with €607m in the previous year. This result improvement largely derived from the below-average random incidence of major losses. A routine review of reserves also caused a reduction in the provisions for claims from prior years. Over the years, the safety margin in the reserves has remained unchanged at a high level, as Munich Re has adhered to its careful approach to determining and adjusting loss reserves. Major-loss expenditure totalling €903m (1,085m) after retrocession and before tax was lower than in the previous year, and below expectations. As in the previous year, 2015 was marked by a large number of major losses, but there were no exceptional individual events.

At €93m, aggregate losses from natural catastrophes were significantly lower than in the previous year (€513m), accounting for only 0.6 (3.6) percentage points of net earned premiums.

In property-casualty reinsurance, man-made major losses totalled €771m (572m), equivalent to 5.4 (4.0) percentage points of net earned premiums.

The combined ratio, which reflects the relation of claims and costs to net earned premiums, came to 91.2% (95.9%). Given the below-average expenditure for major losses and low expenditure for basic losses, the combined ratio in property-casualty reinsurance was better than in the previous year.

Performance of the classes of business

Life

		2015	Prev. year	Change
				%
Gross premium written	€m	8,021	7,822	2.5
Underwriting result before claims equalisation provision and similar provisions	€m	–59	31	–

In life reinsurance, large-volume treaties have a significant impact on the premium development of our business. Last year, some of these treaties were terminated as planned or renewed with a lower volume. Positive currency translation effects over-compensated for this development. By contrast, overall premium development in our traditional reinsurance business was largely stable in 2015. The prolonged low-interest-rate phase and sluggish economies in many of our key markets had some impact on our clients' business and curbed demand for reinsurance. In Asia, we also saw positive effects on our business from continued market growth.

The reduced result is mainly a consequence of increases in provisions for future policy benefits in the area of international long-term care business, high expenditure for two mortality claims, a change in the allocation of administration expenses, and commuted reinsurance treaties. In Canada, Asia and the European markets, we posted very satisfactory results. In the USA and Australia, our business largely developed as expected after negative effects had affected the result in 2014.

Health

		2015	Prev. year	Change
				%
Gross premium written	€m	3,567	3,349	6.5
Combined ratio	%	100.2	99.7	
Underwriting result before claims equalisation provision and similar provisions	€m	-8	11	–

In health reinsurance, premium income in the year under review showed an increase essentially attributable to positive currency translation effects. The result declined slightly compared with the previous year owing to losses and a change in the allocation of administrative expenses.

Casualty

		2015	Prev. year	Change
				%
Gross premium written	€m	183	201	–9.0
Combined ratio	%	72.3	35.3	
Underwriting result before claims equalisation provision and similar provisions	€m	42	97	–56.7

In accident reinsurance, the premium level fell slightly in the reporting year. On account of losses, the result before claims equalisation provisions was somewhat lower than in the previous year. Nevertheless, we again posted a gratifying result for the 2015 financial year.

Third-party liability

		2015	Prev. year	Change
				%
Gross premium written	€m	1,974	1,651	19.6
Combined ratio	%	110.5	100.8	
Underwriting result before claims equalisation provision and similar provisions	€m	–190	–14	<–1,000

In liability business, we succeeded in boosting premium volume in the year under review. The increase was due to positive currency translation effects and a large-volume intra-Group reinsurance agreement with Munich Re America. The technical result before claims equalisation provisions was significantly lower than in the previous year owing to reduced loss reserve releases and strongly increased major-loss expenditure.

Motor

		2015	Prev. year	Change
				%
Gross premium written	€m	3,130	2,505	25.0
Combined ratio	%	97.4	107.0	
Underwriting result before claims equalisation provision and similar provisions	€m	62	–177	–

Motor reinsurance showed a rise in premium income attributable not only to positive currency translation effects, but also to the conclusion of the large-volume intra-Group reinsurance treaty with Munich Re America. On the other hand, a negative effect derived from the planned reduction of a large customised reinsurance treaty in Australia in 2014. The technical result before claims equalisation provisions improved significantly, and was largely attributable to the reserve release for losses from prior accident years and to reduced major-loss expenditure compared with the previous year.

Marine

		2015	Prev. year	Change
				%
Gross premium written	€m	471	506	–6.9
Combined ratio	%	65.5	84.8	
Underwriting result before claims equalisation provision and similar provisions	€m	143	75	90.7

In marine reinsurance, the premium level was down slightly compared with the previous year. The positive technical result before claims equalisations saw an appreciable improvement, above all owing to higher loss reserve releases compared with the previous year.

Aviation

		2015	Prev. year	Change
				%
Gross premium written	€m	454	384	18.2
Combined ratio	%	75.9	88.7	
Underwriting result before claims equalisation provision and similar provisions	€m	106	43	146.5

Premium income in aviation reinsurance, which comprises the aviation and space classes, was higher in the year under review, especially on account of positive currency translation effects. The result in aviation reinsurance was up significantly on the previous year, chiefly due to increased premium volume and lower major-loss expenditure.

Fire

		2015	Prev. year	Change
				%
Gross premium written	€m	3,579	3,354	6.7
Combined ratio	%	66.4	76.6	
Underwriting result before claims equalisation provision and similar provisions	€m	1,012	704	43.8

The increase in premium income is essentially attributable to positive currency translation effects and to the conclusion of the large-volume intra-Group reinsurance treaty with Munich Re America. Where prices, terms and conditions were no longer commensurate with the risk, portfolios were reduced. We again posted a pleasing profit before claims equalisation provisions in the year under review. The increase in the result also benefited from lower major-loss expenditure and higher loss reserve releases compared with the previous year.

Engineering

		2015	Prev. year	Change
				%
Gross premium written	€m	823	804	2.4
Combined ratio	%	89.7	113.3	
Underwriting result before claims equalisation provision and similar provisions	€m	76	–103	–

In engineering reinsurance (machinery, EAR, CAR, EEI, etc.) premium income remained at a constant level year on year. Having posted a loss for 2014, we were able to show a positive result for 2015, mainly owing to lower major-loss expenditure and higher loss reserve releases.

Other classes

		2015	Prev. year	Change
				%
Gross premium written	€m	2,033	1,915	6.2
Combined ratio	%	99.4	103.1	
Underwriting result before claims equalisation provision and similar provisions	€m	10	–60	–

Under other classes of business, we subsume the remaining classes of property reinsurance: burglary, plate glass, hail (including agricultural reinsurance), water damage, contingency, windstorm, livestock, householders' and homeowners' comprehensive reinsurance, and credit and fidelity guarantee reinsurance.

Premium income increased marginally year on year. Essentially, this is linked to positive currency translation effects, which compensated for decreases in premium income due to treaty terminations and lower commodity prices for agricultural products. The combined technical result of these other classes of business showed a profit in the financial year, whereas in 2014 we had recorded a loss. The result improved year on year, especially because loss expenditure was low.

Non-technical result

Capital-market interest rates in the established markets increased slightly in 2015, but developments in the course of the year were marked by significant volatility. The further relaxation of ECB monetary policy and the end of the US zero-interest-rate policy played a key role in this regard. As a consequence, the euro depreciated substantially against the US dollar. During the year, stock markets were also subject to increased fluctuations, but overall they showed moderately positive development. In the period under review, the EURO STOXX 50 climbed by around 4%, the Dow Jones fell by around 2%, and the DAX 30 was up by around 10%. In the first quarter of 2015, yields on ten-year German government bonds fell to a historic low; in the second quarter, they climbed markedly, and fell again marginally in the third quarter. Interest rates were slightly higher at the end of the year than at the beginning.

In the 2015 financial year, Munich Reinsurance Company's return on investment (including deposits retained on assumed reinsurance) totalled 3.1% (4.3%).

Investment result

€m	2015	Previous year
Regular income	3,411	3,117
Write-ups and write-downs	–1,479	117
Realised gains/losses on the disposal of investments	672	579
Other income/expenses	–276	–630
Total	**2,328**	**3,183**

The investment result for the 2015 financial year fell by €855m. Higher regular income and a lower impact from other income/expenses were only partly able to compensate for the decrease in the extraordinary result, which is largely attributable to write-downs totalling €1,071m of directly and indirectly held shares in ERGO Versicherungsgruppe AG.

Profit for the year

The profit of €2,578m for 2015 is €572m higher than that of 2014 (€2,006m), mainly on account of the increased technical result. The investment result was significantly impacted by the negative balance from reversals of impairments and write-downs.

In the 2015 financial year, the tax-free elements of Munich Reinsurance Company's pre-tax result – such as tax-free investment income and tax-free gains on the disposal of equities and special equity funds – exceeded taxable income. The Company's taxable income is therefore negative. Munich Reinsurance Company's tax income derives from a revaluation of provisions for tax risks for prior years.

Financial position

Balance sheet structure of Munich Reinsurance Company

	2015	Previous year	Change
	€k	€k	%
Intangible assets	18,713	21,689	–13.7
Investments	76,848,046	75,151,242	2.3
Receivables	4,268,867	3,567,378	19.7
Other assets	528,077	470,907	12.1
Deferred items	419,890	460,545	–8.8
Excess of plan assets over pension liabilities	346,395	396,927	–12.7
Total assets	**82,429,988**	**80,068,688**	**2.9**
Equity	10,877,980	10,596,723	2.7
Subordinated liabilities	4,266,620	4,215,483	1.2
Technical provisions	56,764,247	54,661,921	3.8
Other accrued liabilities	1,919,638	3,035,013	–36.8
Deposits retained on retroceded business	2,728,421	1,785,470	52.8
Other liabilities	5,852,467	5,754,402	1.7
Deferred items	20,614	19,676	4.8
Total equity and liabilities	**82,429,988**	**80,068,688**	**2.9**

In the 2015 financial year, Munich Reinsurance Company generated net retained profits of €1,376m (1,340m) according to German GAAP accounting (HGB). Including these net retained profits, the Company's revenue reserves amounted to €3,460m (3,179m) as at the balance sheet date, of which €142m (297m) are subject to a restriction on distribution. The distributable funds thus amount to €3,318m (2,882m).

The shareholders' equity of Munich Reinsurance Company as determined under German GAAP accounting is effectively protected against the risk of loss arising from a random accumulation of losses by a claims equalisation provision totalling €9,764m (9,117m). Given our robust capitalisation according to all calculation methods, we intend – subject to the approval of the Annual General Meeting – to pay our shareholders a dividend that is €0.50 higher than in the previous year at €8.25 per share, or a total of €1,329m, from Munich Reinsurance Company's net retained profits for the 2015 financial year.

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by €1,352m to €65,448m (64,096m) in the 2015 financial year. Investments in fixed-interest securities showed a rise of €2,389m owing to new investments – especially in US, UK and Canadian government bonds. An opposite effect derived from write-offs totalling €1,071m for shares held directly and indirectly in ERGO Versicherungsgruppe AG.

As at 31 December 2015, 96% of our fixed-interest securities were investment-grade and around 87% were rated "A" or better.

Equity

€m	2015	Prev. year
Issued capital	573	573
Capital reserve	6,845	6,845
Revenue reserve	2,084	1,839
Net retained profits	1,376	1,340
Equity	**10,878**	**10,597**

Claims equalisation provision a significant influence on dividends and capital management at Munich Reinsurance Company

Pursuant to German commercial and corporate law, dividends and share buy-backs may only be paid out of profits and revenue reserves. Besides the expenses and income incurred in the current year, changes in the claims equalisation provision also have a significant influence on the level of profits.

The claims equalisation provision is established for individual classes of property-casualty business. It serves to smooth significant fluctuations in loss experience in individual classes of business over a number of years. Its recognition and measurement are largely governed by legal provisions.

If, in a given financial year, loss ratios in individual classes of business are significantly in excess of the long-term average (which amounts to 15 years in most classes), the claims equalisation provision is reduced and the above-average loss expenditure is largely offset. According to current calculations, it is expected that – given normal claims expenditure – allocations to the claims equalisation provision with an adverse impact on our result will, at the very least, decline significantly as from the 2016 financial year. In 2017, it is likely that there will be a major release, as from that year on the very poor 2001 claims year (when the World Trade Center loss occurred) no longer needs to be taken into consideration in the averaging.

The target or maximum amount allowed for the claims equalisation provision, which is essentially calculated on the basis of earned premiums and the standard deviation of the loss ratio in the respective class of insurance, determines the amount of the annual non-performance-related allocation to the claims equalisation provision. The performance-related change in the claims equalisation provision is added to this figure in years in which claims experience is favourable (i.e. when the random occurrence of claims is below average), whereas amounts are withdrawn in years in which claims experience is adverse (i.e. the random occurrence of claims is above average).

The balance sheet item "Claims equalisation provision and similar provisions" increased by €677m to €10,254m (9,577m) in the 2015 financial year. Owing to the positive results, we were able to strengthen the claims equalisation provisions by significant amounts in some classes of business – especially in liability, where the allocation amounted to €348m (471m) and in fire to €210m (838m). The amounts concerned in other areas were €105m (–129m) for aviation, €94m (3m) for other classes, €53m (–6m) for engineering, and €37m (–28m) for personal accident.

By contrast, owing to lower premium income the maximum amounts allowed for the claims equalisation provision had to be reduced in some classes: by €82m in motor (previous year: increase of €166m), by €81m in credit (previous year: increase of €24m), and by €36m in marine (previous year: increase of €75m).

The current level of the claims equalisation provision is 100% of the legally stipulated maximum amount in the motor, marine and accident classes of business, and more than 50% in fire, liability, credit, aviation and engineering.

Liquidity

Our liquidity is ensured at all times by means of detailed liquidity planning. As a rule, the Company generates significant liquidity from its premium income, from regular investment income and from investments that mature. We also attach great importance to the credit rating and fungibility of our investments. Given the maturity structure of the outstanding bonds and the credit facilities employed (which are, in any case, relatively insignificant in scope), there are no refinancing requirements.

Corporate governance statement in accordance with Section 289a of the German Commercial Code (HGB)

→ The Statement on Corporate Governance can be found on our website at www.munichre.com/cg-en

Munich Reinsurance Company has submitted the Statement on Corporate Governance in accordance with Section 289a of the Commercial Code and has made it publicly accessible on the Company website.

Further information

Risks and opportunities

→ Further information can be found in the risk report on page 114 ff. and the opportunities report on page 136 ff.

The business performance of Munich Reinsurance Company is largely subject to the same risks and opportunities as the performance of the reinsurance field of business presented in the consolidated financial statements. Munich Reinsurance Company generally participates in the risks of its shareholdings and subsidiaries in accordance with its respective percentage interest held. Munich Reinsurance Company is integrated in the Group-wide risk management system and internal control system of the Group.

Remuneration report of Munich Reinsurance Company

→ Information on remuneration can be found on page 49 ff.

The principles regarding the structure and design of the compensation system of Munich Reinsurance Company correspond to those of the Group.

Further information

On 31 December 2015, Munich Reinsurance Company had 4,087 employees.

Munich Reinsurance Company has branches in Australia, China, France, the United Kingdom, Hong Kong, Italy, Japan, Canada, Malaysia, New Zealand, Singapore, Spain and South Korea.

Events after the balance sheet date

On 16 December 2015, it was decided that, with effect from 1 January 2016, all assets and liabilities of subsidiary Victoria US Holdings, Inc. would be transferred to Munich Reinsurance America, Inc. against payment of the provisional net asset value of US$ 60.2m determined on the basis of market value. Payment of the purchase price was effected to Munich Reinsurance Company at the same time. The transferring company is to be dissolved in due course.

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management in March 2015, we repurchased a further 1.1 million Munich Re shares with a volume of €169m from the balance sheet date to the end of February 2016.

Prospects

→ Further information on the reinsurance life and reinsurance property-casualty segments can be found on page 143 ff.

The projections by Munich Reinsurance Company about the future development of its business are subject to the same influences as the reinsurance life and reinsurance property-casualty segments presented in the consolidated financial statements.

Against this background, Munich Reinsurance Company should post gross premium of around €24,000m in 2016 – assuming that exchange rates remain constant. We expect the combined ratio to be around 98% of net earned premium. An accurate forecast is only possible to a limited degree, partly due to the obvious fluctuations in the incidence of major losses. Taking the preceding financial year as a basis and assuming average claims experience for 2016, we project that the technical result before claims equalisation provisions will be at a slightly lower level than in the year under review.

Given the ongoing low-interest-rate environment, Munich Reinsurance Company's return on investment is likely to continue to fall. As things stand at present, we expect to achieve a good German GAAP result in 2016, although it is likely to be lower than in the year under review.

Consolidated financial statements and notes

4

Consolidated balance sheet as at 31 December 2015[1]

Assets

	Notes			31.12.2015	Prev. year		Change
		€m	€m	€m	€m	€m	%
A. Intangible assets							
I. Goodwill	(1)		2,790		3,063	-273	-8.9
II. Other intangible assets	(2)		1,171		1,220	-49	-4.0
				3,961	**4,283**	**-322**	**-7.5**
B. Investments							
I. Land and buildings, including buildings on third-party land	(3)		4,317		3,732	585	15.7
II. Investments in affiliated companies, associates and joint ventures	(5)		1,278		1,559	-281	-18.0
Thereof: Associates and joint ventures accounted for using the equity method			1,125		1,280	-155	-12.1
III. Loans	(6)		53,516		54,550	-1,034	-1.9
IV. Other securities							
1. Available for sale	(7)	141,543			143,843	-2,300	-1.6
2. At fair value through profit or loss	(8)	2,551			2,169	382	17.6
			144,094		146,012	-1,918	-1.3
V. Deposits retained on assumed reinsurance	(9)		7,253		8,750	-1,497	-17.1
VI. Other investments	(10)		4,635		4,324	311	7.2
				215,093	**218,927**	**-3,834**	**-1.8**
C. Insurance-related investments	**(8)**			**9,163**	**8,461**	**702**	**8.3**
D. Ceded share of technical provisions	**(11)**			**4,327**	**5,328**	**-1,001**	**-18.8**
E. Receivables							
I. Current tax receivables			569		981	-412	-42.0
II. Other receivables	(12)		11,823		11,469	354	3.1
				12,391	**12,450**	**-59**	**-0.5**
F. Cash at banks, cheques and cash in hand				**3,955**	**2,912**	**1,043**	**35.8**
G. Deferred acquisition costs	**(13)**						
Gross			9,428		9,555	-127	-1.3
Ceded share			-80		-79	-1	-1.6
Net				9,348	9,476	-128	-1.4
H. Deferred tax assets	**(14)**			**7,859**	**7,606**	**253**	**3.3**
I. Other assets	**(15)**			**3,477**	**3,541**	**-64**	**-1.8**
J. Assets held for sale[2]	**(16)**			**6,947**	**0**	**6,947**	**–**
Total assets				**276,520**	**272,984**	**3,536**	**1.3**

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".
2 For previous year's figures, see Notes to the consolidated balance sheet – Assets (16) Non-current assets and disposal groups held for sale and sold during the reporting period.

Equity and liabilities

	Notes	31.12.2015		Prev. year	Change	
		€m	€m	€m	€m	%
A. Equity	**(17)**					
I. Issued capital and capital reserve		7,418		7,417	1	0.0
II. Retained earnings		14,110		12,991	1,119	8.6
III. Other reserves		6,032		6,458	-426	-6.6
IV. Consolidated result attributable to Munich Reinsurance Company equity holders		3,107		3,152	-45	-1.4
V. Non-controlling interests		298		271	27	10.1
			30,966	**30,289**	**677**	**2.2**
B. Subordinated liabilities	**(19)**		**4,416**	**4,413**	**3**	**0.1**
C. Gross technical provisions						
I. Unearned premiums	(20)	8,841		8,373	468	5.6
II. Provision for future policy benefits	(21)	108,572		112,648	-4,076	-3.6
III. Provision for outstanding claims	(22)	59,756		56,362	3,394	6.0
IV. Other technical provisions	(23)	17,413		18,492	-1,079	-5.8
			194,582	**195,875**	**-1,293**	**-0.7**
D. Gross technical provisions for unit-linked life insurance	**(24)**		**8,201**	**7,837**	**364**	**4.6**
E. Other accrued liabilities	**(25)**		**4,145**	**4,473**	**-328**	**-7.3**
F. Liabilities						
I. Bonds and notes issued	(26)	314		282	32	11.4
II. Deposits retained on ceded business	(27)	1,521		2,673	-1,152	-43.1
III. Current tax liabilities		2,018		2,729	-711	-26.1
IV. Other liabilities	(28)	14,061		14,637	-576	-3.9
			17,914	**20,321**	**-2,407**	**-11.8**
G. Deferred tax liabilities	**(14)**		**9,995**	**9,776**	**219**	**2.2**
H. Liabilities related to assets held for sale[2]	**(16)**		**6,301**	**0**	**6,301**	**-**
Total equity and liabilities			**276,520**	**272,984**	**3,536**	**1.3**

Consolidated income statement for the financial year 2015[1]

Items

	Notes			2015	Prev. year		Change
		€m	€m	€m	€m	€m	%
Gross premiums written		**50,374**			**48,848**	**1,526**	**3.1**
1. Earned premiums	**(29)**						
Gross		50,219			48,987	1,232	2.5
Ceded share		-1,910			-1,603	-307	-19.2
Net			48,309		47,384	925	2.0
2. Income from technical interest	**(30)**		**6,803**		**7,503**	**-700**	**-9.3**
3. Expenses for claims and benefits	**(31)**						
Gross		-39,756			-40,416	660	1.6
Ceded share		1,025			722	303	42.0
Net			-38,731		-39,694	963	2.4
4. Operating expenses	**(32)**						
Gross		-12,846			-12,264	-582	-4.7
Ceded share		478			313	165	52.8
Net			-12,367		-11,951	-416	-3.5
5. Technical result (1–4)				**4,014**	**3,242**	**772**	**23.8**
6. Investment result	**(33)**		**7,536**		**8,002**	**-466**	**-5.8**
Thereof: Income from associates and joint ventures accounted for using the equity method			375		77	298	386.6
7. Insurance-related investment result	**(34)**		**140**		**414**	**-274**	**-66.1**
8. Other operating income	**(35)**		**873**		**747**	**126**	**16.9**
9. Other operating expenses	**(35)**		**-941**		**-875**	**-66**	**-7.5**
10. Deduction of income from technical interest			**-6,803**		**-7,503**	**700**	**9.3**
11. Non-technical result (6–10)				806	785	21	2.6
12. Operating result				**4,819**	**4,027**	**792**	**19.7**
13. Other non-operating result	**(36)**			**-532**	**-496**	**-36**	**-7.2**
14. Impairment losses of goodwill	**(36)**			**-452**	**-445**	**-7**	**-1.7**
15. Net finance costs	**(36)**			**-238**	**-228**	**-10**	**-4.4**
16. Taxes on income	**(37)**			**-476**	**312**	**-788**	**–**
17. Consolidated result				**3,122**	**3,170**	**-48**	**-1.5**
Thereof: Attributable to Munich Reinsurance Company equity holders				3,107	3,152	-45	-1.4
Attributable to non-controlling interests	(17)			15	18	-3	-19.1
	Notes			€	€	€	%
Earnings per share	**(53)**			**18.73**	**18.31**	**0.42**	**2.3**

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".

Statement of recognised income and expense for the financial year 2015

€m	2015	Prev. year
Consolidated result	**3,122**	**3,170**
Currency translation		
Gains (losses) recognised in equity	1,420	1,428
Recognised in the consolidated income statement	0	0
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	–933	3,889
Recognised in the consolidated income statement	–888	–1,228
Change resulting from valuation at equity		
Gains (losses) recognised in equity	–40	9
Recognised in the consolidated income statement	0	0
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	1	1
Recognised in the consolidated income statement	0	0
Other changes	25	23
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	–416	4,122
Remeasurements of defined benefit plans	266	–521
Other changes	0	0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	266	–521
Income and expense recognised directly in equity (I + II)	**–150**	**3,601**
Total recognised income and expense	**2,972**	**6,771**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	2,947	6,731
Attributable to non-controlling interests	24	40

Group statement of changes in equity for the financial year 2015

€m	Issued capital	Capital reserve
31.12.2013 as originally recognised	**581**	**6,845**
Change from retrospective adjustment	**0**	**0**
Status at 31.12.2013	**581**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from valuation at equity	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	–30	0
Retirement of own shares	21	0
31.12.2014 as originally recognised	**572**	**6,845**
Change from retrospective adjustment	**0**	**0**
Status at 31.12.2014	**572**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from valuation at equity	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	–20	0
Retirement of own shares	21	0
Status at 31.12.2015	**573**	**6,845**

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
13,136	**-295**	**3,368**	**-997**	**3**	**3,304**	**243**	**26,188**
-8	0	0	0	0	-6	0	-14
13,128	**-295**	**3,368**	**-997**	**3**	**3,298**	**243**	**26,174**
2,044	0	0	0	0	-2,044	0	0
0	0	0	0	0	3,152	18	3,170
-505	0	2,658	1,431	-5	0	22	3,601
0	0	0	1,431	0	0	-3	1,428
0	0	2,645	0	0	0	16	2,661
2	0	13	0	-6	0	0	9
0	0	0	0	1	0	0	1
-523	0	0	0	0	0	2	-521
16	0	0	0	0	0	7	23
-505	0	2,658	1,431	-5	3,152	40	6,771
1	0	0	0	0	0	-3	-2
1	0	0	0	0	0	-6	-5
0	0	0	0	0	-1,254	-3	-1,257
0	-1,383	0	0	0	0	0	-1,413
-1,000	1,000	0	0	0	0	0	21
13,683	**-678**	**6,026**	**434**	**-2**	**3,153**	**271**	**30,304**
-14	0	0	0	0	-1	0	-15
13,669	**-678**	**6,026**	**434**	**-2**	**3,152**	**271**	**30,289**
1,859	0	0	0	0	-1,859	0	0
0	0	0	0	0	3,107	15	3,122
266	0	-1,841	1,415	1	0	10	-150
0	0	0	1,415	0	0	5	1,420
0	0	-1,817	0	0	0	-5	-1,821
-15	0	-25	0	0	0	0	-40
0	0	0	0	1	0	0	1
258	0	0	0	0	0	8	266
23	0	0	0	0	0	2	25
266	0	-1,841	1,415	1	3,107	24	2,972
0	0	0	0	0	0	0	0
0	0	0	0	0	0	5	5
0	0	0	0	0	-1,293	-2	-1,295
0	-1,006	0	0	0	0	0	-1,026
-1,002	1,002	0	0	0	0	0	21
14,793	**-683**	**4,185**	**1,848**	**-1**	**3,107**	**298**	**30,966**

Consolidated cash flow statement for the financial year 2015

€m	2015	Prev. year
Consolidated result	**3,122**	**3,170**
Net change in technical provisions	3,798	5,195
Change in deferred acquisition costs	62	60
Change in deposits retained and accounts receivable and payable	196	1,262
Change in other receivables and liabilities	–86	455
Gains and losses on the disposal of investments	–1,943	–1,808
Change in securities at fair value through profit or loss	–1,683	–1,129
Change in other balance sheet items	77	–88
Other income/expenses without impact on cash flow	784	410
I. Cash flows from operating activities	4,327	7,527
Change from losing control of consolidated subsidiaries	36	0
Change from obtaining control of consolidated subsidiaries	–67	–113
Change from the acquisition, sale and maturities of other investments	–566	–4,431
Change from the acquisition and sale of investments for unit-linked life insurance contracts	–446	–411
Other	13	16
II. Cash flows from investing activities	–1,030	–4,939
Inflows from increases in capital and from non-controlling interests	0	0
Outflows to ownership interests and non-controlling interests	–1,005	–1,392
Dividend payments	–1,295	–1,257
Change from other financing activities	–37	–45
III. Cash flows from financing activities	–2,337	–2,694
Cash flows for the financial year (I + II + III)	**960**	**–106**
Effect of exchange-rate changes on cash	169	198
Cash at the beginning of the financial year	2,912	2,820
Cash at the end of the financial year	4,041	2,912
Thereof:		
Cash not attributable to disposal group[1]	3,955	2,912
Cash attributable to disposal group	86	0
Additional information		
Income tax paid (net) – included in the cash inflows from operating activities	–117	45
Dividends received	660	511
Interest received	6,138	6,256
Interest paid	–455	–479

1 For a definition of the disposal group, see Assets – J Assets held for sale.

Notes to the consolidated financial statements

Application of International Financial Reporting Standards (IFRSs)

Munich Re's consolidated financial statements have been prepared on the basis of Section 315a (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of international accounting standards. We have complied with the international accounting standards adopted in accordance with Articles 2, 3 and 6 of the aforementioned Regulation and with the rules designated in Section 315a (1) of the German Commercial Code.

In accordance with the provisions of IFRS 4, Insurance contracts, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

In November 2015, the Board of Management and Supervisory Board of Munich Reinsurance Company published an updated Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the Stock Corporation Act (AktG) and made this Declaration permanently available to shareholders on the internet at www.munichre.com/cg-en.

Recognition and measurement

Use of judgements and estimates in recognition and measurement

In preparing the consolidated financial statements, we have to use our judgement in applying accounting policies and to make estimates and assumptions that affect the year-end items shown in the consolidated balance sheet, the consolidated income statement and the disclosures on contingent liabilities.

Particularly in insurance and reinsurance, the use of estimates for measuring technical provisions is of substantial significance, given that measurement is invariably based on models and the development of future cash flows from insurance contracts cannot be conclusively predicted. But judgement and estimates play a significant role in the case of other items as well.

Our internal processes are geared to determining amounts as accurately as possible, taking into account all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

Discretionary judgement and estimates are of significance for the following items in particular, and are described in greater detail in the respective explanatory notes:

— Consolidated group
— Goodwill and other intangible assets
— Fair values and impairments of financial instruments
— Deferred acquisition costs
— Technical provisions
— Pension provisions
— Deferred tax
— Contingent liabilities

Presentation currency and rounding of figures

Our presentation currency is the euro (€). Amounts are rounded to million euros, with figures in brackets referring to the previous year. Due to rounding, there may be minor deviations in summations and in the calculation of percentages. Figures in brackets refer to the previous year.

Figures for previous years

Changes in accordance with the rules of IAS 8 necessitated the retrospective adjustment of the figures from the consolidated balance sheet for the financial years 2013 and 2014, and of the consolidated income statement and relevant items of the notes to the consolidated financial statements for the year 2014 (see section "Changes in accounting policies and other adjustments"). The other previous-year figures have been calculated on the same basis as the figures for the financial year 2015.

Changes in accounting policies and other adjustments

Application of the recognition, measurement and disclosure methods follows the principle of consistency.

In the 2015 financial year, the following new or amended IFRSs had to be applied for the first time:

The IASB concluded the project **Annual Improvement to IFRSs 2011–2013 Cycle** in December 2013 with the publication of the revised standards. These amendments affect IFRS 1, First-time Adoption of International Financial Reporting Standards; IFRS 3, Business Combinations; IFRS 13, Fair Value Measurement; and IAS 40, Investment Property Measured at Fair Value. Clarifications were made to these standards concerning individual provisions that have turned out to be unclear in practice; they are not relevant for Munich Re.

IFRIC Interpretation 21 (05/2013), Levies, clarifies the point of recognition of a liability within the scope of IAS 37 for levies imposed by governments, other than income taxes, that do not fall within the scope of application of other IFRSs. As well as determining the point of recognition, the Interpretation clarifies how to interpret the definition of "present obligation" within the meaning of IAS 37 with respect to such levies. It has no material effects on Munich Re.

In valuing the provision for outstanding claims, the time value of money and the specific risk for the provision were not calculated correctly for one portfolio of the life reinsurance segment. In the first quarter, the items concerned were corrected retrospectively in line with IAS 8.41. The adjustments had the following effects:

Consolidated balance sheet

		31.12.2013 as originally recognised	Changes due to adjustments in 2013	31.12.2013
€m				
Assets				
H.	Deferred tax assets	6,995	4	6,999
Equity and liabilities				
A. II.	Retained earnings	12,841	–8	12,833
A. IV.	Consolidated result attributable to Munich Reinsurance Company equity holders	3,304	–6	3,298
C. IV.	Provision for outstanding claims	53,061	18	53,079

Consolidated balance sheet

		31.12.2014 as originally recognised	Changes due to adjustments in 2014	31.12.2014
€m				
Assets				
H.	Deferred tax assets	7,601	5	7,606
Equity and liabilities				
A. II.	Retained earnings	13,005	–14	12,991
A. IV.	Consolidated result attributable to Munich Reinsurance Company equity holders	3,153	–1	3,152
C. III.	Provision for outstanding claims	56,342	20	56,362

Consolidated income statement

		2014 as originally recognised	Changes due to adjustments in 2014	2014
€m				
3.	**Expenses for claims and benefits**			
	Gross	–40,415	–1	–40,416
	Net	–39,693	–1	–39,694
5.	**Technical result**	**3,243**	**–1**	**3,242**
12.	**Operating result**	**4,028**	**–1**	**4,027**
17.	**Consolidated result**	**3,171**	**–1**	**3,170**
	Thereof: Attributable to Munich Reinsurance Company equity holders	3,153	–1	3,152

Standards or changes in standards not yet entered into force

Unless otherwise stated, all standards or amendments to standards that have not yet entered into force will be applied by Munich Re for the first time as from the mandatory effective date for entities with their registered office in the European Union.

The following standards are mandatory for Munich Re for the first time in the 2016 financial year. They were adopted into European law in November 2014, and in November and December 2015. Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) has not yet been adopted into European law; this process is expected to be completed in the second quarter of 2016.

In November 2013, the IASB published an amendment to IAS 19 (rev. 11/2013), Employee Benefits, which aims to clarify the allocation of contributions from employees or third parties that are linked to the employee's service rendered in the same period in which they are payable. This amendment will not have any material effects on Munich Re.

The amendments published in December 2013 under the project Annual Improvements to IFRSs 2010–2012 Cycle refer to: IFRS 2, Share-based Payment; IFRS 3, Business Combinations; IFRS 8, Operating Segments; IFRS 13, Fair Value Measurement; IAS 16, Property, Plant and Equipment; IAS 24, Related Party Disclosures; and IAS 38, Intangible Assets. The amendments mainly concern clarifications of individual provisions that have turned out to be unclear in practice; they are unlikely to be relevant for Munich Re.

As mandated by the IASB, application of the above amendments to IAS 19 and the Annual Amendments to IFRSs 2010–2012 Cycle have been mandatory as from the financial year 2015. However, as they were not adopted into European law until December 2014, application of the two shall not be mandatory for companies registered in the European Union until financial years beginning on or after 1 February 2015. Voluntary application before that date is permitted, but they are of little relevance for Munich Re.

The publication of the IFRS Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (05/2014), provides guidance on issues, including that revenue-based depreciation and amortisation of real estate, other assets and intangible assets is not permissible, or is only permissible under specified circumstances. The clarifications do not have any material effects for Munich Re.

The amendments of IFRS 11 (05/2014), Accounting for Acquisitions of Interests in Joint Operations, clarify the accounting for acquisitions of interests in joint operations when the operation constitutes a business. The acquirer of interests is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the guidance in IFRS 11. This amendment is unlikely to have any material effects on Munich Re.

In June 2014, the IASB published the IFRS Agriculture: Bearer Plants, Amendments to IAS 16 and IAS 41. The amendments bring bearer plants that are only used to grow agricultural produce within the scope of IAS 16. These are thus accounted for in the same way as property, plant and equipment. Currently, the amendments do not appear to be relevant for Munich Re.

In August 2014, Equity Method in Separate Financial Statements (Amendments to IAS 27) was published. This again permits entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in their separate financial statements. The amendment is not applicable to Munich Re.

The amendments published in September 2014 as part of the project Annual Improvements to IFRSs 2012–2014 Cycle, affect IFRS 5, Non-current Assets Held for Sale and Discontinued operations; IFRS 7, Financial Instruments: Disclosures; IAS 19, Employee Benefits; and IAS 34, Interim Financial Reporting. The amendments mainly concern clarifications of individual provisions that have turned out to be unclear in practice; they are unlikely to be relevant for Munich Re.

In December 2014, Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued. The amendments clarify the consolidation exception where a parent company meets the definition of an investment company. This amendment is unlikely to have any material effects on Munich Re.

As part of the Disclosure Initiative, in December 2014 the IASB published Disclosure Initiative, Amendments to IAS 1 (12/2014), which is designed to eradicate uncertainties in the exercise of discretion when drawing up financial statements. It makes clear which considerations need to be taken into account with respect to materiality, the line items in the financial statements, and the order of the notes. Munich Re will analyse if these amendments have any effect on our reporting requirements.

The following new or revised standards will not become mandatory until a later date. The relevant information will be disclosed separately. Without exception, the legal changes have not yet been adopted into European law.

IFRS 9 (07/2014), Financial Instruments, replaces IAS 39 as regards the requirements relating to recognition and measurement of financial instruments. Under this revision, in future the categorisation of financial assets will be made on the basis of contractual cash flow characteristics and the business model of the asset held. Accordingly, subsequent measurement is made at amortised cost, at fair value without impact on profit or loss, or at fair value through profit or loss.

The possibility of voluntary measurement at fair value (fair value option) remains. However, the requirement for separate accounting of the component parts of certain structured products is no longer mandatory; under IFRS 9 they must be measured in their entirety at fair value through profit or loss. For financial liabilities, there are no changes in the measurement rules except that if the fair value option is applied, value changes attributable to a change in the entity's credit risk must in future be recognised without impact on profit or loss.

IFRS 9 envisages an expected loss model for recognising impairments, by which – unlike under the current incurred loss model of IAS 39 – expected losses are anticipated before they arise and must be accounted for in the balance sheet as an expense. There is to be only one model for recognising impairments that is to be used for all financial assets falling under the impairment rules of IFRS 9.

Hedge accounting under IFRS 9 focuses more strongly on the entity's risk management activities than was the case under the current rules of IAS 39. The new rules include provisions to ease requirements with respect to qualified hedged items and hedging instruments, and the assessment of hedge effectiveness.

The provisions of IFRS 9 are associated with extensive additional disclosures required in the appendices that were adopted in IFRS 7, Financial Instruments: Disclosures. The provisions are mandatory for financial years beginning on or after 1 January 2018. Due to the great importance of this standard for Munich Re, we have established a project to analyse the provisions in detail and to set up the required implementation processes.

As expected, the revision of the IFRS governing recognition and measurement of insurance contracts (IFRS 4 phase II) will be released at the end of 2016 or the beginning of 2017, but application of the new rules is not expected to be mandatory before 2020. Due to the close interlinking of underwriting liabilities and investments of insurance companies, it is essential to have an aligned valuation of these line items in the balance sheet in order to prevent balance sheet distortions. For this reason, the insurance industry has been pressing for a postponement of the mandatory first application of IFRS 9 for the industry until application can be aligned with the insurance standard. The IASB is considering these concerns and is currently discussing the different possibilities of how these circumstances could be properly taken into account. A corresponding standard amending IFRS 4, Insurance contracts, will probably be published during the course of 2016. This would give a defined circle of insurance companies the possibility of postponing the first-time application of IFRS 9 to 2021, or earlier if the new insurance standard is mandatory from an earlier date. Munich Re is proceeding on the assumption that it will make use of this option.

IFRS 15 (05/2014), Revenue from Contracts with Customers, governs the timing and amount of revenue to be recognised by an entity. As the recognition of revenue from insurance contracts and financial instruments does not fall within the scope of the new standard, it is not material for the accounting of our core business. Originally, the standard was to be mandatory for financial years beginning on or after 1 January 2017. However, due to the current discussion about clarifications – in particular with respect to the implementation process, the IASB decided in July 2015 to defer the date of mandatory application. The provisions of IFRS 15 will now be mandatory for financial years beginning on or after 1 January 2018. Even if the discussed clarifications are taken into account in the revised standard, we do not expect the revision to have any material effects on Munich Re.

The Amendments to **IFRS 10 and IAS 28 (09/2014), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,** govern the recognition of gains or losses for transactions between an investor and an associate or joint venture dependant on whether the sale concerns a business or just assets that do not constitute a business. The IASB has postponed the mandatory effective date indefinitely. This amendment is unlikely to have any material effects on Munich Re.

In January 2016, the IASB published the new **IFRS 16, Leases**. Under the new rules, lessees will in future be required to account for most of their leases in their balance sheets. They will consequently have to recognise a right-of-use asset and a lease liability. There will be no distinction any more between finance and operating leases. On the other hand, the lessors' accounting will remain largely the same as under the current rules, and a distinction will continue to be drawn between finance and operating leases. IFRS 16 will be mandatory for financial years beginning on or after 1 January 2019. We will evaluate the impact of the new provisions on Munich Re in due course.

Also in January 2016, the IASB published the **IFRS Disclosure Initiative – Amendments to IAS 7**. The changes to IAS 7 are intended to improve the quality of information provided in the cash flow statement of a company's financial report about the company's financing activities. The provisions will be effective for financial years beginning on or after 1 January 2017. We will evaluate their impact on Munich Re in due course.

The Amendments to **IAS 12 (01/2016), Recognition of Deferred Tax Assets for Unrealised Losses** published in January 2016 include clarifications that unrealised losses on debt instruments that are measured at fair value under IFRS and measured at cost for tax purposes may give rise to a deductible temporary difference. This applies regardless of whether or not the asset is held to maturity or sold. The IASB also determined that normally for all deductible temporary differences there should be an assessment as to whether the asset is likely to generate sufficient taxable income in the future in order for the deferred tax asset to be applied. An independent assessment should only be made if and to the extent that tax law differentiates between different types of taxable profits. We do not expect this regulation to have a substantial impact on Munich Re's consolidated financial statements. The changes will be mandatory for financial years beginning on or after 1 January 2017.

Consolidation

Consolidated group

The consolidated financial statements include Munich Reinsurance Company (the parent) and all the entities over which Munich Reinsurance Company directly or indirectly exercises control (subsidiaries).

Munich Reinsurance Company directly or indirectly holds all the voting rights in most of the entities included in the consolidated group. In a few cases, when assessing whether control exists, there are some non-Group shareholders, but Munich Reinsurance Company directly or indirectly holds a clear majority of the voting rights. In these cases, no significant judgement or assumptions were made as to whether the entities are to be included.

We include a small number of entities in the consolidated group even though Munich Reinsurance Company does not directly or indirectly hold a majority of the voting rights in those entities. The inclusion is generally made on the basis that contractual rights are taken into consideration that result in determination of power over the relevant business activities.

Pursuant to IFRS 10, investment funds are included in the consolidated financial statements if they are controlled by Munich Re. In assessing the need to consolidate shares in investment funds, we take particular account of the degree of variability in the remuneration of the fund manager, of dismissal rights, and of the role of the investors in committees and bodies of the investment fund. This can sometimes result in an assessment that we do exercise control even though the shareholding is below 50%.

On behalf of our policyholders, in the area of unit-linked life insurance we invest in numerous retail funds that are mainly managed by companies which are not related parties of Munich Re. We do not generally control these companies, as we cannot determine the business activities that are relevant for the investee’s returns. In the case of the other investment funds for unit-linked life insurance, we take the above criteria into account in determining whether there is control.

In assessing whether control exists for structured entities, we focus our analysis on the decisions still to be made within the corresponding unit and on the agency relationships between the parties. For structured entities established by us to issue catastrophe bonds, we focus above all on our relationship to the trustees and our possibilities to influence their decision-making. Generally, we do not control such structured entities, even if we hold their bonds.

Number of consolidated subsidiaries[1]

	Germany	Other countries	Total
31 Dec. previous year	98	231	329
Additions	7	17	24
Reductions	–3	–18	–21
31 Dec. financial year	102	230	332

1 In addition, 54 German and 6 non-German investment funds were included in the consolidated group.

A list of all our shareholdings can be found in the section “List of shareholdings as at 31 December 2015 in accordance with Section 313 (2) of the German Commercial Code (HGB)”.

Cash flows and net assets from obtaining and losing control of consolidated subsidiaries or other operations are shown below:

Cash flows arising from obtaining control

€m	2015	Prev. year
Total consideration for obtaining control	-81	-134
Non-cash consideration for obtaining control	-1	0
Cash consideration for obtaining control	**-80**	**-134**
Cash over which control was obtained	13	21
Total	**-67**	**-113**

Net assets obtained

€m	2015	Prev. year
Goodwill/gain from bargain purchase	-1	28
Other intangible assets	8	40
Investments	493	102
Cash	13	21
Other assets	5	66
Technical provisions (net)	0	-101
Other liabilities	-106	-29
Total	**412**	**127**

Cash flows arising from losing control

€m	2015	Prev. year
Total consideration for losing control	37	0
Non-cash consideration for losing control	0	0
Cash consideration for losing control	**37**	**0**
Cash over which control was lost	-1	0
Total	**36**	**0**

Net assets lost

€m	2015	Prev. year
Goodwill	0	0
Other intangible assets	-1	0
Investments	-79	0
Cash	-1	0
Other assets	-16	0
Technical provisions (net)	59	0
Other liabilities	9	0
Total	**-30**	**0**

Further information on our gains and losses from losing control can be found in the notes to the consolidated balance sheets under Assets (16) Non-current assets and disposal groups held for sale and sold in the reporting period.

Business combinations occurring during the reporting period

On 1 January 2015, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park companies KS SPV 23 Limited, London, England, and Countryside Renewables (Forest Heath) Limited, London, England, from BayWa r.e. 205. Projektgesellschaft mbH, Gräfelfing, Germany and BayWa r.e. 149. Projektgesellschaft mbH, Gräfelfing, Germany. The solar parks have a total installed capacity of 22.7 megawatts (MW).

On 1 March 2015, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Cornwall Power (Polmaugan) Limited, London, England from BayWa r.e. 148. Projektgesellschaft mbH, Gräfelfing, Germany. The solar park has a total installed capacity of 5 MW.

The acquisitions are part of our infrastructure investment programme (including renewable energies and new technologies).

On 23 July 2015, via its subsidiary Victoria Investment Properties Two L.P., Atlanta, USA, Munich Re acquired as an investment measure an additional 18% of the capital of 13th & F Associates Limited Partnership Columbia Square (13th & F), Washington, D.C., USA, from Hines Columbia Square (Hines), L.P., Houston, USA, thereby increasing our shareholding to 98%. Furthermore, the shareholding of Hines, the previous general managing partner, was converted into the non-voting interest of a limited partner, enabling us to obtain 100% of the voting shares and control over the company, which is the property management and holding company of an office building in Washington, D.C. The fair value of Munich Re's shareholding in 13th & F immediately prior to the time of acquisition totalled €325m. A revaluation of this shareholding resulted in a positive one-off effect of €220m, which was recognised as income from investments in associates. A purchase price of US$ 82.0m (€75.3m) was paid for the acquisition of the shares, of which US$ 80.2m (€73.6m) was in cash. The fair value of the non-controlling interest in the acquired company was set at €8m, by discounting the future cash flow attributable to the non-controlling interests as a result of the transaction at the valuation date.

The IFRS fair values of the assets and liabilities of the acquired company at the time of acquisition are as follows:

IFRS fair values of the assets and liabilities at the acquisition date

€m	13th & F
Purchase price	**75**
Assets acquired	**463**
Intangible assets	0
Investments	452
Receivables[1]	1
Cash at bank, cheques and cash in hand	10
Deferred tax assets	0
Other assets	0
Liabilities assumed	**–57**
Other reserves	0
Liabilities	–57
Deferred tax liabilities	0
Other liabilities[2]	0
Revenue included in the consolidated income statement since the acquisition date	**15**
Result included in the consolidated income statement since the acquisition date	**4**
Contributions to the consolidated revenues as if the acquisition date for the business combination had been 1 January 2015[3]	**27**

1 The fair value of the receivables acquired as part of the transactions corresponds to the carrying amount. No defaults were expected at the acquisition date.
2 No contingent liabilities, contingent payments or separate transactions within the meaning of IFRS 3 were identified.
3 The change in the consolidated result cannot be accurately calculated owing to lack of data at the beginning of the year.

Consolidation principles

The annual financial statements of the consolidated subsidiaries are subject to uniform accounting policies.

The balance sheet date of the consolidated companies is generally 31 December. Some of the investment funds have different balance sheet dates. These funds are consolidated on the basis of interim accounts as at 31 December. Acquisitions are accounted for by the purchase method. In order to determine the equity capital at the time of acquisition, we measure the acquired identifiable assets and liabilities of the subsidiary at fair value. The consideration transferred in exchange for the acquired shares is netted against the equity capital apportionable to the Group at the time of acquisition. Any residual positive amount is capitalised as goodwill. Results generated by the subsidiaries after their first consolidation are included in Group equity. Amounts relating to intra-Group transactions (receivables and liabilities, expenses and income between consolidated companies) are eliminated unless they are determined as not being material.

Associates and joint ventures

Pursuant to IAS 28, associates are generally all entities which are not subsidiaries or joint ventures, but on whose financial and operating policies the investors can exercise a significant influence. In the case of shareholdings amounting to between 20% and 50% of the voting power, the entities in question are deemed to be associates unless it can be clearly demonstrated that there is no significant influence.

In the case of some investment funds whose relevant activities are largely predetermined, we do not exercise a significant influence, even if Munich Re holds a stake of over 20%.

We classify a small number of entities as associates even though we hold less than 20% of the voting rights, mainly because we are represented on their supervisory boards and/or have significant business relations with those entities.

Under IFRS 11, a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of that arrangement.

Investments in associates and joint ventures are valued by the equity method, provided that the shares are of material importance for a true and fair picture of Munich Re's financial position. Information on the measurement of investments in associates and joint ventures can be found under Assets – B Investments – Investments in associates and joint ventures.

Number of companies valued at equity

	Germany	Other countries	Total
31 Dec. previous year	17	26	43
Additions	0	1	1
Reductions	0	–4	–4
31 Dec. financial year	17	23	40

Number of companies not valued at equity

	Germany	Other countries	Total
31 Dec. previous year	35	9	44
Additions	3	2	5
Reductions	–3	–1	–4
31 Dec. financial year	35	10	45

Joint operations

Under IFRS 11, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets specified in the arrangement, and assume obligations for the liabilities relating to the arrangement. Unlike a joint venture, a joint operation does not confer rights to net assets.

We measure joint operations on the basis of the corresponding attributable assets, liabilities, income and expenses in accordance with the relevant IFRS.

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant business activities are directed by means of contractual arrangements.

Munich Re has interests in both consolidated and unconsolidated structured entities. An interest in an unconsolidated structured entity is classified as such where Munich Re receives variable returns from relevant activities of the structured entity but does not control that entity.

Consolidated structured entities In 2015, Munich Re provided no financial or other support to consolidated structured entities, or intended to do so in future, without having a contractual obligation to do so.

Munich Re classifies unconsolidated structured entities as either investment funds or securitisation vehicles on the basis of the type of structured entity.

Investment funds As part of its investment activities Munich Re invests in investment funds on its own behalf, and on behalf of policyholders under unit-linked life insurance. Investment funds are mainly financed by issuing redeemable shares or units.

Munich Re invests above all in mutual and specialised funds in Germany and in other countries that invest in securities and real estate. Some of the investment funds are managed by MEAG MUNICH ERGO AssetManagement GmbH, others by fund managers outside the Group. They also include investments in infrastructure (including renewable energies and new technologies) and private equity.

On behalf of our policyholders, we invest in numerous investment funds for unit-linked life insurance that are mainly managed by companies which are not related parties of Munich Re. These funds are mostly equity and bond funds.

Securitisation vehicles Munich Re invests in debt securities that are issued by securitisation vehicles which are not set up by Munich Re. Munich Re also uses securitisation vehicles to issue catastrophe bonds, and it also invests in third-party catastrophe bonds. Securitisation vehicles finance themselves by issuing securities.

The investments in debt securities comprise asset-backed securities (ABS), mortgage-backed securities (MBS), collateralised debt obligations (CBO) and collateralised loan obligations (CLO).

In order to protect its own portfolio, Munich Re also uses alternative risk transfer in addition to traditional retrocession. Under this process, underwriting risks are transferred to the capital markets with the assistance of securitisation vehicles. The sole purpose of these vehicles is to securitise underwriting risks, mostly in the area of natural catastrophes, and to issue catastrophe bonds. Depending on the design of the risk transfer agreement with the securitisation vehicle, the transaction is classified as a derivative or as an insurance contract. Derivatives are recognised under "other securities at fair value through profit or loss" or under "other liabilities". Agreements designated as insurance contracts are not recognised in the balance sheet until a loss has occurred, and they are shown under "ceded share of technical provisions".

Munich Re also invests in the area of catastrophe risks. Munich Re invests in various securities whose repayment and interest is generally linked to the occurrence of natural catastrophes. The securities are issued by securitisation vehicles which as a matter of general policy are not set up by Munich Re. If the risk transfer agreement is not an insurance contract, the bond component of the catastrophe bond is recognised under "securities available for sale", and the derivative portion is recognised under "other securities at fair value through profit or loss" or under "other liabilities". If there is an insurance contract, recognition is made under "deposits retained on assumed reinsurance" or "technical provisions".

Size of structured entities For investment funds, including investments in infrastructure (including renewable energies and new technologies) and private equity and investment funds for policyholders under unit-linked life insurance, the carrying amount gives an indication of the size of the structured entity. For debt securities and the securitisation of underwriting risks, the emission volume (nominal value) is used as an indicator for the valuation of the size of the structured entity. The size of the funds refers to both the issued volume of the securitisation vehicles set up by Munich Re and that of those securitisation vehicles in which Munich Re has invested. For debt securities in the previous year, the carrying amount gives an indication of the size.

Unconsolidated structured entities

€m	Investment funds – Munich Re investments 31.12.2015	Investment funds – Investments for unit-linked life insurance 31.12.2015	Securiti-sation vehicles – Debt securities 31.12.2015	Securiti-sation vehicles – Underwriting risks 31.12.2015	Total 31.12.2015
Other securities					
Available for sale	2,654	0	4,464	549	7,667
At fair value through profit or loss	0	0	0	0	0
Deposits retained on assumed reinsurance	0	0	0	418	418
Investments for unit-linked life insurance contracts	0	6,536	0	0	6,536
Ceded share of technical provisions	0	0	0	0	0
Assets held for sale	304	28	64	0	396
Total assets	**2,958**	**6,563**	**4,528**	**967**	**15,017**
Technical provisions	0	0	0	0	0
Other liabilities	0	0	0	2	2
Total equity and liabilities	**0**	**0**	**0**	**2**	**2**
Size of structured entity	2,958	6,563	264,162	10,810	284,493

Unconsolidated structured entities

€m	Investment funds – Munich Re investments Prev. year	Investment funds – Investments for unit-linked life insurance Prev. year	Securiti-sation vehicles – Debt securities Prev. year	Securiti-sation vehicles – Underwriting risks Prev. year	Total Prev. year
Other securities					
Available for sale	2,871	0	5,757	288	8,916
At fair value through profit or loss	0	0	0	2	2
Deposits retained on assumed reinsurance	0	0	0	343	343
Investments for unit-linked life insurance contracts	0	7,395	0	0	7,395
Ceded share of technical provisions	0	0	0	0	0
Total assets	**2,871**	**7,395**	**5,757**	**633**	**16,656**
Technical provisions	0	0	0	0	0
Other liabilities	0	0	0	1	1
Total equity and liabilities	**0**	**0**	**0**	**1**	**1**
Size of structured entity	2,871	7,395	5,757	8,078	24,101

Maximum exposure to loss_With the exception of investment funds for investments for unit-linked life insurance, the maximum exposure to loss is the carrying amount of the respective items on the assets side, and zero for the items on the liabilities side. Therefore, for the items on the assets side, there is usually no difference between the carrying amount of interests in unconsolidated structured entities and the maximum exposure to loss.

Normally, the maximum exposure to loss for investments for unit-linked life insurance contracts is also the carrying amount of the interests. However, the investment is held for the benefit of policyholders who bear the investment risk.

Managed fund assets MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH also manages investment funds for private clients and institutional investors, for which it receives a management fee. The management fees are recognised in the consolidated income statement (commissions). The maximum exposure to loss relates to the loss of future management fees. Fund management activities generated income of €33m (28m) in the 2015 financial year. The value of fund assets under management provides information about the size of the unconsolidated structured entities. As at 31 December 2015, the managed fund assets amounted to €3,507m (3,073m), and Munich Re itself also holds a small interest in these funds.

Financial support Munich Re has not provided any non-contractual financial or other support to the unconsolidated structured entities presented above, nor does it have the intention to do so in the foreseeable future.

Sponsored unconsolidated structured entities Munich Re provides structuring and consultancy services for clients within the context of the foundation and structuring of third-party securitisation vehicles. As at 31 December 2015, Munich Re did not have any interests in these structured entities.

Assets

A Intangible assets

Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. We additionally carry out ad-hoc impairment tests if there are indications of impairment. For impairment testing, the goodwill is allocated to the cash-generating units or groups of cash-generating units expected to derive benefit from the synergies of the business combination. To ascertain whether there is any impairment, the carrying amount (including allocated goodwill) of a cash-generating unit or a group of cash-generating units is compared with that unit's or group's recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. If this recoverable amount is lower than the carrying amount, a write-down is made on the goodwill. To determine the recoverable amount, numerous assumptions are required which may lead to significant differences in value. Information on the key assumptions is provided in the Notes to the consolidated balance sheet – Assets (1) Goodwill. Sensitivity analyses of expected changes to the key assumptions are performed as part of the impairment tests. If as a result of these analyses the recoverable amount has fallen below the carrying amount, this is reported in the above-mentioned note.

The **other intangible assets** mainly comprise acquired insurance portfolios, acquired and self-developed software, and acquired sales networks, client bases and brand names.

Acquired insurance portfolios are recognised at their present value on acquisition (PVFP – present value of future profits). This is determined as the present value of expected profits from the portfolio acquired, without consideration of new business and tax effects. The acquired insurance portfolios are amortised in accordance with the realisation of the profits from the insurance portfolios underlying the PVFP calculation. They are regularly tested for impairment using a liability adequacy test as per IFRS 4; see Equity and liabilities C – Gross technical provisions. Write-downs are recognised under operating expenses.

Self-developed and other software, acquired sales networks, client bases and brand names are carried at cost. Self-developed and other software is amortised on a straight-line basis at a rate of 20–33% over its useful life – three to five years – or in exceptional circumstances at a rate of 10% over a period of up to ten years. The useful lives and depreciation rates of the acquired sales networks and client bases are as a rule 2–17 years or 6–50% respectively, and those of the brand names 1–30 years or 3–100%; the items in question are generally amortised on a straight-line basis. Recognised impairments are distributed in the consolidated income statement between investment expenses, expenses for claims and benefits and operating expenses. If it is not possible to allocate impairments to the functional areas, they are shown under “other non-operating result”. Impairments or impairment losses reversed are recognised if required.

B Investments

Land and buildings shown under investments comprise property used by third parties and are carried at cost. Maintenance expenses are recognised as an expense. Structural measures equivalent to 5% or more of the historical cost of a building are generally assessed with regard to whether they have to be capitalised. Buildings are depreciated on a straight-line basis in accordance with the component approach, depending on the weighted useful life for their specific building class. The underlying useful lives mainly range between 40 and 55 years. If the recoverable amount of land and buildings falls below their carrying amount, the carrying amount is written down to the recoverable amount. Impairment losses are recognised as investment expense in the consolidated income statement, and reversals of impairment losses as investment income.

Investments in affiliated companies that we do not consolidate because they are not material are generally carried at their fair values. If the investments are quoted on a stock exchange, we use the share prices at the balance sheet date; for unquoted investments, the fair value is measured using the discounted earnings or net asset value method. Changes in the fair value are recognised in "other reserves" under unrealised gains and losses.

Investments in associates and joint ventures are valued by the equity method at the Group's proportionate share of their net assets. The earnings of the associate or joint venture attributable to the Group are included in the investment result. As a rule, the equity and annual result from the most recent individual or consolidated financial statements of the associate or joint venture are used; in the case of the annual financial statements of important associates or joint ventures, appropriate adjustments are made to ensure they conform with Munich Re's accounting policies; exceptional transactions of material importance for a true and fair picture of the financial position of the associate or joint venture are recognised in the same financial year. Investments in associates and joint ventures that are not material for assessing the Group's financial position are generally accounted for at fair value. To determine the fair value, we use the share prices at the balance sheet date if the investments are quoted on a stock exchange; for unquoted investments, the fair value is measured using the discounted earnings or net asset value method, other valuation methods customary in the market or expert opinions on company valuation. Changes in the fair value are recognised in "other reserves" under unrealised gains and losses.

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost in accordance with the effective interest method. Write-downs for impairments are made in cases where the repayment of a loan can no longer be expected.

Fixed-interest or non-fixed-interest securities available for sale that are not designated as at fair value through profit or loss or recognised under loans are accounted for at fair value, with resulting changes in value recognised in equity with no effect on profit or loss. If no quoted prices in an active market are available, fair values are based on recognised valuation methods in line with the present value principle. Unrealised gains or losses are calculated taking into account interest accrued and, after deduction of deferred taxes and the amounts apportionable to policyholders by the life and health insurers on realisation (provision for deferred premium refunds), are recognised directly in equity under "other reserves".

Securities at fair value through profit or loss comprise securities held for trading and securities designated as at fair value through profit or loss. Securities held for trading are all fixed-interest and non-fixed-interest securities that we have acquired for trading purposes to earn short-term profits from price changes and differences. In addition, they include all derivative financial instruments with positive fair values which we have acquired to manage and hedge risks, but which do not meet the requirements of IAS 39 for hedge accounting. Securities designated as at fair value through profit or loss comprise structured securities. This designation may only be made at the time of acquisition; reallocation to this category in later periods is not permitted.

Securities at fair value through profit or loss are accounted for at fair value at the balance sheet date. If no quoted prices in an active market are available, fair values (particularly with derivatives) are based on recognised valuation methods. Munich Re uses a range of valuation models for this purpose.

All unrealised gains or losses from such valuation are included in the investment result.

Deposits retained on assumed reinsurance are receivables from our cedants for cash deposits that have been retained under the terms of reinsurance agreements; they are accounted for at face value.

Other investments comprise deposits with banks and tangible assets in renewable energies, physical gold, and forestry investments. Deposits with banks are measured at cost in accordance with the effective interest method. Tangible assets in renewable energies are generally accounted for at amortised cost. The items in question are amortised on a straight-line basis at a rate of at least 4%, but for the most part at 5%, over a useful life of 20–25 years. In addition, these items are tested for impairment at each balance sheet date and write-downs or reversals of impairment made if required. We measure physical gold at the acquisition cost; if the recoverable amount is lower than the carrying amount, a write-down for impairment is made. If there is a subsequent recovery in value, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the amortised cost. Forestry investments are measured at fair value less estimated costs to sell.

Repurchase agreements and securities lending

Under repurchase agreements we, as the lender, acquire securities against payment of an amount with the obligation to sell them back to the borrower at a later date. As the risks and rewards from the securities remain with the borrower, the amounts paid are not posted as such in our accounts but are shown as a receivable from the borrower under "other investments, deposits with banks". Interest income from these transactions is recognised in the investment result.

Securities that we lend by way of securities lending continue to be recognised in our balance sheet, as the main risks and rewards remain with Munich Re; securities that we have borrowed are not recognised in the balance sheet. Fees from securities lending are recognised in the investment result.

Recognition of financial instruments

Financial assets are accounted for at the trade date.

Determining fair values

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments and other items that are recognised at fair value, and such investments and other items that are not recognised at fair value but for which a fair value is disclosed in the notes, are allocated to one of the fair value hierarchy levels of IFRS 13. This valuation hierarchy provides for three levels.

The allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking. If market prices are available, these are an objective yardstick for recognition at fair value. If no market prices are available and valuation is based on models, there is a certain amount of scope for applying such methods. The greater the number of inputs used that are not observable on the market but are based on internal estimates, the greater the amount of discretionary scope available to Munich Re. Information on the valuation models and processes can be found in the Notes to the consolidated balance sheet – Assets (4) Hierarchy for the fair value measurement of investments. An internal process ensures that the valuation basis at every reporting date results in the correct allocation to the individual levels of the fair value hierarchy according to IFRS 13.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets which Munich Re can refer to at the balance sheet date. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. The financial instruments we have allocated to this level mainly comprise equities and equity funds for which either a stock market price is available or prices are provided by a price quoter on the basis of actual market transactions. We have also allocated derivatives and exchange-traded subordinated bonds to Level 1.

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. Moreover, we have allocated to this level such investments for which prices are provided by price quoters but for which there is no proof that these were based on actual market transactions. The financial instruments we have allocated to this level mainly comprise bearer bonds and bond funds, borrowers' note loans, covered bonds, subordinated securities, derivatives not traded on the stock market, and physical gas.

For assets allocated to Level 3, we use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data is available. The inputs used reflect Munich Re's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data. The financial instruments allocated to this level of the fair value hierarchy largely comprise land and buildings, real-estate funds, funds that mainly invest in theoretically valued instruments, investments in private equity, certain credit structures, and investments in subsidiaries, associates and joint ventures measured at fair value. Insurance-linked derivatives are also allocated to Level 3.

In the case of loans and investments in associates and joint ventures accounted for using the equity method, as well as bank borrowing and bond and note liabilities not traded on an active market, we have decided on a case-by-case basis to which level of the fair value hierarchy to allocate the respective fair values.

Owing to their leverage effect, changes in individual inputs may significantly affect the fair value shown for instruments measured under Level 3. If we make such adjustments in measuring fair value in the individual case, we explain the resultant effects.

Net investment result

The net investment result comprises regular income, income from write-ups, gains and losses on the disposal of investments, other income, write-downs of investments, management expenses, interest charges and other expenses. Regular income and expenses from investments not measured at fair value through profit or loss are calculated in accordance with the effective interest method, i.e. any premiums or discounts are deducted from or added to the acquisition costs, with impact on profit or loss, until maturity.

Impairment

Impairments in value are recognised as an expense in the income statement. At each balance sheet date, we assess whether there is any substantial objective evidence of impairment of a financial asset or group of financial assets. As the recognition of value impairments – both on the merits and in terms of amount – is based on discretionary judgement and estimates, we have established a process that guarantees that at every reporting date all investments that might be subject to impairment are identified and tested for impairment. On the basis of these test results, a list of investments will be prepared for which an impairment must be recognised; this list will then be verified once again with the involvement of management.

IAS 39.59 contains a list providing evidence of impairment of financial assets. In addition, IAS 39.61 states that for equity investments, a significant or prolonged decline in the fair value of the investment below its acquisition cost is objective evidence of impairment. These rules are given more concrete form by means of internal guidelines. For equities quoted on the stock exchange, we assume a significant decline in fair value if the market value at the review date is at least 20% below the average purchase price or has been lower than this amount for at least six months. In the case of fixed-interest securities and loans, the main basis for establishing impairment is an indication of substantial financial difficulty on the part of the issuer, the current market situation or media reports on the issuer.

We determine acquisition cost on the basis of the average purchase price. In the case of an impairment, a write-down is made to the fair value at the balance sheet date, i.e. generally the publicly quoted market price. If there is a further fall in the fair value of equity investments that have already been written down once, a further write-down recognised in the income statement is made again immediately. Such impairments recognised in profit or loss may not be reversed through profit or loss. If, in a subsequent period, the reasons for the impairment of fixed-interest securities or loans cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the original amortised cost.

C Insurance-related investments

Investments for unit-linked life insurance contracts

Investments for policyholders under unit-linked life insurance are measured at market value. Unrealised gains or losses from changes in fair value are included in the insurance-related investment result. They are matched by corresponding changes in the technical provisions (see Equity and liabilities D – Technical provisions for unit-linked life insurance [gross]), which are included in the technical result. The change in technical provisions also includes changes from additional premium components. Recognising these investments at fair value, with impact on profit or loss, avoids mismatches that would otherwise occur due to different measurement of the corresponding provisions.

Other insurance-related investments
This refers to investments that are not utilised for asset-liability management. It includes insurance-linked derivatives, derivatives to hedge variable annuities, weather and commodity derivatives, and physical gas. Insurance-linked derivatives include derivatives embedded in variable annuities, the derivative components of natural catastrophe bonds and from securitisations of mortality and morbidity risks, individually structured insurance-linked derivatives, and derivative components which are separated from their host insurance contract in accounting. This category also includes retrocessions in the form of derivatives to hedge insurance risks assumed. Insurance risks are defined as risks which – in a modified form – can also be covered by an insurance contract within the meaning of IFRS 4. Other insurance-related investments are accounted for at fair value, although we recognise changes in value in profit or loss. For physical gas, the fair value is reduced by estimated sale costs. If no quoted prices in an active market are available, fair values are based on recognised valuation methods. Munich Re uses a range of valuation models for this purpose. Information on the valuation models and processes can be found in the notes to the consolidated balance sheet under Assets (4) Hierarchy for the fair value measurement of investments.

Net insurance-related investment result
The net result from insurance-related investments comprises regular income, income from write-ups, gains and losses on the disposal of insurance-related investments, other income, write-downs of insurance-related investments, management expenses, interest charges and other expenses.

D Ceded share of technical provisions

The share of technical provisions for business ceded by us is determined from the respective technical provisions in accordance with the terms of the reinsurance agreements; see Equity and liabilities – C Gross technical provisions. Appropriate allowance is made for the credit risk.

E Receivables

Current tax receivables are accounted for in accordance with local tax regulations and other receivables at amortised cost. In impairment tests of our receivables, we generally first assess whether objective evidence of impairment exists for items that are individually significant. If this is not the case, and also in the case of individually insignificant items, the impairment test is carried out collectively on the basis of groups of similar receivables. Receivables that are individually assessed for impairment are not included in the collective assessment. The amount of the probable loss is measured as the difference between the amortised cost and the present value of estimated future cash flows. The impairment thus determined is recognised as an expense. We generally deduct impairments directly from the items concerned on the assets side, without using a value adjustment account. If, in a subsequent period, the reasons for the impairment cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the original amortised cost.

Current tax receivables comprise current taxes on income of the individual companies, including any interest on taxes, based on their respective national taxation. Other tax receivables are shown under "other receivables".

F Cash at banks, cheques and cash in hand

Cash and cheques are accounted for at face value.

G Deferred acquisition costs

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In accordance with IFRS 4, we do not use shadow accounting for deferred acquisition costs in life primary insurance. In life business and long-term health primary insurance, acquisition costs are capitalised and amortised over the duration of the contracts. This is done either proportionally to the premium income (FAS 60) or proportionally to the respective contracts' expected gross profit margins calculated for the relevant year of the contract term (FAS 97, 120). The allocation of individual contracts to the FASs concerned is shown under Equity and liabilities – C Gross technical provisions. In determining the amount of amortisation, we take into account an actuarial interest rate and changes resulting from the disposal or withdrawal of contracts from the portfolio. In property-casualty business, short-term health primary insurance and health reinsurance, the deferred acquisition costs are amortised on a straight-line basis over the average term of the policies, from one to five years. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test as per IFRS 4; see Equity and liabilities – C Gross technical provisions.

H Deferred tax assets

Under IAS 12, deferred tax assets must be recognised in cases where asset items have to be valued lower, or liability items higher, in the consolidated balance sheet than in the tax accounts of the Group company concerned and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences). Also included are tax assets deriving from tax loss carry-forwards. Deferred tax assets are recognised to the extent that, on the basis of tax result planning, it is sufficiently probable that they will be utilised. As a rule, a five-year forecast period is considered. We take into account the tax rates of the countries concerned and the consolidated company's respective tax situation; in some cases, for purposes of simplification, we use uniform tax rates for individual circumstances or subsidiaries. Changes in tax rates and tax legislation that have already been adopted by the government at the balance sheet date are taken into account.

I Other assets

Other assets are generally carried at amortised cost. The owner-occupied property recognised under other assets is accounted for as outlined under Assets – B Investments – Land and buildings. Plant and equipment is amortised mainly on a straight-line basis, the underlying useful lives ranging between 1 and 50 years. Where required, impairment losses are recognised or reversed for the Group's owner-occupied property, plant and equipment. These impairment losses or impairment losses reversed are distributed between the functional areas.

J Assets held for sale

Assets held for sale are assets that can be sold in their current condition and whose sale is highly probable. This sale is expected to be completed within one year from the time of reclassification. The item may comprise individual assets or groups of assets. If a group of assets, including the matching liabilities, is sold in a single transaction, this is referred to as a disposal group. With regard to the liabilities of the disposal group, see Liabilities – H Liabilities related to assets held for sale. We account for assets held for sale at fair value less sales cost, provided the fair value is lower than the carrying amount. A write-down for impairment is no longer made. Excepted from this measurement requirement are items recognised in accordance with IAS 12, Income Taxes, IAS 19, Employee Benefits, IAS 39, Financial Instruments, IAS 41, Agriculture, and IFRS 4, Insurance Contracts. These are measured in accordance with the relevant IFRSs.

Equity and liabilities

A Equity

The item **issued capital and capital reserve** contains the amounts that the equity holders of Munich Reinsurance Company have paid in on shares. The issued capital comprises the subscribed capital less the accounting value of own shares held by Munich Reinsurance Company at the balance sheet date. Acquisition costs exceeding the accounting value are deducted from retained earnings. The capital reserve contains gains from the sale of own shares by Munich Reinsurance Company.

Under **retained earnings**, we show the profits which consolidated companies have earned and retained since becoming part of Munich Re, and income and expenses resulting from changes in the consolidated group. In addition, the adjustment amount resulting from changes in accounting policies for earlier periods not included in the consolidated financial statements is recognised in the opening balance of the retained earnings for the earliest prior period reported. The retained earnings are reduced by the externally generated costs directly connected with equity capital measures, after taking into account tax effects.

Own shares held by Munich Re subsidiaries at the balance sheet date have been deducted directly from retained earnings.

Other reserves contain unrealised gains and losses resulting from the recognition of other securities available for sale at fair value and from investments in unconsolidated affiliated companies, and in associates and joint ventures that we do not value at equity. These reserves also include unrealised gains and losses from the valuation of associates and joint ventures at equity, differences resulting from the currency translation of foreign subsidiaries' figures, and the valuation result from the hedging of cash flows. In addition, reversals of impairment losses on equity investments available for sale are recognised in this equity item, without impact on profit or loss.

Non-controlling interests are accounted for in the balance sheet as part of equity. These are the shares of third parties in the equity of consolidated subsidiaries that are not directly or indirectly wholly owned by Munich Reinsurance Company. Direct minority interests in investment funds and in partnerships are recognised under "other liabilities". The portion of the result attributable to non-controlling interests is shown in the consolidated result.

B Subordinated liabilities

Subordinated liabilities are liabilities which, in the event of liquidation or insolvency, are only satisfied after the claims of other creditors. They are measured at amortised cost in accordance with the effective interest method.

C Gross technical provisions

The technical provisions are shown as gross figures in the balance sheet, i.e. before deduction of the ceded share; see the explanatory remarks on Assets – D Ceded share of technical provisions. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements. Acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts; see Assets – G Deferred acquisition costs. The measurement of technical provisions is based on US GAAP FAS 60, FAS 97 and FAS 120. Credit insurance contracts are accounted for in accordance with the rules of IFRS 4.

Unearned premiums are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases where the data for a calculation pro rata temporis is not available. The posting of unearned premiums is restricted to short-term underwriting business; i.e. property-casualty business and parts of accident and health business. In the case of long-term business, a provision for future policy benefits is established.

The **provision for future policy benefits** in long-term underwriting business is posted for the actuarially calculated value of obligations arising from policyholders' guaranteed entitlements. As well as life insurance, this concerns portions of health and personal accident insurance, insofar as the business is conducted like life insurance. Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for their calculation include, in particular, assumptions relating to mortality, disablement and morbidity, as well as assumptions regarding interest-rate development, lapses and costs. These are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. The actuarial assumptions are adjusted if this is shown by a liability adequacy test in accordance with IFRS 4 to be necessary.

In reinsurance, measurement is carried out partly individually for each risk and partly collectively for reinsured portfolios, using biometric actuarial assumptions based on the tables of the national actuarial associations. These are adjusted for the respective reinsured portfolio, in line with the probabilities observed for the occurrence of an insured event. Discount rates are chosen that reflect the best estimate of expected investment income, less a safety margin. For the major part of the portfolio, these assumptions are fixed at the beginning of the contract and not changed over its duration.

In primary insurance, measurement is generally carried out individually for each risk. For German life primary insurance, biometric actuarial assumptions based on the tables of the German Association of Actuaries (Deutsche Aktuarvereinigung e. V.) are used. We also largely use the tables of the national actuarial associations for the rest of the primary insurance business. The actuarial interest rate employed for discounting in life primary insurance is limited by the respective maximum actuarial interest rate prescribed by the supervisory authorities. In health primary insurance, discount rates are chosen that reflect the best estimate of expected investment income, less a safety margin.

The measurement of the provisions for future policy benefits depends on the type of contract, being based either on FAS 60 (life primary insurance without performance-related participation in surplus, health primary insurance and the bulk of reinsurance treaties), on FAS 97 (life primary insurance based on the universal life model, unit-linked life insurance and life reinsurance for assumed policies based on FAS 97) or on FAS 120 (life primary insurance with performance-related participation in surplus).

For contracts in accordance with FAS 60, the provision for future policy benefits is calculated from the present value of estimated future policy benefits (including claims adjustment expenses) less the present value of future net level premiums. Net level premium is that part of the gross premium that is needed to finance future policy benefits. Life primary insurance contracts with limited premium payment are generally valued in accordance with FAS 97.

For all other contracts as per FAS 97, an account is kept to which net level premiums and interest earnings are credited and from which risk premiums and administration expenses are debited, not all credits and debits being contractually fixed at the time the contracts are concluded. The provision for future policy benefits for life primary insurance where policyholders bear the investment risk themselves (unit-linked life insurance) is shown separately under Equity and liabilities – D Gross technical provisions for unit-linked life insurance.

In the case of contracts as per FAS 120, the provision for future policy benefits comprises the net level premium reserve and liabilities for terminal dividends. The net level premium reserve is calculated from the present value of guaranteed policy benefits (including acquired bonuses but excluding claims adjustment expenses) less the present value of future net level premiums. The net level premium is the net premium less the portion of the premium envisaged for covering claims adjustment expenses. The actuarial assumptions are generally the same as those used for premium calculation. The provision for terminal dividends is built up proportionally with a fixed share of the expected gross profit margins. The same method is used for this as for determining the amortisation of the deferred acquisition costs.

The **provision for outstanding claims** is for payment obligations arising from insurance contracts in primary insurance and reinsurance where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims whose occurrence is not yet known (e.g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are known but whose extent has turned out to be greater than originally foreseen. All these provisions include expenses for internal and external loss adjustments. The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e.g. social, economic or technological factors). Future payment obligations are generally not discounted; exceptions are some provisions for occupational disability pensions and annuities in workers' compensation and other lines of property-casualty business, which we discount. For determining the provision for outstanding claims, Munich Re uses a range of actuarial projection methods, including the chain ladder and the Bornhuetter-Ferguson method. In applying the statistical methods, we regard large exposures separately. The standard actuarial methods we use are applied both to the run-off triangles for the payments and to the run-off triangles for the reported claims, so that we obtain a range of estimates for the ultimate loss. Within this range, a realistic estimated value for the ultimate loss is determined.

Other technical provisions mainly include the provision for premium refunds in primary insurance and the provision for profit commission in reinsurance. Provisions for premium refunds are posted in life and health primary insurance for obligations involving policyholder bonuses and rebates that have not yet been irrevocably allocated to individual contracts at the balance sheet date. Where these provisions are posted on the basis of national regulations, a retrospective approach is usually taken based on supervisory or individual contract regulations. The provision for premium refunds based on national regulations relates only to German primary insurance business. The provision for premium refunds also incorporates the provision for premium loadings and the provision for future premium reductions in German health primary insurance.

For life insurance companies, health insurance companies and pension funds subject to supervision by the German Federal Financial Supervisory Authority (BaFin), the supervisory rules in accordance with the German Insurance Supervision Act (VAG) and with the respective regulations must be observed.

Besides this, there are provisions for deferred premium refunds, which are posted for the amounts apportionable to policyholders from the valuation differences between IFRS and local GAAP on the basis of the expected future participation quotas. For unrealised gains and losses on investments available for sale, which are recognised directly in equity (see Assets – B Investments – Fixed-interest or non-fixed-interest securities available for sale), the resultant provision for deferred premium refunds is also posted without impact on profit or loss; otherwise, changes in this provision are recognised in the income statement.

All technical provisions are regularly subjected to a **liability adequacy test in accordance with IFRS 4**. If current experience shows that the provisions posted on the basis of the original assumptions – less the related deferred acquisition costs and the present value of the related premiums – are inadequate to cover the expected future benefits, we adjust the relevant technical provisions with recognition in profit or loss and disclose this under impairment losses/unscheduled changes in the notes to the consolidated balance sheet; see Notes to the consolidated balance sheet – Assets (2) Other intangible assets, Assets (13) Deferred acquisition costs, and Equity and liabilities (21) Provision for future policy benefits. The appropriateness of unearned premiums and of the provision for outstanding claims is assessed in relation to the realistically estimated future amount to be paid. The appropriateness of the provision for future policy benefits is assessed on the basis of realistic estimates of the actuarial assumptions, the proportional investment result and – for contracts with participation in surplus – the future profit sharing.

D Gross technical provisions for unit-linked life insurance

This item encompasses the provision for future policy benefits in life primary insurance where policyholders bear the investment risk themselves (unit-linked life insurance). The value of the provision for future policy benefits essentially corresponds to the market value of the relevant investments shown under Assets – C Insurance-related investments – Investments for policyholders under unit-linked life insurance contracts. Besides this, as with the provision for future policy benefits in accordance with FAS 97, they may include additional premium components; see the notes on Equity and liabilities – C Gross technical provisions. Changes in this provision are fully recognised in the technical result. Insofar as these changes derive from unrealised gains and losses from alterations in the market values of the related investments, they are matched by opposite changes of the same amount in the insurance-related investment result. Recognising these provisions at market value, with impact on profit or loss, avoids valuation mismatches that would otherwise occur due to different measurement of the corresponding investments.

E Other accrued liabilities

This item includes **provisions for post-employment benefits and similar obligations**. Munich Re companies generally give commitments to their staff in the form of defined contribution plans or defined benefit plans. The type and amount of the pension obligations are determined by the conditions of the respective pension plan. In general, they are based on the staff member's length of service and salary. Under defined contribution plans, the companies pay fixed contributions to an insurer or a pension fund. This fully covers the companies' obligations. Under defined benefit plans, the staff member is promised a particular level of retirement benefit either by the companies or by a pension fund. The companies' contributions needed to finance this are not fixed in advance. If pension obligations are covered by assets held by a legally separate entity (e.g. a fund or a contractual trust agreement in the form of a two-way trust) – assets that may only be used to cover the pension commitments given and are not accessible to creditors – the pension obligations are shown less the amount of these plan assets. If the fair value of the assets exceeds the related outsourced pension commitments, this reimbursement right is recognised under "other receivables".

Pension obligations are recognised in accordance with IAS 19, using the projected unit credit method and based on actuarial studies. The calculation includes not only the pension entitlements and current pensions known on the balance sheet date but also their expected future development. The assumptions for the future development are determined on the basis of the circumstances in the individual countries.

The interest rate at which the pension obligations are discounted is based on the yields for long-term high-quality bonds (e.g. commercial or government bonds).

Revaluations of pension obligations can result from changes in demographic or financial assumptions or from the change in the effect of the asset ceiling. They are recognised in equity, without impact on profit or loss.

The **other provisions** included in this item are established in the amount of the probable requirement. Such amounts are not discounted if the interest-rate effect is insignificant.

F Liabilities

This item comprises bonds and notes issued, deposits retained on ceded business, current tax liabilities, and other liabilities. Financial liabilities are generally recognised at amortised cost. Derivative financial instruments are recognised at fair value. Details of how the fair value is determined are provided under Assets – B Investments – Determining fair values.

Current tax liabilities comprise current taxes on income and interest on back tax of the individual companies, based on their respective national taxation. Other tax liabilities are shown under "other liabilities".

Tax liabilities for current taxes are posted – without discounting – in accordance with the probable tax payments for the year under review or previous years.

Deferred tax liabilities are shown under Equity and liabilities – G.

The non-controlling interests in investment funds and partnerships are recognised at fair value.

G Deferred tax liabilities

Under IAS 12, deferred tax liabilities must be recognised if asset items have to be valued higher, or liabilities items lower, in the consolidated balance sheet than in the tax accounts of the reporting company, and these differences will be eliminated at a later date with a corresponding impact on taxable income (temporary differences); see the notes on Assets – H Deferred tax assets.

H Liabilities related to assets held for sale

Liabilities to be transferred together with disposal groups are recognised in this item.

Currency translation

Munich Re's presentation currency is the euro (€). The balance sheets of foreign subsidiaries whose national currency is not the euro are translated in accordance with the functional currency principle using the year-end exchange rates, and their income statements using quarterly average exchange rates. Any exchange differences arising in the process are recognised in equity (reserve for currency translation adjustments).

In contrast to this, currency translation differences are largely recognised in profit or loss in our subsidiaries' individual financial statements, and shown under "other non-operating result". This involves the translation of foreign currency items into the respective functional currency in accordance with IAS 21. An excess of assets over liabilities in a particular foreign currency results on balance in a gain if that currency appreciates, and in a loss if it falls in value. The reverse applies if cover is insufficient.

Beyond this, the impact of changes in exchange rates is reflected in period-to-period comparisons of all items in the income statement.

The object of our asset-liability management, on which we report on page 99, is to economically minimise excess or insufficient cover in foreign currencies within the Group. Insofar as this is done across Group companies with different functional currencies, it produces economically non-existent fluctuations in the consolidated result.

The following table shows the exchange rates of the most important currencies for our business:

Currency translation rates

	Balance sheet		Income statement				Income statement			
Rate for €1	31.12.2015	Prev. year	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Australian dollar	1.49305	1.47865	1.52055	1.53378	1.42290	1.43196	1.46139	1.43264	1.47064	1.52779
Canadian dollar	1.50895	1.40155	1.46278	1.45470	1.36072	1.39583	1.41862	1.44229	1.49605	1.51090
Pound sterling	0.73705	0.77605	0.72212	0.71792	0.72197	0.74388	0.78902	0.79379	0.81486	0.82797
Rand	16.83280	13.99880	15.58000	14.45610	13.37680	13.22830	14.01530	14.26520	14.45910	14.87360
Swiss franc	1.08740	1.20235	1.08473	1.07280	1.04134	1.07446	1.20437	1.21152	1.21910	1.22350
US dollar	1.08630	1.21005	1.09507	1.11170	1.10638	1.12680	1.24892	1.32546	1.37153	1.37039
Yen	130.6760	145.0790	132.9340	135.7950	134.3250	134.2600	142.9660	137.7430	140.0360	140.8670
Yuan Renminbi	7.05395	7.50715	7.00062	7.00853	6.86395	7.02658	7.67889	8.17218	8.54686	8.36070

Segment reporting

In accordance with the management approach, the segmentation of our business operations is based on the way in which Munich Re is managed internally.

We have consequently identified six segments to be reported:

— Life reinsurance (global life reinsurance business)
— Property-casualty reinsurance (global property-casualty reinsurance business)
— ERGO Life and Health Germany (German life and health primary insurance business, German property-casualty direct business, and global travel insurance business)
— ERGO Property-casualty Germany (German property-casualty insurance business, excluding direct business)
— ERGO International (ERGO primary insurance business outside Germany)
— Munich Health (global health reinsurance business and health primary insurance business outside Germany)

Certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. We therefore transact their business from within reinsurance and consequently allocate them to the reinsurance segment.

Munich Re uses different performance indicators and measures. The main performance metrics at Group level are economic earnings and the return on risk-adjusted capital after tax (RORAC). Besides this, IFRS result contributions are the basis of planning and strategy in all segments. Therefore the uniform assessment basis used for measuring the segment result is the operating result adjusted to eliminate non-operating components. The operating result is split into a technical result and a non-technical result, with an interest component allocated to the underwriting business in the form of technical interest (see Notes to the consolidated income statement – (30) Income from technical interest). The non-technical result also separately discloses the insurance-related investment result and the result of other investments.

The segments reported under IFRS 8 are shown after elimination of all intra-Group transactions (mainly dividend payments, sales, reinsurance transactions, receivables and corresponding interest income). Our segment reporting has no consolidation column. In the case of intra-Group sales of assets where a provision for premium refunds has to be posted, the latter always has to be shown by the selling segment. Intra-Group loans are completely eliminated in the balance sheet through consolidation. By contrast, the expenditure for the borrowers and income for the lenders is shown unconsolidated under “Other non-operating result, impairment losses of goodwill and net finance costs” for the segments concerned. All intra-Group shareholdings are consolidated, and all earnings and expenditure of the subsidiaries are shown in their segments.

Segment assets[1]

	Reinsurance			
	Life		Property-casualty	
€m	31.12. 2015	Prev. year	31.12. 2015	Prev. year
A. Intangible assets	**156**	**160**	**2,282**	**2,099**
B. Investments				
I. Land and buildings, including buildings on third-party land	281	252	1,699	1,204
II. Investments in affiliated companies, associates and joint ventures	7	30	667	892
Thereof: Associates and joint ventures accounted for using the equity method	0	6	635	774
III. Loans	73	40	305	156
IV. Other securities				
1. Available for sale	18,806	16,261	56,781	57,512
2. At fair value through profit or loss	59	77	340	481
	18,865	16,338	57,121	57,993
V. Deposits retained on assumed reinsurance	5,546	7,082	1,341	1,286
VI. Other investments	462	463	1,876	1,359
	25,233	**24,205**	**63,010**	**62,890**
C. Insurance-related investments	**846**	**803**	**75**	**59**
D. Ceded share of technical provisions	**1,489**	**1,129**	**2,031**	**1,966**
E. Assets held for sale	**0**	**0**	**0**	**0**
F. Other segment assets	**7,202**	**7,268**	**12,356**	**10,473**
Total segment assets	**34,925**	**33,565**	**79,753**	**77,487**

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".

Segment equity and liabilities[1]

	Reinsurance			
	Life		Property-casualty	
€m	31.12. 2015	Prev. year	31.12. 2015	Prev. year
A. Subordinated liabilities	**1,143**	**1,122**	**3,221**	**3,235**
B. Gross technical provisions				
I. Unearned premiums	21	24	6,238	5,973
II. Provision for future policy benefits	12,924	13,902	26	26
III. Provision for outstanding claims	7,376	6,707	42,060	39,868
IV. Other technical provisions	229	220	26	–123
	20,549	**20,853**	**48,350**	**45,744**
C. Gross technical provisions for unit-linked life insurance contracts	**0**	**0**	**0**	**0**
D. Other accrued liabilities	**169**	**179**	**601**	**550**
E. Liabilities related to assets held for sale	**0**	**0**	**0**	**0**
F. Other segment liabilities	**7,377**	**7,061**	**11,309**	**11,498**
Total segment liabilities	**29,239**	**29,215**	**63,482**	**61,027**

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".

	Life and Health Germany		Property-casualty Germany		ERGO International		Munich Health		Total	
	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year
	221	**664**	**979**	**974**	**312**	**375**	**12**	**11**	**3,961**	**4,283**
	2,081	2,016	155	140	93	110	9	10	4,317	3,732
	261	335	54	70	173	143	116	89	1,278	1,559
	226	272	22	35	137	105	105	88	1,125	1,280
	51,504	52,181	1,458	1,709	150	440	27	24	53,516	54,550
	46,527	45,591	4,702	4,791	11,268	16,316	3,459	3,372	141,543	143,843
	1,519	1,159	63	32	531	416	39	4	2,551	2,169
	48,046	46,750	4,765	4,823	11,799	16,732	3,498	3,376	144,094	146,012
	31	39	5	8	0	14	331	321	7,253	8,750
	1,537	1,733	354	170	317	514	89	85	4,635	4,324
	103,461	**103,054**	**6,790**	**6,920**	**12,530**	**17,953**	**4,069**	**3,905**	**215,093**	**218,927**
	4,753	**4,301**	**0**	**0**	**3,488**	**3,297**	**1**	**1**	**9,163**	**8,461**
	19	**8**	**103**	**76**	**522**	**1,940**	**164**	**209**	**4,327**	**5,328**
	0	**0**	**0**	**0**	**6,947**	**0**	**0**	**0**	**6,947**	**0**
	9,749	**10,424**	**2,574**	**2,567**	**3,304**	**3,597**	**1,845**	**1,656**	**37,029**	**35,985**
	118,203	**118,451**	**10,445**	**10,537**	**27,103**	**27,162**	**6,091**	**5,782**	**276,520**	**272,984**

	Life and Health Germany		Property-casualty Germany		ERGO International		Munich Health		Total	
	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year	31.12. 2015	Prev. year
	0	**0**	**0**	**0**	**25**	**25**	**26**	**31**	**4,416**	**4,413**
	198	174	495	443	1,446	1,363	444	396	8,841	8,373
	85,867	84,896	429	428	8,209	12,328	1,118	1,068	108,572	112,648
	2,792	2,653	4,080	3,866	2,233	2,231	1,215	1,037	59,756	56,362
	16,333	17,077	99	107	538	1,049	188	162	17,413	18,492
	105,190	**104,800**	**5,102**	**4,844**	**12,426**	**16,971**	**2,965**	**2,663**	**194,582**	**195,875**
	5,157	**4,742**	**0**	**0**	**3,044**	**3,094**	**1**	**1**	**8,201**	**7,837**
	1,727	**1,981**	**682**	**759**	**811**	**856**	**153**	**148**	**4,145**	**4,473**
	0	**0**	**0**	**0**	**6,301**	**0**	**0**	**0**	**6,301**	**0**
	5,226	**5,473**	**776**	**1,671**	**2,046**	**3,044**	**1,176**	**1,350**	**27,910**	**30,097**
	117,300	**116,996**	**6,560**	**7,274**	**24,653**	**23,990**	**4,321**	**4,193**	**245,554**	**242,695**
Equity									**30,966**	**30,289**
Total equity and liabilities									**276,520**	**272,984**

Segment income statement[1]

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Gross premiums written	**10,536**	**10,040**	**17,680**	**16,730**
1. Net earned premiums	9,979	9,627	16,884	16,150
2. Income from technical interest	749	683	1,373	1,209
3. Net expenses for claims and benefits	-8,025	-7,896	-9,631	-9,728
4. Net operating expenses	-2,367	-2,135	-5,510	-5,239
5. Technical result (1–4)	**335**	**279**	**3,116**	**2,392**
6. Investment result	898	811	2,046	1,785
7. Insurance-related investment result	-43	-1	-74	-77
8. Other operating result	59	53	-73	-67
9. Deduction of income from technical interest	-749	-683	-1,373	-1,209
10. Non-technical result (6–9)	**165**	**180**	**525**	**432**
11. Operating result	**500**	**459**	**3,641**	**2,824**
12. Other non-operating result, net finance costs and impairment losses of goodwill	-98	-95	-299	-235
13. Taxes on income	-57	45	-427	-106
14. Consolidated result	**345**	**409**	**2,915**	**2,483**

1 Previous year's figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".

				ERGO		Munich Health		Total	
Life and Health Germany		Property-casualty Germany		International					
2015	Prev. year	2015	Prev. year	2015	Prev. year	2015	Prev. year	2015	Prev. year
9,426	**9,812**	**3,162**	**3,115**	**3,947**	**3,809**	**5,623**	**5,342**	**50,374**	**48,848**
9,382	9,761	3,059	3,080	3,581	3,479	5,423	5,287	48,309	47,384
4,103	4,823	87	99	452	652	39	37	6,803	7,503
-11,654	-12,923	-2,009	-1,971	-2,811	-2,816	-4,601	-4,360	-38,731	-39,694
-1,449	-1,517	-1,015	-994	-1,189	-1,179	-838	-887	-12,367	-11,951
383	**144**	**122**	**214**	**33**	**136**	**24**	**77**	**4,014**	**3,242**
3,841	4,453	187	204	447	662	118	87	7,536	8,002
202	320	0	0	55	172	0	0	140	414
-11	-50	-3	-15	-15	-40	-24	-9	-68	-128
-4,103	-4,823	-87	-99	-452	-652	-39	-37	-6,803	-7,503
-72	**-100**	**97**	**90**	**35**	**142**	**56**	**41**	**806**	**785**
311	**44**	**219**	**304**	**68**	**278**	**80**	**118**	**4,819**	**4,027**
-631	-188	-64	-94	-129	-553	-1	-4	-1,222	-1,169
-9	413	60	-34	-52	-1	9	-5	-476	312
-329	**269**	**214**	**176**	**-112**	**-276**	**88**	**109**	**3,122**	**3,170**

Non-current assets by country[1]

€m	31.12.2015	Prev. year
Germany	6,921	7,268
USA	2,743	2,062
UK	531	489
Sweden	266	262
Austria	215	235
Poland	201	192
Italy	190	211
France	175	152
Netherlands	165	169
Spain	102	139
Switzerland	100	92
Portugal	58	61
Others	242	271
Total	**11,910**	**11,603**

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energy.

Investments in non-current assets per segment[1]

€m	2015	Prev. year
Reinsurance life	55	49
Reinsurance property-casualty	637	165
ERGO Life and Health Germany	151	33
ERGO Property-casualty Germany	87	72
ERGO International	71	179
Munich Health	16	35
Total	**1,017**	**533**

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energy.

Gross premiums written[1]

	Reinsurance		ERGO		Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year	2015	Prev. year
Europe								
Germany	1,015	1,154	12,111	12,593	56	75	13,182	13,822
UK	4,324	3,993	527	319	333	304	5,183	4,616
Poland	8	12	1,285	1,188	0	0	1,293	1,200
Spain	450	475	60	51	716	695	1,226	1,221
Belgium	57	51	328	423	496	484	881	958
Others	2,204	2,506	2,169	2,133	209	324	4,582	4,963
	8,057	8,191	16,480	16,707	1,811	1,882	26,348	26,780
North America								
USA	9,600	8,148	0	0	375	384	9,975	8,532
Canada	4,094	3,891	14	9	2,665	2,570	6,773	6,470
	13,693	12,039	14	9	3,040	2,954	16,747	15,002
Asia and Australasia								
Australia	1,531	1,857	0	0	0	0	1,532	1,857
China	1,407	1,200	0	0	148	51	1,555	1,251
Japan	522	472	0	0	20	1	542	473
Taiwan	78	212	0	0	2	28	79	240
Others	940	783	37	17	60	41	1,037	841
	4,478	4,524	37	17	230	121	4,745	4,662
Africa, Middle East								
South Africa	367	330	0	0	0	0	368	330
United Arab Emirates	25	22	0	0	401	286	426	308
Others	372	346	0	0	134	99	506	445
	764	698	0	0	535	385	1,300	1,083
Latin America	1,223	1,318	4	3	7	0	1,234	1,321
Total	**28,216**	**26,770**	**16,535**	**16,736**	**5,623**	**5,342**	**50,374**	**48,848**

1 The premiums are generally allocated according to the location of the risks insured.

Notes to the consolidated balance sheet – Assets

1 Goodwill

Development of goodwill

	Reinsurance			
Goodwill from the acquisition of	Munich Re America		Other	
€m	2015	Prev. year	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	1,140	1,001	493	440
Accumulated impairment losses at 31 Dec. previous year	0	0	–51	–51
Carrying amount at 31 Dec. previous year	1,140	1,001	442	389
Currency translation differences	130	139	47	51
Additions	0	0	0	2
Reclassifications	0	0	0	0
Impairment losses	0	0	0	0
Carrying amount at 31 Dec. financial year	**1,270**	**1,140**	**489**	**442**
Accumulated impairment losses at 31 Dec. financial year	0	0	–51	–51
Gross carrying amount at 31 Dec. financial year	1,270	1,140	540	493

→	ERGO			
Goodwill from the acquisition of	ERGO Insurance Group		Other	
€m	2015	Prev. year	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	1,754	1,754	581	557
Accumulated impairment losses at 31 Dec. previous year	–440	0	–414	–409
Carrying amount at 31 Dec. previous year	1,314	1,754	167	148
Currency translation differences	0	0	1	–2
Additions	0	0	0	26
Reclassifications	0	0	0	0
Impairment losses	–429	–440	–23	–5
Carrying amount at 31 Dec. financial year	**886**	**1,314**	**146**	**167**
Accumulated impairment losses at 31 Dec. financial year	–869	–440	–437	–414
Gross carrying amount at 31 Dec. financial year	1,755	1,754	583	581

→	Munich Health		Total	
Goodwill from the acquisition of	Other			
€m	2015	Prev. year	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	156	156	4,124	3,908
Accumulated impairment losses at 31 Dec. previous year	–156	–156	–1,061	–616
Carrying amount at 31 Dec. previous year	0	0	3,063	3,292
Currency translation differences	0	0	179	188
Additions	0	0	0	28
Reclassifications	0	0	0	0
Impairment losses	0	0	–452	–445
Carrying amount at 31 Dec. financial year	**0**	**0**	**2,790**	**3,063**
Accumulated impairment losses at 31 Dec. financial year	–156	–156	–1,513	–1,061
Gross carrying amount at 31 Dec. financial year	156	156	4,303	4,124

Allocation of goodwill to cash-generating units

For impairment testing, the goodwill is allocated to the cash-generating units or groups of cash-generating units that derive benefit from the synergies of the business combination. At the same time, the unit or group of units to which the goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes. After recognising the "Amount of impairment losses recognised in profit or loss during the period", the goodwill is allocated in reinsurance to divisions or groups of divisions, and in primary insurance to the ERGO segment Property-casualty Germany, and to legal entities.

Allocation of goodwill to cash-generating units

€m	Reinsurance property-casualty segment	ERGO Property-casualty Germany segment	Various cash generating units
Goodwill at 31 December 2015	1,741	910	139

The goodwill from the acquisition of Munich Re America has been allocated to a group of divisions (cash-generating units), the "reinsurance property-casualty segment". Apart from the goodwill from the acquisition of Munich Re America, the carrying amount shown includes other goodwill that is impairment-tested on the basis of cash-generating units at the level of divisions or groups of divisions within the segment. This other goodwill is tested for impairment on the basis of the same key assumptions used for the goodwill from the acquisition of Munich Re America. The goodwill from the acquisition of shares in the ERGO Insurance Group was originally allocated to the primary insurance segments ERGO Life and Health Germany, ERGO Property-casualty Germany and ERGO International. The goodwill proportionately allocated to the segment ERGO Life and Health Germany was written off in full in the 2015 financial year after impairment testing (see "Amount of impairment losses recognised in profit or loss during the period"). The goodwill proportionately allocated to the segment ERGO International for the acquisition of shares in ERGO Insurance Group was already written off in 2014.

Goodwill allocated across other multiple cash-generating units or groups of cash-generating units is not significant in comparison with the total goodwill, either individually or in total. We regard amounts of 10% or more of total Group goodwill as "significant" within the meaning of IAS 36.134 and IAS 36.135.

Significant assumptions for determining the recoverable amount in impairment testing

Impairment tests for cash-generating units to which a significant portion of the goodwill is allocated are based on the following assumptions:

Cash-generating unit or group of cash-generating units	Reinsurance property-casualty segment	ERGO Property-casualty Germany segment
Basis for calculating the recoverable amount	Value in use	Value in use
Key assumptions regarding the planning calculation (at the time of the planning)	In the detailed planning phase (three years), we expected largely constant premium income with a higher combined ratio. Our general assumption was that there will be moderate upward movement on the equity markets and a stable interest-rate level.	For the detailed planning phase (three years), we expected a slight rise in premium income with an improved combined ratio. Our general assumption was that there will be moderate upward movement on the equity markets and a stable interest-rate level.
Growth rates after the detailed planning phase	1.5%	1.5%
Discount rates	8.4%	9.6%

The calculation of these values in use is based on distributable target results derived from the current market environment and the latest corporate planning approved by management. Prepared in an interactive process involving the operational units, the responsible controlling units and the Board of Management, the corporate plans are reviewed and updated at least every quarter. The aforementioned key assumptions regarding premium income development and combined ratios derive from the aggregation of the company plans of the individual companies of a cash-generating unit or of a group of cash-generating units. The key assumptions regarding developments in the equity market and interest-rate level are uniformly defined within Munich Re (Group) on the basis of the current market environment. After the detailed planning phase, we estimate the target results achievable long term on the basis of the last adjusted planning year and taking into account growth rates and RoI derived from macroeconomic forecasts.

Cost-of-equity rates derived using the Capital Asset Pricing Model (CAPM) were used as discount rates. Calculations are based on distributable target results after consideration of normalised taxes. In the above table, for disclosure purposes, a corresponding discount rate before tax is given in each case. Sensitivity analyses were performed for the discount rates, growth rates and distributable target results. The recoverable amount for the segment ERGO Property-casualty Germany is €306m above its carrying amount. With unchanged distributable target results, raising the discount rate by 50 basis points would lead to value in use equalling the segment's carrying amount. Insofar as the increase in the discount rate is based on a rise in interest rates, it should be considered that the positive effects of higher interest rates on the investment result are not included in this sensitivity.

Amount of impairment losses recognised in profit or loss during the period

In the 2015 financial year, our impairment testing of goodwill identified impairments totalling €452m. These have been recognised in the item "impairment losses of goodwill" in the income statement and are attributable to the following: The goodwill of €429m from the acquisition of shares in the ERGO Insurance Group, which was proportionally allocated to the segment ERGO Life and Health Germany, was written off in full in the fourth quarter of 2015. This was largely due to the persistently low interest-rate environment and the associated deterioration in earnings prospects. The impairment in value was recognised in the ERGO Life and Health Germany segment. The recoverable amount for the segment ERGO Life and Health Germany was determined on the basis of the value in use at €908m. The value-in-use calculation was based on a discount rate before tax of 13.6% (13.2%).

The goodwill from the acquisition of ERGO Insurance Pte. Ltd., Singapore was written down by €23m in the fourth quarter of 2015. This is largely due to the lower-than-expected growth rate and diminished profitability as a consequence of increased competitive pressure. The impairment in value was recognised in the ERGO International segment.

2 Other intangible assets

Development of other intangible assets

	Acquired insurance portfolios				Software	
			Self-developed		Other	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	1,320	1,309	367	358	1,049	956
Accumulated amortisation and accumulated impairment losses at 31 Dec. previous year	–1,002	–924	–285	–256	–770	–697
Carrying amount at 31 Dec. previous year	318	385	82	102	279	259
Currency translation differences	7	8	1	0	7	5
Additions						
Business combinations	0	0	0	2	0	0
Other	2	0	20	24	95	99
Disposals						
Loss of control	–1	0	0	0	–1	0
Other	0	0	–3	–9	–3	–5
Reclassifications	0	0	0	0	–1	0
Impairment losses reversed	0	0	0	0	0	0
Amortisation and impairment losses						
Amortisation	–31	–69	–39	–37	–81	–78
Impairment losses	0	–6	0	0	0	–1
Carrying amount at 31 Dec. financial year	**294**	**318**	**62**	**82**	**295**	**279**
Accumulated amortisation and accumulated impairment losses at 31 Dec. financial year	–1,035	–1,002	–326	–285	–811	–770
Gross carrying amount at 31 Dec. financial year	1,329	1,320	388	367	1,106	1,049

Continued on next page

€m	Acquired brand names 2015	Acquired brand names Prev. year	Acquired distribution networks/client bases 2015	Acquired distribution networks/client bases Prev. year	Acquired licences/ patents 2015	Acquired licences/ patents Prev. year
Gross carrying amount at 31 Dec. previous year	232	223	680	613	300	289
Accumulated amortisation and accumulated impairment losses at 31 Dec. previous year	–196	–192	–468	–317	–47	–36
Carrying amount at 31 Dec. previous year	36	31	212	296	253	253
Currency translation differences	4	4	17	20	10	11
Additions						
Business combinations	0	2	2	36	6	0
Other	0	0	1	2	0	0
Disposals						
Loss of control	0	0	0	0	0	0
Other	0	0	0	–19	0	0
Reclassifications	0	0	0	0	0	0
Impairment losses reversed	0	0	0	0	2	0
Amortisation and impairment losses						
Amortisation	–2	–1	–27	–37	–14	–8
Impairment losses	0	0	–12	–86	0	–3
Carrying amount at 31 Dec. financial year	**38**	**36**	**192**	**212**	**258**	**253**
Accumulated amortisation and accumulated impairment losses at 31 Dec. financial year	–196	–196	–534	–468	–60	–47
Gross carrying amount at 31 Dec. financial year	234	232	726	680	318	300

			Miscellaneous		Total	
	Self-developed		Other			
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	0	0	87	88	4,037	3,836
Accumulated amortisation and accumulated impairment losses at 31 Dec. previous year	0	0	–47	–34	–2,817	–2,456
Carrying amount at 31 Dec. previous year	0	0	40	54	1,220	1,380
Currency translation differences	0	0	1	1	47	49
Additions						
Business combinations	0	0	0	0	8	40
Other	0	0	0	1	118	126
Disposals						
Loss of control	0	0	0	0	–1	0
Other	0	0	0	–7	–6	–40
Reclassifications	0	0	0	0	–1	0
Impairment losses reversed	0	0	0	0	2	0
Amortisation and impairment losses						
Amortisation	0	0	–7	–9	–201	–239
Impairment losses	0	0	–2	0	–15	–96
Carrying amount at 31 Dec. financial year	**0**	**0**	**33**	**40**	**1,171**	**1,220**
Accumulated amortisation and accumulated impairment losses at 31 Dec. financial year	0	0	–55	–47	–3,018	–2,815
Gross carrying amount at 31 Dec. financial year	0	0	88	87	4,189	4,035

The impairment losses are distributed between the following different Group segments: in reinsurance, €0m (1m) is apportionable to life and €0m (27m) to property-casualty; in the ERGO field of business, €0m (6m) is apportionable to Life and Health Germany and €14m (62m) to ERGO International.

Intangible assets from the purchase of distribution networks/client bases were written down by €12m, mainly owing to reduced business prospects. The impairment losses are recognised in the ERGO International segment.

Assets pledged as security and other restrictions on title amount to €156m (159m). Commitments to acquire other intangible assets total €8m (8m). Costs of €4m (4m) for research and development incurred in connection with software projects were not capitalised, but recognised as expenses.

3 Land and buildings, including buildings on third-party land

Development of investments in land and buildings, including buildings on third-party land

€m	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	4,929	4,892
Accumulated depreciation and accumulated impairment losses at 31 Dec. previous year	-1,197	-1,130
Carrying amount at 31 Dec. previous year	3,732	3,762
Currency translation differences	11	-13
Additions		
Subsequent acquisition costs	24	16
Business combinations	455	0
Other	184	17
Disposals		
Loss of control	0	0
Other	-38	-11
Impairment losses reversed	48	33
Depreciation and impairment losses		
Depreciation	-80	-78
Impairment losses	-30	-9
Reclassifications	11	15
Carrying amount at 31 Dec. financial year	**4,317**	**3,732**
Accumulated depreciation and accumulated impairment losses at 31 Dec. financial year	-1,220	-1,197
Gross carrying amount at 31 Dec. financial year	5,538	4,929

Reversed impairment losses are distributed between the following: In reinsurance, €5m (2m) is apportionable to life and €21m (8m) to property-casualty; in the ERGO field of business, €22m (22m) is apportionable to Life and Health Germany and €1m (1m) to Property-casualty Germany.

Reversed impairment losses are chiefly attributable to positive market development.

The impairment losses are distributed between the following segments:

In reinsurance, €0m (1m) is apportionable to life and €1m (1m) to property-casualty; in the ERGO field of business, €27m (6m) is apportionable to Life and Health Germany and €1m (1m) to Property-casualty Germany.

The impairment losses were mainly attributable to the life cycle of property having been exceeded and to the acquisition of leasing property at more than market price.

The fair value of investment property at the balance sheet date amounted to €6,590m (5,738m). Valuations for the directly held portfolio are performed by valuers within the Group, and those for the indirectly held portfolio by external valuers. Property is allocated to Level 3 of the fair value hierarchy; see Assets – B Investments – Determining fair values. Determining the sustainability of cash inflows and outflows, taking into account the market conditions at the property location, is material for the valuation. The fair value is determined individually per item by discounting the future cash flow as at the measurement date. Depending on the type of property and its individual opportunity/risk profile, discount rates of 2.75% to 4.0% are used for residential buildings, 3.5% to 7.0% for office buildings, and 3.5% to 7.5% for retail.

Property pledged as security and other restrictions on title amount to €730m (835m). Contractual commitments to acquire property amount to €33m (29m).

4 Hierarchy for the fair value measurement of investments

All investments recognised at fair value are allocated to one of the fair value hierarchy levels of IFRS 13, as are those investments which are not recognised at fair value in the balance sheet but for which a fair value has to be disclosed in the notes. Information on the criteria for allocation to the individual levels of the fair value hierarchy can be found under Assets – B Investments, Determining fair values. Regularly, at each reporting date, we assess whether the allocation of our investments to the levels of the fair value hierarchy is still appropriate. If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring another allocation – we make the necessary adjustments.

The following table provides an overview of the models used to measure the fair values of our investments.

Valuation methods for financial instruments

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Loans against borrower's note/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present value method
Cat bond (host)	Theoretical price	Interest-rate curve	Present value method
Mortgage loans	Theoretical price	Sector-specific yield curve	Present value method

Derivatives	Pricing method	Parameters	Pricing model
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American) Monte Carlo simulation
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest rate Dividend yield	Present value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve	Bachelier/ Normal Black
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve Currency spot rates	Present value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present value method
Bond forwards (forward transactions)	Theoretical price	Listing of underlying Swap curve Money-market interest-rate curve	Present value method
Currency risks			
Currency options	Theoretical price	At-the-money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present value method
Other transactions			
Insurance derivatives (excluding variable annuities)	Theoretical price	Market values of cat bonds Historical event data Interest-rate curve	Present value method
Insurance derivatives (variable annuities)	Theoretical price	Biometric and lapse rates Volatilities Interest-rate curve Currency spot rates	Present value method
Catastrophe swaps	Theoretical price	Market values of catastrophe bonds Interest-rate curve	Present value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present value method ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-coupon switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-CMS switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
Volatility bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
CMS floaters with variable cap	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
CMS steepeners	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan)
Dax-Cliquet	Theoretical price	Listing of underlying shares Volatilities Issuer-specific spreads Money-market/swap interest-rate curve	Black-Scholes (European) Present value method
Convergence bonds	Theoretical price	Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix	LIBOR market model
Multi-tranches	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present value method
Swaption notes	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield rate curve	Bachelier/ Normal Black, Present value method

Fund	Pricing method	Parameters	Pricing model
Real estate funds	–	–	Net asset value
Alternative investment funds (e.g. private equity, infrastructure, forestry)	–	–	Net asset value

Other	Pricing method	Parameters	Pricing model
Real estate	Theoretical market value	Interest-rate curve Market rents	Present value method or valuation
Alternative direct investments (e.g. infrastructure, forestry)	Theoretical market value	Interest-rate curve (among others) Electricity price forecast and inflation forecast	Present value method or valuation
Bank borrowing	Theoretical market value	Interest-rate curve	Present value method

Insurance-linked derivatives (excluding variable annuities) are allocated to Level 3 of the fair value hierarchy. The valuation of the derivative components of catastrophe bonds is based on the values supplied by brokers for the underlying bonds, which is why it is not possible to quantify the inputs used that were not based on observable market data. If no observable inputs are available for customised insurance-linked derivatives, valuation is made using the present-value method on the basis of current interest-rate curves and historical event data. Due to the low volume, the effects of alternative inputs and assumptions are immaterial.

At Munich Re, the valuation of variable annuities is performed on a fully market-consistent basis. The inputs requiring consideration in this valuation are derived either directly from market data – in particular volatilities, interest-rate curves and currency spot rates – or from actuarial data, especially biometric data and lapse rates. The lapse rates used are modelled dynamically and range between 0.5% and 20%, depending on the specific insurance product and current situation of the capital markets. A 10% increase or decrease in the lapse rates would lead to a change of –/+1% in the fair value of the portfolio. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market inputs is modelled by correlation matrices. Since inputs not observable on the market were also used in valuation, we allocate these products to Level 3 of the fair value hierarchy.

The other investments allocated to Level 3 are mainly external fund units (in particular, private equity and real estate) and funds that invest in a variety of assets that are subject to theoretical valuation), as well as relatively illiquid credit structures (especially collateralised mortgage-backed securities and credit-linked obligations). In the case of external fund units, market data are not available on a regular basis; rather, net asset values (NAVs) are provided by the asset managers. With regard to relatively illiquid credit structures, the quality of the market quotes available from market data providers is insufficient, so we resort to broker valuations. With these investments, we thus do not perform our own valuations using inputs not based on observable market data, but rely on what is supplied by the brokers. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

At 31 December 2015, around 10% (11%) of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 85% (86%) to Level 2 and 4% (3%) to Level 3.

Allocation of investments (including insurance-related investments) to levels of the fair value hierarchy

€m	Level 1	Level 2	Level 3	31.12.2015 Total
Investments measured at fair value				
Investments in affiliated companies measured at fair value	0	0	145	145
Investments in associates and joint ventures measured at fair value	0	0	8	8
Other securities available for sale				
Fixed-interest	1,167	124,334	2,160	127,661
Non-fixed-interest	10,025	1,054	2,803	13,882
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	244	2,090	0	2,335
Designated as at fair value through profit or loss	188	169	0	357
Other investments	0	10	30	40
Insurance-related investments	4,488	3,623	1,052	9,163
Total	**16,112**	**131,281**	**6,198**	**153,591**
Investments not measured at fair value				
Loans	0	65,335	781	66,116
Total	**0**	**65,335**	**781**	**66,116**

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€m	Level 1	Level 2	Level 3	Prev. year Total
Investments measured at fair value				
Investments in affiliated companies measured at fair value	0	0	274	274
Investments in associates and joint ventures measured at fair value	0	0	5	5
Other securities available for sale				
Fixed-interest	736	126,523	2,547	129,806
Non-fixed-interest	10,801	841	2,395	14,037
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	252	1,916	0	2,168
Designated as at fair value through profit or loss	0	205	0	205
Other investments	0	10	0	10
Insurance-related investments	4,605	3,747	109	8,461
Total	**16,394**	**133,242**	**5,330**	**154,966**
Investments not measured at fair value				
Loans	0	68,178	673	68,851
Total	**0**	**68,178**	**673**	**68,851**

1 Including hedging derivatives of €141m (204m) accounted for under "other assets".

In the financial year, we reallocated portions of the investment funds that invest in a variety of assets from Level 1 to Level 3. This particularly concerned fund units held in connection with unit-linked life insurance and, to a lesser extent, also private equity funds which were reassessed as a result of the change in liquidity and new findings with regard to the composition of the funds. The transfers out of Level 3 in the case of investments in affiliated companies, recognised at fair value, derive mainly from the first-time consolidation of companies, which are consequently no longer shown in the reconciliation. Apart from this, we made no changes to the allocation to the individual levels of the fair value hierarchy.

The following table presents the reconciliation from the opening balances to the closing balances for investments allocated to Level 3.

Reconciliation for investments allocated to Level 3

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	2015	Prev. year	2015	Prev. year
Carrying amount at 31 Dec. previous year	274	176	5	9
Gains and losses	3	14	2	–1
Gains (losses) recognised in the income statement	1	–4	0	0
Gains (losses) recognised in equity	3	18	2	–1
Acquisitions	43	61	1	0
Disposals	–77	–15	–1	–1
Transfer to Level 3	10	38	0	0
Transfer out of Level 3	–107	0	0	–2
Changes in the market value of derivatives	0	0	0	0
Carrying amount at 31 Dec. financial year	**145**	**274**	**8**	**5**
Gains (losses) recognised in the income statement that are attributable to investments shown at the end of the financial year	–1	–6	0	0

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	Other securities available for sale			
	Fixed-interest		Non-fixed-interest	
€m	2015	Prev. year	2015	Prev. year
Carrying amount at 31 Dec. previous year	2,547	2,777	2,395	2,107
Gains and losses	104	163	182	173
Gains (losses) recognised in the income statement	–4	11	–9	1
Gains (losses) recognised in equity	108	152	191	172
Acquisitions	958	1,151	517	460
Disposals	–1,447	–1,529	–251	–344
Transfer to Level 3	0	6	3	4
Transfer out of Level 3	–2	–21	–43	–5
Changes in the market value of derivatives	–1	0	0	0
Carrying amount at 31 Dec. financial year	**2,160**	**2,547**	**2,803**	**2,395**
Gains (losses) recognised in the income statement that are attributable to investments shown at the end of the financial year	–4	11	–11	–5

Continued on next page

€m	Held for trading, and hedging derivates 2015	Prev. year	Other investments 2015	Prev. year
Carrying amount at 31 Dec. previous year	0	0	0	0
Gains and losses	0	0	0	0
Gains (losses) recognised in the income statement	0	0	0	0
Gains (losses) recognised in equity	0	0	0	0
Acquisitions	0	0	30	0
Disposals	0	0	0	0
Transfer to Level 3	0	0	0	0
Transfer out of Level 3	0	0	0	0
Change in the market value of derivatives	0	0	0	0
Carrying amount at 31 Dec. financial year	**0**	**0**	**30**	**0**
Gains (losses) recognised in the income statement that are attributable to investments shown at the end of the financial year	0	0	0	0

€m	Insurance-related investments 2015	Prev. year	Total 2015	Prev. year
Carrying amount at 31 Dec. previous year	109	77	5,330	5,146
Gains and losses	69	83	360	432
Gains (losses) recognised in the income statement	58	78	45	86
Gains (losses) recognised in equity	11	5	315	346
Acquisitions	18	48	1,568	1,720
Disposals	–34	–99	–1,810	–1,988
Transfer to Level 3	890	0	902	48
Transfer out of Level 3	0	0	–153	–28
Changes in the market value of derivatives	0	0	0	0
Carrying amount at 31 Dec. financial year	**1,052**	**109**	**6,198**	**5,330**
Gains (losses) recognised in the income statement that are attributable to investments shown at the end of the financial year	65	39	49	39

5 Investments in affiliated companies, associates and joint ventures

Breakdown of investments in affiliated companies, associates and joint ventures

€m	31.12.2015	Prev. year
Investments in affiliated companies		
Accounted for at fair value	145	274
Investments in associates and joint ventures		
Accounted for using the equity method	1,125	1,280
Accounted for at fair value	8	5
Total	**1,278**	**1,559**

The fair value of investments in associates and joint ventures accounted for using the equity method amounted to €1,678m (1,796m) at the balance sheet date. Of these, 13% are allocated to Level 1, 38% to Level 2 and 49% to Level 3 of the fair value hierarchy; see Assets – B Investments – Determining fair values. The fair value is determined individually per item; see Assets – B Investments – Investments in associates and joint ventures. In the financial year, shares of losses of associates and joint ventures amounting to €0m (0m) were not recognised in the balance sheet. Altogether, the losses not recognised in the balance sheet totalled €0m (0m).

Reversed impairment losses with respect to associates and joint ventures amounted to €7m (22m). They are distributed between the following different Group segments: in reinsurance, €6m (16m) is apportionable to property-casualty; in the ERGO field of business, €1m (5m) is apportionable to Life and Health Germany and €0m (1m) to Property-casualty Germany.

Write-downs with respect to these companies amounted to €22m (34m). They are distributed between the following different Group segments: in reinsurance, €11m (16m) is apportionable to property-casualty; in the ERGO field of business, €1m (1m) is apportionable to Life and Health Germany, €0m (2m) to Property-casualty Germany and €10m (0m) to ERGO International. For Munich Health, the apportionable amount is €0m (15m).

At the balance sheet date, there were contingent liabilities of €27m (26m) from our investments in associates and joint ventures. These concerned a payment obligation in the event of an associate's over-indebtedness.

There are also other financial commitments in the amount of €98m (104m) from our investments in joint ventures. These comprised investment obligations for financing.

These contingent liabilities and other financial commitments are also shown under "Other information (49) Contingent liabilities, other financial commitments".

There were no significant limitations on the possibility for associates and joint ventures to transfer dividends or liquid funds to Munich Reinsurance Company and its subsidiaries, or to repay loans to Munich Reinsurance Company and its subsidiaries.

Aggregated financial information on investments in associates and joint ventures:

€m	31.12.2015	Prev. year
Overall result for the year after tax from continued operations	131	109
Result after tax from discontinued operations	0	0
Income and expenses recognised directly in equity	7	–12
Total recognised income and expenses	**138**	**97**

The total carrying amounts of the holdings (investments) in associates and joint ventures amounted to €1,132m (1,285m) in the period under review.

Further information about associates and joint ventures can be found in the section "List of shareholdings as at 31 December 2015 in accordance with Section 313 (2) of the German Commercial Code (HGB)".

6 Loans

Breakdown of loans

	Carrying amounts	
€m	31.12.2015	Prev. year
Mortgage loans	5,128	4,440
Loans and advance payments on insurance policies	331	519
Other loans	48,057	49,591
Total	**53,516**	**54,550**

The other loans mainly comprise covered bonds, government bonds and borrowers' note loans of banks.

The fair value of the loans is based on recognised valuation methods in line with the present value principle and taking observable market inputs into account; see (4) Hierarchy for the fair value measurement of investments. The fair value totalled €66,126m (68,950m) at the reporting date.

Contractual period to maturity

	Carrying amounts	
€m	31.12.2015	Prev. year
Up to one year	1,540	2,722
Over one year and up to two years	2,308	1,852
Over two years and up to three years	1,921	2,427
Over three years and up to four years	2,750	2,059
Over four years and up to five years	2,375	2,885
Over five years and up to ten years	14,517	13,537
Over ten years	28,105	29,068
Total	**53,516**	**54,550**

Rating of "other loans" according to carrying amounts

€m	31.12.2015	Prev. year
AAA	23,854	23,934
AA	17,430	17,694
A	2,996	4,993
BBB or lower	2,704	2,211
No rating	1,073	759
Total	**48,057**	**49,591**

The rating categories are based on those of the leading international rating agencies. Virtually no credit risk exists in respect of the mortgage loans or the loans and advance payments on insurance policies.

7 Other securities available for sale

Breakdown of other securities available for sale

	Carrying amounts		Unrealised gains/losses		Amortised cost	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Fixed-interest securities						
Government bonds						
Germany	8,267	8,692	995	1,195	7,272	7,497
Rest of EU	26,337	27,285	2,280	3,417	24,057	23,868
USA	17,753	14,793	574	952	17,179	13,841
Other	16,002	16,069	799	1,045	15,203	15,024
Corporate debt securities	47,220	50,796	1,972	3,821	45,249	46,975
Other	12,082	12,171	1,267	1,537	10,815	10,634
	127,661	**129,806**	**7,886**	**11,967**	**119,775**	**117,839**
Non-fixed-interest securities						
Shares	9,381	9,786	1,844	1,776	7,537	8,010
Investment funds						
Equity funds	645	487	57	58	588	429
Bond funds	1,360	1,548	44	85	1,317	1,463
Real estate funds	595	560	58	36	537	524
Other	1,901	1,656	444	315	1,457	1,341
	13,882	**14,037**	**2,446**	**2,270**	**11,436**	**11,767**
Total	**141,543**	**143,843**	**10,332**	**14,237**	**131,211**	**129,606**

About half the corporate debt securities are covered bonds or issues by development banks and comparable institutions. The remaining portfolio is composed of securities issued by companies outside the banking sector, with each individual risk making up less than 1%, bonds issued by banks and state central savings banks, and asset-backed securities/mortgage-backed securities. The asset-backed securities/mortgage-backed securities are largely rated A or better. Assets pledged as security and other restrictions on title amount to €8,115m (7,327m). Some €1,710m (2,073m) of the securities shown are loaned to third parties. These securities are not derecognised, as the main resultant risks and rewards remain with Munich Re. Of the €10,332m (14,237m) in unrealised gains and losses, €4,040m (5,773m) has been recognised in equity ("other reserves"), after deduction of provisions for deferred premium refunds, deferred taxes, non-controlling interests, and consolidation and currency translation effects.

Disposal proceeds in the financial year

€m	2015	Prev. year
Fixed-interest securities	49,476	40,798
Non-fixed-interest securities		
Quoted	25,272	16,867
Unquoted	1,209	190
Total	**75,957**	**57,855**

Realised gains and losses

€m	2015	Prev. year
Gains on disposal	3,279	2,691
Fixed-interest securities	1,718	1,309
Non-fixed-interest securities	1,560	1,382
Losses on disposal	–848	–327
Fixed-interest securities	–306	–123
Non-fixed-interest securities	–542	–204
Total	**2,431**	**2,364**

Contractual period to maturity of fixed-interest securities

	Carrying amounts		Amortised cost	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Up to one year	11,374	8,634	11,323	8,570
Over one year and up to two years	9,728	10,384	9,587	10,146
Over two years and up to three years	10,854	11,449	10,590	11,034
Over three years and up to four years	9,776	9,884	9,385	9,381
Over four years and up to five years	11,407	11,571	10,871	10,825
Over five years and up to ten years	35,094	38,566	33,294	35,323
Over ten years	39,429	39,318	34,726	32,560
Total	**127,661**	**129,806**	**119,775**	**117,839**

Rating of fixed-interest securities according to fair values

€m	31.12.2015	Prev. year
AAA	41,807	42,905
AA	41,706	40,440
A	16,369	19,234
BBB	21,677	22,394
Lower	5,361	4,563
No rating	740	270
Total	**127,661**	**129,806**

The rating categories are based on those of the leading international rating agencies.

8 Other securities at fair value through profit or loss and insurance-related investments

Securities at fair value through profit or loss comprise securities of €2,193m (1,964m) held for trading and securities of €357m (205m) designated as at fair value through profit or loss.

The securities held for trading are made up of fixed-interest securities totalling €30m (45m), non-fixed-interest securities totalling €56m (45m) and derivatives held for trading amounting to €2,107m (1,874m). The securities designated as at fair value through profit or loss comprise €165m (204m) assignable to fixed-interest securities and €193m (1m) to non-fixed interest securities. Some €12m of the securities at fair value through profit or loss is due within one year.

Rating of fixed-interest securities according to fair values

€m	31.12.2015	Prev. year
AAA	21	66
AA	44	22
A	59	91
BBB	71	70
Lower	0	0
No rating	0	0
Total	**195**	**249**

The rating categories are based on those of the leading international rating agencies.

The insurance-related investments include investments for unit-linked life insurance contracts of €8,229m (7,592m) and other insurance-related investments of €934m (869m).

Derivative financial instruments are used by Munich Re to manage and hedge against interest-rate, currency, and other market risks. This is done at the Group companies within the framework of individual supervisory regulations and additional internal company guidelines. The risk of default is practically non-existent in the case of products traded on the stock exchange. Over-the-counter products, on the other hand, harbour a theoretical risk in the amount of the replacement costs. Therefore, Munich Re selects only high-quality counterparties for such transactions.

As at 31 December 2015, Munich Re held collateral for derivatives in the form of securities with a rating of at least AA. The fair value of this collateral amounts to €1,100m (867m).

Disclosure of derivatives by balance sheet item

€m			31.12.2015	Prev. year
Fair value	Qualifying for hedge accounting	Balance sheet item		
Positive	No	Investments, other securities, designated as at fair value through profit or loss	2,107	1,874
	No	Insurance-related investments	899	839
	Yes	Other assets	141	204
Negative	No Yes	Liabilities, other liabilities	–1,819	–1,903
Total			**1,328**	**1,014**

The following table shows the fair values and the related notional amounts of all our open positions, broken down according to risk types. Positive and negative fair values have been netted. At 31 December 2015, the open positions amounted to €1,333m (1,019m), or 0.5% (0.4%) of the balance sheet total.

Open positions

Periods to maturity in years	< 1	1–2	2–3	3–4	4–5	> 5	31.12. 2015	Prev. year
€m								
Interest-rate risks								
Traded on the stock exchange								
Fair values	4	0	0	7	0	0	11	–5
Notional amounts	7,178	61	26	411	4	4	7,683	9,739
Over-the-counter								
Fair values	50	145	17	–25	87	603	877	698
Notional amounts	1,123	2,315	6,335	628	1,182	15,999	27,581	25,394
Total interest-rate risks								
Fair values	54	146	17	–18	87	603	888	693
Notional amounts	8,300	2,376	6,361	1,039	1,186	16,003	35,264	35,133
Currency risks								
Traded on the stock exchange								
Fair values	0	0	0	0	–1	0	–1	0
Notional amounts	0	0	0	0	42	0	42	0
Over-the-counter								
Fair values	247	0	0	0	0	14	262	29
Notional amounts	23,943	18	0	0	0	219	24,179	20,355
Total currency risks								
Fair values	248	0	0	0	–1	14	261	29
Notional amounts	23,943	18	0	0	42	219	24,221	20,355
Equity and index risks								
Traded on the stock exchange								
Fair values	59	0	0	0	0	0	59	120
Notional amounts	7,942	0	0	0	0	0	7,942	7,750
Over-the-counter								
Fair values	19	0	0	0	0	0	19	0
Notional amounts	925	0	0	0	0	0	925	9
Total equity and index risks								
Fair values	78	0	0	0	0	0	78	120
Notional amounts	8,867	0	0	0	0	0	8,867	7,759
Credit risks								
Over-the-counter								
Fair values	–1	0	1	0	58	0	59	68
Notional amounts	30	16	151	26	2,338	5	2,565	3,246
Weather risks								
Traded on the stock exchange								
Fair values	1	0	0	0	0	0	1	–8
Notional amounts	9	0	0	0	0	0	9	19
Over-the-counter								
Fair values	–82	0	0	0	0	0	–82	–32
Notional amounts	101	0	0	0	0	0	101	76
Total weather risks								
Fair values	–81	0	0	0	0	0	–81	–40
Notional amounts	110	0	0	0	0	0	110	95
Commodity risks								
Traded on the stock exchange								
Fair values	12	0	0	0	0	0	12	10
Notional amounts	420	0	0	0	0	0	420	181
Over-the-counter								
Fair values	1	–6	–3	–2	–1	0	–11	2
Notional amounts	688	223	125	82	29	3	1,150	1,069
Total commodity risks								
Fair values	12	–6	–3	–2	–1	0	1	12
Notional amounts	1,108	223	125	82	29	3	1,570	1,250
Insurance risks								
Over-the-counter								
Fair values	–10	17	36	22	39	23	127	137
Notional amounts	2,059	1,640	1,267	1,491	2,119	11,566	20,141	15,149
Total of all risks								
Fair values	**300**	**157**	**51**	**3**	**182**	**641**	**1,333**	**1,019**
Notional amounts	**44,416**	**4,273**	**7,903**	**2,637**	**5,714**	**27,795**	**92,737**	**82,987**

Under the risk type "insurance risks", we essentially subsume the derivative portions of the line item "other insurance-related investments". This excludes derivatives that fall under the risk types "weather or commodity risks". Information about other insurance-related investments can be found under Assets – C Insurance-related investments.

Although the derivatives used by Munich Re essentially serve to manage and hedge against risks, only an amount of €130m (190m) meets the requirements of IAS 39 for hedge accounting.

IAS 39 distinguishes between fair value hedges and cash flow hedges.

Fair value hedges In the case of fair value hedges, the change in the fair value of the hedging instrument and the change in the fair value of the hedged instrument are generally recognised in profit or loss under the items "investment income" and "investment expenses". With Munich Reinsurance Company's hedged subordinated bond, this information is shown under net finance costs. Munich Re uses hedging relationships in the form of fair value hedges to selectively and efficiently mitigate interest-rate and other market risks. The main types of transaction employed for hedging are swaps and forwards. The fair value of the derivatives used for this purpose amounted to €94m (153m) at the balance sheet date. In 2015, the following changes in value were recognised in the consolidated income statement: –€59m for the hedging instruments and €57m for the relevant underlyings.

Cash flow hedges play a role in countering fluctuations that may be caused, for example, by variable interest payments. Munich Re uses cash flow hedges chiefly to hedge against interest-rate risks, with interest-rate swaps being the main instruments employed. Changes in the fair value of the hedging instrument are recognised directly in equity for this purpose.

Only when the actual cash inflow or outflow takes place, as a result of the hedged circumstance, is the relevant equity item reversed with recognition in profit or loss.

The change in fair value assignable to the ineffective portion of the hedging was negligible at the reporting date.

At the balance sheet date, there is an equity item of –€1m (–2m) from cash flow hedges. The net fair value of the derivatives falling into this category amounted to €36m (37m) at the balance sheet date.

Periods to maturity and amount of the hedged cash flows at the balance sheet date

€m	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	31.12.2015	Prev. year
Notional amounts of hedged transactions	76	25	0	150	100	0	351	380

9 Deposits retained on assumed reinsurance

Deposits retained on assumed reinsurance serve directly as collateral for technical provisions covering business assumed and may not be used by cedants independently. The credit risk is therefore limited. The amount of (and changes in) deposits retained on assumed reinsurance in the financial year generally derive from the values for the changes in the related technical provisions for the reinsured business. Deposits retained on assumed reinsurance business thus do not have a fixed maturity date, and their release is generally dependent on the run-off of the corresponding provisions.

10 Other investments

Other investments comprise deposits with banks totalling €3,775m (3,513m), tangible assets in renewable energies amounting to €496m (470m), physical gold of €324m (331m), and forestry investments of €40m (10m). Deposits with banks include receivables of €202m (347m) from borrowers under repurchase agreements that have been booked by us as the lender.

Of the amounts held on deposit with banks, €3,747m (3,473m) is due within one year. With these deposits, the fair values largely correspond to the carrying amounts. Assets pledged as security and other restrictions on title amount to €15m (16m) for deposits with banks.

Development of tangible assets in renewable energies

€m	2015	Prev. year
Gross carrying amount at 31 Dec. previous year	589	584
Accumulated depreciation and accumulated impairment losses at 31 Dec. previous year	–119	–86
Carrying amount at 31 Dec. previous year	470	498
Changes due to currency translation	7	5
Additions		
Business combinations	43	0
Other	4	1
Disposals		
Loss of control	0	0
Other	0	–1
Impairment losses reversed	7	5
Depreciation and impairment losses		
Depreciation	–34	–31
Impairment losses	0	–7
Reclassification	0	0
Carrying amount at 31 Dec. financial year	**496**	**470**
Accumulated depreciation and accumulated impairment losses at 31 Dec. financial year	–148	–119
Gross carrying amount at 31 Dec. financial year	645	589

The impairment losses reversed are distributed between the following different Group segments: in reinsurance, €1m (1m) is apportionable to life and €5m (4m) to property-casualty.

The impairment losses are distributed between the following different Group segments: in reinsurance, €0m (1m) is apportionable to life and €0m (6m) to property-casualty.

The tangible assets in renewable energies include items pledged as security and other restrictions on title amounting to €235m (245m).

11 Ceded share of technical provisions

Ceded share of technical provisions

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Unearned premiums	0	0	203	160
Provision for future policy benefits	1,028	775	0	0
Provision for outstanding claims	454	351	1,827	1,802
Other technical provisions	6	3	1	4
Total	**1,489**	**1,129**	**2,031**	**1,966**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Unearned premiums	3	2	–1	–1	101	99
Provision for future policy benefits	3	3	0	0	132	1,570
Provision for outstanding claims	13	3	108	79	290	270
Other technical provisions	0	0	–5	–2	–1	1
Total	**19**	**8**	**103**	**76**	**522**	**1,940**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Unearned premiums	36	71	343	331
Provision for future policy benefits	13	7	1,176	2,355
Provision for outstanding claims	114	131	2,807	2,636
Other technical provisions	0	0	1	6
Total	**164**	**209**	**4,327**	**5,328**

Details of the ceded share of technical provisions are shown in the Notes to the consolidated balance sheet – Equity and liabilities (20) Unearned premiums, (21) Provisions for future policy benefits, (22) Provisions for outstanding claims, (23) Other technical provisions, and in the risk report in the section "Credit risks".

12 Other receivables

Breakdown of other receivables

€m	31.12.2015	Prev. year
Amounts receivable on primary insurance business	1,281	1,373
Accounts receivable on reinsurance business	5,389	4,382
Interest and rent	2,570	2,748
Miscellaneous receivables	2,582	2,966
Total	**11,823**	**11,469**

Of the amounts receivable on primary insurance business, €477m (549m) is apportionable to receivables from insurance agents. The miscellaneous receivables include receivables of €587m (1,079m) resulting from contracts without significant risk transfer, which do not fall within the scope of IFRS 4.

Assets pledged as security and other restrictions on title amount to €52m (47m).

The miscellaneous receivables contain cash collateral of €390m (244m), mainly for derivative transactions.

Contractual period to maturity of other receivables according to carrying amounts

	Carrying amounts	
€m	31.12.2015	Prev. year
Up to one year	10,677	10,246
Over one year and up to two years	52	128
Over two years and up to three years	58	74
Over three years and up to four years	23	269
Over four years and up to five years	107	31
Over five years and up to ten years	349	539
Over ten years	556	182
Total	**11,823**	**11,469**

As the other receivables mainly have a period to maturity of less than one year, the fair values largely correspond to the carrying amounts.

As at 31 December 2015, our accounts receivable on ceded reinsurance business were split between the following ratings (based on those of Standard & Poor's):

Rating of accounts receivable

€m	31.12.2015	Prev. year
AAA	3	2
AA	25	23
A	42	29
BBB and lower	0	0
No external rating	133	133

Of all our receivables on underwriting business at the balance sheet date, €298m (255m) was outstanding for more than 90 days. The average defaults of the last three years amount to €225m (202m).

13 Deferred acquisition costs

Deferred acquisition costs

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	2,414	2,466	1,380	1,336
Ceded share	–1	–1	–56	–48
Net	**2,413**	**2,465**	**1,324**	**1,288**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	4,032	4,166	368	344	1,139	1,138
Ceded share	–1	0	1	1	–16	–19
Net	**4,032**	**4,166**	**368**	**345**	**1,123**	**1,119**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	95	105	9,428	9,555
Ceded share	–7	–12	–80	–79
Net	**87**	**93**	**9,348**	**9,476**

Development of gross deferred acquisition costs

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	2,466	2,365	1,336	1,327
Currency translation differences	24	119	93	117
Change in consolidated group/Other	0	0	0	6
New deferred acquisition costs	204	279	1,337	1,373
Changes				
Amortisation	–281	–273	–1,362	–1,396
Impairment losses	0	–24	–25	–91
Status at 31 Dec. financial year	**2,414**	**2,466**	**1,380**	**1,336**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	4,166	4,362	344	367	1,138	1,090
Currency translation differences	0	0	0	0	–3	–21
Change in consolidated group/Other	–1	0	0	0	–70	5
New deferred acquisition costs	392	386	163	127	380	352
Changes						
Amortisation	–457	–477	–140	–150	–263	–286
Impairment losses	–68	–105	0	0	–43	–2
Status at 31 Dec. financial year	**4,032**	**4,166**	**368**	**344**	**1,139**	**1,138**

Continued on next page

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	105	92	9,555	9,603
Currency translation differences	1	3	116	218
Change in consolidated group/Other	-9	0	-80	11
New deferred acquisition costs	191	188	2,667	2,705
Changes				
Amortisation	-193	-179	-2,696	-2,761
Impairment losses	0	1	-134	-221
Status at 31 Dec. financial year	**95**	**105**	**9,428**	**9,555**

The amortisation includes accrued interest as well as write-downs. The impairment losses comprise impairment losses and reversals of impairment losses stemming from changes in the assumptions underlying the calculations which require an adjustment in the measurement.

In the ERGO Life and Health Germany and ERGO International segments, assumptions regarding future mortality, lapses and administration expenses, and regarding long-term interest-rate levels were adjusted in 2015 on the basis of the non-current regular return on investments. Overall, these adjustments led to impairment losses of deferred acquisition costs.

The line item “Change in consolidated group/Other” includes deferred acquisition costs of the disposal group amounting to €70m.

14 Deferred tax

The deferred tax assets and liabilities recognised in the consolidated balance sheet concern the following balance sheet items:

Deferred tax

	31.12.2015		Prev. year	
€m	Assets	Liabilities	Assets	Liabilities
Assets				
A. Intangible assets	55	239	81	255
B. Investments	2,367	3,450	2,018	3,708
C. Insurance-related investments	6	12	2	11
E. Receivables	86	66	129	76
I. Other assets	845	1,312	751	1,055
Total assets	**3,359**	**5,079**	**2,981**	**5,105**
Equity and liabilities				
C. Net technical provisions	2,401	4,605	2,237	4,292
E. Other accrued liabilities	997	305	1,199	346
F. Liabilities	160	6	303	33
Total equity and liabilities	**3,558**	**4,916**	**3,739**	**4,671**
Off balance sheet				
Loss carry-forwards and tax credits	942	0	886	0
Total	**7,859**	**9,995**	**7,606**	**9,776**

The deferred taxes for technical provisions include the deferred taxes for deferred acquisition costs and €2,852m (2,625m) for claims equalisation provisions, which are not posted under IFRS.

The excess of deferred tax liabilities over deferred tax assets amounts to €2,136m (2,170m). The change of €34m (–977m) was recognised as follows: €456m (–837m) without impact on profit or loss and –€416m (–166m) in earnings. The remaining change is due to obtaining or losing control, and to currency translation.

No deferred taxes were posted for temporary differences of €57m (54m) in connection with investments in subsidiaries and associates, also referred to as outside basis differences.

We have broken down the existing deferred tax assets relating to loss carry-forwards and the loss carry-forwards themselves.

Development of deferred tax assets for loss carry-forwards and tax credits

€m	Prev. year	Subsequent additions and reductions due to changes in valuation allowances	Additions due to new losses	Set off against income/ Deconsolidation	31.12.2015
Deferred tax assets for					
Corporation tax loss carry-forwards	450	–15	57	–185	307
Trade tax loss carry-forwards	339	–2	176	–4	509
Loss carry-forwards from capital losses	0	7	0	–5	2
Tax credits	97	–51	88	–10	124
Total	**886**	**–61**	**321**	**–204**	**942**

The column “Set off against income/Deconsolidation” includes changes due to losing control and changes in exchange rates.

Tax loss carry-forwards and tax credits

	31.12.2015			Prev. year		
€m	For which deferred tax assets are recognised	For which deferred tax assets are not recognised	Total	For which deferred tax assets are recognised	For which deferred tax assets are not recognised	Total
Corporation tax loss carry-forwards						
Expiring in up to three years	108	97	205	124	103	227
Expiring in over three years and up to ten years	37	94	131	110	103	213
Expiring in over ten years	21	130	151	234	126	360
Not expiring	1,527	849	2,376	1,598	909	2,507
	1,693	**1,170**	**2,863**	**2,066**	**1,241**	**3,307**
Trade tax loss carry-forwards						
Not expiring	2,995	171	3,166	1,995	181	2,176
	2,995	**171**	**3,166**	**1,995**	**181**	**2,176**
Loss carry-forwards from capital losses						
Expiring in up to three years	6	63	69	0	0	0
Expiring in over three years and up to ten years	0	0	0	0	72	72
Expiring in over ten years	0	0	0	0	0	0
Not expiring	0	0	0	0	0	0
	6	**63**	**69**	**0**	**72**	**72**
Tax credits						
Expiring in up to three years	0	0	0	4	0	4
Expiring in over three years and up to ten years	25	45	70	13	0	13
Expiring in over ten years	2	6	8	3	0	3
Not expiring	97	0	97	77	0	77
	124	**51**	**175**	**97**	**0**	**97**

Loss carry-forwards excluding deferred tax assets stem mainly from Australia, New Zealand, Turkey, and the USA. Based on planning for future taxable income, no deferred tax assets were set aside to cover most of these loss carry-forwards.

15 Other assets

These mainly comprise owner-occupied property totalling €2,402m (2,424m), operating and office equipment of €289m (274m), advance payments on insurance amounting to €384m (384m), derivatives totalling €141m (204m), miscellaneous deferred items of €169m (162m), and recoveries from policyholders totalling €42m (38m).

Development of property, plant and equipment

€m	Owner-occupied property 2015	Operating and office equipment 2015	Other 2015	Total 2015
Gross carrying amount at 31 Dec. previous year	3,561	1,032	42	4,635
Accumulated depreciation and accumulated impairment losses at 31 Dec. previous year	-1,137	-758	-34	-1,929
Carrying amount at 31 Dec. previous year	2,424	274	8	2,706
Currency translation differences	21	2	1	24
Additions				
Business combinations	0	0	0	0
Other	31	128	8	167
Disposals				
Loss of control	0	-1	0	-1
Other	-6	-13	-2	-22
Impairment losses reversed	28	0	0	28
Depreciation and impairment losses				
Depreciation	-64	-98	-4	-166
Impairment losses	-11	-1	0	-12
Reclassification	-20	-2	-3	-25
Carrying amount at 31 Dec. financial year	**2,402**	**289**	**8**	**2,699**
Accumulated amortisation and accumulated impairment losses at 31 Dec. financial year	-1,178	-760	-25	-1,963
Gross carrying amount at 31 Dec. financial year	3,580	1,049	33	4,662

→

€m	Owner-occupied property Prev. year	Operating and office equipment Prev. year	Other Prev. year	Total Prev. year
Gross carrying amount at 31 Dec. previous year	3,510	978	51	4,539
Accumulated depreciation and accumulated impairment losses at 31 Dec. previous year	-1,091	-729	-31	-1,851
Carrying amount at 31 Dec. previous year	2,419	249	20	2,688
Currency translation differences	15	4	2	21
Additions				
Business combinations	0	0	0	0
Other	81	129	5	215
Disposals				
Loss of control	0	0	0	0
Other	-17	-11	-16	-44
Impairment losses reversed	7	0	0	7
Depreciation and impairment losses				
Depreciation	-61	-96	-3	-160
Impairment losses	-5	-1	0	-6
Reclassification	-15	0	0	-15
Carrying amount at 31 Dec. financial year	**2,424**	**274**	**8**	**2,706**
Accumulated amortisation and accumulated impairment losses at 31 Dec. financial year	-1,137	-758	-34	-1,929
Gross carrying amount at 31 Dec. financial year	3,561	1,032	42	4,635

The impairment losses reversed are distributed between the following different Group segments: in reinsurance, €4m (2m) is apportionable to life and €5m (2m) to property-casualty; in the ERGO field of business, €14m (2m) is apportionable to Life and Health Germany and €3m (0m) to ERGO International, and €2m (1m) is allocable to Munich Health.

The impairment losses are distributed between the following different Group segments: in reinsurance, €3m (2m) is apportionable to life and €4m (2m) to property-casualty; in the ERGO field of business, €3m (0m) is apportionable to Life and Health Germany, €0m (1m) to Property-casualty Germany, €1m (0m) to ERGO International and €1m (1m) is allocable to Munich Health.

The reallocations include property, plant and equipment of the disposal group totalling €17m.

The fair value of the property amounts to €2,924m (2,909m). This is allocated to Level 3 of the fair value hierarchy; see Assets – B Investments, Determining fair values. The methodology for determining the fair values is described in (3) Land and buildings, including buildings on third-party land.

The expenditures recognised in the carrying amount for assets in the course of construction total €25m (21m) for property and €24m (21m) for plant and equipment. Commitments to acquire property total €3m (5m) and commitments to acquire plant and equipment €12m (12m). For plant and equipment, no assets were pledged as security or other restrictions on title.

16 Non-current assets and disposal groups held for sale and sold during the reporting period

In the first quarter of 2015, Munich Health Holding AG, Munich, sold its shares in the fully consolidated company DKV Luxembourg S.A., Luxembourg. The sales price was in the low double-digit million euro range. The sale had an impact of around €3m on our consolidated result.

In the fourth quarter of 2014, MEAG MUNICH ERGO AssetManagement GmbH sold its shares in its associate PICC Asset Management Company Limited, Shanghai, with economic effect in June 2015. We posted a moderately positive result overall from the disposal of this shareholding, which we accounted for using the equity method.

These non-current assets and disposal groups sold in 2015 are no longer taken into account separately in the previous year's figures of the consolidated balance sheet. As at 31 December 2014, the following items were affected by the reclassification into "held for sale": B Investments – II Investments in affiliated companies, associates and joint ventures (€27m) and IV Other securities, 2. Available for sale (€79m); C Gross technical provisions – II Provision for future policy benefits (€48m).

In November 2015, via its subsidiary ERGO International AG, Düsseldorf, Munich Re reached an agreement to sell its Italian subsidiary ERGO Italia along with the insurance companies ERGO Previdenza and ERGO Assicurazioni to private-equity investor Cinven. Via its subsidiaries, ERGO Italia operates in the areas of property-casualty business and in life and health insurance. ERGO International sold the group, because the Italian market is no longer part of its strategic core business.

Subject to the approval of the supervisory authorities, the buyer is acquiring all shares in ERGO Italia. We expect the transaction and the resulting deconsolidation in our consolidated financial statements to be completed in the second quarter of 2016. As at 31 December 2015, ERGO Italia was classified in accordance with IFRS 5 as a disposal group to be recognised at the lower of carrying amount or fair value less sales cost. This valuation did not produce any impact on the result. The agreed sale results in an expected loss of €82m, for which we have established a reserve.

Net unrealised gains on investments recognised in “other reserves” comprise €142m in net unrealised gains on the ERGO Italia disposal group.

How the non-current assets held for sale are allocated between the segments is disclosed in the segment reporting.

Transactions between the disposal group and the Group’s continuing operations continued to be fully eliminated. The assets and matching liabilities of the disposal group are shown in the table below.

Assets and liabilities of the disposal group

€m	31.12.2015
Assets	
Investments	5,125
Investments for unit-linked life insurance contracts	28
Ceded share of technical provisions	1,387
Cash at bank, cheques and cash in hand	86
Other assets	320
Total assets	**6,947**
Liabilities	
Gross technical provisions	4,833
Gross technical provisions for unit-linked life insurance	28
Deposits retained on ceded business	1,336
Other liabilities	105
Total liabilities	**6,301**

The following table shows the allocation of the investments to levels of the fair value hierarchy for the disposal group:

Allocation of disposal group (including insurance-related investments) to levels of the fair value hierarchy

				31.12.2015
€m	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
Other securities available for sale				
Fixed-interest	0	4,558	0	4,558
Non-fixed-interest	304	1	7	312
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives	4	3	0	7
Insurance-related investments	28	0	0	28
Total	**336**	**4,562**	**7**	**4,905**
Investments not measured at fair value				
Loans	0	213	55	268
Total	**0**	**213**	**55**	**268**

The investments of the disposal group have only been subject to a change in disclosure in accordance with IFRS 5. Valuation is still made in accordance with IAS 39.

Notes to the consolidated balance sheet – Equity and liabilities

17 Equity

The total share capital of €587,725,396.48 at 31 December 2015 is divided into 166,843,961 no-par-value registered shares, each fully paid up and entitled to one vote. In the year under review, the number of shares in circulation developed as follows:

Development of shares in circulation

Number of shares	2015	Prev. year
Status at 31 Dec. previous year	168,515,007	177,421,900
Additions		
Disposals from hedging stock appreciation rights under long-term incentive plans	1,859	10,944
Reductions		
Acquisition of shares for retirement (share buy-back programme)	–5,734,275	–8,917,837
Status at 31 Dec. financial year	**162,782,591**	**168,515,007**

On 31 December 2015, a total of 4,061,370 Munich Reinsurance Company shares with a calculated nominal value of around €14.3m were held by Group companies. This represents around 2.4% of the share capital.

On 20 March 2014, Munich Reinsurance Company's Board of Management decided on a share buy-back programme, thus availing itself of the authorisation granted by the Annual General Meeting on 30 April 2014, in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). From 14 May 2014 to 10 April 2015, a total of 6,098,657 Munich Reinsurance Company shares were purchased via the stock exchange. Of these, 1,673,576 shares were acquired at an average price of €183.00 in the 2015 calendar year. All shares from this buy-back programme were retired on 23 April 2015 in a simplified process, without reducing the share capital, by adjusting the proportion of the Company's share capital represented by each of the remaining no-par-value shares.

On 11 March 2015, Munich Reinsurance Company's Board of Management decided on another share buy-back programme. The share buy-back will be restricted to a total purchase price (excluding incidental expenses) of €1bn up to the 2016 Annual General Meeting. Munich Reinsurance Company's Board of Management thus availed itself of the authorisation granted by the Annual General Meeting on 23 April 2015, in accordance with Section 71 (1) no. 8 of the Stock Corporation Act (AktG). From 1 June 2015 to 31 December 2015, a total of 4,060,699 shares were acquired at an average price of €171.75 as part of this new programme.

MEAG MUNICH ERGO AssetManagement GmbH sold 1,859 Munich Re shares at an average price of €172.87 in the financial year 2015 in connection with the hedging of obligations from its long-term incentive plan. The sale generated proceeds of €0.3m, which were used to strengthen liquid funds. With the remaining Munich Re shares acquired in prior years to hedge the stock appreciation rights granted, MEAG had a total portfolio of 671 shares at 31 December 2015.

The acquisition costs of all Munich Re shares in the possession of Group companies at the end of the financial year totalled €697,525,723.26.

In the year under review, a total of €1,293m was distributed to Munich Reinsurance Company's equity holders for the financial year 2014 in the form of a dividend of €7.75 per dividend-bearing share.

Composition of the capital authorised for capital increases

€m	31.12.2015
Authorised Capital Increase 2013 (until 24 April 2018)	280
Authorised Capital Increase 2015 (until 22 April 2020)	10
Total	**290**

Composition of contingent capital

€m	31.12.2015
Contingent Capital Increase 2015 (until 22 April 2020)	117
Total	**117**

Composition of equity

€m	31.12.2015	Prev. year
Issued capital	573	572
Capital reserve	6,845	6,845
Retained earnings	14,110	12,991
Other reserves	6,032	6,458
Consolidated result attributable to Munich Reinsurance Company equity holders	3,107	3,152
Non-controlling interests	298	271
Total equity	**30,966**	**30,289**

Included in the retained earnings are claims equalisation provisions of €7,077m (6,837m). These provisions are established under national regulations to smooth fluctuations in loss experience in future years. In IFRS accounting, they are recognised in equity.

The “other reserves” include €1,848m (434m) from currency translation and –€1m (–2m) resulting from valuation of cash flow hedges. In addition, “other reserves” contain unrealised gains and losses distributed between the different items as follows:

Unrealised gains and losses

€m	31.12.2015	Prev. year
Unconsolidated affiliated companies, associates and joint ventures not accounted for using the equity method	81	168
Associates and joint ventures accounted for using the equity method	91	113
Other securities available for sale		
Fixed-interest	7,886	11,967
Non-fixed-interest	2,446	2,270
Less		
Provision for deferred premium refunds recognised in equity	–4,868	–6,384
Deferred taxes recognised in equity	–1,406	–1,986
Non-controlling interests	–19	–24
Consolidation and currency translation effects	–168	–98
Adjustment item for disposal group	142	0
Total	**4,185**	**6,026**

Tax effects in the income and expenses recognised directly in equity

	2015			Prev. year		
€m	Before tax	Tax	After tax	Before tax	Tax	After tax
Currency translation	1,420	0	1,420	1,428	0	1,428
Unrealised gains and losses on investments	–2,401	580	–1,821	3,851	–1,190	2,661
Change resulting from valuation at equity	–40	0	–40	9	0	9
Change resulting from cash flow hedges	1	0	1	1	0	1
Remeasurements of defined benefit plans	379	–113	266	–780	259	–521
Other changes	25	0	25	23	0	23
Income and expense recognised directly in equity	**–617**	**467**	**–150**	**4,532**	**–931**	**3,601**

The taxes of €467m (–931m) recognised directly in equity comprise current taxes on unrealised gains and losses of €11m (–94m) on assets, and an amount of €456m (–837m) being deferred tax assets.

Non-controlling interests

€m	31.12.2015	Prev. year
Unrealised gains and losses	19	24
Consolidated result	15	18
Other equity	264	229
Total	**298**	**271**

The non-controlling interests are mainly minority interests in individual companies of the primary insurance group. We disclose direct minority interests in special funds and in partnerships under “other liabilities”. In the financial year 2015, there were no significant changes in the percentage interest held in consolidated subsidiaries.

Information on capital management and minimum capital requirements is provided in the management report under “Financial position – Capital management” and “Financial position – Group solvency” respectively.

18 Fair value hierarchy of liabilities

All financial liabilities that are recognised at fair value, and such financial instruments that are not recognised at fair value but for which a fair value is disclosed in the notes, are allocated to one of the fair value hierarchy levels of IFRS 13.

Regularly, at each reporting date, we assess whether the allocation of these liabilities to the levels of the fair value hierarchy is still appropriate. If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring another allocation – we make the necessary adjustments.

For information on the valuation models used for measuring derivatives, please see the table and explanations in the Notes to the consolidated balance sheet – Assets (4) Hierarchy for the fair value measurement of investments. The valuation of subordinated bonds for which no market prices are available is conducted using the present value method and taking observable market inputs into account. For the bonds we have issued, we use the market values provided by price quoters for the corresponding assets. The fair values of our amounts due to banks are determined using the present value method, in part exclusively using observable market inputs, and partly also taking into account non-observable inputs.

The following table shows the allocation of the financial liabilities to levels of the fair value hierarchy.

Allocation of liabilities to levels of the fair value hierarchy

				31.12.2015
€m	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Other liabilities				
Derivatives	127	1,275	413	1,814
Total	**127**	**1,275**	**413**	**1,814**
Liabilities not measured at fair value				
Subordinated liabilities	4,856	63	2	4,921
Bonds and notes issued	402	0	0	402
Amounts due to banks	0	168	268	436
Total	**5,257**	**231**	**270**	**5,758**

→				Prev. year
€m	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Other liabilities				
Derivatives	96	1,526	276	1,898
Total	**96**	**1,526**	**276**	**1,898**
Liabilities not measured at fair value				
Subordinated liabilities	4,955	62	0	5,017
Bonds and notes issued	371	0	0	371
Amounts due to banks	1	184	276	461
Total	**5,327**	**246**	**276**	**5,849**

In the financial statements, only derivatives with a negative market value are currently recognised at fair value. Of these, we allocate the derivative portions to level 3 of the fair value hierarchy.

The following table presents the reconciliation from the opening balances to the closing balances for other liabilities allocated to Level 3.

Reconciliation for liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss	
€m	31.12.2015	Prev. year
Carrying amount at 31 Dec. previous year	276	147
Gains and losses	–166	–173
Gains (losses) recognised in the income statement	–137	–161
Gains (losses) recognised in equity	–29	–12
Acquisitions	115	104
Disposals	–145	–150
Transfer to Level 3	0	2
Transfer out of Level 3	0	0
Change in the market value of derivatives	0	0
Carrying amount at 31 Dec. financial year	**413**	**276**
Gains (losses) recognised in the income statement that are attributable to liabilities shown at the end of the financial year	–123	–121

19 Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.12.2015	Prev. year
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a	A	–	A	895	894
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	–	A	609	578
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a	A	–	A	992	991
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A	1,445	1,502
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A+	A2 (hyb)	A	406	385
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[1], Registered bonds 2001/perpetual		–	–	–	–	12	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[2], Registered bonds 1998/perpetual		–	–	–	–	13	13
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027		–	–	–	–	44	38
Total						**4,416**	**4,413**

1 ERGO International AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.
2 ERGO Versicherungsgruppe AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

In the case of Munich Reinsurance Company bonds, annual outflows of liquidity amounting to the respective interest payments occur until the first possible call dates in 2022, 2021, 2017 and 2018. In the financial year, these amounted to €268m. Thereafter, the liquidity outflows will vary, depending on the respective interest-rate level. For the registered bonds of ERGO Versicherung Aktiengesellschaft from 2001 and 1998, and for the HSB Group bonds, the annual outflow is variable, depending on the respective interest-rate levels.

The fair value of the subordinated bond issued by Munich Reinsurance Company in June 2007 is hedged in respect of the risk-free interest rate by means of an interest-rate swap. The hedged changes in value of the subordinated liabilities and of the interest-rate swap are shown in the net finance costs with impact on profit or loss in each case.

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,921m (5,017m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market inputs.

20 Unearned premiums

Unearned premiums

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	21	24	6,238	5,973
Ceded share	0	0	–203	–160
Net	**21**	**24**	**6,035**	**5,813**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	198	174	495	443	1,446	1,363
Ceded share	–3	–2	1	1	–101	–99
Net	**195**	**172**	**495**	**444**	**1,345**	**1,264**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	444	396	8,841	8,373
Ceded share	–36	–71	–343	–331
Net	**408**	**325**	**8,498**	**8,042**

Development of gross unearned premiums

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	24	28	5,973	5,587
Currency translation effects	2	3	336	506
Changes in consolidated group/Other	0	0	0	0
Gross premiums written	10,536	10,040	17,680	16,730
Earned premiums	−10,541	−10,047	−17,751	−16,850
Status at 31 Dec. financial year	**21**	**24**	**6,238**	**5,973**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	174	159	443	449	1,363	1,287
Currency translation effects	4	−1	1	−1	−7	−9
Changes in consolidated group/Other	−4	0	0	0	−29	0
Gross premiums written	9,426	9,812	3,162	3,115	3,947	3,809
Earned premiums	−9,403	−9,796	−3,111	−3,120	−3,827	−3,724
Status at 31 Dec. financial year	**198**	**174**	**495**	**443**	**1,446**	**1,363**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Status at 31 Dec. previous year	396	484	8,373	7,994
Currency translation effects	13	20	349	518
Changes in consolidated group/Other	−3	0	−36	0
Gross premiums written	5,623	5,342	50,374	48,848
Earned premiums	−5,586	−5,450	−50,219	−48,987
Status at 31 Dec. financial year	**444**	**396**	**8,841**	**8,373**

The item “Change in consolidated group/Other” includes premium reserves of the disposal group amounting to –€29m.

21 Provision for future policy benefits

Provision for future policy benefits

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	12,924	13,902	26	26
Ceded share	-1,028	-775	0	0
Net	**11,895**	**13,127**	**26**	**26**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	85,867	84,896	429	428	8,209	12,328
Ceded share	-3	-3	0	0	-132	-1,570
Net	**85,864**	**84,893**	**429**	**428**	**8,077**	**10,758**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	1,118	1,068	108,572	112,648
Ceded share	-13	-7	-1,176	-2,355
Net	**1,105**	**1,061**	**107,396**	**110,293**

Gross provision for future policy benefits according to type of insurance cover

€m	31.12.2015	Prev. year
Life	**77,142**	**82,659**
Reinsurance	12,924	13,902
ERGO	64,218	68,757
Term life insurance	3,293	3,046
Other life insurance	28,343	32,734
Annuity insurance	31,277	31,654
Disability insurance	1,281	1,299
Contracts with combination of more than one risk	25	24
Health	**30,962**	**29,525**
Munich Health	1,118	1,068
ERGO	29,844	28,457
Property-casualty	**468**	**464**
Reinsurance	26	26
ERGO	442	438
Total	**108,572**	**112,648**

The provision for future policy benefits in life reinsurance largely involves contracts where the mortality or morbidity risk predominates. In reinsurance, annuity contracts have a significantly lower weight than in primary insurance.

Essentially the same actuarial assumptions have been used as in the previous year for measuring the provisions for future policy benefits for business in force. For German primary insurance, to which approx. 91% of the provisions for future policy benefits are apportionable, biometric actuarial assumptions based on the tables of the German Association of Actuaries (Deutsche Aktuarvereinigung e.V.) are used.

In the ERGO Life and Health Germany segment, assumptions regarding future mortality, lapses and profit participation, and regarding long-term interest-rate levels were adjusted in 2015 on the basis of the long-term regular return on investments.

The provision for future policy benefits was increased as a result of these adjustments. Further information on the underwriting risks can be found in the risk report in the section "Significant risks".

Development of gross provision for future policy benefits

€m	2015	Prev. year
Status at 31 Dec. previous year	112,648	111,427
Currency translation differences	1,616	770
Changes in consolidated group/Other	–4,726	–103
Changes		
Scheduled	–1,523	361
Unscheduled	557	193
Status at 31 Dec. financial year	**108,572**	**112,648**

The change under "Changes in consolidated group/Other" contains €367m (433m) in savings premiums for capitalisation products and –€1,255m (–647m) for portfolio entries and withdrawals. This item also includes the provision for future policy benefits of the disposal group amounting to –€4,208m.

Scheduled changes in the provision for future policy benefits contain the changes deriving from prospective calculation as a result of premium payments, benefit cases and the unwinding of discount in the year under review.

22 Provision for outstanding claims

Provision for outstanding claims

	Reinsurance			
	Life		Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	7,376	6,707	42,060	39,868
Ceded share	–454	–351	–1,827	–1,802
Net	**6,922**	**6,356**	**40,233**	**38,066**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	2,792	2,653	4,080	3,866	2,233	2,231
Ceded share	–13	–3	–108	–79	–290	–270
Net	**2,778**	**2,650**	**3,972**	**3,787**	**1,943**	**1,961**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Gross	1,215	1,037	59,756	56,362
Ceded share	–114	–131	–2,807	–2,636
Net	**1,101**	**906**	**56,949**	**53,726**

Gross provision by type

	Reinsurance Life		Reinsurance Property-casualty	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Annuity claims provision	4,589	4,136	272	263
Case reserve	1,198	1,033	17,119	17,095
IBNR reserve	1,589	1,538	24,669	22,510
Total	**7,376**	**6,707**	**42,060**	**39,868**

→	ERGO Life and Health Germany		ERGO Property-casualty Germany		ERGO International	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Annuity claims provision	1,316	1,277	412	392	126	112
Case reserve	1,247	1,145	2,760	2,653	1,651	1,708
IBNR reserve	229	231	908	821	456	411
Total	**2,792**	**2,653**	**4,080**	**3,866**	**2,233**	**2,231**

→	Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year
Annuity claims provision	41	39	6,755	6,219
Case reserve	416	460	24,391	24,094
IBNR reserve	758	538	28,610	26,049
Total	**1,215**	**1,037**	**59,756**	**56,362**

The provision for annuity claims involves periodic payments for disability cases and is usually due long term. A major part of this provision is established in the life reinsurance and life primary insurance segment for future annuity payments; a small part refers to provisions for annuities in personal accident, liability and workers' compensation insurance. The biometric actuarial assumptions are selected using appropriate actuarial principles. Provisions for annuity claims are calculated as the present value of the expected future payments. The discount rates used are presented in the Disclosures on risks from insurance contracts and financial instruments (38) Disclosures on risks from life and health insurance business and (39) Disclosures on risks from property-casualty insurance business.

The case reserve reflects the amount which is expected to be needed to settle claims which are known and have already been reported at the balance sheet date. The major part of this provision is measured at face value. The IBNR reserve is calculated using actuarial methods on the basis of historical claims development data and taking into account foreseeable future trends.

Expected payments from the provisions for outstanding claims (property-casualty only)

	Reinsurance		ERGO	
%	31.12.2015	Prev. year	31.12.2015	Prev. year
Up to one year	31.6	31.9	34.8	35.1
Over one year and up to five years	43.1	43.0	38.8	39.4
Over five years and up to ten years	13.7	13.6	15.0	14.3
Over ten years and up to fifteen years	5.2	5.4	5.9	5.6
Over fifteen years	6.5	6.1	5.5	5.6

The expected timing of payments from the provisions for outstanding claims may involve considerable uncertainty.

Development of the claims reserve in the property-casualty segment[1]

			2015			Prev. year
€m	Gross	Ceded share	Net	Gross	Ceded share	Net
Status at 31 Dec. previous year	45,752	–2,109	43,643	43,494	–2,121	41,373
Currency translation differences	2,233	–100	2,133	2,682	–143	2,539
Changes in consolidated group/Other	–148	15	–133	0	0	0
Claims expenses						
For the year under review	15,159	–644	14,515	14,415	–387	14,028
For previous years	–1,707	108	–1,599	–1,358	88	–1,270
Total claims expenses	13,453	–537	12,916	13,057	–299	12,758
Unwinding of discount	64	–2	61	60	–3	57
Less payments						
For the year under review	–5,517	131	–5,386	–5,357	98	–5,259
For previous years	–7,619	394	–7,225	–8,184	359	–7,825
Total payments	–13,136	525	–12,611	–13,541	457	–13,084
Status at 31 Dec. financial year	**48,218**	**–2,208**	**46,009**	**45,752**	**–2,109**	**43,643**

1 Comprises the segments property-casualty reinsurance, ERGO Property-casualty Germany and the property-casualty section of the ERGO International segment.

The claims expenses for the year under review show payments made for the year under review and expenses for posting the claims reserve in that year. The provisions set up for claims from previous years are regularly updated using best estimates based on exposure and claims information and past claims experience. The respective change is shown under "claims expenses for previous years". The item "Changes in consolidated group/Other" includes gross claims provisions for the disposal group amounting to –€148m, and the ceded share attributable to the disposal group amounting to €15m.

In the year under review, most sectors experienced comparatively low claims-reporting activity from previous years, which had a positive influence on the ultimate-loss projection.

Net run-off results in property-casualty business The values in the following run-off triangles cover more than 99% of our Group's portfolio of property-casualty business.

Claims payments for the individual accident years (per calendar year, net)

€m	Accident year										
Calendar year	≤ 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
2005	10,745											
2006	7,708	3,474										
2007	4,636	2,659	4,359									
2008	3,534	1,440	2,921	4,527								
2009	2,700	617	1,361	3,448	4,639							
2010	1,979	465	875	1,786	3,348	5,105						
2011	2,177	300	561	647	1,394	3,442	6.121					
2012	1,205	186	219	475	530	1,712	4,394	6,041				
2013	978	29	36	209	375	760	2,092	3,101	5,934			
2014	958	143	194	304	373	638	1,161	1,485	3,341	5,645		
2015	935	59	78	161	275	400	574	463	1,291	2,992	5,305	12,532

Claims reserves for the individual accident years at the respective reporting dates (net)

€m	Accident year											
Date	≤ 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
31.12.2005	39,316											
31.12.2006	32,249	7,913										
31.12.2007	27,678	5,311	8,349									
31.12.2008	23,680	3,760	5,631	9,600								
31.12.2009	20,534	2,914	4,170	6,406	9,239							
31.12.2010	18,244	2,165	3,220	4,570	5,833	9,182						
31.12.2011	15,922	1,776	2,617	3,625	3,983	5,973	12,334					
31.12.2012	14,409	1,403	2,020	2,997	3,327	4,141	8,081	9,168				
31.12.2013	13,335	1,400	1,747	2,619	2,951	3,450	5,671	5,891	9,190			
31.12.2014	12,297	1,142	1,472	2,034	2,266	2,796	4,124	4,204	6,062	9,447		
31.12.2015	11,083	1,000	1,159	1,740	1,758	2,233	3,389	3,502	4,735	6,478	9,064	46,141

Ultimate loss for the individual accident years at the respective reporting dates (net)

€m	Accident year											
Date	≤ 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
31.12.2005	50,061											
31.12.2006	50,702	11,387										
31.12.2007	50,767	11,444	12,708									
31.12.2008	50,303	11,332	12,911	14,127								
31.12.2009	49,857	11,104	12,811	14,381	13,878							
31.12.2010	49,546	10,819	12,736	14,331	13,819	14,287						
31.12.2011	49,401	10,730	12,694	14,033	13,364	14,521	18,455					
31.12.2012	49,092	10,544	12,316	13,880	13,238	14,400	18,596	15,209				
31.12.2013	48,997	10,570	12,079	13,711	13,238	14,469	18,278	15,032	15,124			
31.12.2014	48,917	10,455	11,998	13,430	12,925	14,453	17,892	14,830	15,336	15,092		
31.12.2015	48,637	10,373	11,762	13,296	12,693	14,289	17,731	14,591	15,301	15,115	14,369	188,157
Net run-off result	1,424	1,015	946	831	1,185	–2	724	618	–177	–23	n/a	6,541
Change 2014 to 2015	280	82	236	133	232	163	160	239	36	–23	n/a	1,538

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the claims reserve at the reporting date. Given complete information regarding all losses incurred up to the balance sheet date, the ultimate-loss status for each accident-year period would remain the same. In practice, however, it may be assumed that the ultimate-loss status (based on estimates) is exposed to fluctuations that reflect the growth in knowledge about the claims cases. Changes in the consolidated group, especially new acquisitions or the composition of segments to be reported, can also have an influence on the ultimate-loss status.

The run-off triangles are prepared on a currency-adjusted basis. To this end, all figures are translated from the respective local currency into the Group currency (euro), consistently using the exchange rates applicable at the end of the year under review (i.e. at 31 December 2015). This ensures that currency translation does not lead to run-off effects.

23 Other technical provisions

Breakdown of other technical provisions

	Reinsurance		ERGO		Munich Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Provision for premium refunds based on national regulations	3	4	7,727	7,553	0	0	7,730	7,557
Provision for deferred premium refunds	0	0	9,181	10,609	9	13	9,190	10,622
Thereof resulting from unrealised gains and losses on investments (recognised directly in equity)	0	0	4,820	6,325	21	25	4,841	6,350
Thereof resulting from other revaluations (recognised in profit or loss)	0	0	4,361	4,284	-12	-12	4,349	4,272
Provision for profit commission	231	67	0	0	21	93	252	160
Other	20	26	62	71	158	56	240	153
Total (gross)	**255**	**97**	**16,970**	**18,233**	**188**	**162**	**17,413**	**18,492**

Of the provision for premium refunds based on national regulations, €81m (87m) is apportionable to property-casualty insurance. The provision for deferred premium refunds is established solely for life and health insurance.

The ceded share of "other technical provisions" amounts to €1m (6m), of which €1m (0m) is apportionable to the ceded share of the provision for premium refunds based on national regulations.

Development of provision for premium refunds based on national regulations

€m	2015	Prev. year
Status at 31 Dec. previous year	7,557	6,652
Changes in consolidated group	0	0
Allocations/Withdrawals	173	905
Status at 31 Dec. financial year	**7,730**	**7,557**

Development of provision for deferred premium refunds

€m	2015	Prev. year
Status at 31 Dec. previous year	10,622	6,243
Changes in consolidated group	0	0
Change resulting from unrealised gains and losses on investments (recognised directly in equity)	–1,509	3,600
Change resulting from other revaluations (recognised in profit or loss)	77	779
Status at 31 Dec. financial year	**9,190**	**10,622**

The above change resulting from unrealised gains and losses on investments reflects the proportional allocation to expected future policyholders' bonuses of the change in market values that occurred in the past year. Changes in the provision for deferred premium refunds are only recognised in the income statement to the extent that they result from valuation differences recognised in profit or loss.

To determine the portion of the valuation differences allocable to the provision for deferred premium refunds, rates of between 50% and 92.5% after tax were used.

24 Gross technical provisions for unit-linked life insurance

Development of gross provision

€m	2015	Prev. year
Status at 31 Dec. previous year	7,837	7,043
Changes in consolidated group/Other	63	148
Savings premiums	862	722
Unrealised gains/losses on fund assets	233	495
Withdrawal for expenses and risk	–81	–84
Withdrawal for benefits	–713	–487
Status at 31 Dec. financial year	**8,201**	**7,837**

These provisions are valued retrospectively. The withdrawal for underwriting risks from the premiums and provision for future policy benefits is made on the basis of prudent assumptions regarding expected mortality and morbidity. Here, as with the provision for future policy benefits for non-unit-linked life insurance, we base the underlying calculation on best estimates, with appropriate provisions for adverse deviation.

The provisions are directly covered by the investments for unit-linked life insurance contracts. Small differences in relation to these investments arise as a result of including unearned revenue liability in these provisions.

The item "Changes in consolidated group/Other" includes technical provisions for unit-linked life insurance of the disposal group amounting to €28m.

25 Other accrued liabilities

Breakdown of other accrued liabilities

€m	31.12.2015	Prev. year
Provisions for post-employment benefits	2,751	2,965
Other provisions	1,393	1,508
Total	**4,145**	**4,473**

Provisions for post-employment benefits

Munich Re companies generally give pension commitments to their employees in the form of defined contribution plans or defined benefit plans. Special regional economic, legal and tax features are taken into account. The type and amount of the pension obligations are determined by the conditions of the respective pension plan. The pension commitments comprise obligations towards active members or deferred members with vested benefits, and current pension payments. Defined benefit plans are funded internally through provisions for post-employment benefits and externally through funds and insurance contracts concluded to cover the benefit obligations.

Expenses for defined contribution plans in the year under review totalled €74m (72m), with €111m (114m) for contributions to state plans.

The present value of obligations under defined benefit pension plans amounted to €5,389m (5,584m), the plan assets to be deducted totalled €2,847m (2,741m). The defined benefit obligations comprise the following main plans:

Munich Reinsurance Company's pension obligations account for €1,408m (1,484m) of the present value of obligations under defined benefit plans and €1,441m (1,432m) of plan assets. The obligations include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The defined benefits granted up to 31 December 2007 are financed through a fund. New members on or after 1 January 2008 receive pension commitments in the form of defined contribution plans financed by means of intra-Group insurance contracts securing the obligations under pension schemes. The fund and insurance contracts have been grouped in a contractual trust agreement (CTA).

The pension obligations of the ERGO Insurance Group account for €2,547m (2,779m) of the present value of obligations under defined benefit plans and €290m (285m) of plan assets. The obligations include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The commitments are generally funded through pension provisions. New members receive pension commitments in the form of defined contribution plans financed by means of intra-Group insurance contracts securing the obligations under pension schemes. There are medical-care benefit obligations.

The pension obligations of Munich Re America account for €733m (695m) of the present value of obligations under defined benefit plans and €488m (466m) of plan assets. The obligations include pensions for employees and surviving dependants. The amount of the pensions generally depends on includable compensation and length of service. The plan is financed through a trust and pension provisions. The plan was closed to new members effective 1 January 2006 and to all remaining members effective 31 December 2011. With effect from 1 January 2012, all members now receive pension commitments in the form of defined contribution plans. There are also retiree medical-care benefit obligations.

Change in the present value of the defined benefit obligations

€m	2015	Prev. year
Status at 31 Dec. previous year	5,584	3,992
Currency translation differences	106	122
Changes in consolidated group	0	–1
Current service cost	160	118
Past service cost	3	17
Gains and losses from plan settlements	0	–14
Contributions by plan participants	8	4
Interest expense	123	145
Payments	–139	–121
Payments from plan settlements	0	–28
Transfer of obligations	0	1
Actuarial gains/losses: Change in demographic assumptions	–27	35
Actuarial gains/losses: Change in financial assumptions	–469	1,281
Actuarial gains/losses: Experience adjustments	–31	28
Other	71	5
Status at 31 Dec. financial year	**5,389**	**5,584**

The present value of medical-care benefit obligations amounted to €274m (285m) at the balance sheet date.

The present value of the obligations under defined benefit plans breaks down as follows:

Breakdown of the present value of defined benefit obligations

%	31.12.2015	Prev. year
Active members	50	53
Deferred members	14	13
Pensioners	36	34
Total	**100**	**100**

Pension obligations are measured using assumptions about future developments. The consolidated companies used the following actuarial assumptions (weighted-average values):

Actuarial assumptions

%	2015	Prev. year
Discount rate	2.5	2.1
Future increases in entitlement/salary	1.9	1.9
Future pension increases	1.4	1.5
Medical cost trend rate	4.0	3.9

Munich Re uses generally recognised biometric actuarial assumptions, adjusted as a rule to take account of company-specific circumstances. The average remaining life expectancy of a 65-year-old plan participant is 23.6 years for females and 23.1 years for males.

Change in the fair value of plan assets for defined benefit plans

€m	2015	Prev. year
Status at 31 Dec. previous year	2,741	2,012
Currency translation differences	71	86
Changes in consolidated group	0	0
Interest income	70	80
Return excluding interest income	–98	516
Contributions by the employer	56	120
Contributions by plan participants	6	3
Payments	–57	–43
Payments from plan settlements	0	–32
Transfer of assets	0	0
Other	58	–1
Status at 31 Dec. financial year	**2,847**	**2,741**

Breakdown of the fair value of plan assets for defined benefit plans

%	31.12.2015	Prev. year
Quoted market price in an active market		
Cash or cash equivalents	1	1
Equity instruments	8	9
Debt instruments	51	51
Real estate	1	0
Derivatives	0	0
Securities funds	18	18
Asset-backed securities	0	0
Structured debt	0	0
Insurance contracts	19	20
Other	2	1
Total	**100**	**100**

As in the previous year, the plan assets do not include any own shares.

For the financial year 2016, capital transfers of €89m (78m) to plan assets are expected.

Change in the reimbursement rights for defined benefit plans

€m	2015	Prev. year
Status at 31 Dec. previous year	247	177
Interest income	4	6
Return excluding interest income	–17	46
Contributions by the employer	17	16
Contributions by plan participants	1	0
Payments	–8	–5
Transfer of assets	0	0
Other	8	7
Status at 31 Dec. financial year	**252**	**247**

The reimbursement rights derive from insurance concluded to cover the benefit obligations.

There were no effects resulting from the asset ceiling on overfunded defined benefit plans.

Funded status of defined benefit plans

€m	31.12.2015	Prev. year
Obligations funded through provisions		
Present value of defined benefit obligations	2,551	2,763
Other	0	0
Net balance sheet liability	2,551	2,763
Obligations funded through plan assets		
Present value of defined benefit obligations	2,838	2,821
Fair value of plan assets	–2,847	–2,741
Assets from the defined benefit plan	209	122
Effect of asset ceiling	0	0
Other	0	0
Net balance sheet liability	200	202
Obligations independent of funded obligations		
Present value of defined benefit obligations	5,389	5,584
Fair value of plan assets	–2,847	–2,741
Assets from the defined benefit plan	209	122
Effect of asset ceiling	0	0
Other	0	0
Net balance sheet liability	**2,751**	**2,965**

The plan assets have the exclusive purpose of fulfilling the defined benefit obligations to which they are allocated and making provision for future outflows. This is required by law in several countries, whilst in other countries plan assets are provided on a voluntary basis.

The relationship between the fair value of the plan assets and the present value of the defined benefit obligations is referred to as the funded status. If the present value of defined benefit obligations exceeds the fair value of the plan assets, this excess of liabilities over assets is financed by means of provisions for post-employment benefits.

If the fair value of the plan assets exceeds the present value of the defined benefit obligations, an asset arises out of the defined benefit plan. As each plan is analysed individually, this may give rise to both a provision for post-employment benefits and an asset from the defined benefit plan.

Market fluctuations may give rise to changes in the fair value of the plan assets over the course of time. Adjustments to the actuarial assumptions (e.g. life expectancy, actuarial interest rate) or deviations in actual risk experience from the risk experience assumed may result in changes in the present value of the defined benefit obligations. Both factors may therefore lead to fluctuations in the funded status. To avoid these fluctuations wherever possible, care is taken, when choosing investments, that fluctuations in the fair value of the plan assets and in the present value of defined benefit obligations offset each other as far as possible whenever changes in certain influencing variables occur (asset-liability matching).

Change in the provision for defined benefit plans

€m	2015	Prev. year
Status at 31 Dec. previous year	2,965	2,140
Currency translation differences	38	41
Changes in consolidated group	0	0
Expenses	220	173
Payments	–82	–74
Capital transfer to plan assets	–62	–123
Transfer to other receivables	85	–43
Actuarial gains/losses recognised in equity	–404	795
Other	–9	56
Status at 31 Dec. financial year	**2,751**	**2,965**

Breakdown of expenses booked in the financial year

€m	2015	Prev. year
Net interest income or expense	49	59
Service cost	171	125
Other	0	–11
Total	**220**	**173**

The expenses are distributed between the functional areas and shown mainly under “operating expenses” and “expenses for claims and benefits” in the consolidated income statement.

The actual losses on plan assets amount to €28m (actual gains of €596m), and the actual losses on reimbursements to €13m (actual gains of 52m).

Contractual period to maturity of pension obligations

€m	31.12.2015	Prev. year
Up to one year	147	133
Over one year and up to five years	666	599
Over five years and up to ten years	947	867
Over ten years and up to twenty years	2,397	2,257
Over twenty years	6,501	6,585
Total	**10,658**	**10,441**

The weighted average contractual period to maturity of our pension obligations is 20 (21) years.

An increase or decrease in the following essential actuarial assumptions has an impact on the present value of defined benefit obligations:

Sensitivity analysis

€m	31.12.2015	Prev. year
Increase in actuarial discount rate by 50 BP	–490	–515
Decrease in actuarial discount rate by 50 BP	570	600
Increase in salary/entitlement trends by 10 BP	25	43
Decrease in salary/entitlement trends by 10 BP	–24	–42
Increase in pension trends by 10 BP	59	57
Decrease in pension trends by 10 BP	–54	–56
Increase in medical cost trend rate by 100 BP	40	47
Decrease in medical cost trend rate by 100 BP	–33	–38
Increase in mortality rate by 10%	–134	–143
Decrease in mortality rate by 10%	145	154

The calculations for the actuarial assumptions classified as essential were carried out individually in order to display their effects separately.

Other provisions

Other provisions

€m	Prev. year	Additions	Withdrawals	Reversal	Other changes	31.12.2015
Restructuring	475	34	–94	–48	0	366
Earned commission	197	2,965	–2,991	–2	2	172
Salary obligations and other remuneration for desk and field staff	119	117	–102	–2	–10	122
Anniversary benefits	103	6	–10	0	–1	99
Early retirement benefits/semi-retirement	66	14	–21	0	3	63
Medium- and long-term incentive plans	65	30	–37	–5	0	52
Anticipated losses	50	87	–49	–3	13	98
Miscellaneous	433	224	–170	–68	3	423
Total	**1,508**	**3,477**	**–3,473**	**–129**	**10**	**1,393**

The provisions for restructuring mainly concern €106m (140m) for the ERGO Group's "Continuous improvement of our competitive position" project and €253m (327m) for the comprehensive restructuring of its sales organisation. The miscellaneous other provisions comprise a large number of different items, including €25m (22m) for competitions for sales staff, €13m (22m) for settlements, and €18m (42m) for litigation risks. The "other changes" include other provisions of the disposal group amounting to €19m.

The provisions for restructuring, early-retirement benefits/semi-retirement, anniversary benefits and medium- and long-term incentive plans are mainly long term, whereas the provisions for earned commission, salary obligations, other remuneration for desk and field staff, and miscellaneous are essentially short term.

26 Bonds and notes issued

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.12.2015	Prev. year
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: – Bloomberg: AMER RE CORP MUNRE	a–	A+	A2	A–	314	282
Total						**314**	**282**

Outflows of liquidity occur annually in the amount of the interest payments until the notes mature. These totalled US$ 25m in the financial year. We use the prices provided by price quoters to determine the fair value of the notes issued. The fair value at the reporting date amounts to €402m (371m).

27 Deposits retained on ceded business

Deposits retained on ceded business are collateral for technical provisions covering business ceded to reinsurers and retrocessionaires. As a rule, the changes in deposits retained on ceded business derive from the changes in the relevant technical provisions covering ceded business. Deposits retained on ceded business thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

28 Other liabilities

Breakdown of other liabilities

€m	31.12.2015	Prev. year
Amounts payable on primary insurance business	2,902	3,086
Accounts payable on reinsurance business	5,274	5,462
Amounts due to banks	428	443
Miscellaneous liabilities	5,457	5,646
Total	**14,061**	**14,637**

The amounts payable on primary insurance business mainly contain liabilities towards policyholders resulting from accumulated participation in surplus, premium deposits and insurance contracts without significant risk transfer.

Of the amounts due to banks, €150m is attributable to bank borrowing by Group companies acquired by Munich Re under its infrastructure investment programme including renewable energies and new technologies.

The miscellaneous liabilities contain liabilities of €394m (500m) resulting from reinsurance contracts without significant risk transfer, derivative financial instruments with a negative fair value of €1,085m (1,228m), and negative fair values totalling €733m (675m) for insurance-linked derivatives and hedging derivatives of variable annuities. The miscellaneous liabilities also include €22m (28m) for social security and €183m (190m) for interest and rent.

The following table provides information on the remaining contractual maturities of the items shown under "other liabilities". Since the amounts payable on primary insurance business are directly linked to the underlying insurance business, we analyse the liquidity risk arising from these together with the corresponding insurance contracts. This currently also applies to the derivatives embedded in variable annuity business; see Disclosures on risks from insurance contracts and financial instruments (38) Risks from life and health insurance business and (39) Risks from property-casualty insurance business. The derivatives listed below are recognised at market value.

Remaining terms of the other liabilities according to carrying amounts
(excluding amounts payable on primary insurance business and excluding liabilities from derivative components embedded in variable annuities)

	Carrying amounts	
€m	31.12.2015	Prev. year
Up to one year	8,293	8,713
Over one year and up to two years	91	106
Over two years and up to three years	54	31
Over three years and up to four years	259	45
Over four years and up to five years	35	267
Over five years and up to ten years	640	856
Over ten years	1,025	837
Total	**10,398**	**10,855**

The major portion of the liabilities up to one year involve interest-free items, where the carrying amounts and the undiscounted cash flows are identical. A total of €51m (50m) of the amounts owed to banks and €401m (399m) of the liabilities from derivatives are due within one year. Any deviations in the liabilities with remaining terms of over one year from the undiscounted cash flows are not material for the presentation and significance of the financial liabilities for our financial position and performance.

Notes to the consolidated income statement

29 Premiums

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Total gross premiums	10,536	10,040	17,680	16,730
Gross premiums written	10,536	10,040	17,680	16,730
Change in unearned premiums – Gross	5	7	71	120
Gross earned premiums	**10,541**	**10,047**	**17,751**	**16,850**
Ceded premiums written	–562	–420	–892	–731
Change in unearned premiums – Ceded share	0	0	25	31
Earned premiums ceded	**–562**	**–420**	**–867**	**–700**
Net earned premiums	**9,979**	**9,627**	**16,884**	**16,150**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Total gross premiums	10,322	10,730	3,162	3,115	4,382	4,213
Gross premiums written	9,426	9,812	3,162	3,115	3,947	3,809
Change in unearned premiums – Gross	–23	–16	–51	5	–120	–85
Gross earned premiums	**9,403**	**9,796**	**3,111**	**3,120**	**3,827**	**3,724**
Ceded premiums written	–22	–27	–53	–39	–216	–251
Change in unearned premiums – Ceded share	1	–8	1	–1	–30	6
Earned premiums ceded	**–21**	**–35**	**–52**	**–40**	**–246**	**–245**
Net earned premiums	**9,382**	**9,761**	**3,059**	**3,080**	**3,581**	**3,479**

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Total gross premiums	5,623	5,342	51,705	50,170
Gross premiums written	5,623	5,342	50,374	48,848
Change in unearned premiums – Gross	–37	108	–155	139
Gross earned premiums	**5,586**	**5,450**	**50,219**	**48,987**
Ceded premiums written	–124	–155	–1,869	–1,623
Change in unearned premiums – Ceded share	–38	–8	–41	20
Earned premiums ceded	**–162**	**–163**	**–1,910**	**–1,603**
Net earned premiums	**5,423**	**5,287**	**48,309**	**47,384**

The total gross premiums include not only the gross premiums written but also savings premiums from unit-linked life insurance and capitalisation products. Premiums from long-term insurance business, especially in life primary insurance, are recognised in full as earned premiums and income when they become due. Under gross premiums written, only those parts of the premium from unit-linked life business are included that are used to cover the risks and associated costs.

Of the gross premiums written from short-term insurance business, the portions attributable to periods after the balance sheet date are posted as unearned premiums; see Notes to the consolidated balance sheet – Equity and liabilities under (20) Unearned premiums. Over the duration of the contracts, unearned premiums are reversed in accordance with the reduction in risk.

30 Income from technical interest

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Income from technical interest	749	683	1,373	1,209

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Income from technical interest	4,103	4,823	87	99	452	652

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Income from technical interest	39	37	6,803	7,503

The income from technical interest is the amount earned by assumed insurance business from the mainly risk-free investment of assets covering the technical provisions. The deposits retained on ceded business are also taken into account as a basis for the technical interest. Thus the portion of investment income corresponding to the deposit interest expense is included as a component in the calculation of the technical interest and reallocated to the technical result.

In terms of the assets required to cover the technical provisions, the composition of the technical interest varies from segment to segment, depending on the type of insurance business conducted and the related statutory regulations.

In the life reinsurance segment, the income from technical interest corresponds to the risk-free interest on our technical provisions. For deposited provisions, the income from technical interest corresponds to the contractually agreed interest rate.

In property-casualty reinsurance, we allow for the fact that provisions established in prior years were invested at higher interest rates than the current level of market interest rates. The income from technical interest therefore corresponds to the risk-free interest on our discounted technical provisions at the respective historical interest rate, taking into account the relevant period of insurance and currency. Short-term interest rates are applied to the difference between the discounted provisions and balance sheet provisions.

In the ERGO Life and Health Germany segment, the income from technical interest for life primary insurance companies comprises the gains and losses from unit-linked life insurance, plus the guaranteed interest rate and profit sharing on the basis of the non-technical result sources. For health primary insurance companies, the income from technical interest for primary insurance business corresponds to the allocation of interest to the ageing reserve (actuarial interest) and the allocation to the provision for premium refunds. The latter is based on the allocation of interest to the provision for non-performance-related premium refunds, on the investment result exceeding the actuarial interest rate, and on policyholders' participation in the other non-technical result components.

In the ERGO Property-casualty Germany segment, the income from technical interest is calculated analogously to the procedure in the property-casualty reinsurance segment.

In the ERGO International segment, the income from technical interest for life primary insurance companies corresponds to the risk-free interest on the provision for future policy benefits at the relevant national interest rate, the gains and losses from unit-linked life insurance, and profit sharing where there are types of contract providing for this. The income from technical interest for property-casualty primary insurance companies is calculated analogously to the procedure in the property-casualty reinsurance segment.

In the Munich Health segment, income from technical interest for primary insurance business is based on the interest on other technical provisions at the relevant national risk-free interest rate and, where applicable, on the interest allocated to the provision for future policy benefits. In the case of long-term reinsurance treaties, the interest corresponds to the contractually agreed allocations of interest. For short-term reinsurance business, the income from technical interest is calculated on the basis of the risk-free interest on technical provisions at the relevant national interest rate.

31 Expenses for claims and benefits

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Gross				
Claims and benefits paid	–7,883	–7,605	–10,012	–10,578
Change in technical provisions				
Provision for future policy benefits	28	–214	0	1
Provision for outstanding claims	–502	–318	49	624
Provision for premium refunds	0	0	–4	–6
Other technical result	0	2	–4	–2
Gross expenses for claims and benefits	**–8,358**	**–8,135**	**–9,972**	**–9,961**
Ceded share				
Claims and benefits paid	368	333	422	374
Change in technical provisions				
Provision for future policy benefits	–87	–36	0	0
Provision for outstanding claims	96	–22	–81	–140
Provision for premium refunds	0	0	0	0
Other technical result	–46	–36	0	–1
Expenses for claims and benefits – Ceded share	**332**	**239**	**341**	**233**
Net				
Claims and benefits paid	–7,515	–7,271	–9,591	–10,204
Change in technical provisions				
Provision for future policy benefits	–58	–250	0	1
Provision for outstanding claims	–406	–340	–32	484
Provision for premium refunds	0	0	–4	–6
Other technical result	–46	–34	–4	–3
Net expenses for claims and benefits	**–8,025**	**–7,896**	**–9,631**	**–9,728**

	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Gross						
Claims and benefits paid	-9,540	-9,591	-1,815	-1,825	-2,794	-2,386
Change in technical provisions						
Provision for future policy benefits	-434	-585	-1	-1	-48	-410
Provision for outstanding claims	-137	-56	-210	-99	-310	-133
Provision for premium refunds	-1,432	-2,584	-18	-19	88	-47
Other technical result	-118	-129	-6	-7	18	11
Gross expenses for claims and benefits	**-11,661**	**-12,945**	**-2,051**	**-1,951**	**-3,047**	**-2,965**
Ceded share						
Claims and benefits paid	9	28	15	16	306	280
Change in technical provisions						
Provision for future policy benefits	0	8	0	0	-129	-98
Provision for outstanding claims	10	-8	30	-35	110	32
Provision for premium refunds	0	0	1	-2	1	0
Other technical result	-12	-6	-4	1	-50	-65
Expenses for claims and benefits – Ceded share	**7**	**22**	**41**	**-20**	**236**	**149**
Net						
Claims and benefits paid	-9,530	-9,563	-1,800	-1,809	-2,489	-2,106
Change in technical provisions						
Provision for future policy benefits	-434	-577	-1	-1	-178	-508
Provision for outstanding claims	-127	-64	-181	-134	-201	-101
Provision for premium refunds	-1,432	-2,584	-17	-21	89	-47
Other technical result	-130	-135	-11	-6	-32	-54
Net expenses for claims and benefits	**-11,654**	**-12,923**	**-2,009**	**-1,971**	**-2,811**	**-2,816**

	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Gross				
Claims and benefits paid	-4,427	-4,216	-36,473	-36,201
Change in technical provisions				
Provision for future policy benefits	-96	-93	-552	-1,302
Provision for outstanding claims	-141	-146	-1,252	-128
Provision for premium refunds	0	0	-1,366	-2,656
Other technical result	-3	-4	-113	-129
Gross expenses for claims and benefits	**-4,668**	**-4,459**	**-39,756**	**-40,416**
Ceded share				
Claims and benefits paid	79	66	1,199	1,097
Change in technical provisions				
Provision for future policy benefits	6	0	-210	-126
Provision for outstanding claims	-18	33	147	-140
Provision for premium refunds	0	0	2	-2
Other technical result	0	0	-113	-107
Expenses for claims and benefits – Ceded share	**67**	**99**	**1,025**	**722**
Net				
Claims and benefits paid	-4,348	-4,150	-35,273	-35,103
Change in technical provisions				
Provision for future policy benefits	-91	-93	-762	-1.428
Provision for outstanding claims	-159	-113	-1,106	-268
Provision for premium refunds	0	0	-1,364	-2,658
Other technical result	-3	-4	-225	-236
Net expenses for claims and benefits	**-4,601**	**-4,360**	**-38,731**	**-39,694**

The change in the provision for future policy benefits (net) contains €233m (495m) in unrealised gains/losses from unit-linked life insurance. Expenses for claims and benefits include expenses for policyholders' bonuses. Of this, €903m (1,414m) is for the allocation to the provision for premium refunds on the basis of national regulations, €75m (763m) for the change in the provision for deferred premium refunds recognised in the income statement, and €87m (102m) for direct crediting. The other technical result for life primary insurance mainly includes interest on policyholders' accumulated credit.

Expenses for profit commission in reinsurance are shown under "operating expenses", not under "expenses for claims and benefits".

32 Operating expenses

Operating expenses

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Gross				
Acquisition costs, profit commission and reinsurance commission paid	-2,153	-2,160	-4,062	-4,185
Administrative expenses	-349	-289	-1,373	-1,211
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-98	169	-212	83
Gross operating expenses	**-2,601**	**-2,280**	**-5,646**	**-5,313**
Ceded share				
Acquisition costs, profit commission and reinsurance commission paid	231	144	145	86
Change in deferred acquisition costs and contingent commissions	3	1	-9	-12
Operating expenses – Ceded share	**234**	**145**	**136**	**74**
Net operating expenses	**-2,367**	**-2,135**	**-5,510**	**-5,239**

						ERGO
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Gross						
Acquisition costs, profit commission and reinsurance commission paid	–937	–931	–549	–482	–993	–975
Administrative expenses	–369	–369	–492	–492	–290	–271
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–149	–223	23	–23	58	32
Gross operating expenses	**–1,455**	**–1,523**	**–1,018**	**–997**	**–1,225**	**–1,214**
Ceded share						
Acquisition costs, profit commission and reinsurance commission paid	7	5	3	3	38	37
Change in deferred acquisition costs and contingent commissions	–1	1	0	0	–2	–2
Operating expenses – Ceded share	**6**	**6**	**3**	**3**	**36**	**35**
Net operating expenses	**–1,449**	**–1,517**	**–1,015**	**–994**	**–1,189**	**–1,179**

	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Gross				
Acquisition costs, profit commission and reinsurance commission paid	–751	–761	–9,445	–9,494
Administrative expenses	–117	–105	–2,990	–2,737
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–32	–71	–410	–33
Gross operating expenses	**–901**	**–937**	**–12,846**	**–12,264**
Ceded share				
Acquisition costs, profit commission and reinsurance commission paid	56	48	480	323
Change in deferred acquisition costs and contingent commissions	8	2	–2	–10
Operating expenses – Ceded share	**64**	**50**	**478**	**313**
Net operating expenses	**–838**	**–887**	**–12,367**	**–11,951**

33 Investment result

Investment result by type of investment and segment (before deduction of income from technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Land and buildings, including buildings on third-party land	24	19	126	98
Investments in affiliated companies	0	-1	3	10
Investments in associates and joint ventures	0	0	287	54
Loans	2	3	9	9
Other securities available for sale				
Fixed-interest	648	580	1,723	1,961
Non-fixed-interest	140	206	647	911
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	0	0	0	1
Derivatives	-136	-239	-599	-1,152
Designated at fair value through profit or loss				
Fixed-interest	0	0	0	0
Non-fixed-interest	0	0	0	0
Deposits retained on assumed reinsurance, and other investments	268	287	37	59
Expenses for the management of investments, other expenses	-48	-44	-186	-166
Total	898	811	2,046	1,785

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	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Land and buildings, including buildings on third-party land	171	180	9	8	4	9
Investments in affiliated companies	-9	-4	-2	-7	-82	1
Investments in associates and joint ventures	73	25	2	4	-1	6
Loans	2,090	2,315	38	61	15	16
Other securities available for sale						
Fixed-interest	1,807	1,542	114	131	499	463
Non-fixed-interest	179	225	96	95	85	67
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	0	0	0	0	0	1
Non-fixed-interest	0	0	0	0	1	0
Derivatives	-253	394	-58	-76	-51	70
Designated at fair value through profit or loss						
Fixed-interest	0	0	0	0	-8	46
Non-fixed-interest	2	0	0	0	-1	0
Deposits retained on assumed reinsurance, and other investments	6	7	2	2	12	11
Expenses for the management of investments, other expenses	-226	-231	-15	-14	-26	-28
Total	3,841	4,453	187	204	447	662

	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Land and buildings, including buildings on third-party land	**0**	**1**	**334**	**315**
Investments in affiliated companies	**9**	**9**	**-82**	**8**
Investments in associates and joint ventures	**14**	**-12**	**375**	**77**
Loans	**1**	**1**	**2,156**	**2,405**
Other securities available for sale				
Fixed-interest	98	94	4,889	4,771
Non-fixed-interest	1	0	1,148	1,504
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	1
Non-fixed-interest	0	0	1	1
Derivatives	0	-1	-1,098	-1,004
Designated at fair value through profit or loss				
Fixed-interest	0	0	-8	46
Non-fixed-interest	0	0	1	0
Deposits retained on assumed reinsurance, and other investments	**1**	**1**	**326**	**367**
Expenses for the management of investments, other expenses	**-5**	**-6**	**-506**	**-489**
Total	**118**	**87**	**7,536**	**8,002**

The result for land and buildings includes rental income of €393m (349m). The expenses for the management of investments include running costs and expenses for repair and maintenance of property totalling €65m (62m). We earned interest income of €2,098m (2,190m) on loans. Other securities available for sale produced regular income of €4,145m (4,067m), while derivatives generated €137m (68m).

Investment income by segment (before deduction of income from technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Regular income	898	805	1,827	1,710
Thereof: Interest income	798	724	1,258	1,235
Write-ups of non-derivative investments	6	3	33	31
Gains on the disposal of non-derivative investments	372	351	1,900	1,751
Write-ups and gains on the disposal of derivatives	314	303	1,415	1,519
Other income	0	0	0	0
Total	**1,591**	**1,462**	**5,176**	**5,011**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Regular income	3,853	3,880	195	198	506	528
Thereof: Interest income	3,307	3,480	128	150	474	489
Write-ups of non-derivative investments	36	51	11	13	7	34
Gains on the disposal of non-derivative investments	895	604	220	142	208	95
Write-ups and gains on the disposal of derivatives	269	707	121	86	35	109
Other income	0	0	3	2	0	0
Total	**5,053**	**5,242**	**551**	**441**	**757**	**766**

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Regular income	90	82	7,370	7,203
Thereof: Interest income	75	78	6,040	6,156
Write-ups of non-derivative investments	0	0	94	132
Gains on the disposal of non-derivative investments	52	27	3,648	2,970
Write-ups and gains on the disposal of derivatives	2	2	2,156	2,726
Other income	0	0	3	2
Total	**144**	**111**	**13,271**	**13,033**

Investment expenses by segment (before deduction of income from technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Write-downs of non-derivative investments	-74	-22	-345	-165
Losses on the disposal of non-derivative investments	-107	-41	-527	-219
Write-downs and losses on the disposal of derivatives	-459	-540	-2,051	-2,659
Management expenses, interest charges and other expenses	-53	-48	-207	-183
Thereof:				
Interest charges	-2	-2	-7	-8
Total	**-693**	**-651**	**-3,131**	**-3,226**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Write-downs of non-derivative investments	-232	-107	-119	-27	-76	-30
Losses on the disposal of non-derivative investments	-142	-49	-46	-27	-116	-4
Write-downs and losses on the disposal of derivatives	-599	-389	-179	-162	-92	-42
Management expenses, interest charges and other expenses	-240	-244	-20	-21	-26	-28
Thereof:						
Interest charges	-4	-4	0	0	0	0
Total	**-1,213**	**-789**	**-364**	**-237**	**-309**	**-104**

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Write-downs of non-derivative investments	-2	-15	-848	-366
Losses on the disposal of non-derivative investments	-16	-1	-955	-341
Write-downs and losses on the disposal of derivatives	-2	-2	-3,382	-3,794
Management expenses, interest charges and other expenses	-5	-6	-550	-530
Thereof:				
Interest charges	0	0	-13	-14
Total	**-26**	**-24**	**-5,735**	**-5,031**

Write-downs of non-derivative investments

€m	2015	Prev. year
Land and buildings, including buildings on third-party land	-113	-87
Investments in affiliated companies	-2	-11
Investments in associates and joint ventures	-22	-34
Loans	-59	-23
Other securities available for sale	-553	-169
Other securities at fair value through profit or loss	-20	-3
Other investments	-78	-39
Total	**-848**	**-366**

34 Insurance-related investment result

Result from insurance-related investments

€m	2015	Prev. year
Result from investments for unit-linked life insurance contracts	259	495
Result from other insurance-related investments	–119	–81
Total	**140**	**414**

35 Other operating result

Other operating result

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Other operating income	139	131	312	253
Thereof:				
Interest income	82	75	6	13
Write-ups of other operating assets	6	4	27	9
Other operating expenses	–80	–78	–385	–320
Thereof:				
Interest charges	–14	–12	–23	–24
Write-downs of other operating assets	–7	–3	–11	–10

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Other operating income	136	107	88	69	149	127
Thereof:						
Interest income	6	5	2	2	3	4
Write-ups of other operating assets	7	5	8	1	3	1
Other operating expenses	–147	–157	–91	–84	–165	–167
Thereof:						
Interest charges	–34	–52	–9	–15	–10	–15
Write-downs of other operating assets	–6	–15	–17	–12	–17	–35

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Other operating income	49	60	873	747
Thereof:				
Interest income	4	6	103	105
Write-ups of other operating assets	7	3	57	23
Other operating expenses	–73	–69	–941	–875
Thereof:				
Interest charges	–6	–12	–97	–130
Write-downs of other operating assets	–12	–3	–69	–78

Other operating income mainly comprises income of €533m (483m) from services rendered, interest and similar income of €103m (105m), income of €123m (76m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €47m (36m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €414m (362m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €97m (131m), other write-downs of €61m (71m), and other tax of €107m (96m). They also contain expenses of €14m (16m) for owner-occupied property, some of which is also leased out.

36 Other non-operating result, impairment losses of goodwill and net finance costs

Other non-operating result, impairment losses of goodwill and net finance costs

	Reinsurance			
	Life		Property-casualty	
€m	2015	Prev. year	2015	Prev. year
Other non-operating income	739	540	2,048	1,361
Other non-operating expenses	–798	–599	–2,221	–1,477
Impairment losses of goodwill	0	0	0	0
Net finance costs	–38	–36	–126	–119

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	2015	Prev. year	2015	Prev. year	2015	Prev. year
Other non-operating income	1,171	521	364	210	46	78
Other non-operating expenses	–1,343	–680	–414	–289	–124	–158
Impairment losses of goodwill	–429	0	0	0	–23	–445
Net finance costs	–30	–29	–15	–15	–28	–28

→	Munich Health		Total	
€m	2015	Prev. year	2015	Prev. year
Other non-operating income	25	18	4,393	2,728
Other non-operating expenses	–24	–21	–4,924	–3,224
Impairment losses of goodwill	0	0	–452	–445
Net finance costs	–1	–1	–238	–228

The other non-operating income and expenses are unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments.

Besides foreign currency exchange gains of €4,246m (2,572m), the other non-operating income contains other non-technical income of €144m (151m).

The other non-operating expenses comprise foreign-currency exchange losses of €4,459m (2,707m), write-downs of €79m (145m) on other intangible assets, and other non-technical expenses of €386m (372m), such as other amounts that cannot be allocated elsewhere and restructuring expenses.

Net finance costs include all interest income, interest expenses and other expenses directly attributable to strategic debt. They also include income and expenses from intra-Group financing that cancel each other out. Debt has a strategic character for us if it does not have an original, direct link with our operative business.

Net finance costs by financing instrument

€m	2015	Prev. year
Subordinated bonds of Munich Reinsurance Company, Munich	–211	–205
Senior notes of Munich Re America Corporation, Wilmington	–23	–19
Subordinated bonds of HSB Group Inc., Delaware	–2	–2
Other	–2	–2
Total	**–238**	**–228**

Information on the Group's strategic debt can be found in the management report on page 98 and in the Notes to the consolidated balance sheet – Equity and liabilities (19) Subordinated liabilities and (26) Bonds and notes issued.

37 Taxes on income

This item shows the corporation tax and municipal trade earnings tax paid by the German consolidated companies (including solidarity surcharge and interest on back tax) and the comparable taxes on earnings paid by the foreign consolidated companies in the Group. In accordance with IAS 12, the determination of taxes on income includes the calculation of deferred taxes.

Recognised tax expenses/income broken down according to Germany and other countries

€m	2015	Prev. year
Current tax	–60	478
Germany	379	897
Other countries	–439	–419
Deferred tax	–416	–166
Germany	–90	15
Other countries	–326	–181
Taxes on income	**–476**	**312**

Main components of tax expenses/income

€m	2015	Prev. year
Current tax for financial year	–987	–993
Current tax for other periods	927	1,471
Deferred tax resulting from the occurrence or reversal of temporary differences	–435	–513
Deferred tax resulting from the occurrence or utilisation of loss carry-forwards	117	392
Valuation allowances for deferred taxes/loss carry-forwards	–99	–48
Effects of changes in tax rates on deferred tax	1	3
Taxes on income	**–476**	**312**

The current tax for the year under review is derived from the tax results of the financial year, to which the local tax rates of the respective Group companies are applied.

The following table shows the reconciliation between the expected taxes on income and the tax on income actually shown. The expected tax expenses are calculated by multiplying the consolidated result before taxes on income (after "other tax") by the Group tax rate. The applicable Group tax rate amounts to 33%. This takes into account corporation tax including solidarity surcharge, and trade tax (GewSt). Trade-tax municipal factors range from 240% to 490%.

Reconciliation to effective tax expenses/income

€m	2015	Prev. year
Result before taxes on income (after "other tax")	3,598	2,858
Group tax rate in %	33	33
Derived taxes on income	–1,187	–943
Tax effect of:		
Tax rate differences	275	320
Tax-free income	17	245
Non-deductible expenses	–495	–586
Valuation allowances for deferred taxes/loss carry-forwards	–99	–48
Change in tax rates and tax legislation	1	3
Tax for prior years	956	1,341
Trade tax adjustments	14	14
Other	42	–34
Taxes on income shown	**–476**	**312**

The effective tax burden is the ratio between the "taxes on income shown" and the "result before taxes on income (after "other tax")". In the year under review, there was a tax burden of 13.2% (in the previous year, tax relief of 10.9%).

"Tax-free income" is made up of tax-free currency gains, gains on the sales of shareholdings in joint-stock companies, and other tax-free income.

The non-deductible expenses mainly comprise non-tax-deductible write-downs of goodwill, non-tax-deductible allocations to provisions for premium refunds and expenses in connection with tax-free income.

The tax effect of €99m (48m) from changes in valuation allowances for deferred taxes/loss carry-forwards involves an amount of €72m (66m) in expenses from the subsequent revaluation of deferred tax assets for loss carry-forwards/tax credits from previous years and the non-application for new loss carry-forwards/tax credits, and an amount of €11m (14m) in tax savings from the offsetting of positive taxable income with tax loss carry-forwards/tax credits for which no deferred tax assets had previously been recognised. The remaining amount involves effects from the change in valuation allowances for deferred tax assets from temporary differences.

"Tax for prior years" is for actual and expected changes to tax assessments for previous years and includes deferred tax for other periods totalling €29m (130m) as well as current tax for other periods amounting to €927m (1,471m). Deferred taxes result from adjustments to tax accounts after the tax returns have been filed or tax audits have been concluded. Current tax results in particular from adjustments made to the tax provisions for all years not yet finally assessed to take account of recent developments in ongoing tax audits.

Disclosures on risks from insurance contracts and financial instruments

Munich Re's reporting is based on various legal regulations governing risks it is exposed to as a result of its business operations:

IFRS 4 prescribes disclosures on the type and extent of risks from insurance contracts. Under IFRS 7, analogous disclosures on risks from financial instruments are required. Besides this, Section 315 (2) no. 2 of the German Commercial Code (HGB) prescribes disclosures in the management report on risk management objectives and methods, hedging and risks in connection with financial instruments. These requirements are specified in more detail in German Accounting Standard No. 20 (DRS 20) for management reports.

Risk reporting concerns not only accounting but also the activities of integrated risk management (IRM) at Munich Re. To take both perspectives into account, information on risks is provided in the risk report within the management report, in the disclosures on risks from insurance contracts, and in the disclosures on technical provisions and financial instruments in the notes to the financial statements. Where necessary, we refer to the relevant information in the risk report and information on the respective items.

The disclosures in the risk report largely adopt a purely economic view. The report provides a detailed account of the organisation of risk management and Munich Re's risk strategy, briefly outlines the main risks we are exposed to, and describes in detail the economic risk capital calculated by means of our internal risk model and available financial resources. The report also contains information on specific risk complexes.

In accordance with the requirements of IFRS 4, the quantitative effects of a change in the assumptions underlying the measurement of insurance contracts and/or in the market environment are covered by information about economic risk capital stated in the risk report.

In the notes to the financial statements, we describe in detail the uncertainties involved in measuring insurance contracts. For risks from financial instruments, IFRS 7 stipulates that the disclosures must comprise information on the remaining terms, the rating, and a sensitivity analysis regarding the market risk.

38 Disclosures on risks from life and health insurance business

Significant risks from life and health insurance business comprise underwriting risks, market risks and liquidity risks. These risks are described in detail in the risk report.

Underwriting risk Of importance for the underwriting risks are biometric risks and lapse risks.

Biometric risks mainly relate to mortality, disability, morbidity and longevity. The biometric assumptions we use for measuring insurance contracts in our portfolios are regularly reviewed on the basis of updated portfolio information. Especially in primary insurance, this includes considering country-specific reviews by supervisory authorities. We also take account of market standards when checking the adequacy of biometric actuarial assumptions and the trend assumptions included in them. In reinsurance, a lapse risk derives primarily from the indirect transfer of lapse risks from cedants. As a rule, both this risk and the financial risk from extraordinary termination of reinsurance contracts are largely ruled out through appropriate contract design. In life primary insurance, the reported technical provision in the case of contracts with a surrender option is generally at least as high as the relevant surrender value. The lapse risk in primary insurance is allowed for by means of appropriate liquidity planning and adequate calculation of the surrender value.

Market risk With regard to our technical provisions, we are particularly exposed to interest-rate risk. A distinction must be made between risks of changes in interest rates on the one hand and interest-rate guarantee risks on the other. Risks of changes in interest rates would result from the discounting of the provision for future policy benefits and of parts of the provision for outstanding claims. In accordance with accounting valuation rules, the discount rate is fixed at contract commencement and will generally not be adjusted during the term of the contract. To this extent, the accounting valuation of these technical provisions does not depend directly on the level of the market interest rates. Economically, however, an interest-rate risk derives in principle from the need to earn a return on the investments covering the provision that is commensurate with the discount rate used in measuring the provision.

In reinsurance, we use the following discount rates for the provision for future policy benefits and the provision for outstanding claims:

Discount rates used for provisions – Reinsurance (gross)

€m	31.12.2015	Prev. year
Without discount rate	3,806	3,093
Discount rate ≤ 2.0%	118	246
2.0% < discount rate ≤ 3.0%	442	254
3.0% < discount rate ≤ 4.0%	4,443	3,258
4.0% < discount rate ≤ 5.0%	3,732	4,278
5.0% < discount rate ≤ 6.0%	2,327	2,285
6.0% < discount rate ≤ 7.0%	125	129
7.0% < discount rate ≤ 8.0%	446	452
Discount rate > 8.0%	161	172
Covered by deposits retained on assumed reinsurance	5,608	7,135
Total	**21,208**	**21,302**

If provisions are covered by deposits retained on assumed reinsurance, the interest is directly secured by an inflow of investment income generally guaranteed by the cedants. Consequently, for provisions for which at least the discount rate is guaranteed by the cedants, there is no interest-rate risk. For all deposits retained (previous year: €6,135m), cedants provide an interest-rate guarantee.

In life primary insurance, an implicit or explicit interest-rate guarantee is granted for the majority of contracts over their whole duration, based on a fixed interest rate applying at the time the contract is concluded. The discount rate used to calculate the provision for future policy benefits is identical with this interest rate for the majority of contracts in our portfolios. An appropriate minimum return needs to be earned in the long term from the investment result (possibly also with assistance from the technical result) for the contractually guaranteed benefits. In long-term health primary insurance, a discount rate is also used for calculating the provision for future policy benefits. However, this rate can generally be altered by way of premium adjustment. For short-term business, there is no direct interest-rate risk.

In primary insurance, the discount rates relevant for the portfolio in calculating the provision for future policy benefits and the provision for outstanding claims are as follows:

Discount rates used for provisions – Primary insurance (gross)

	Life		Health		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Without discount rate	3,984	3,626	1,351	1,290	5,335	4,916
Discount rate ≤ 2.0%	2,408	2,240	0	16	2,408	2,256
2.0% < discount rate ≤ 3.0%	23,568	27,228	6,007	3,427	29,575	30,655
3.0% < discount rate ≤ 4.0%	36,232	37,600	7,880	7,817	44,112	45,417
4.0% < discount rate ≤ 5.0%	36	36	16,859	18,060	16,895	18,096
Discount rate > 5.0%	10	12	91	93	101	105
Total	**66,238**	**70,742**	**32,190**	**30,703**	**98,427**	**101,445**

Besides this, in German health primary insurance, discount rates of 2.0–3.5% are applied for calculating the provision for premium loadings and the provision for future premium reductions, which are both part of the provision for premium refunds and total €4,882m (4,552m). These discount rates can be altered by way of a premium adjustment.

Other market risks are of particular importance to unit-linked life insurance policies, the lump-sum option in the case of deferred annuity policies and derivatives embedded in variable annuities.

For the unit-linked life insurance contracts in our portfolios, the investments are held for the benefit of life insurance policyholders who bear the investment risk, meaning that there is no direct market risk. Appropriate product design ensures that the necessary premium portions for payment of a guaranteed minimum benefit on occurrence of death are based on the current fund assets.

The lump-sum option in the case of deferred annuity policies gives policyholders the option of having their annuity paid out in a single payment at a fixed date. As a result, there is a potential risk if an unexpectedly large number of policyholders exercise their option at an interest-rate level markedly higher than the discount rate used for the annuity calculation. But there is no direct interest-rate sensitivity or market sensitivity, since the exercise of the option by the policyholder is determined to a crucial extent by individual factors and relates to the insurance components.

Some primary insurance and reinsurance contracts contain derivative components of variable annuities. These are measured separately from the underlying contract and their changes in value are recognised in the investment result. The valuation of these embedded derivatives is sensitive to share prices, exchange rates and interest rates, but the sensitivities are nearly fully compensated for by the fact that such derivatives are for the most part directly matched by financial derivatives for hedging purposes.

Liquidity risk For Munich Re, there could be a liquidity risk if the cash outflow for insurance claims payments and the costs related to the business were to exceed the cash inflow from premiums and investments. For our mainly long-term business, we therefore analyse the expected future balance from cash inflows due to premium payments and outflows for payment of insurance claims and benefits plus costs.

At the balance sheet date, this results in the future expected technical payment balances (including variable annuities) shown in the following table according to duration bands. As only the technical payment flows are considered, inflows from investment income and investments that become free are not included in the quantifications. Taking into account the inflows from investments, whose cash flows are largely aligned with those of the liabilities through our asset-liability management, items in the future expectations are positive throughout, so that the liquidity risk of these insurance contracts is minimised accordingly.

Expected future technical cash flow (gross)[1]

€m	31.12.2015	Prev. year
Up to one year	–3,879	–3,441
Over one year and up to five years	–10,762	–12,505
Over five years and up to ten years	–15,154	–17,913
Over ten years and up to 20 years	–36,237	–41,192
Over 20 years	–94,543	–101,918

1 Premiums less benefits guaranteed at the balance sheet date and costs (excluding unit-linked products).

With these numerical estimates, it should be borne in mind that this forward-looking data may involve considerable uncertainty.

39 Disclosures on risks from property-casualty insurance business

Of particular importance for property-casualty insurance contracts is the estimation risk with regard to the amount of the expected claims expenditure for future claims from current insurance contracts (premium risk) and for claims already incurred (reserve risk). There is an interest-rate risk for parts of the portfolio. Besides this, the liquidity risk has to be taken into account.

Premium risk The degree of exposure to premium risks differs according to class of business and also between primary insurance and reinsurance. The following table shows the loss ratios and combined ratios of past years. On the basis of these ratios, conclusions can be drawn about the historical volatilities in the different classes of business and about possible interdependencies. The differences in volatility are due equally to fluctuations in claims burdens and fluctuations in the respective market-price level for the covers granted.

Premiums, loss ratios and combined ratios by class of business

	2015	2014	2013	2012	2011
Gross premiums written in €m					
Reinsurance					
Liability	2,869	2,473	2,348	2,326	2,061
Accident	274	282	275	246	226
Motor	3,707	3,557	3,377	3,190	3,544
Marine, aviation, space	1,546	1,596	1,639	1,915	1,787
Fire	4,238	4,247	4,560	4,816	4,501
Engineering	1,550	1,476	1,490	1,573	1,536
Credit and surety	617	644	709	705	696
Other classes of business	2,877	2,455	2,615	2,281	2,206
Primary insurance	5,985	5,755	5,507	5,554	5,595
Loss ratio in %					
Reinsurance					
Liability	71.0	65.4	91.8	85.8	84.3
Accident	83.3	67.1	65.2	37.6	159.4
Motor	69.3	72.5	75.0	70.2	70.2
Marine, aviation, space	46.7	50.8	45.3	47.1	52.5
Fire[1]	42.2	49.9	51.0	49.6	132.2
Engineering	44.8	57.1	39.4	52.0	53.6
Credit and surety	65.7	56.2	64.5	56.4	–0.7
Other classes of business	57.0	62.1	58.1	67.8	63.6
Primary insurance	63.6	60.0	62.5	64.7	65.0
Combined ratio in %					
Reinsurance					
Liability	104.3	97.1	122.3	115.6	113.9
Accident	121.7	107.4	102.2	74.8	197.5
Motor	99.7	104.9	105.1	101.7	100.1
Marine, aviation, space	80.2	84.0	75.1	75.7	82.4
Fire[1]	70.2	76.9	76.0	73.7	157.3
Engineering	89.2	101.9	82.2	93.2	93.9
Credit and surety	109.0	98.7	101.7	94.9	41.4
Other classes of business	88.6	92.3	89.0	98.0	95.1
Primary insurance	100.1	95.7	97.2	98.7	99.1

1 The figure for 2011 is not adjusted for relief of 4.9 percentage points from economic risk transfer to the capital markets.

In the pricing of risks assumed in the accident, fire and marine lines of business, and also in sections of engineering reinsurance and in primary insurance, there is a high degree of sensitivity regarding the underlying assumptions about natural catastrophes. The following table therefore shows the combined ratios for property-casualty reinsurance including and excluding natural catastrophe losses.

Combined ratio in reinsurance for the last ten years[1]

%	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Including natural catastrophes[2]	89.7	92.7	92.1	91.0	113.8	100.5	95.3	99.4	96.4	92.6
Excluding natural catastrophes	88.8	89.4	87.4	83.3	84.4	89.5	93.9	93.2	91.7	91.6

1 In 2012, our segment reporting was modified and no longer has a consolidation column. The figures for the previous year have been adjusted accordingly. Comparability with the years up to and including 2010 is thus limited.
2 The figure for 2011 is not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.

Major losses, by which we mean individual losses exceeding €10m, are of particular relevance for the volatility of property-casualty business in reinsurance. The analysis below shows that the volatility of the individual years in this loss category is mainly attributable to the respective intensity of natural catastrophe losses, whilst the other accumulation risks exhibit a distinctly less volatile pattern.

Large losses in reinsurance according to individual calendar years (net)

€m	2015	2014	2013	2012	2011
Large losses	–1,046	–1,162	–1,689	–1,799	–5,048
Thereof losses from natural catastrophes	–149	–537	–764	–1,284	–4,538
Thereof other accumulation losses	–897	–625	–925	–515	–510

Further information on risks from large and accumulation losses can be found in the section on business performance, and in the risk report.

Reserve risk The provision for outstanding claims is subject to the risk that actual claims settlement may be less than or exceed the amount reserved.

A particular sensitivity to reserve risks exists in the case of contracts with long run-off periods. This characteristic applies especially to casualty insurance, where liabilities may manifest themselves with a considerable time lag. Particularly with regard to asbestos insurance liabilities, we cover losses from policies which were taken out decades ago and manifest themselves after a latency period of as long as 30–50 years. In response, we have posted provisions for claims under long-cancelled general liability policies which provided coverage according to the legal environment applicable at that time.

Provisions for asbestos and environmental claims

	31.12.2015		Prev. year	
€m[1]	Gross	Net	Gross	Net
Asbestos	1,957	1,700	2,140	1,754
Environmental	428	347	446	363

1 The previous year's figures have been adjusted to eliminate currency translation effects.

The development of our claims reserves and the corresponding run-off results are shown in the Notes to the consolidated balance sheet – Equity and liabilities (22) Provision for outstanding claims.

Interest-rate risks Economically, however, an interest-rate risk derives from the need to earn a return on the investments covering the provision that is commensurate with the discount rate used in measuring the provision. In balance sheet terms, the interest-rate risk affects only those parts of the technical provisions that are discounted and for which an inflow of investment income from deposits retained is not secured from cedants in at least the same amount. We use the following interest rates for discounting the technical provisions:

Discounted technical provisions according to discount rates (gross)

	Reinsurance		Primary insurance		Total	
€m	31.12.2015	Prev. year	31.12.2015	Prev. year	31.12.2015	Prev. year
Discount rate ≤ 2.0%	9	8	229	181	238	189
2.0% < discount rate ≤ 3.0%	228	212	304	301	532	513
3.0% < discount rate ≤ 4.0%	189	182	438	451	627	633
4.0% < discount rate ≤ 5.0%	1,346	1,302	0	0	1,346	1,302
Discount rate > 5.0%	0	0	0	0	0	0
Total	**1,772**	**1,704**	**971**	**933**	**2,743**	**2,637**

The major part of the discounted provisions in reinsurance is for US workers' compensation business, for which the discount rates are governed by supervisory law and are determined prospectively per accident year. The discounting of the provisions in primary insurance is also largely governed by supervisory law.

Liquidity risk For Munich Re, liquidity risks could arise if the cash outflow for insurance claims payments and the costs related to the business were to exceed the cash inflow from premiums and investments. The following table shows that in the past calendar years the liquidity situation in underwriting has always been positive. Besides this, we also have extensive, sufficiently liquid investments available to fulfil our liquidity obligations.

Payment flows and liquid funds in the individual calendar years (gross)

€m	2015	2014	2013	2012	2011
Premiums received	23,511	22,335	22,520	22,606	22,152
Claims payments for financial year	–5,659	–5,495	–5,617	–5,968	–5,930
Claims payments for previous years	–7,619	–8,193	–7,388	–8,898	–8,096
Costs	–7,501	–7,298	–7,024	–6,839	–6,808
Balance	**2,731**	**1,349**	**2,491**	**901**	**1,318**

40 Market risks from financing instruments – Sensitivity analysis

The sensitivity analysis shows the effect of capital market events on the value of investments and the corresponding impact on equity and on the consolidated income statement. Sensitivities of investments to share prices and interest rates are analysed independently of one another, i.e. ceteris paribus, with the change in market value being determined under selected capital market scenarios as follows:

To analyse equities and equity derivatives, the change in market value of ±10% and ±30% is calculated on the basis of the portfolio's delta. Non-linear effects of equity options or other asymmetrical strategies are not taken into account in this presentation. For interest-rate-sensitive instruments, on the other hand, the change in market value resulting from a global change in interest rates of +100 BP, ±50 BP and –25 BP is determined using duration and convexity. The currently low level of interest rates in the capital markets is responsible for the asymmetrical selection of scenarios for presenting the market risk of investments sensitive to interest rates. The reaction of interest-rate derivatives to the change in market value of the underlying investment is taken into account using the delta of the derivative. Alternative investments (private equity, hedge funds and commodities) are analysed together with the equities.

The effects of the capital market events listed here do not take account of tax or the provision for premium refunds (gross disclosure), i.e. the analysis does not take into account the effects resulting from policyholders' participation in surplus in insurances of the person. The impact on the results and equity shown below would be substantially reduced if these effects were considered. It is also assumed that changes in the capital markets occur instantaneously, preventing our limit systems and active countermeasures from taking effect. The analysis considers around 99% of Munich Re's investments.

Market risk – Share prices The impact of a change on the stock markets in terms of absolute amounts on the market value of investments sensitive to share prices increased in the year under review. This is due especially to the good development of the stock markets in the year under review. A change in the stock market by 10% has an impact of 9.8% (8.8%) on the market value of investments sensitive to share prices. The relative change in market value is influenced in particular by additional and restructured derivative hedging. This contributes to the impact shown on the consolidated income statement at the reporting date. Furthermore, an increase in investments, for which only a decrease in market value is recognised in the income statement, contributes to the impact shown on equity and on the consolidated income statement at the reporting date.

Change in market value of investments sensitive to share prices

Change in share prices	31.12.2015			Prev. year		
€bn	Impact on profit or loss[1]	Impact on equity[1]	Total change in market value	Impact on profit or loss[1]	Impact on equity[1]	Total change in market value
Increase of 30%	0.300	3.602	4.692	–0.237	3.533	3.953
Increase of 10%	0.017	1.201	1.481	–0.124	1.178	1.273
Decrease of 10%	–0.616	–0.603	–1.481	–0.341	–0.708	–1.268
Decrease of 30%	–2.177	–1.502	–4.468	–1.650	–1.499	–3.806
Market values			15.134			14.410

1 Gross before tax and policyholder participation in surplus.

Market risk – Interest rates The change in the market value of investments sensitive to interest rates is calculated using a parallel shift of the interest-rate curve and a revaluation of the fixed-interest securities and interest-rate derivatives on the basis of their duration and convexity. Cash and other derivatives are not included in the calculation.

The impact of the interest-rate sensitivity of Munich Re's investments on equity and on the consolidated income statement increased marginally in the year under review. Restructurings of the investments for which changes in market value are not shown in the balance sheet contribute to the impact on the total market value changes shown.

The impact on the consolidated income statement is small compared with the impact on equity, as most of the changes in the value of fixed-interest investments are accounted for in equity, with no effect on profit or loss. Also, around a third of the investments considered in this analysis are measured at amortised cost, so that changes in market value have no effect on the balance sheet or income statement.

Economically speaking, the impact of the interest-rate sensitivity of fixed-interest investments on equity is paralleled by a change in the market value of the underwriting liabilities. That is why, in managing interest-sensitive investments, our asset-liability management takes particular account of the effect of interest-rate changes on the economic value of the underwriting liabilities. This offsetting does not have an impact on the balance sheet, however, since significant portions of the underwriting liabilities are not valued on the basis of the current interest-rate curves.

Change in market value of investments sensitive to interest rates

Change in interest rates	31.12.2015			Prev. year		
€bn	Impact on profit or loss[1]	Impact on equity[1]	Total change in market value	Impact on profit or loss[1]	Impact on equity[1]	Total change in market value
Increase of 100 BP	–0.295	–8.262	–15.394	–0.244	–8.138	–14.460
Increase of 50 BP	–0.162	–4.285	–7.867	–0.129	–4.214	–7.604
Decrease of 25 BP	0.079	2.258	4.048	0.070	2.215	4.082
Decrease of 50 BP	0.170	4.592	8.186	0.144	4.503	8.351
Market values			199.000			203.339

1 Gross before tax and policyholder participation in surplus.

Other information

41 Parent

The Group parent is Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company Joint-Stock Company in Munich), Königinstrasse 107, 80802 München.

Its registered seat is Munich, Germany.

In addition to its function as a reinsurer, the parent also fulfils the function of holding company for the Group.

42 Related parties

Information on the remuneration of Board members and transactions with these persons can be found in the remuneration report, starting on page 49 and under (46) Remuneration report. Transactions between Munich Reinsurance Company and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the Notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates and joint ventures.

Munich Reinsurance Company has established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. The Munich Re pension scheme is considered a related party in accordance with IAS 24. Contributions to the pension scheme are recognised as expenses for defined contribution plans; see Notes to the consolidated balance sheet – Equity and liabilities (25) Other accrued liabilities. For transactions of related parties with Munich Reinsurance Company shares, please refer to Notes to the consolidated balance sheet – Equity and liabilities (17) Equity.

43 Personnel expenses

The following personnel expenses are included in the operating expenses, in the expenses for claims and benefits (for claims adjustment) and in the investment result:

Breakdown of personnel expenses

€m	2015	Prev. year
Wages and salaries	–2,804	–2,728
Social security contributions and employee assistance	–516	–510
Expenses for employees' pensions	–288	–225
Total	**–3,608**	**–3,463**

44 Long-Term Incentive Plan

Every year from 1999 to 2010, Munich Reinsurance Company set up long-term incentive plans, each with a term of seven years. From 1999 to 2009, the members of the Board of Management and senior management in Munich, and the top executives in Munich Re's international organisation, were participants in the scheme. In 2010, this share-price-related remuneration plan was provided only for senior management members and selected top executives in the international organisation.

Under each long-term incentive plan, participants received a certain number of stock appreciation rights.

The relevant initial share price for the stock appreciation rights was calculated from the average of closing prices for Munich Re shares in Frankfurt Xetra trading over the last three months prior to the respective plan commencement.

The personnel expenses and income incurred for the stock appreciation rights are determined on the basis of the change in the fair value of the underlying options. The fair value recognises not only the intrinsic value (difference between current share price and initial share price of the stock appreciation rights) but also the possibility of growth in value up to the date of forfeiture or expiry of the rights and is determined on the basis of recognised valuation models, taking into account the exercise conditions. At each balance sheet date, the fair value is calculated and reserved in full. In the year under review, provisions of €3.0m (5.8m) had to be posted for Munich Reinsurance Company. The personnel expense/income recognised in the income statement corresponds to the change in the provision in the year under review, taking into consideration any rights exercised. In 2015, this resulted in expenses of €3.0m (1.1m). The weighted average share price for the stock appreciation rights exercised in 2015 was €172.43 for plan year 2008, €185.89 for plan year 2009, and €191.72 for plan year 2010. The intrinsic value of the exercisable stock appreciation rights amounted to €3.0m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2008–2010

	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2015	30.6.2016	30.6.2017
Initial share price	121.84 €	97.57 €	109.11 €
Intrinsic value 2015 for one right	64.41 €	88.68 €	77.14 €
Fair value 2015 for one right	0.00 €	88.68 €	77.14 €
Number of rights on 31 Dec. 2008	441,041	0	0
Additions	463	459,271	0
Forfeited	4,194	0	0
Number of rights on 31 Dec. 2009	437,310	459,271	0
Additions	0	0	675,029
Forfeited	1,462	1,287	0
Number of rights on 31 Dec. 2010	435,848	457,984	675,029
Additions	0	0	6,546
Forfeited	7,623	7,338	16,266
Number of rights on 31 Dec. 2011	428,225	450,646	665,309
Exercised	0	320,709	365,529
Forfeited	1,422	1,253	3,655
Number of rights on 31 Dec. 2012	426,803	128,684	296,125
Exercised	385,298	90,862	168,961
Number of rights on 31 Dec. 2013	41,505	37,822	127,164
Exercised	16,993	10,022	67,502
Number of rights on 31 Dec. 2014	24,512	27,800	59,662
Exercised	24,512	19,223	31,164
Number of rights on 31 Dec. 2015	**0**	**8,577**	**28,498**
Exercisable at year-end	**0**	**8,577**	**28,498**

From 2002 to 2009, ERGO Versicherungsgruppe AG and some of its subsidiaries, as well as the MEAG companies, also set up long-term incentive plans at yearly intervals and with terms of seven years each. The persons eligible for participation – Board of Management members, managing directors and, in individual cases, also top executives – were granted a defined number of stock appreciation rights in respect of Munich Re shares. In 2010, these share-price-related remuneration plans were provided only for senior management at the MEAG companies and for the managing directors of MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH. The design of the plans is identical to that of Munich Re's long-term incentive plans, and they are accounted for in the same way. The obligations arising from the long-term incentive plans are covered by options on Munich Reinsurance Company shares. In the year under review, provisions of €0.1m (0.2m) had to be posted for the ERGO and MEAG companies. The personnel expense/income recognised in the income statement corresponds to the change in the provision in the year under review, taking into consideration any rights exercised. In 2015, this resulted in expense of €0m (0m). The weighted average share price for the stock appreciation rights exercised in 2015 was €159.00 for plan year 2008, €164.09 for plan year 2009, and €183.05 for plan year 2010. The intrinsic value of the exercisable stock appreciation rights amounted to €0.1m at the balance sheet date.

Long-Term Incentive Plans 2008–2010 of ERGO and MEAG companies

	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2015	30.6.2016	30.6.2017
Initial share price	121.84 €	97.57 €	109.11 €
Intrinsic value 2015 for one right	64.41 €	88.68 €	77.14 €
Fair value 2015 for one right	0.00 €	88.68 €	77.14 €
Number of rights on 31 Dec. 2008	172,552	0	0
Additions	0	148,834	0
Forfeited	1,803	0	0
Number of rights on 31 Dec. 2009	170,749	148,834	0
Additions	0	0	39,046
Forfeited	2,506	0	0
Number of rights on 31 Dec. 2010	168,243	148,834	39,046
Forfeited	275	255	0
Number of rights on 31 Dec. 2011	167,968	148,579	39,046
Exercised	0	127,974	19,266
Forfeited	1,798	306	668
Number of rights on 31 Dec. 2012	166,170	20,299	19,112
Exercised	160,030	16,913	12,024
Forfeited	296	0	0
Number of rights on 31 Dec. 2013	5,844	3,386	7,088
Exercised	5,285	1,420	5,417
Number of rights on 31 Dec. 2014	559	1,966	1,671
Exercised	559	1,966	1,000
Number of rights on 31 Dec. 2015	**0**	**0**	**671**
Exercisable at year-end	**0**	**0**	**671**

Each stock appreciation right entitles the holder to draw in cash the difference between the Munich Re share price at the time when the right is exercised and the initial share price. The stock appreciation rights may only be exercised after a two-year vesting period and then only if the share price is at least 20% higher than the initial price. In addition, Munich Re shares must have outperformed the EURO STOXX 50 twice at the end of a three-month period during the term of the plan. The gross amount that may be obtained from the exercising of the stock appreciation rights is limited to an increase of 150% of the initial share price.

When the stock appreciation rights are exercised, the cash payment is made (in the respective national currency) by the company that granted the rights. Stock appreciation rights not exercised on the last trading day of the plan term are exercised on the participant's behalf insofar as the prerequisites for this are met. If the prerequisites are not met, the stock appreciation rights are forfeited. If another company acquires control of Munich Reinsurance Company or if the latter's group of shareholders changes significantly due to a merger or comparable transaction or intended business combination ("change of control"), all plan participants from Munich Re may exercise their stock appreciation rights within 60 days after the change of control becomes effective, even if the prerequisites for exercising the rights are not yet met at that juncture.

45 Mid-Term Incentive Plan

Since 1 January 2009, Munich Reinsurance Company has set up medium-term incentive plans, each with a term of three years. Eligible for participation in these cash-settled share-based remuneration plans are senior management in Munich. The participants receive performance share units (PSUs). In the fourth year after plan commencement, participants are entitled to a bonus payment dependent on the achievement of value-based performance targets and the increase in the total shareholder return (TSR).

The value-based performance targets are set in the form of an average target to be achieved over the following three years of the plan and are allocated according to responsibilities.

The share-based factor TSR represents the total return on Munich Re shares and comprises share price increases plus dividends paid over a certain observation period. The initial TSR value and the final TSR value are determined from the average of the last 60 calendar days prior to plan commencement and plan termination respectively.

At plan commencement, the PSUs are granted on the basis of the set target amount for 100% achievement of objectives and the initial TSR value. The total return index of the Xetra listing of Munich Re shares, starting on 22 January 1996, is used for the TSR. The basis for the full and partial allocation of the PSUs is the first plan year.

The final number of PSUs is calculated by multiplying the number of PSUs at plan commencement by the percentage achievement of the performance target at plan termination. The number of PSUs may fluctuate between 0 and 1.5 times the initially allocated number. Payment is capped if the TSR doubles. The maximum amount payable is limited to 300%.

The Mid-Term Incentive Plan at the reporting date is valued indirectly at the fair value of the liabilities. The fair value takes account of the value-based performance target and the total shareholder return (TSR) during the performance period. To this end, the TSR index value observable in the market is updated with the current dividend yield of Munich Re shares at the termination date and discounted with appropriate market interest rates.

Munich Re's Mid-Term Incentive Plans 2012–2015

	Incentive Plan 2012	Incentive Plan 2013	Incentive Plan 2014	Incentive Plan 2015
Plan commencement	1.1.2012	1.1.2013	1.1.2014	1.1.2015
Plan end	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Fair value 2015 for one right	0.00 €	415.19 €	434.49 €	454.45 €
Number of rights (for 100% achievement of objectives) on 1 January 2012	78,568	0	0	0
Number of rights (for 100% achievement of objectives) on 31 December 2012	78,568	0	0	0
Number of rights (for 100% achievement of objectives) on 1 January 2013	78,568	51,168	0	0
Additions	977	0	0	0
Forfeited	2,891	0	0	0
Number of rights (for 100% achievement of objectives) on 31 December 2013	76,654	51,168	0	0
Number of rights (for 100% achievement of objectives) on 1 January 2014	76,654	51,168	42,233	0
Additions	0	544	0	0
Forfeited	559	500	0	0
Number of rights (for 100% achievement of objectives) on 31 December 2014	76,095	51,212	42,233	0
Number of rights (for 100% achievement of objectives) on 1 January 2015	76,095	51,212	42,233	38,217
Exercised	76,095	0	0	0
Forfeited	0	770	584	0
Number of rights (for 100% achievement of objectives) on 31 December 2015	0	50,442	41,649	38,217

In the financial year 2015, expenses of €22.0m (7.9m) were recognised for the Mid-Term Incentive Plan. The provision at the reporting date amounted to €49.2m (58.9m).

46 Remuneration report

The members of Munich Reinsurance Company's Board of Management received remuneration totalling €23.4m (24.1m). The total remuneration of Munich Reinsurance Company's Supervisory Board amounted to €2.6m (2.6m); not included in this figure is €0.2m (0.2m) for membership of supervisory boards at other Group companies, so that the overall amount came to €2.8m (2.8m).

Payments to retired members of the Board of Management or their surviving dependants totalled €8.6m (7.2m).

No personnel expenses for pension commitments were incurred for retired members of the Board of Management. After deduction of plan assets held by a separate entity (under a contractual trust agreement), there were no pension provisions or provisions for comparable benefits for retired members of the Board of Management or their surviving dependants.

There are no pension commitments for former members of the Supervisory Board or their surviving dependants.

The members of the Supervisory Board and Board of Management did not receive any cash advances or loans in the year under review. For their service as employees of the Group, Supervisory Board members received remuneration in the amount of €1.3m (1.4m). There were no significant notifiable transactions between Board members and Munich Re.

All other disclosures on the remuneration and structure of the remuneration system for the Board of Management can be found in the remuneration report on page 49. Information on share trading and shares held by members of the Board of Management and the Supervisory Board is provided in the corporate governance report on page 28.

47 Number of staff

The number of staff employed by the Group at year-end totalled 21,812 (21,899) in Germany and 21,742 (21,417) in other countries.

Breakdown of number of staff

	31.12.2015	Prev. year
Reinsurance	12,041	11,749
ERGO	29,028	28,560
Munich Health	2,485	3,007
Total	**43,554**	**43,316**

48 Auditor's fees

For services rendered to the parent and consolidated subsidiaries by the Group auditor (KPMG Bayerische Treuhandgesellschaft AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, and its affiliated companies within the meaning of Section 271 (2) of the German Commercial Code – HGB), the following fees have been recognised as an expense in the financial year:

Breakdown of auditor's fees

€k	2015
Audits of financial statements[1]	–6,686
Other assurance and appraisal services	–3,185
Tax consultancy services	–1,359
Other services	–1,838
Total	**–13,069**

1 Thereof fees totalling €6,376k for KPMG Bayerische Treuhandgesellschaft AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft.

The certified public accountant responsible for carrying out the audit within the meaning of Section 24a (2) of the Professional Statutes of German Accountants/Certified Auditors (Berufssatzung WP/vBP) is Dr. Frank Ellenbürger. He first took charge of the audit of the Company and Group financial statements for the financial year ending 31 December 2013.

49 Contingent liabilities, other financial commitments

Munich Re enters into contingent liabilities in connection with its normal business operations. In this context, the obligations from guarantees total €1m (0m), those from legal disputes €42m (7m) and those from letters of support €0m (0m). There are other financial commitments amounting to €12m (3m). Additionally, Munich Re has entered into a payment commitment of £20m towards an associate, the amount being payable in the event of over-indebtedness. Further information on risks arising from legal disputes can be found on page 133 f. in the risk report.

Estimates and judgements are necessary for contingent liabilities where the likely impact cannot be clearly determined. This is the case, for example, with respect to contingent liabilities in legal disputes. Like the evaluation process for other accrued liabilities, the assessment is made by experts in the affected units on the basis of the best estimate. Contingent liabilities are stated unless the experts estimate that the possibility of an outflow of resources is remote.

ERGO companies have assumed unlimited liability for the sale of insurance products by insurance intermediaries acting exclusively on their behalf. In this respect, there is a risk of a claim being made by customers. In case of a claim, there is a general possibility of recourse against the insurance intermediary or the latter's fidelity guarantee insurance carrier.

The application of fiscal regulations may yet be unresolved at the time of calculation of tax refund claims and tax liabilities. The calculation of tax items is based on the regulations most likely to be applied in each case. Regardless of this, the tax authorities may take a different view, which may give rise to additional tax liabilities.

In accordance with the German Insurance Supervision Act (VAG), all German life and health insurers of our Group are obliged to be members of a protection fund. For life insurers, the protection fund can levy special contributions of up to one per mille of total net technical provisions, in addition to a regular contribution of 0.2 per mille of total net technical provisions. For the health insurers, there is no pre-financing, but the fund may levy special contributions of up to two per mille of net technical provisions to fulfil its functions. This could give rise to a potential payment obligation of €146m (135m) at Group level. The functions and powers of the statutory protection fund for life insurance rest with Protektor Lebensversicherungs-AG, and those of the statutory protection fund for health insurance with Medicator AG.

Besides this, Munich Re has entered into various other financial obligations amounting to €348m (303m) for work and service contracts and €1,439m (1,075m) for investment obligations. At the reporting date, there were loan commitments amounting to €580m (610m). These figures represent undiscounted nominal amounts. There are other financial commitments amounting to €7m (7m).

There are no other financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

Contingent liabilities and other financial commitments in respect of associates and joint ventures are presented in the Notes to the consolidated balance sheet – Assets (5) Investments in affiliated companies, associates and joint ventures. These are included in the figures set out here.

50 Significant restrictions

Regulatory, legal or contractual restrictions and protective rights of non-controlling interests may restrict the Group's ability to access or use assets, and settle liabilities.

As at 31 December 2015, there were no protective rights of non-controlling interests restricting Munich Re's transfer of assets.

There are no significant restrictions on Munich Re's ability to settle the liabilities of the Group.

The carrying amounts of Group assets with restrictions on title can be found in the Notes to the consolidated balance sheet – Assets. The restrictions primarily result from contractual agreements, including pledged securities deposits to collateralise payment obligations from insurance business, the collateralisation of derivative transactions with securities or of bank liabilities with non-financial assets.

Individual national regulations require that assets held to cover insurance liabilities be managed separately. In principle, there are special supervisory regulations governing access to these assets and their use.

In addition, we are subject to supervisory requirements that may restrict dividend payments or other capital distributions, loans and advance payments within the Group.

Our subsidiary Munich American Reassurance Company shows a negative earned surplus in its local financial statements as at 31 December 2015 (Statutory Accounting Principles). For this reason, the company can only pay dividends or transfer capital to the parent company with the approval of the competent US regulatory authority.

Our companies based in Greece are subject to the capital controls introduced in 2015, and are required to go through the relevant approval processes when transferring assets.

51 Leasing

Munich Re as lessee At the balance sheet date, future minimum lease payments under non-cancellable operating leases totalled €480m (440m).

Due dates

€m	31.12.2015	Prev. year
Not later than one year	87	84
Later than one year and not later than five years	233	212
Later than five years	160	144
Total	**480**	**440**

The contracts mainly concern offices and business premises of the Group, IT infrastructure, and land that we use in connection with our infrastructure investment programme (including renewable energies and new technologies). They partly include extension options as well as restrictions regarding the agreement of subleases. In the period under review, minimum lease payments of €108m (108m) and contingent lease payments of €9m (9m) were recognised as an expense. The total of future minimum sublease payments expected to be received under non-cancellable subleases was €1m (15m) at the reporting date.

There were no significant finance leases at 31 December 2015.

Munich Re as lessor Operating leases mainly involve leased property. The total of future minimum lease payments under non-cancellable leases at the balance sheet date was €1,135m (845m).

Due dates

€m	31.12.2015	Prev. year
Not later than one year	205	182
Later than one year and not later than five years	514	433
Later than five years	415	230
Total	**1,135**	**845**

There were several finance leases for property at the balance sheet date:

Due dates

	31.12.2015			Prev. year		
€m	Gross investment	Interest element	Net investment	Gross investment	Interest element	Net investment
Minimum lease payments not later than one year	0	0	0	0	0	0
Minimum lease payments later than one year and not later than five years	2	0	2	2	0	2
Minimum lease payments later than five years	72	56	16	73	57	16
Total minimum lease payments	**74**	**57**	**18**	**75**	**57**	**18**
Unguaranteed residual values	41	35	6	42	36	6
Total	**116**	**92**	**24**	**117**	**93**	**24**

Net investments in leases correspond to the carrying amounts of the lease payments receivable at the balance sheet date.

52 Events after the balance sheet date

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management in March 2015, we repurchased a further 1.0 million Munich Re shares with a volume of €169m from the balance sheet date to the end of February 2016.

On 1 January 2016, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Lynt Farm Solar Ltd, London, England, from Solarpark Lynt GmbH, Gräfelfing, Germany. The solar park has an installed peak capacity of 26.9 megawatts.

On 12 January 2016, via its subsidiary RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the wind park company Eolus Vindpark Tio AB, Hässleholm, Sweden, from Eolus Vindpark Nio AB, Hässleholm, Sweden. Eolus Vindpark Tio AB was renamed Wind Farms Västra Götaland AB immediately after the acquisition, and owns wind power plants with an installed capacity of 12 megawatts.

The acquisitions are part of our infrastructure investment programme (including renewable energies and new technologies).

ERGO Versicherungsgruppe AG acquired an additional 22.9% of the shares in HDFC ERGO General Insurance Company (HDFC ERGO), thus increasing its shareholding in the company to 48.7%. The purchase price amounts to €155m. The carrying amount of the shareholding will probably be increased in the first half of 2016.

53 Earnings per share

There were no diluting effects to be disclosed for the calculation of earnings per share either in the financial year or in the previous year. Earnings per share can be potentially diluted in future through the issue of shares or subscription rights from amounts authorised for increasing the share capital and from contingent capital.

Earnings per share

		2015	Prev. year
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	3,107	3,152
Weighted average number of outstanding shares		165,893,895	172,170,439
Earnings per share	€	18.73	18.31

The retrospective adjustment of the previous year's figures did not result in a change to the earnings per share in the previous year (see Recognition and measurement – Changes in accounting policies and other adjustments). The number of outstanding shares decreased by 5,732,416 (8,906,893) over the course of the financial year 2015, essentially owing to the share buy-back programme.

54 Proposal for appropriation of profit

Munich Reinsurance Company's net retained profits for 2015 according to its financial statements prepared on the basis of German GAAP accounting amount to €1,376,462,678.25. The Board of Management will propose to shareholders at the Annual General Meeting that these net retained profits be used for payment of a dividend of €8.25 per dividend-bearing share, with the remaining amount being carried forward to new account.

List of shareholdings as at 31 December 2015 pursuant to Section 313 (2) of the German Commercial Code (HGB)

The following disclosures relate to companies in which our directly and indirectly held shareholdings (as defined in Section 16 (2) and (4) of the German Stock Corporation Act – AktG) add up to 20% or more of the share capital, and large companies (as defined in Section 267 (3) of the German Commercial Code – HGB) in which our directly and indirectly held shareholdings add up to more than 5% of the voting rights.

Company and registered seat	% share of capital
Consolidated subsidiaries	
13th & F associates Limited Partnership, Washington D.C.[9]	98.0000
40, Rue Courcelles SAS, Paris	100.0000
Adelfa Servicios a Instalaciones Fotovoltaicas S.L., Santa Cruz de Tenerife	100.0000
AEVG 2004 GmbH, Frankfurt[4]	0.0000
ALICE GmbH, Düsseldorf	100.0000
ALLYSCA Assistance GmbH, Munich	100.0000
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000
American Family Home Insurance Company, Jacksonville, Florida	100.0000
American Modern Home Insurance Company, Amelia, Ohio	100.0000
American Modern Home Service Company, Amelia, Ohio	100.0000
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000
American Modern Property & Casualty Insurance Company, Cincinnati, Ohio	100.0000
American Modern Select Insurance Company, Amelia, Ohio	100.0000
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000
American Southern Home Insurance Company, Jacksonville, Florida	100.0000
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000
Amicus Legal Ltd., Bristol	100.0000
ArztPartner almeda AG, Munich	100.0000
ATU Landbau GmbH, Heiligengrabe	94.9000
avanturo GmbH, Düsseldorf	100.0000
Bagmoor Holdings Limited, London	100.0000
Bagmoor Wind Limited, London	100.0000
Beaufort Dedicated No.1 Ltd, London	100.0000
Beaufort Dedicated No.2 Ltd, London	100.0000
Beaufort Dedicated No.5 Ltd, London	100.0000
Beaufort Underwriting Agency Limited, London	100.0000
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000
Bell & Clements (London) Ltd, London	100.0000
Bell & Clements (USA) Inc, Reston, Virginia	100.0000
Bell & Clements Inc, Reston, Virginia	100.0000
Bell & Clements Ltd, London	100.0000
Bos Incasso B.V., Groningen	89.7640
Calibre Commercial Insurance Pty Ltd, Sydney	90.0000
Calliden Insurance Pty Limited, Sydney	100.0000
Cannock Chase B.V., Leidschendam	100.0000
Cannock Chase Holding B.V., Amsterdam	85.0000
Cannock Chase Purchase B.V.,The Hague	100.0000
Cannock Connect Center B.V., Brouwershaven	100.0000
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000
Ceres Demetra GmbH, Munich	100.0000
Comino Beteiligungen GmbH, Grünwald	100.0000
Compagnie Européenne d'Assurances, Paris	100.0000
Corion Pty Limited, Sydney	100.0000
Cornwall Power (Polmaugan) Limited, London	100.0000
Countryside Renewables (Forest Heath) Limited, London	100.0000
D.A.S. Defensa del Automovilista y de Siniestros – Internacional, S.A. de Seguros y Reaseguros, Barcelona	100.0000
D.A.S. HELLAS Allgemeine Rechtsschutz-Versicherungs-AG, Athens	100.0000
D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest	100.0000
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	100.0000
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000
D.A.S. Rechtsschutz Aktiengesellschaft, Vienna	100.0000
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	100.0000
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9524
Daman Health Insurance – Qatar LLC, Doha, Qatar	100.0000
DAS Assistance Limited, Bristol	100.0000
DAS Holding N.V., Amsterdam	51.0000
DAS Law Limited, Bristol	100.0000
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000
DAS Legal Finance B.V., Amsterdam	100.0000
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000
DAS MEDICAL ASSIST LIMITED, Bristol	100.0000
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000
DAS Services Limited, Bristol	100.0000
DAS UK Holdings Limited, Bristol	100.0000
DB Platinum IV SICAV (Subfonds Institutional Fixed Income, Inhaber-Anteile I2D), Luxembourg[4]	100.0000
DB Platinum IV SICAV (Subfonds Institutional Fixed Income, Inhaber-Anteile I4D), Luxembourg[4]	100.0000
DB Platinum IV SICAV (Subfonds Institutional Fixed Income, Inhaber-Anteile I5D), Luxembourg[4]	100.0000
DB Platinum IV SICAV (Subfonds Institutional Fixed Income, Inhaber-Anteile I6D o.N.), Luxembourg[4]	100.0000
DKV BELGIUM S.A., Brussels	100.0000

Company and registered seat	% share of capital
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne	100.0000
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000
EIG, Co., Wilmington, Delaware	100.0000
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000
ERGO Assicurazioni S.p.A., Milan	100.0000
ERGO Austria International AG, Vienna	100.0000
ERGO Beratung und Vertrieb AG, Düsseldorf	100.0000
ERGO DIREKT Krankenversicherung AG, Fürth	100.0000
ERGO DIREKT Lebensversicherung AG, Fürth	100.0000
ERGO DIREKT Versicherung AG, Fürth	100.0000
ERGO Életbiztosító Zrt., Budapest	100.0000
ERGO Elfte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
ERGO Emeklilik ve Hayat A.S., Istanbul	100.0000
ERGO General Insurance Company S.A., Athens	100.0000
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000
ERGO Grubu Holding A.Ş., Istanbul	100.0000
ERGO Grundstücksverwaltung GbR, Düsseldorf	100.0000
ERGO Immobilien-GmbH 14. Victoria & Co. KG, Kreien[2]	100.0000
ERGO Immobilien-GmbH 5. Hamburg-Mannheimer & Co. KG, Kreien[2]	100.0000
ERGO Insurance Company, St. Petersburg	100.0000
ERGO Insurance N.V., Brussels	99.9999
ERGO Insurance Pte. Ltd., Singapore	100.0000
ERGO Insurance SE, Tallinn	100.0000
ERGO International Aktiengesellschaft, Düsseldorf	100.0000
ERGO International Services GmbH, Düsseldorf	100.0000
ERGO Invest SIA, Riga	100.0000
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000
ERGO Italia Direct Network s.r.l., Milan	100.0000
ERGO Italia S.p.A., Milan	100.0000
ERGO Lebensversicherung Aktiengesellschaft, Hamburg	100.0000
ERGO Life Insurance Company S.A., Thessaloniki	100.0000
ERGO Life Insurance SE, Vilnius	100.0000
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
ERGO osiguranje d.d., Zagreb	100.0000
ERGO Partners N.V., Brussels	100.0000
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf	100.0000
ERGO Pensionskasse AG, Düsseldorf	100.0000
ERGO Poist´ovna, a. s., Bratislava	100.0000
ERGO pojist´ovna, a.s., Prague	100.0000
ERGO Previdenza S.p.A., Milan	100.0000
ERGO Private Capital Dritte GmbH & Co. KG, Düsseldorf	100.0000
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000
ERGO Private Capital Komposit GmbH & Co. KG, Düsseldorf	100.0000
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000
ERGO Private Capital Vierte GmbH & Co. KG, Düsseldorf	100.0000
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000
ERGO SIGORTA A.S., Istanbul	100.0000
ERGO Versicherung Aktiengesellschaft, Düsseldorf	100.0000
ERGO Versicherung Aktiengesellschaft, Vienna	93.4536
ERGO Versicherungsgruppe AG, Düsseldorf	100.0000
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000
ERGO Zivljenjska zavarovalnica d.d., Ljubljana	100.0000
ERGO Zivotno osiguranje d.d., Zagreb	100.0000
ERV Evropská pojišťovna, a. s., Prague	90.0000
ERV Försäkringsaktiebolag (publ), Stockholm	100.0000
Europaeiske Rejseforsikring A/S, Copenhagen	100.0000
EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich	100.0000
Everything Legal Ltd., Bristol	100.0000
FAIRANCE GmbH, Düsseldorf	100.0000
Flexitel Telefonservice GmbH, Berlin	100.0000
FLEXKONZEPT – EUROBOND, Munich[4]	100.0000
Forst Ebnath AG, Ebnath	100.0000
FOTOUNO S.r.l., Bressanone	100.0000
FOTOWATIO ITALIA GALATINA S.r.l., Bressanone	100.0000
GF 65, Vienna[4]	100.0000
Global Standards, LLC, Dover, Delaware	100.0000
Globality S.A., Luxembourg	100.0000
Great Lakes Reinsurance (UK) SE, London	100.0000
Group Risk Services Limited, London	100.0000
Groves, John & Westrup Limited, London	100.0000
Habiriscos – Investimentos Imobiliarios e Turísticos, S.A., Lisbon	100.0000
Hartford Steam Boiler (M) Sdn. Bhd., Kuala Lumpur	100.0000
Hartford Steam Boiler (Singapore) PTE Ltd, Singapore	100.0000
Hartford Steam Boiler International GmbH, Rheine	100.0000
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000
HSB Brasil Servicos de Engenharia e Inspecao, Ltda., São Paulo	100.0000
HSB Engineering Finance Corporation, Dover, Delaware	100.0000
HSB Engineering Insurance Limited, London	100.0000
HSB Engineering Insurance Services Limited, London	100.0000
HSB Group, Inc., Dover, Delaware	100.0000
HSB International (India) Private Limited, Gujarat	100.0000
HSB Japan KK, Minato-KU, Tokyo	100.0000
HSB Solomon Associates Canada Ltd., Saint John, Providence of New Brunswick	100.0000
HSB Solomon Associates LLC, Dover, Delaware	100.0000
HSB Specialty Insurance Company, Hartford, Connecticut	100.0000
HSB Technical Consulting & Service (Shanghai) Company, Ltd, Shanghai	100.0000
Ibero Property Portugal – Investimentos Imobiliarios S.A., Lisbon	100.0000
Ibero Property Trust S.A., Madrid	100.0000
IDEENKAPITAL Financial Engineering GmbH, Düsseldorf	100.0000
IDEENKAPITAL Financial Service GmbH i. L., Düsseldorf	100.0000
IDEENKAPITAL GmbH, Düsseldorf	100.0000
IDEENKAPITAL Media Finance GmbH, Düsseldorf	50.1000
IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf	72.3477
iii, Munich[4]	100.0000
IK Einkauf Objekt Eins gmbH & Co. KG, Düsseldorf	100.0000
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0387
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000
IKFE Properties I AG, Zurich	63.5708
Imofloresmira – Investimentos Imobiliarios S.A., Lisbon	100.0000
Insurance Company "ERGO Life" Ltd., Moscow	100.0000

Company and registered seat	% share of capital
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143
ITERGO Informationstechnologie GmbH, Düsseldorf	100.0000
Joint Stock Insurance Company ERGO, Minsk	92.3114
JSC "ERV Travel Insurance", Moscow	100.0000
K & P Pflegezentrum Uelzen IMMAC Renditefonds GmbH & Co. KG, Düsseldorf	84.8445
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000
Kapdom-Invest GmbH, Moscow	100.0000
KS SPV 23 Limited, London	100.0000
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen[4]	89.7640
LEGIAL AG, Munich	100.0000
Lietuva Demetra GmbH, Munich	100.0000
LifePlans Inc., Waltham, Massachusetts	100.0000
LifePlans LTC Services, Inc., Toronto, Ontario	100.0000
Lloyds Modern Corporation, Dallas, Texas	100.0000
Longial GmbH, Düsseldorf	100.0000
MAGAZ FOTOVOLTAICA S.L.U., Alcobendas	100.0000
Mandaat B.V., Druten	100.0000
Marina Salud S.A., Alicante	65.0000
Marina Sp.z.o.o., Sopot	100.0000
MEAG ANGLO CELTIC Fund, Munich[4]	100.0000
MEAG ATLAS, Munich[4]	100.0000
MEAG Benedict, Munich[4]	100.0000
MEAG Cash Management GmbH, Munich	100.0000
MEAG EDL CurryGov, Munich[4]	100.0000
MEAG EDL EuroValue, Munich[4]	100.0000
MEAG EDS AGIL, Munich[4]	100.0000
MEAG ERGO Belgium Equities, Munich[4]	100.0000
MEAG ESUS 1, Munich[4]	100.0000
MEAG EUR Global 1, Munich[4]	100.0000
MEAG Euro 1, Munich[4]	100.0000
MEAG Euro 2, Munich[4]	100.0000
MEAG EURO-FONDS, Munich[4]	100.0000
Meag Eurostar (Spezialfonds), Munich[4]	100.0000
MEAG EURO-Yield, Munich[4]	100.0000
MEAG GBP-Global-STAR, Munich[4]	100.0000
MEAG German Prime Opportunities (GPO), Munich[4]	100.0000
MEAG Golf 1, Munich[4]	100.0000
MEAG HBG 1, Munich[4]	100.0000
MEAG HM Sach 1, Munich[4]	100.0000
MEAG HM Sach Rent 1, Munich[4]	100.0000
MEAG HMR1, Munich[4]	100.0000
MEAG HMR2, Munich[4]	100.0000
MEAG IREN, Munich[4]	100.0000
MEAG Janus[4]	100.0000
MEAG Kapital 2, Munich[4]	100.0000
MEAG Kapital 5, Munich[4]	100.0000
MEAG Lambda EUR 2, Grünwald[4]	100.0000
MEAG Lambda EUR EM Local, Munich[4]	100.0000
MEAG Lambda EUR, Grünwald[4]	100.0000
MEAG Lambda GBP, Grünwald[4]	100.0000
MEAG Lambda USD, Grünwald[4]	100.0000
MEAG Lambda USD-COP, Grünwald[4]	100.0000
MEAG Multi Life, Munich[4]	100.0000
MEAG Multi Sach 1, Munich[4]	100.0000
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000

Company and registered seat	% share of capital
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich	100.0000
MEAG Munich Re Placement, Grünwald[4]	100.0000
MEAG New York Corporation, Wilmington, Delaware	100.0000
MEAG PEGASUS, Munich[4]	100.0000
MEAG PK-NORD, Munich[4]	100.0000
MEAG PK-WEST, Munich[4]	100.0000
MEAG Premium, Munich[4]	100.0000
MEAG Prof III Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
MEAG Property Fund I, Munich[4]	100.0000
MEAG Property Fund III, Munich[4]	100.0000
MEAG RenditePlus, Munich[4]	100.0000
MEAG REVO, Munich[4]	100.0000
MEAG SAG 1, Munich[4]	100.0000
Meag Tandem (Spezialfonds), Munich[4]	100.0000
MEAG US Reserve Fund II, Munich[4]	100.0000
MEAG Venus, Munich[4]	100.0000
MEAG Vidas 4, Munich[4]	100.0000
MEAG Vidas Rent 3, Munich[4]	100.0000
MEAG Vigifonds, Munich[4]	100.0000
MEAG VLA, Munich[4]	100.0000
MedNet Holding GmbH, Munich	100.0000
MedWell Gesundheits-AG, Cologne	100.0000
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf	100.0000
MFI Munich Finance and Investment Holding Ltd., Ta´ Xbiex	100.0000
MFI Munich Finance and Investment Ltd., Ta´ Xbiex	100.0000
Midland-Guardian Co., Amelia, Ohio	100.0000
Midwest Enterprises, Inc., Miami, Florida	100.0000
MR Beteiligungen 1. GmbH, Munich[3]	100.0000
MR Beteiligungen 18. GmbH & Co. Immobilien KG, Grünwald[2]	100.0000
MR Beteiligungen 19. GmbH, Munich	100.0000
MR Beteiligungen 2. EUR AG & Co. KG, Grünwald[2]	100.0000
MR Beteiligungen 3. EUR AG & Co. KG, Grünwald[2]	100.0000
MR Beteiligungen EUR AG & Co. KG, Grünwald[2]	100.0000
MR Beteiligungen GBP AG & Co. KG, Grünwald[2]	100.0000
MR Beteiligungen USD AG & Co. KG, Grünwald[2]	100.0000
MR ERGO Beteiligungen GmbH, Grünwald	100.0000
MR Infrastructure Investment GmbH, Grünwald	100.0000
MR RENT UK Investment Limited, London	100.0000
MR RENT-Investment GmbH, Munich	100.0000
MR Solar GmbH & Co. KG, Nuremberg	100.0000
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000
MSP Underwriting Ltd., London	100.0000
MU068 MR Placem (FCP), Munich[4]	100.0000
Munich American Holding Corporation, Wilmington, Delaware	100.0000
Munich American Life Reinsurance Company, Atlanta, Georgia	100.0000
Munich American Reassurance Company, Atlanta, Georgia	100.0000
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000
Munich Health Alpha GmbH, Munich[3]	100.0000
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000
Munich Health Holding AG, Munich[3]	100.0000
Munich Health North America, Inc., Wilmington, Delaware	100.0000
Munich Holdings Ltd., Toronto, Ontario	100.0000

Company and registered seat	% share of capital
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000
Munich Life Management Corporation Ltd., Toronto, Ontario	100.0000
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000
Munich Re America Corporation, Wilmington, Delaware	100.0000
Munich Re America Services Inc., Wilmington, Delaware	100.0000
Munich Re Automation Solutions Limited, Dublin	100.0000
Munich Re Capital Limited, London	100.0000
Munich Re do Brasil Resseguradora S.A., São Paulo	100.0000
Munich Re Holding Company (UK) Ltd., London	100.0000
Munich Re of Malta Holding Limited, Ta´ Xbiex	99.9999
Munich Re of Malta p.l.c., Ta´ Xbiex	99.9999
Munich Re Reserve Risk Financing, Inc., Dover	100.0000
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000
Munich Re Trading LLC, Wilmington, Delaware	100.0000
Munich Re UK Services Limited, London	100.0000
Munich Re Syndicate Limited, London	100.0000
Munich Re Weather & Commodity Risk Holding, Inc., Wilmington, Delaware	100.0000
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000
Munich Reinsurance Company of Africa Ltd, Johannesburg	100.0000
Munich Reinsurance Company of Australasia Ltd, Sydney	100.0000
Munich Reinsurance Company of Canada, Toronto, Ontario	100.0000
MunichFinancialGroup GmbH, Munich	100.0000
Munichre General Services Limited i.L., London	100.0000
Munichre New Zealand Service Ltd., Auckland	100.0000
N.M.U. (Holdings) Limited, Leeds	100.0000
Neckermann Versicherung AG, Nuremberg	100.0000
New Reinsurance Company Ltd., Zurich	100.0000
Nightingale Legal Services Ltd., Bristol	100.0000
NMU Group Limited, London	100.0000
Northern Marine Underwriters Limited, Leeds	100.0000
OIK Mediclin, Wiesbaden[4]	66.6672
P.A.N. GmbH & Co. KG, Grünwald[2]	99.0000
Pan Estates LLC, Wilmington	100.0000
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000
Private Aktiengesellschaft "Europäische Reiseversicherung", Kiev	99.9999
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000
Roanoke Group Inc., Schaumburg, Illinois	100.0000
Roanoke Insurance Group Inc., Schaumburg, Illinois	100.0000
Roanoke International Brokers Limited, London	100.0000
Scout Moor Group Limited, London	100.0000
Scout Moor Holdings (No. 1) Limited, London	100.0000
Scout Moor Holdings (No. 2) Limited, London	100.0000
Scout Moor Wind Farm (No. 2) Limited, London	100.0000
Scout Moor Wind Farm Limited, London	100.0000
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	100.0000
Silvanus Vermögensverwaltungsges. mbH, Munich	100.0000
Solarpark Fusion 3 GmbH, Düsseldorf	100.0000
Solomon Associates Limited, Farnborough	100.0000
Sopocki Instytut Ubezpieczeń S.A., Sopot	100.0000
Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot	100.0000
Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot	100.0000
Specialty Insurance Services Corp., Amelia, Ohio	100.0000
SunEnergy & Partners S.r.l., Bressanone	100.0000
Temple Insurance Company, Toronto, Ontario	100.0000
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000
The Boiler Inspection and Insurance Company of Canada, Toronto, Ontario	100.0000
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000
The Midland Company, Cincinnati, Ohio	100.0000
The Polytechnic Club, Inc., Hartford, Connecticut	100.0000
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000
Tir Mostyn and Foel Goch Limited, London	100.0000
UAB VL Investment Vilnius 5, Vilnius	100.0000
UAB VL Investment Vilnius 6, Vilnius	100.0000
UAB VL Investment Vilnius 7, Vilnius	100.0000
UAB VL Investment Vilnius 8, Vilnius	100.0000
UAB VL Investment Vilnius 9, Vilnius	100.0000
UAB VL Investment Vilnius 1, Vilnius	100.0000
UAB VL Investment Vilnius 10, Vilnius	100.0000
UAB VL Investment Vilnius 2, Vilnius	100.0000
UAB VL Investment Vilnius 3, Vilnius	100.0000
UAB VL Investment Vilnius 4, Vilnius	100.0000
UAB VL Investment Vilnius, Vilnius	100.0000
UK Wind Holdings Ltd, London	100.0000
Union Beteiligungsholding GmbH, Vienna	100.0000
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000
US PROPERTIES VA GmbH & Co. KG, Düsseldorf[4]	46.0939
Van Arkel Gerechtsdeurwaarders B.V., Leiden[4]	100.0000
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000
Victoria Investment Properties Two L.P., Atlanta, Georgia	100.0000
VICTORIA Italy Property GmbH, Düsseldorf	100.0000
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf	100.0000
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000
VICTORIA US Property Zwei GmbH, Munich	100.0000
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf	100.0000
VORSORGE Luxemburg Lebensversicherung S.A., Grevenmacher	100.0000
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000
Watkins Syndicate Labuan Limited (WSLAB), Labuan	100.0000
Watkins Syndicate Middle East Limited, Dubai	100.0000
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000
welivit GmbH, Düsseldorf	100.0000

Company and registered seat	% share of capital
welivit Solarfonds GmbH & Co. KG, Düsseldorf	100.0000
welivit Solarfonds S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000
WFB Stockholm Management AB, Stockholm[4]	50.0000
Wind Farms Götaland Svealand AB, Hässleholm	100.0000
Windpark MR-B GmbH & Co. KG, Bremen[2]	100.0000
Windpark MR-D GmbH & Co. KG, Bremen[2]	100.0000
Windpark MR-N gmbH & Co. KG, Bremen[2]	100.0000
Windpark MR-S GmbH & Co. KG, Bremen[2]	100.0000
Windpark MR-T GmbH & Co.KG, Bremen[2]	100.0000
wse Solarpark Spanien 1 GmbH & Co. KG, Düsseldorf	75.1243
X-Pact B.V., The Hague	62.5000
Non-consolidated subsidiaries	
80e LIMITED, Bristol	100.0000
ADVIA NV, Schoten	80.0000
Aleama 150015 S.L., Valencia	100.0000
Amicus Ltd., Bristol	100.0000
ANOVA GmbH, Rostock	100.0000
Arridabra 130013 S.L., Valencia	100.0000
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000
B&D Business Solutions B.V., Utrecht	100.0000
Badozoc 1001 S.L., Valencia	100.0000
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna	100.0000
Baqueda 7007 S.L., Valencia	100.0000
Beaufort Dedicated No.3 Ltd, London	100.0000
Beaufort Dedicated No.4 Ltd, London	100.0000
Beaufort Dedicated No.6 Ltd, London	100.0000
Beaufort Underwriting Services Limited, London	100.0000
Bobasbe 6006 S.L., Valencia	100.0000
Botedazo 8008 S.L., Valencia	100.0000
Callopio 5005 S.L., Valencia	100.0000
Camcichu 9009 S.L., Valencia	100.0000
Cannock Chase Incasso II B.V., The Hague	100.0000
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000
Caracuel Solar Catorce S.L., Valencia	100.0000
Caracuel Solar Cinco S.L., Valencia	100.0000
Caracuel Solar Cuatro S.L., Valencia	100.0000
Caracuel Solar Dieciocho S.L., Valencia	100.0000
Caracuel Solar Dieciseis S.L., Valencia	100.0000
Caracuel Solar Diecisiete S.L., Valencia	100.0000
Caracuel Solar Diez S.L., Valencia	100.0000
Caracuel Solar Doce S.L., Valencia	100.0000
Caracuel Solar Dos S.L., Valencia	100.0000
Caracuel Solar Nueve S.L., Valencia	100.0000
Caracuel Solar Ocho S.L., Valencia	100.0000
Caracuel Solar Once S.L., Valencia	100.0000
Caracuel Solar Quince S.L., Valencia	100.0000
Caracuel Solar Seis S.L., Valencia	100.0000
Caracuel Solar Siete S.L., Valencia	100.0000
Caracuel Solar Trece S.L., Valencia	100.0000
Caracuel Solar Tres S.L., Valencia	100.0000
Caracuel Solar Uno S.L., Valencia	100.0000
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000
Centrum Pomocy Osobom Poszkodowanym Sp. z o.o., Danzig	100.0000
Copper Leaf Research, Bingham Farms, Michigan	100.0000

Company and registered seat	% share of capital
Cotatrillo 100010 S.L., Valencia	100.0000
D.A.S. Prawo i Finanse Sp. z o.o., Warsaw	100.0000
D.A.S. Rechtsschutz Leistungs-GmbH, Munich	100.0000
D.A.S., Tomasz Niedzinski Kancelaria Prawna Spolka komandytowa, Warsaw	95.0000
DAS America Legal Protection Insurance Agency Ltd., Wilmington, Delaware	100.0000
DAS Financial Services B.V., Amsterdam	51.0000
DAS Incasso Arnhem B.V., Elst	100.0000
DAS Incasso Eindhoven B.V., Eindhoven	100.0000
DAS Incasso Rotterdam B.V., Rotterdam	80.0000
DAS Legal Protection Ireland Limited, Dublin	100.0000
DAS Legal Protection Limited, Christchurch, New Zealand	100.0000
DAS Legal Protection Limited, Vancouver	100.0000
DAS Legal Protection Pty. Ltd., Sydney	100.0000
DAS Legal Services B.V., Breda	100.0000
DAS Lex Assistance, S.L., L´Hospitalet de Llobregat	100.0000
DKV – Beta Vermögensverwaltungs GmbH, Cologne	100.0000
DKV Gesundheits Service GmbH, Cologne	100.0000
DKV Servicios, S.A., Saragossa	100.0000
DKV-Residenz am Tibusplatz gGmbH, Münster	100.0000
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000
DRA Debt Recovery Agency B.V., The Hague	100.0000
E&S Claims Management Inc., Reston, Virginia[4]	0.0000
EDR Resources B.V., The Hague	100.0000
ERGO Alpha GmbH, Düsseldorf	100.0000
ERGO Asia Management Pte. Ltd., Singapore	100.0000
ERGO GmbH, Herisau	100.0000
ERGO Gourmet GmbH, Düsseldorf	100.0000
ERGO Immobilien-GmbH 15. Victoria & Co. KG, Kreien	100.0000
ERGO Immobilien-GmbH 4. DKV & Co. KG, Kreien	100.0000
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien	100.0000
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000
ERGO Infrastructure Investment Gesundheit GmbH, Düsseldorf	100.0000
ERGO Infrastructure Investment Komposit GmbH, Düsseldorf	100.0000
ERGO Leben Asien Verwaltungs GmbH, Munich	100.0000
ERGO PORTFÖY YÖNETIMI A.S., Istanbul	100.0000
ERGO Private Capital GmbH, Düsseldorf	100.0000
ERGO PRO S.r.l., Verona	100.0000
ERGO Pro Sp. z o.o., Warsaw	100.0000
ERGO Pro, spol. s r.o., Prague	100.0000
ERGO Specialty GmbH, Hamburg	100.0000
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000
ERGO Zehnte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
ERGO Zwölfte Beteiligungsgesellschaft mbH, Munich	100.0000
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000
ERV (India) Travel Service and Consulting Private Limited, Mumbai	99.9999
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.9980
Etics, s.r.o., Prague	100.0000
Etoblete 160016 S.L., Valencia	100.0000
Euro-Center (Cyprus) Ltd., Larnaca	100.0000
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000

Company and registered seat	% share of capital
Euro-Center China (HK) Co., Ltd., Beijing	100.0000
Euro-Center Holding North Asia (HK) Pte. Ltd., Hong Kong	100.0000
Euro-Center Holding SE, Prague	83.3331
Euro-Center Ltda., São Paulo	100.0000
Euro-Center North Asia Consulting Services (Beijing) Co., Ltd., Beijing	100.0000
Euro-Center Prague, s.r.o., Prague	100.0000
Euro-Center USA, Inc., New York City, New York	100.0000
Euro-Center Yerel Yardim, Istanbul	100.0000
Euro-Center, S.A. (Spain), Palma de Mallorca	100.0000
Europäische (UK) Ltd., London	100.0000
European Assistance Holding GmbH, Munich	100.0000
Evaluación Médica TUW, S.L., Barcelona	100.0000
Exolvo GmbH, Hamburg	100.0000
First Legal Protection Limited, Bristol	100.0000
First Marine Financial Services, Amelia, Ohio	100.0000
Flexkonzept – Basis, Luxembourg[4]	100.0000
Flexkonzept – Wachstum, Luxembourg[4]	100.0000
Flexkonzept EuroBase, Luxembourg[4]	100.0000
FlexKonzept EuroGrowth, Luxembourg[4]	100.0000
Gamaponti 140014 S.L., Valencia	100.0000
GBG Vogelsanger Straße GmbH, Cologne	94.7826
Gebäude Service Gesellschaft Überseering 35 mbH, Hamburg	100.0000
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000
goDentis – Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000
goMedus GmbH & Co. KG, Cologne	100.0000
GRANCAN Sun-Line S.L., Valencia	100.0000
Great Lakes Re Management Company (Belgium) S.A., Brussels	100.0000
Guanzu 2002 S.L., Valencia	100.0000
Hamburger Hof Management GmbH, Hamburg	100.0000
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000
Hartford Steam Boiler Colombia Ltda, Bogotá	100.0000
Hartford Steam Boiler UK Limited, Chelmsford	100.0000
Hestia Loss Control Sp. z o.o., Sopot	100.0000
Horbach GmbH Versicherungsvermittlung und Finanzdienstleistungen, Düsseldorf	70.1000
HSB Associates, Inc., New York, New York	100.0000
HSB Ventures, Inc., Dover, Delaware	100.0000
Ibero Property Guadalix S.A., Madrid	100.0000
IDEENKAPITAL Anlagebetreuungs GmbH, Düsseldorf	100.0000
Ideenkapital Client Service GmbH, Düsseldorf	100.0000
Ideenkapital erste Investoren Service GmbH, Düsseldorf	100.0000
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000

Company and registered seat	% share of capital
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000
IK FE Fonds Management GmbH, Düsseldorf	100.0000
IK Komp GmbH, Düsseldorf	100.0000
IK MEGA 4 Service GmbH, Düsseldorf	100.0000
IK Objekt Bensheim GmbH, Düsseldorf	100.0000
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000
IK Property Eins Verwaltungsgesellschaft mbH, Hamburg	100.0000
IK Property Treuhand GmbH, Düsseldorf	100.0000
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000
Janus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000
Jogszerviz Kft., Budapest	100.0000
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co.KG, Düsseldorf[4]	36.6889
K & P Objekt München Hufelandstraße GmbH, Düsseldorf	100.0000
KQV Solarpark Franken 1 GmbH & Co. KG, Düsseldorf	100.0000
Kuik & Partners Credit Management BVBA, Brussels	98.9000
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000
Law On The Web Limited, Bristol	100.0000
LawAssist Limited, Bristol	100.0000
Legal Net GmbH, Munich	100.0000
Leggle B.V., Amsterdam	100.0000
m:editerran POWER FRANCE GmbH, Düsseldorf	100.0000
m:editerran Power S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000
MAM Munich Asset Management GmbH, Munich	100.0000
Marbury Agency, Inc., Amelia, Ohio	100.0000
MAYFAIR Financing GmbH, Munich	100.0000
MAYFAIR Holding GmbH, Düsseldorf	100.0000
MEAG EmergingMarkets Rent A-Anteile, Munich[4]	100.0000
MEAG EmergingMarkets Rent I-Anteile[4]	100.0000
MEAG GlobalRent A, Munich[4]	99.7294
MEAG GlobalRent I, Munich[4]	100.0000
MEAG Hong Kong Limited, Hong Kong	100.0000
MEAG Luxembourg S.à r.l., Luxembourg	100.0000
MEAG Osteuropa A, Munich[4]	42.3526
MEAG Pension Rent, Munich[4]	29.8958
MEAG Pension Safe, Munich[4]	68.9365
MEAG Property Fund II, Munich[4]	100.0000
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000
MEAG RealReturn Inhaber-Anteile A, Munich[4]	49.5073
MEAG Vermögensanlage Komfort, Munich[4]	67.4875
MEAG Vermögensanlage Return A, Munich[4]	100.0000
MEAG Vermögensanlage Return I, Munich[4]	100.0000
Mediastream Consulting GmbH, Grünwald	100.0000
Mediastream Dritte Film GmbH, Grünwald	100.0000
Mediastream Film GmbH, Grünwald	100.0000
Mediastream Vierte Medien GmbH i. L., Grünwald	100.0000
Mediastream Zweite Film GmbH, Grünwald	100.0000

Company and registered seat	% share of capital
MedNet Bahrain W.L.L., Manama	100.0000
MedNet Egypt LLC, Cairo	100.0000
MedNet Europa GmbH, Munich	100.0000
MedNet Greece S.A., Athens	78.1419
MedNet International Ltd., Nicosia	100.0000
Mednet Jordan C. W.L.L., Amman	100.0000
MedNet Saudi Arabia LLC, Riyadh	100.0000
MedNet UAE FZ L.L.C., Dubai	100.0000
miCura Pflegedienste Berlin GmbH, Berlin	100.0000
miCura Pflegedienste Bremen GmbH, Bremen	100.0000
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000
miCura Pflegedienste GmbH, Cologne	100.0000
miCura Pflegedienste Hamburg GmbH, Hamburg	100.0000
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000
miCura Pflegedienste München / Dachau GmbH, Dachau	51.0000
miCura Pflegedienste München GmbH i. L., Munich	100.0000
miCura Pflegedienste München Ost GmbH, Munich	65.0000
miCura Pflegedienste Münster GmbH, Münster	100.0000
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000
MR Beteiligungen 15. GmbH, Munich	100.0000
MR Beteiligungen 16. GmbH, Munich	100.0000
MR Beteiligungen 18. GmbH, Grünwald	100.0000
MR Beteiligungen AG, Grünwald	100.0000
MR Financial Group GmbH, Munich	100.0000
MR Forest GmbH, Munich	100.0000
MR Infrastructure, Inc., Dover, Delaware	100.0000
MR RENT-Management GmbH, Munich	100.0000
MR Solar Beneixama GmbH i.L., Nuremberg	100.0000
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000
Münchener de México S. A., Mexico	100.0000
Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas	100.0000
Münchener Finanzgruppe AG Beteiligungen, Munich	100.0000
Münchener Vermögensverwaltung GmbH, Munich	100.0000
Münchener, ESCRITÓRIO DE REPRESENTACAO DO BRASIL LTDA, São Paulo	100.0000
Munich Canada Systems Corporation, Toronto, Ontario	100.0000
Munich Columbia Square Corp., Wilmington, Delaware	100.0000
Munich Management Pte. Ltd., Singapore	100.0000
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000
Munich Re America Management Ltd., London	100.0000
Munich Re Automation Solutions GmbH, Munich	100.0000
Munich Re Automation Solutions Inc., Wilmington, Delaware	100.0000
Munich Re Automation Solutions KK, Tokyo	100.0000
Munich Re Automation Solutions Pte. Ltd., Singapore	100.0000
Munich Re Automation Solutions Pty Limited, Sydney	100.0000
Munich Re Capital Markets GmbH, Munich	100.0000
Munich Re India Services Private Limited, Mumbai	100.0000
Munich Re Japan Services K. K., Tokyo	100.0000
Munich Re Underwriting Limited, London	100.0000
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000
Munich American Reassurance Company PAC, Inc., Atlanta, Georgia[4]	0.0000
Munich-American Risk Partners GmbH, Munich	100.0000
Munich-Canada Management Corp. Ltd., Toronto, Ontario	100.0000

Company and registered seat	% share of capital
MunichFinancialGroup AG Holding, Munich	100.0000
MunichFinancialServices AG Holding, Munich	100.0000
Munichre Service Limited, Hong Kong	100.0000
Naretoblera 170017 S.L., Valencia	100.0000
Nerruze 120012 S.L., Valencia	100.0000
One State Street Intermediaries, Inc., Hartford, Connecticut	100.0000
Orrazipo 110011 S.L., Valencia	100.0000
P.A.N. Verwaltungs GmbH, Grünwald	99.0000
PLATINIA Verwaltungs-GmbH, Munich	100.0000
ProContact Sp. z o.o., Danzig	100.0000
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000
PRORENDITA Fünf Verwaltungsgesellschaft mbH, Hamburg	100.0000
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000
ProVictor Immobilien GmbH i.L., Düsseldorf[4]	50.0000
Reaseguradora de las Américas S. A., La Habana	100.0000
Roanoke Trade Insurance Inc., Schaumburg, Illinois	100.0000
SAINT LEON ENERGIE S.A.R.L., Saargemünd	100.0000
Schloss Hohenkammer GmbH, Hohenkammer	100.0000
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000
Sensus Group B.V., Stadskanaal	100.0000
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000
Sydney Euro-Center Pty. Ltd., Sydney	100.0000
Synkronos Italia SRL, Milan	59.3500
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000
TAS Touristik Assekuranz Service International GmbH i. L., Frankfurt/Main	100.0000
TAS Touristik Assekuranzmakler und Service GmbH, Frankfurt/Main	100.0000
Three Lions Underwriting Ltd., London	100.0000
Tillobesta 180018 S.L., Valencia	100.0000
Triple IP B.V., Amsterdam	100.0000
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000
VB VICTORIA Zastupanje u Osiguranju d.o.o., Zagreb	74.9000
Vectis Claims Services Ltd., Tel Aviv	75.0000
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000
VICTORIA Immobilien Management GmbH, Munich	100.0000
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000
Victoria VIP II, Inc., Wilmington, Delaware	100.0000
Viwis GmbH, Munich	100.0000
Vorsorge Service GmbH, Düsseldorf	100.0000
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000
VV-Consulting Többesügynöki Kft., Budapest	100.0000
welivit New Energy GmbH, Düsseldorf	100.0000
welivit Solar España GmbH, Düsseldorf	100.0000

Company and registered seat	% share of capital
Welivit Solar Italia s.r.l., Bolzano	100.0000
Windpark Langengrassau Infrastruktur GbR, Bremen	83.3300
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Düsseldorf	100.0000
Wohnungsgesellschaft Brela mbH, Hamburg	100.0000
WP Kladrum/Dargelütz GbR, Bremen	64.7000
Zacobu 110011 S.L., Valencia	100.0000
Zacuba 6006 S.L., Valencia	100.0000
Zacubacon 150015 S.L., Valencia	100.0000
Zafacesbe 120012 S.L., Valencia	100.0000
Zapacubi 8008 S.L., Valencia	100.0000
Zarzucolumbu 100010 S.L., Valencia	100.0000
Zetaza 4004 S.L., Valencia	100.0000
Zicobucar 140014 S.L., Valencia	100.0000
Zucaelo 130013 S.L., Valencia	100.0000
Zucampobi 3003 S.L., Valencia	100.0000
Zucarrobiso 2002 S.L., Valencia	100.0000
Zucobaco 7007 S.L., Valencia	100.0000
Zulazor 3003 S.L., Valencia	100.0000
Zumbicobi 5005 S.L., Valencia	100.0000
Zumcasba 1001 S.L., Valencia	100.0000
Zuncabu 4004 S.L., Valencia	100.0000
Zuncolubo 9009 S.L., Valencia	100.0000
Associates and joint ventures accounted for using the equity method	
Apollo Munich Health Insurance Co. Ltd. , Hyderabad	25.4800
Avantha ERGO Life Insurance Company, Mumbai	25.9998
BHS tabletop AG, Selb[1] (MC €41.6m)	28.9134
Consorcio Internacional de Aseguradores de Crédito, S.A., Madrid[5]	15.0353
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920
DAMAN – National Health Insurance Company, Abu Dhabi	20.0000
EGM Wind SAS, Paris	40.0000
ERGO China Life Insurance Co., Ltd., Jinan, Shandong Province	50.0000
Europai Utazasi Biztosito Rt., Budapest	26.0000
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100
Global Aerospace Underwriting Managers Ltd., London	40.0000
Global Insurance Company, Ho Chi Minh City	35.0000
HDFC ERGO General Insurance Company Ltd., Mumbai	25.8370
HighTech Beteiligungen GmbH und Co. KG i. L., Düsseldorf	23.1000
Invesco MEAG US Immobilien Fonds IV B[4]	37.1375
KarstadtQuelle Finanz Service GmbH i. L., Düsseldorf	50.0000
Marchwood Power Limited, Marchwood	50.0000
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf[9]	71.4285
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000
MEDICLIN Aktiengesellschaft, Offenburg[1] (MC €194.7m)	35.0042
MEGA 4 GbR, Berlin	34.2569
Rendite Partner Gesellschaft für Vermögensverwaltung mbH i. L., Frankfurt/Main	33.3333
RP Vilbeler Fondsgesellschaft mbH i. L., Frankfurt/Main	40.0000
Sana Kliniken AG, Munich	22.3217
SAS Le Point du Jour, Paris	50.0000
Saudi National Insurance Company B.S.C.(c), Manama	22.5000
SEBA Beteiligungsgesellschaft mbH, Nuremberg	48.9966
Storebrand Helseforsikring AS, Oslo	50.0000
Suramericana S.A., Medellín[5]	18.8672
Taunus Holding B.V., Rotterdam	23.1913
T-Solar Global Operating Assets S.L., Madrid	37.0000
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286
U.S. Property Management III L.P., Atlanta	20.0000
Vier Gas Investments S.à r.l., Luxembourg	43.7516
VV Immobilien GmbH & Co. United States KG i. L., Munich	28.9515
VV Immobilien GmbH & Co. US City KG i. L., Munich	23.0999
VV Immobilien Verwaltungs GmbH & Co. Zentral-europa KG i. L., Munich	20.4082
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf[9]	65.0000
Associates and joint ventures accounted for at fair value	
"PORT ELISABETH" GmbH & Co. KG, Bramstedt	31.9660
"PORT LOUIS" GmbH & Co. KG, Bramstedt	26.0495
"REISEGARANT" Gesellschaft für die Vermittlung von Insolvenzversicherungen mbH, Hamburg	24.0000
Agricultural Management Services S.r.l., Verona	33.3333
Allianz Pegasus Fonds, Frankfurt/Main	46.0000
Assistance Partner GmbH & Co. KG, Munich	21.6600
BF.direkt AG, Stuttgart	27.2000
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000
Energie Kapital GmbH & Co. Solarfonds 2 KG, Stadecken-Elsheim	34.4234
Famous Insurance Agency Pty Limited, Sydney	20.0000
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	39.3354
Finsure Investments (Private) Limited, Harare	24.5000
GIG City Nord GmbH, Hamburg	20.0000
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH i. L., Hillerse	20.0000
Hartford Research, LLC, Lewes, Delaware	41.7500
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000
LCM Logistic Center Management GmbH, Hamburg	50.0000
MCAF Management GmbH, Düsseldorf	50.0000
PERILS AG, Zurich[5]	10.0000
POOL Sp. z o.o., Warsaw	33.7500
Residential Builders Underwriting Agency Pty Ltd., Sydney	20.0000
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000
Sekundi CVBA, Brussels	33.3333
Teko – Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT KELANG" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT LOUIS" GmbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT MENIER" mbH, Bramstedt	50.0000

Company and registered seat	% share of capital
Verwaltungsgesellschaft "PORT MOODY" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT MORESBY" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT MOUTON" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT NELSON" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT RUSSEL" GmbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT SAID" GmbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT STANLEY" GmbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT STEWART" mbH, Bramstedt	50.0000
Verwaltungsgesellschaft "PORT UNION" mbH, Bramstedt	50.0000
VisEq GmbH, Grünwald	34.0000
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319
VV Immobilien Verwaltungs GmbH, Munich	30.0000
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000
Windpark Osterhausen-Mittelhausen Infrastruktur GbR, Bremen	58.9400
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000
Companies included on a pro-rata basis (joint operation pursuant to IFRS 11)	
"Pensionsfonds" des Versorgungswerks MetallRente bei der Allianz Pensionsfonds AG, Stuttgart	17.5000
Other shareholdings of 20% or more	
Capital Dynamics Champion Ventures VI, L.P., Woodside, California[11] (equity: €153,722k; result for year: €30,473k)	27.3400
FIA Timber Partners II L.P., Wilmington, Delaware[6] (equity: €147,773k; result for year: €13,450k)	39.0800
Green Acre LLC, Wilmington[8] (equity: €49,740k; result for year: €11,528k)	31.9361
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside, California[11] (equity: €83,387k; result for year: €5,674k)	44.6509
Infra IV-D Investments, S.C.A., Luxembourg[8] (equity: € ---k; result for year: €---k)	99.9999
Invenergy Miami Wind I Holdings #2 LLC, Wilmington[11] (equity: €92.815k; result for year: €1,104k)	49.0000
ORM Timber Fund III (Foreign) LLC, Wilmington, Delaware[8] (equity: €118,098k; result for year: –€333k)	39.1000
RMS Australian Forests Fund I, L.P., Cayman Islands[8] (equity: € ---k; result for year: €---k)	37.4257
RMS Forest Growth International, L.P., Grand Cayman, Cayman Islands[8] (equity: €113,391k; result for year: –€11,984k)	43.4700
Other shareholdings exceeding 5% of the voting rights in large companies as defined in the German Comercial Code (HGB)	
Admiral Group plc, Cardiff	10.1565
Credit Guarantee Insurance Corporation, Johannesburg	7.1037
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000
Jordan Insurance Co. p.l.c., Amman	10.0000
New National Assurance Company Ltd., Durban, South Africa	16.0000
Protektor Lebensversicherungs-AG, Berlin	10.7597
Saudi Enaya Cooperative Insurance Company, Jeddah	15.0000
Swaziland Royal Insurance Corporation, Mbabane	16.0000
Wataniya Cooperative Insurance Company, Jeddah	10.0000

1 The market capitalisation (MC) of this company as at 31 December 2015 is €xxm.
2 This fully consolidated German subsidiary with the legal form of a partnership, as defined in Section 264a of the German Commercial Code (HGB), intends to fulfil the conditions required pursuant to Section 264b of the Commercial Code and, in the 2015 financial year, to avail itself of the relevant provision exempting it from preparing annual financial statements.
3 This fully consolidated German subsidiary intends to fulfil the conditions required in Section 264 (3) of the German Commercial Code (HGB) and, in the 2015 financial year, to avail itself of the relevant provision exempting it from preparing annual financial statements.
4 Control pursuant to voting majority or other control pursuant to IFRS 10.
5 Significant influence owing to representation of Munich Re on the board of directors and/or supervisory body or an equivalent governing body of the associate.
6 No significant influence, as there are no close links with Munich Re of the kind defined in IAS 28.6.
7 Not currently utilised.
8 No significant influence, as this is a purely financial investment managed by an external asset manager.
9 Significant influence owing to reduced voting power.
10 Not currently utilised.
11 No significant influence because, under the articles of association, statutes or other agreement all key decisions regarding the company's financial and operating policy are subject to a quorum which cannot be attained by the majority shareholder without the non-controlling shareholders.
12 Not currently utilised.

Drawn up and released for publication,
Munich, 7 March 2016.

The Board of Management

The following is a translation of the auditor's opinion in respect of the original German consolidated financial statements and combined management report for the Company and the Group

Auditor's report

We have audited the consolidated financial statements prepared by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich, comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the combined management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 8 March 2016

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Ellenbürger
Wirtschaftsprüfer
(Certified Public Accountant)

Hansen
Wirtschaftsprüfer
(Certified Public Accountant)

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report for the Company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group."

Munich, 15 March 2016

General information

Glossary

Aa

Accumulation Situation where a number of risks insured or reinsured with the same company may be affected simultaneously by a loss event.

Bb

Biometric actuarial assumptions Parameters that describe insured risks such as mortality, morbidity and disability. Presented in tables (e.g. mortality tables), they usually depend on age attained and gender.

Bornhuetter-Ferguson method Standard actuarial method used to estimate the reserves needed for future claims expenditure resulting from losses that have already occurred but are not yet sufficiently specific. With this method, the overall loss expected is determined on the basis of historical data on the run-off of losses in the portfolio and an independent assessment by the insurer. These parameters are given different weightings, depending on the information available on the status of the losses.

Cc

Catastrophe bond Capital market instrument for transferring (natural) catastrophe risks to the capital markets. The buyers of such bonds profit from a comparatively high coupon rate, but assume the (re)insurer's risk if the (natural) catastrophe occurs. If a predefined parametric trigger is activated by the catastrophe, the buyers' capital is only partially repaid or not repaid at all, and the interest payments to the buyers are reduced or stopped. The capital made available serves to compensate the financial loss incurred by the (re)insurer as a result of the (natural) catastrophe.

Cedant Client of a reinsurance company (primary insurer).

Chain ladder method Standard (multiplicative) actuarial method used to estimate the reserves needed for future claims expenditure. It assumes that the cumulative loss rises by the same factor in all accident years. With this method, the overall loss expected is determined exclusively on the basis of historical data on the run-off of losses in the insurer's portfolio.

Combined ratio Percentage ratio of the sum of net claims expenses plus net operating expenses to net earned premiums. It corresponds to the sum of the loss ratio and the expense ratio.

Compliance Acting in accordance with applicable laws and internal company rules. Internal company rules also include the principles and values set forth in Munich Re's Code of Conduct. Compliance requires that a company has the necessary organisational and control measures in place – including appropriate information and documentation systems – to prevent violations of laws and regulations.

Corporate citizenship A company's social involvement, i.e. its active involvement as a "good citizen" in local civil society, and in ecological or cultural issues, above and beyond the defines of its business activities.

Corporate responsibility Concept whereby organisations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations.

Credit equivalent exposure (CEE) Reference figure used to combine and compare the credit exposure from various product types involving credit risk under a common counterparty limit. The CEE is calculated regardless of the likelihood of a counterparty's default and reflects the estimated loss amount in the event of a default.

Dd

Deferred acquisition costs Costs incurred for the acquisition or the renewal of insurance policies (e.g. commission, cost of processing applications) which are capitalised and amortised over the term of the contracts.

Deposits retained on assumed reinsurance and ceded business Receivables which reinsurers have vis-à-vis their cedants for collateral (cash deposits) that has been retained by the cedants as a security to cover future reinsurance claims. The cedants show the retained funds as deposits withheld on ceded business.

Ee

Economic capital buffer Amount by which the available financial resources exceed the economic risk capital.

Expense ratio Percentage ratio of net operating expenses to net earned premiums.

Ff

Facultative reinsurance Reinsurance of selected individual risks. The primary insurer can offer an individual risk in reinsurance, which the reinsurer for its part can either accept or decline (see obligatory reinsurance).

Fair value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (definition in accordance with IFRS 13 "Fair value measurement").

Gg

Gross/net In insurance terminology, designation for before/after deduction of the portion attributable to business ceded in reinsurance.

Guaranteed interest Interest rate to be paid out by the insurer on the savings component of the insurance premium under an endowment insurance policy. This minimum interest rate is contractually guaranteed.

Ii

IBNR reserve Provision for claims that are not yet known to the insurer (IBNYR = incurred but not yet reported) but also for claims whose case reserves are not sufficient (IBNER = incurred but not enough reserved).

Income from technical interest Amount earned by assumed insurance business from the mainly risk-free investment of assets covering the technical provisions. The deposits retained on ceded business are also taken into account. Thus the portion of investment income that corresponds to the deposit interest expense is included in the calculation of the technical interest.

Ll

Liability adequacy test Regular check of the technical provisions, including the related deferred acquisition costs, on the basis of the current estimates for future cash flows. The test provides an assessment of whether the technical reserves or deferred acquisition costs need to be increased or reduced.

Longevity Insurer's risk that an insured person lives longer than expected or that life expectancy within an insured portfolio rises as a whole.

Loss ratio Percentage ratio of net operating expenses to net earned premiums.

Mm

Major loss Loss which is of particular significance to insurers or reinsurers because its amount or other criteria are exceptional in relation to historical loss experience. A distinction is typically made between man-made major losses and those caused by natural catastrophes.

Morbidity Probability that an individual in a given group will develop a certain disease or disorder.

Mortality Ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates, and set out in mortality tables.

Mortality table Table developed using methods of probability theory for estimating the expected mortality of policyholders in a portfolio of life or health insurance contracts. It shows the probability of future mortality on a differentiated basis according to age and other factors, often taking into account demographic trends. Mortality tables with provision for adverse deviation are generally used for measuring technical provisions.

Nn

Net expenses for claims and benefits Expenses for claims, such as claims payments and the change in the provision for outstanding claims. They also include expenses for premium refunds and the change in the remaining technical provisions (provision for future policy benefits and other), in each case after deduction of the ceded share.

Net operating expenses Commission plus personnel and non-personnel expenses for the acquisition and ongoing administration of insurance contracts, less commission reimbursed by reinsurers (including profit commission), plus expenses from amortisation of the present value of future profits (PVFP).

Non-proportional reinsurance Form of reinsurance under which the reinsurer assumes payment of the primary insurer's losses above a certain amount. Calculation of the reinsurance premium is based on claims experience with the type of business concerned.

Oo

Obligatory reinsurance Type of reinsurance in which the primary insurer is obliged to cede all risks specified in the contract to the reinsurer within a certain scope. The reinsurer accepts these risks without assessing them on a case-by-case basis. Although obligatory reinsurance agreements contain agreed periods of notice, they are generally concluded for an unlimited duration. These treaties between insurers and reinsurers may therefore run for longer periods (see facultative reinsurance).

Pp

Pandemic Spread of a disease or – in the narrower sense – infectious disease across national borders and continents. Unlike an epidemic, which is a disease occurring in a limited area and time, a pandemic is not restricted to a certain geographical area.

Policyholders' bonuses Appropriate share of the surplus earned by insurers in life and health insurance to which policyholders are entitled contractually and by law. The amount of this bonus is newly determined each year. As a rule, in life insurance these bonuses increase the benefit payable on maturity of the policy or on occurrence of the insured event; in health insurance, they are paid by way of premium refunds.

Premium Amount that has to be paid for insurance cover. It may be paid as a regular or single premium. Premiums written means all premium income that has become payable in the financial year. The portion of this premium income that constitutes payment for insurance cover in the financial year is referred to as earned premiums. In the case of products that are largely of an investment nature (e.g. capitalisation products and unit-linked life insurance), it only includes – under IFRSs – the amount serving to cover the risk and costs. However, under statutory accounting rules in the insurance company's home country, premium income may also include the policyholders' savings premiums from unit-linked life insurance and capitalisation products.

Present value of future profits (PVFP) Present value, capitalised in the balance sheet, of the expected earnings from the business acquired when insurance companies or individual insurance portfolios are taken over. This intangible asset arises in particular when life or health insurance companies are acquired.

Proportional reinsurance Form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer. The reinsurer is allocated a corresponding share of the premiums and claims.

Provision for future policy benefits Technical provision calculated using actuarial methods to cover future benefits to which policyholders are entitled, especially in life, health and personal accident insurance. It amounts to the balance of the present value of future obligations less the present value of future premiums.

Provision for outstanding claims Provision for claims that have already been incurred at the balance sheet date, but have either not yet been reported or not yet fully settled.

Provision for premium refund Provision made for obligations involving bonuses and rebates – especially in life and health insurance – which are not yet payable at the balance sheet date; the amount posted is based on supervisory or contractual regulations. It also includes the policyholders' share of accumulated valuation differences between IFRSs and German GAAP accounting (provision for deferred premium refunds).

Public-private partnership (PPP) Long-term arrangement between private companies and public bodies with the aim of providing public services in a more efficient manner.

Rr

Reinsurance capacity Amount of cover that a reinsurance company or the market as a whole can make available.

Renewals Although obligatory reinsurance agreements contain agreed periods of notice, they are generally concluded for an unlimited duration. These treaties between insurers and reinsurers may therefore run for long periods. In such cases, the treaty conditions are usually adjusted in renewal negotiations each year, and the treaties renewed.

Retrocessionaire Company that reinsures reinsurance business assumed by other insurance companies. Retrocession enables the reinsurer to lay off part of its risk to other insurance companies.

Risk exposure Extent of a risk in terms of its potential deviation from the expected value under certain probability assumptions. In connection with accounting, the term is also used to quantify the potential loss resulting for a company from certain assets.

Run-off triangle Also known as loss triangle. A tabular representation of claims-related parameters (such as payment, claims reserve, ultimate loss) in two, time-related dimensions. One of these is the calendar year, while the other is usually the accident year (year of the loss occurrence). Run-off triangles – as the basis for measuring claims reserves – make clear how the claims reserve changes over the course of time due to payments made and new estimates of the expected ultimate loss at the respective balance sheet date.

Ss

Shadow accounting Non-binding practice wherein an insurer changes its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of technical provisions, related deferred acquisition costs and related intangible assets in the same way that a realised gain or loss does.

Solvency capital requirement Amount of eligible own funds that Munich Re needs to have available, with a given risk appetite, to cover unexpected losses in the following year. To determine the solvency capital requirement, we use the economic profit and loss distribution across all fields of business. The solvency capital requirement corresponds to the value at risk of this distribution over a one-year time horizon with a confidence level of 99.5%.

Structured entities Entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights related to administrative tasks only and the relevant business activities are directed by means of contractual arrangements.

Tt

Tail dependencies The result of risk drivers interacting in exceptional situations, i.e. different lines of business, geographies and risk types being affected by extreme events at the same time. Compared with a situation where the risks are assumed to be independent, this results in a lesser diversification effect, which is reflected in a higher capital requirement.

Uu

Ultimate loss Estimated aggregate claims expenditure for the accident year of a claim until final settlement, as calculated at the end of the calendar year. It comprises the claims payments already made for the accident year in question and the remaining claims reserve posted for payments in future years. Since claims reserves are based on estimates, the ultimate loss changes from one calendar year to the next. Reference may therefore also be made to the ultimate loss position or the ultimate loss estimate.

Underwriter Member of an insurance or reinsurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of a (re)insurance contract. Underwriters are responsible for ensuring the quality and reliability of risk-transfer solutions offered. Their job is to develop products that best reflect the characteristics of the risks and clients’ needs.

Unearned premium Portion of premium income in the financial year that is attributable to periods after the balance sheet date. It is accounted for in the item “unearned premium“ within the technical provisions on the liabilities side of the balance sheet.

Unit-linked life insurance Type of life insurance with a savings component, where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

Universal life Contracts in life primary insurance where the amount of the premiums and benefits is flexible, the policyholder being able to vary the premium payments within certain limits.

Vv

Value at risk Method of quantifying risk which measures the potential future losses that may not be exceeded within a specified period and with a specified probability.

Value in use Present value of the future cash flows expected to be derived from a cash-generating unit or group of cash-generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows of other assets or groups of assets.

Variable annuities Special form of unit-linked life insurance where the investment risk is borne primarily by the policyholder but the insurer guarantees a minimum payment on occurrence of the insured event.

Important addresses

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Königinstrasse 107
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Reinsurance

Australia
Munich Holdings of Australasia PTY Limited
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143 Macquarie Street
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UK
Great Lakes Reinsurance (UK) PLC
Plantation Place
30 Fenchurch Street
London EC3M 3AJ
Tel.: +44 20 30 03 70 00
www.greatlakes.co.uk

Canada
Munich Reinsurance Company of Canada
Munich Re Centre
390 Bay Street, Suite 2200
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Tel.: +1 416 3 66-92 06
www.mroc.com

Temple Insurance Company
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Munich Reinsurance Company of Africa Limited
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47 Empire Road, Parktown
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Tel.: +1 609 243-4200
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Munich American Reassurance Company
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Tel.: +1 770 350-3200
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Further addresses may be obtained at
www.munichre.com

ERGO

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Tel.: 0800 3746-555
Tel.: +49 89 6275-7101 (from outside Germany)
kundenservice@das.de
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DKV Deutsche Krankenversicherung AG
Aachener Strasse 300
50933 Köln
Tel.: 0800 3746-444
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ERGO Direkt Versicherungen
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Munich Health Europe/Latin America
Munich Health Northern/Eastern/Central Europe

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Germany

North America

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Munich Health Middle East and Africa
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Our brands

Munich Re (Group)

Reinsurance	Munich Health	ERGO
Munich RE	Munich Health	ERGO
The Hartford Steam Boiler Inspection and Insurance Company	Munich Re	German and international insurance companies
New Reinsurance Company Ltd.	DKV Seguros	ERGO Direkt
American Modern Insurance Group, Inc.	DKV Belgium	ERGO Hestia
	DKV Hälsa	Vorsorge Lebensversicherung
	Globality Health	D.A.S. Rechtsschutzversicherung
	Daman National Health Insurance	Deutsche Krankenversicherung
	Apollo Munich Health Insurance	Europäische Reiseversicherung
	MedNet	
	Storebrand	

Asset management

MEAG MUNICH ERGO AssetManagement

The diagram provides a general overview of our Group and makes no claim to completeness. For further details, please see the list of shareholdings on page 291 ff.

Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. The Group operates in all lines of insurance, with over 43,000 employees throughout the world. In reinsurance, Munich Re is one of the world's leading risk carriers, especially when clients require solutions for complex risks. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the leading insurance groups in Germany and Europe. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Quarterly figures

		31.12.2015	30.9.2015	30.6.2015	31.3.2015
Balance sheet					
Investments (incl. insurance-related investments)	€m	224,256	228,357	230,269	240,526
Equity	€m	30,966	30,045	30,699	34,753
Net technical provisions	€m	198,455	201,987	202,564	207,471
Balance sheet total	€m	276,520	278,182	278,986	289,693
Shares					
Share price	€	184.55	166.75	159.00	200.75
Munich Reinsurance Company's market capitalisation	€bn	30.8	27.8	26.5	34.7
Other					
Combined ratio					
Reinsurance property-casualty	%	89.7	93.4	92.8	92.3
ERGO property-casualty Germany	%	97.9	95.8	95.7	98.1
ERGO International	%	104.7	101.1	99.6	98.7
Munich Health	%	99.9	99.6	100.1	100.4
Number of staff		**43,554**	**43,078**	**42,967**	**42,827**

€m	Total	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Gross premiums written	**50,374**	**12,388**	**12,481**	**12,467**	**13,038**
1. Earned premiums					
Gross	50,219	12,904	12,375	12,757	12,183
Ceded	–1,910	–763	–419	–406	–323
Net	48,309	12,142	11,956	12,351	11,860
2. Income from technical interest	6,803	1,829	1,463	1,244	2,267
3. Expenses for claims and benefits					
Gross	–39,756	–9,555	–9,881	–9,940	–10,380
Ceded share	1,025	398	203	239	184
Net	–38,731	–9,156	–9,678	–9,701	–10,196
4. Operating expenses					
Gross	–12,846	–3,702	–2,970	–3,114	–3,060
Ceded share	478	260	90	88	41
Net	–12,367	–3,442	–2,880	–3,026	–3,019
5. Technical result (1–4)	**4,014**	**1,373**	**861**	**868**	**912**
6. Investment result	**7,536**	**1,664**	**1,531**	**2,521**	**1,820**
Thereof:					
Income from associates accounted for using the equity method	375	0	248	87	40
7. Insurance-related investment result	140	210	–322	–326	579
8. Other operating income	873	285	200	209	179
9. Other operating expenses	–941	–275	–228	–210	–228
10. Deduction of income from technical interest	–6,803	–1,829	–1,463	–1,244	–2,267
11. Non-technical result (6–10)	**806**	**54**	**–282**	**950**	**83**
12. Operating result	**4,819**	**1,427**	**579**	**1,818**	**995**
13. Other non-operating result	–532	–8	–97	–432	6
14. Impairment losses of goodwill	–452	–452	0	0	0
15. Net finance costs	–238	–60	–58	–60	–60
16. Taxes on income	–476	–175	101	–250	–151
17. Consolidated result	**3,122**	**731**	**525**	**1,076**	**790**
Thereof:					
Attributable to Munich Reinsurance Company equity holders	3,107	728	520	1,070	790
Attributable to non-controlling interests	15	3	5	6	0

€	Total	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Earnings per share	**18.73**	**4.45**	**3.14**	**6.42**	**4.71**

Important dates 2016

16 March 2016
Balance sheet press conference
for 2015 consolidated financial statements

27 April 2016
Annual General Meeting

10 May 2016
Quarterly statement as at 31 March 2016

9 August 2016
Half-year financial report as at 30 June 2016

9 August 2016
Half-year press conference

9 November 2016
Quarterly statement as at 30 September 2016

Important dates 2017

15 March 2017
Balance sheet press conference
for 2016 financial statements

26 April 2017
Annual General Meeting

9 May 2017
Quarterly statement as at 31 March 2017

9 August 2017
Half-year financial report as at 30 June 2017

9 August 2017
Half-year press conference

9 November 2017
Quarterly statement as at 30 September 2017

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