Munich RE

MUNICH REINSURANCE COMPANY ANNUAL GENERAL MEETING

Report of the Chairman of the Board of Management,
Nikolaus von Bomhard, 20 April 2011

Thinking further

Key figures (IFRS, Group)[1]

Munich Re

		2010	2009	2008	2007	2006
Gross premiums written	€bn	45.5	41.4	37.8	37.3	37.4
Operating result	€m	3,978	4,721	3,834	5,573	5,877
Taxes on income	€m	692	1,264	1,372	801	1,648
Consolidated result	€m	2,430	2,564	1,579	3,923	3,519
Attributable to non-controlling interests	€m	8	43	24	83	94
Investments	€bn	193.1	182.2	174.9	176.2	176.9
Return on equity	%	10.4	11.8	7.0	15.3	14.1
Equity	€bn	23.0	22.3	21.1	25.3	26.3
Valuation reserves not recognised in balance sheet[22]	€bn	3.6	3.2	2.5	0.8	1.9
Net technical provisions	€bn	171.1	163.9	157.1	152.4	153.9
Staff at 31 December		46,915	47,249	44,209	38,634	37,210

Reinsurance[3]

[1]		2010	2009	2008	2007	2006
Gross premiums written	€bn	23.6	21.8	21.9	21.5	22.2
Investments	€bn	83.7	76.8	78.4	81.9	85.0
Net technical provisions	€bn	56.6	53.4	55.8	55.5	59.6
Large and very large losses (net)	€m	2,228	1,157	1,507	1,126	585
Natural catastrophe losses	€m	1,564	196	832	634	139
Combined ratio property-casualty	%	100.5	95.3	99.4	96.4	92.6

Primary insurance[3]

[1]		2010	2009	2008	2007	2006
Gross premiums written	€bn	17.5	16.6	17.0	17.3	16.7
Investments	€bn	121.8	118.4	114.0	109.3	107.4
Net technical provisions	€bn	111.2	107.7	101.4	96.9	94.3
Combined ratio property-casualty	%	96.8	93.2	90.9	93.4	90.8

Munich Health[3]

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

Our shares

[1]		2010	2009	2008	2007	2006
Earnings per share	€	13.06	12.95	7.74	17.83	15.05
Dividend per share	€	6.25	5.75	5.50	5.50	4.50
Amount distributed	€m	1,118	1,072	1,073	1,124	988
Share price at 31 December	€	113.45	108.67	111.00	132.94	130.42
Munich Re's market capitalisation at 31 December[5]	€bn	21.4	21.5	22.9	29.0	29.9

1 Previous years' figures adjusted owing to recognition of Munich Health as a separate segment (see "Recognition and measurement").
2 Including amounts attributable to minority interests and policyholders.
3 Before elimination of intra-Group transactions across segments.
4 Excluding health insurance conducted like life insurance.
5 This includes own shares earmarked for retirement.

(Slide 1: Intro)

Ladies and gentlemen,

Good morning to you here at the ICM and to all those following our AGM on the internet. On behalf of the Board of Management of Munich Reinsurance Company, I would like to welcome you to your Company's 124th Annual General Meeting.

As last year, our shareholders have the opportunity to exercise their voting rights by postal vote and online, without attending the AGM. It is all the more pleasing to see so many of you here today in person.

Before we discuss the financial year 2010, I would like to say a few words about the earthquake in Japan – the magnitude of the event demands this.

(Slide 2: Globe of Natural Hazards)

For nearly six weeks now, Japan has been fighting against a catastrophe of unprecedented dimensions. On 11 March, a severe earthquake occurred off the east coast of Honshū, only a few hundred kilometres away from Tokyo. With an intensity of 9.0, it was the strongest quake ever recorded in Japan and the fourth-most severe quake ever measured anywhere in the world. It triggered a huge tsunami, which devastated whole towns along the coast. This was followed by the dramatic incidents at the Fukushima nuclear power plant.

There has been untold human suffering, and our thoughts and sympathy are with the Japanese people. The overall economic losses are enormous. They exceed the costs of the Kobe earthquake in 1995 and make this event the most severe natural catastrophe in global history. A substantial portion of the losses will be borne by insurers and reinsurers. Apart from making claims payments, Munich Re will play its part in helping to deal with the aftermath of the catastrophe and supporting the reconstruction. We will stand by our clients in settling claims and will make available colleagues from other units in the region and Munich for this purpose.

Our specialist knowledge, built up over the years, provides the basis for modelling risk scenarios. They enable us to classify natural catastrophes relatively quickly after their occurrence and to approximately assess their dimensions. After the last major tsunami – at the end of 2004 in Indonesia and Thailand – our experts calculated flood zones for all the world's coasts, simulating various wave heights. The results of this tsunami model are included in our Globe of Natural Hazards, which we place at our clients' disposal.

(Slide 3: Globe of Natural Hazards)

On the weekend directly after the earthquake in Japan, we transmitted the results of this model to UNICEF's Emergency Center in New York. The UN Spider, a United Nations platform for disaster management and emergency planning, published the results on its website, thus giving many aid organisations access to these important data.

We will, of course, update our natural hazard models on the basis of the new findings. And we will continue to provide the Japanese market with high reinsurance capacities. For a well-developed and functioning insurance and reinsurance system helps to overcome disasters of this scale. After such catastrophes, incidentally, it is customary to make advance payments before the precise loss amount has been determined, in order to provide swift support for repairs and reconstruction.

The badly damaged nuclear power plant continues to pose an acute threat, and strong aftershocks have again shaken the region. It is therefore difficult for our clients to make concrete loss estimates. And we have to hope that the various quakes have completely relieved the stresses between the various tectonic plates and zones.

Our loss estimate for the earthquake in Japan amounts to €1.5bn before tax and adds to the already heavy claims burden from natural catastrophes in the first quarter.

Success factor: Consistent implementation of our strategy

(Slide 4: Stable through the financial and economic crisis)

This brings me to the financial year 2010, in which I believe I can say we did well. Our success is apparent in our absolute figures and also in direct comparison with our main competitors. Whether you consider share prices, return on equity, or shareholder return – we need not shirk comparison with anyone. The most widespread measure for determining a company's profitability is return on equity, RoE. Over the years 2005 to 2010, we achieved an RoE of nearly 12% after tax on average. That puts our RoE almost exactly 50% above our cost of capital.

(Slide 5: Sustained growth in value)

Ladies and gentlemen, perhaps you will recall statements I have made on previous occasions. I have always advocated earning sensible, sustainable returns. A return 50% above the cost of capital is sensible, and we have achieved this over a period of several years. Naturally, higher returns on equity are possible. But whoever promises or demands such returns ought to be clear that a higher return entails a higher risk. For the fact is that, as a performance measure, RoE does not reflect the underlying risk; unfortunately this is frequently overlooked. That is why we manage our business on the basis of RORAC – return on risk-adjusted capital – because it makes the risk transparent.

We mastered the many different challenges of the past year because we were well prepared. Our integrated business model is viable. It makes us less dependent as a Group on cycles in individual sectors and fluctuations in regional markets. In addition, it helps us to cushion randomly occurring burdens from individual mega losses in reinsurance, even though this does not rule out quarters where we make losses, as demonstrated by the current year.

(Slide 6: Cornerstones of strategy)

We add value by assuming from others risks which we can "pool" efficiently and carry more economically. In doing this, we have again consistently implemented our proven strategy, which can be summarised as follows:

Our core business Group-wide is and remains the assumption of insurance risks. This is where our special competence lies and where we add value for our clients and for you as shareholders. We have a balanced portfolio of business initiatives: large, well-diversified segments are complemented by newer or nascent activities. The former safeguard our earnings capacity, while the latter are investment fields intended to yield earnings for us in future.

On the assets side of our balance sheet – and this is the second pillar of our strategy – we do not take any unreasonable risks. Insurance business demands a very solid balance sheet as a basis. We gear the composition of our investment portfolio mainly to the structure of the liabilities from our insurance business. This applies to currencies, durations and dependencies on important macroeconomic parameters. It is true that we sustained some appreciable losses in the value of our investments in bonds issued by peripheral countries of the eurozone, but this is a consequence of the broad spread of our investments. Otherwise, we largely made the right calls with slight over- or underweightings in individual investments compared with the respective benchmarks. Overall, we were therefore able to record pleasing additional earnings.

(Slide 7: Return of capital to shareholders)

Our equity capital management ensures that the Group has sufficient security. If, beyond a necessary buffer, we have capital on which we cannot earn risk-commensurate returns, we give it back to our shareholders. This means that, on payment of the dividend tomorrow and subject to your approval of the profit appropriation, we will have returned nearly €12bn to you via share buy-backs and dividends for the period 2005 to 2010.

The central hub for the various risks that we take onto our balance sheet is our risk management. It covers the whole Group and includes all operations and business processes. At Munich Re, there is only one risk world – not a division into units, say, that do the business and others that subsequently assess the risks. At Munich Re we only do business that is in keeping with our previously determined risk appetite, that meets our risk criteria, and that lies within our defined risk limits.

So much for this brief look at the cornerstones of our strategy.

Group result in 2010; capital base strengthened further

(Slide 8: Good Group result for 2010)

Last year, I held out the prospect to you of a result of over €2bn for the financial year 2010. In November, we were able to raise this forecast to €2.4bn. With our final result of €2.43bn, we succeeded in just topping that amount. As I have already mentioned, our most important internal performance measure is RORAC. Here, with 13.5%, we nearly achieved our ambitious target of 15% over the cycle, despite very low interest rates. Our pleasing profit is the result of hard work in a challenging year.

The largest portion of our earnings in absolute terms came from reinsurance, even though we sustained exceptionally high losses from natural catastrophes, which placed an appreciable burden on the profit. In the light of this, it was good that we were able to significantly improve the result of our primary insurance business compared with the previous year – an advantage of our integrated business model.

We achieved a return on investment of 4.5%, which is over half a percentage point more than we had initially expected. In view of the low interest rates, this return could in no way be taken for granted. I would like to emphasise that we did not take more risks to achieve it. We earned this return solely through active asset management, benefiting from gains on disposal and write-ups on our derivatives used to hedge against low-interest rate phases.

Munich Re closed the year 2010 with a good set of figures. Despite the events in Japan, we are adhering to our proposal to increase the dividend from €5.75 to €6.25. We are convinced that Munich Re is very solidly capitalised and continues to have a sufficient capital buffer. You know us as a reliable company, and we want to offer you the customary stable and attractive return for the past year.

I thank you, ladies and gentlemen, for the confidence you have shown in us. And, on behalf of my colleagues on the Board of Management, I also wish to thank all the staff in the Group for their dedication and commitment in the past year. They did a very good job in an environment that continued to be difficult, enabling us to devise convincing, sustainable solutions for our clients and thereby create value for our shareholders.

After this overview of the Group's results, I come to the individual fields of business.

Primary insurance: ERGO, a special kind of insurer

(Slide 9: ERGO confirms positive trend)

I will begin with primary insurance. ERGO succeeded in maintaining the upward trend initiated in the previous year. Its total premium income rose by 5.4% to €19.2bn. The strongest growth driver was international business, which now makes up around 25% of its premium income. ERGO also expanded appreciably in its home market, with growth of 3.6% to €14.5bn.

Under the international accounting regulations of IFRS, savings premiums from unit-linked life insurance and similar products are not recognised as premiums. If these are deducted from the overall premium income, we are left with gross written premiums of €17.5bn, an increase of 5.3% on the previous year. All the segments contributed to growth, which was mainly organic, i.e. not the result of acquisitions. In the case of business accounted for in currencies other than the euro, growth was slightly boosted by changes in exchange rates.

ERGO was able to post an improvement of over 20% in its investment result. This was mainly due to significantly lower write-downs required compared with the previous year. Besides this, hedging of the reinvestment risk – "insurance" against falling interest rates, as it were – proved very advantageous in 2010.

(Slide 10: ERGO continues upward result trend)

ERGO also showed a pleasing improvement in its bottom line. In the property-casualty segment, international business was adversely affected by natural hazard events like the long winter of 2009/2010 and flood losses, as well as by intense price competition in motor business, especially in Korea and Turkey. All in all, the combined ratio of 96.8% – though somewhat higher than the target figure of 95% – was still at a good level. In its home market, ERGO achieved another very good combined ratio of 89.8%, despite Winter Storm Xynthia, other storms and floods. ERGO's operating result thus grew by almost 40% compared with the previous year, reaching €1.2bn, and its contribution to the Group result doubled to €355m.

(Slide 11: New brand presence – To insure is to understand)

ERGO certainly made its mark in the insurance sector last year. As shareholders, ladies and gentlemen, you have long been familiar with the name of ERGO. Among the general public, however, it used to be barely known. But that has changed. The former KarstadtQuelle Versicherungen assumed the name back in February 2010, becoming ERGO Direkt. Renamings and mergers of Victoria and Hamburg-Mannheimer companies followed in July 2010. With a broadly based campaign launched in the summer, ERGO significantly increased familiarity with the brand. Parallel to this, hundreds of agencies and office buildings were "reflagged" within a short time. They now bear the red of ERGO Versicherung or ERGO Lebensversicherung. The branding of the specialist companies for health, legal protection and travel insurance – DKV, D.A.S. and ERV – has remained the same.

A new appearance is one thing, but offering something new in terms of content is quite another. ERGO's rebranding was accompanied by a new brand proposition, which it is successively implementing. This involves reinventing the relationship between insurer and customer. "To insure is to understand" – with this claim, ERGO is gearing itself to clients' wants and needs. Many clients complain about insurance's lack of transparency. ERGO is working to make it more understandable: all communications and also policy conditions are being reworded in clear and simple language. It will take some time for us to achieve the degree of client friendliness we are aiming at. Until then, we will continue to face public criticism from time to time. But we are serious about it and intend to systematically pursue the path we have taken.

(Slide 12: ERGO's international business)

Let us turn to ERGO's operations abroad for a moment. It is ERGO's declared aim to steadily expand its international business. To this end, we are building up a presence in the emerging markets of Asia and Eastern Europe. At the beginning of the current financial year, for example, ERGO agreed on a joint venture for life insurance with a local partner in China. At around the same time, it entered into a strategic partnership with a property-casualty insurer in Vietnam and acquired a minority holding in that company. Initiatives like these are long-term in nature and will not deliver large premium volumes overnight. We are not putting ourselves under pressure in this respect. Much more important than rapid premium growth is the securing of future profitable business.

This approach also applies to our youngest field of business, Munich Health.

Munich Health: Integrated business model made tangible

(Slide 13: Integrated business model made tangible)

Demographic change and medical advances are resulting in rising healthcare costs, putting immense pressure on social security systems in numerous countries. In many developing and emerging countries, on the other hand, basic healthcare and its financing are often still lacking. Both these factors mean a growing demand for private products and will cause the global health market to grow at an above-average rate in future.

We tap this potential through a dedicated organisation in which we have brought together our specialists from international primary insurance business and global reinsurance. Munich Health thus makes our integrated business model particularly tangible.

(Slide 14: Successful utilisation of business opportunities)

After two years of developing its business and organisational set-up, Munich Health entered into a consolidation phase in 2010. Our main aim now is to advance initiatives that are already successful, thereby laying the foundations for future profitable growth. In the United Arab Emirates, for instance, we have helped to establish a health insurance company whose successful business model we intend to transfer to neighbouring markets with similar parameters. In this context, we very much hope that the political and economic situation in North Africa and the Middle East will soon stabilise at a new level.

(Slide 15: Increased contribution to Group result)

For the first time, you can see how Munich Health performed in the year under review from our published figures. Gross premiums grew by nearly 30% to €5.1bn, a third of which was attributable to currency translation effects. Despite a slight reduction of 6% in the investment result, the operating result remained almost unchanged at €131m, while the consolidated result totalled €63m. That is more than twice as high as in 2009, when we had to make write-downs on goodwill.

In terms of the figures, Munich Health is still a small field of business compared with primary insurance and reinsurance. However, it needs relatively little risk capital and meets our internal return requirements. And compared with specialised international competitors, Munich Health has already achieved a significant position.

Reinsurance: Innovative solutions expand the boundaries of insurability

(Slide 16: Premium growth with disciplined underwriting)

I now come to the business field of reinsurance, which last year recorded marked growth in premium but was also affected by a high number of major losses.

Premium income rose by 8.4% to €23.6bn, a consequence of large-volume transactions and changes in exchange rates. If currency relationships had remained unchanged, premium income would have risen by 1.5%. Losses from natural catastrophes totalled just over €1.6bn. That is 11% of net earned premiums – substantially more than the 6.5% we project for the long-term average. In addition, there were man-made major losses of €664m. By way of comparison: in 2009, we had to expend only €196m or 1.4% of our premium income for natural hazard events, and €962m on other major losses.

In life reinsurance, we were able to score with our capital strength. In 2010, we concluded several large-volume treaties that provided our clients with solvency capital relief. These transactions enabled us to grow our premium volume in this segment by more than 16% to €7.9bn. As a result, Life now generates one-third of our business in reinsurance. In the property-casualty segment, growth was smaller at 4.8%, with premium increasing to €15.7bn.

(Slide 17: Good result despite very high claims burden)

Despite the heavy losses and a slight decrease in the investment result at a high level, we posted a solid operating profit of €2.9bn in reinsurance. Life reinsurance underlined its role here as a stable source of earnings, despite isolated problems with long term care insurance products. The Group result after consolidation amounted to €2.1bn, some 18.5% lower than the very good level of 2009.

(Slide 18: Innovative solutions for renewable energies)

Last year, we further sharpened our value proposition in the business field of reinsurance. New, ever more complex risks which are difficult to calculate require innovative solutions. Munich Re offers consultancy and services that go far beyond traditional reinsurance. In close dialogue with clients, our specialists devise customised and holistic concepts for risk transfer. With our solutions, we tap new client groups and expand the boundaries of insurability. We add value that brings the client tangible benefit.

"NOT IF, BUT HOW" describes in four short words the approach with which we deploy our expertise and our risk competence. Let me give you a few brief examples.

For some time now, Munich Re has been a pioneer in insurance solutions for renewable energies. This began in 2003, with the first cover of its kind for a geothermal drilling project in Unterhaching near Munich, not far from here. Without such cover, the local authorities would probably not have gone ahead with the drilling and the geothermal heat would have remained unused. In the meantime, the municipality's supply network has a length of 36 km and provides 4,600 households with district heating. The CO_2 saved compared with fossil fuels last year totalled over 30,000 tonnes.

In 2010, Munich Re set a market standard with a performance guarantee insurance for photovoltaic modules. The manufacturers of these modules generally guarantee a percentage of the rated output over a certain period – for example, 90% for ten years and 80% for a further ten years. This provides investment security for buyers and operators of the modules. But the guarantees also tie up capital for the manufacturers, because they need to post provisions for this item in their balance sheets. We assume these guarantees, enabling the manufacturers to invest the freed-up capital.

Only recently, we made available a similar cover for a wind turbine manufacturer. Here, too, Munich Re follows the original guarantee of the manufacturer.

We estimate insurers' business potential from covers relating to renewable energies to be a nine-figure euro amount for the German market alone.

What all these concepts have in common is that we systematically deploy our expertise to devise solutions for the specific risks of these new technologies. In most cases, this expedites the spread of the technology, and sometimes the solutions are necessary for the product to reach the market in the first place. In any case, we make a substantial contribution to promoting alternative energy concepts in this way and thus to curbing climate change.

(Slide 19: SOS Cover (Sudden Oil Spill Cover))

Not only the use of nuclear energy but also the production and burning of fossil fuels entails risks. I have already mentioned the explosion of the Deepwater Horizon oil rig. With such events, the property damage – that is, the loss of the oil rig itself – is relatively limited in extent and also adequately insured. Generally much greater is the damage that may result from oil pollution. The previously available liability covers provided for indemnity limits of up to US$ 1bn; claims going beyond that were practically uninsurable. What is more, it is often the case that several companies are involved in the operation of an oil rig, linked by a whole range of different contractual relationships. This means that the question of liability is either impossible to resolve or can only be clarified after lengthy legal disputes. And even then, claims can remain unmet if the company concerned becomes insolvent. So ultimately the loss has to be borne by the state and thus by the taxpayer.

Within a very short time, Munich Re devised an "oil spill cover" for offshore drilling in the USA. This makes it possible to provide indemnity limits of up to US$ 10bn per oil well for nearly all the risks involved in such drilling. Beyond this, the cover allows parties affected by an oil spill to be compensated promptly, irrespective of the question of liability. This initiative met with a very positive reception not only from insurers and brokers but also from the public at large. We have meanwhile handed over the concept to a consortium managed by major brokers. The consortium's task is to pool the requisite capacities in the market, to develop the product further with our support, and finally to market it.

Outlook for financial year 2011

(Slide 20: Outlook for financial year 2011)

Ladies and gentlemen, after this look at our three fields of business, let me return to the Group as a whole.

Munich Re came through the financial and economic crisis of the years 2007, 2008 and 2009 well. We maintained our strategic room for manoeuvre and took advantage of opportunities. And so we were prepared for the challenges with which 2010 presented us. We mastered these challenges and achieved a good result last year. It is already apparent that the current business year will demand more of us financially than the three previous years.

We expect the global economy to grow slightly less strongly overall this year than in 2010. The distribution between industrial nations and emerging markets and the demand for insurance should be in line with last year's figures. It is still too early for a conclusive assessment of the impact of the earthquake and reactor catastrophe on the Japanese economy, and possible knock-on effects on other economies. We are assuming that the uncertainties with regard to the stability of the financial system and public finances will also persist for the time being. This will not be without influence on the capital markets. Given the still comparatively low interest rates, we expect a return on investment of under 4% for the current year. On top of this, there are the geopolitical uncertainties resulting from the unrest in the Arab world.

In reinsurance business, we undoubtedly had a difficult start to the current year. Last year's series of natural hazard events extended into the first quarter of 2011: more floods and Cyclone Yasi in Australia, a second strong earthquake in New Zealand, and then Japan. These make the first quarter of 2011 one of the most loss-afflicted first quarters in the history of reinsurance in terms of natural catastrophes.

(Slide 21: Japanese earthquake makes 2011 profit target unattainable)

For the earthquake and tsunami, as I have already said, we expect claims payments to total around €1.5bn. This is the amount after retrocession – i.e. after deducting losses covered by treaties we have concluded for our own protection – and before tax. I must point out that this initial estimate is based solely on model calculations. So far, we have not received claims notifications from our clients.

(Slide 22: High loss in first quarter inevitable)

All in all, the outcome is a burden from natural catastrophes of €2.7bn for the first quarter of 2011 in property-casualty reinsurance. That is significantly more than 10 times our average expenditure for such losses in a first quarter. Experience in life reinsurance and Munich Health's business was normal, with further marked increases in premium. In property-casualty, we were able to achieve improvements in the treaties renewed at 1 January 2011, against the market trend. The treaty renewals at 1 April 2011 primarily involve the markets of Japan and Korea. In Japan, we have agreed with some clients to hold them covered under earthquake treaties at existing terms and conditions for a period of a few weeks in view of the ongoing claims assessments. So it is not yet possible to make any conclusive statements about final terms and conditions. At any rate, we expect general price increases in the current financial year.

At ERGO, the result in the first quarter will still be burdened by international property-casualty business. This should not be repeated in the further course of the year, so that we expect the annual profit for primary insurance to be more than four times the first-quarter result.

The Group's investment result is within the expected range. It is marked by contrasting developments: on the one hand, we achieved gains on disposals, while on the other hand we have been adversely affected by costs for the financial instruments we use to hedge against low-interest-rate phases.

Altogether, in view of the losses from natural catastrophes, we will show a loss for the Group in the first quarter of 2011. As already publicly announced, we are also unable to maintain our ambitious profit target. But I should add that we still expect to close the year 2011 with a profit.

(Slide 23: Diversity key to the Group's success)

Lastly, I would like briefly to consider one topic which is not new for us but which is currently a subject of considerable political debate. It concerns our most important asset – our employees. For us, as a leading insurance group, it is essential to recruit and retain the best people in their disciplines. We are convinced that the subject of diversity is of great relevance here.

Munich Re sees the diversity of its employees as key to the Group's success. We regard diversity as the vibrant and fostered co-existence and collaboration of different mindsets, cultural backgrounds, experience and specialist knowledge. We are convinced that recognition and appreciation of these differences and common features contributes very significantly to achieving our strategic objectives. In this context, we also attach importance to a healthy balance between male and female employees both overall and among our managers, which is why we have successively increased the proportion of women in management positions and continue to do so.

At present, the proportion of women in management positions is 25.9% for Munich Re (Group) as a whole. Particularly at middle management level – and thus among the coming "generation" of senior executives – the percentage of women has risen steadily in recent years. Advancing this trend is one component of our Group-wide diversity project, which was launched in March. It is located in Munich Re's strategy unit, which reports to me. Based on the outcome of this project, we will then specify the promise we recently gave, along with all the DAX 30 companies, to improve opportunities for women in management. This involves a commitment to publish by the end of this year a Group target, geared to our needs, for women in management positions.

I would like to stress that improving opportunities for women at Munich Re is an objective that can only be achieved by means of various coordinated measures. These include sensible arrangements for combining career and family, attractive working-hour models for different life phases or, on the very concrete level, the provision of childcare facilities with sufficient places. Equality of opportunity in our working world and, in particular, career opportunities that are completely independent of gender are self-evident requirements.

You can rest assured that the topic of women's career development has been on our agenda for some time and will remain so. We do not simply rely on our most important asset – our staff – joining us with the necessary diversity and then developing in the desired way, as if guided by an invisible hand. We help shape this development, actively and systematically.

Information on the voting items

(Slide 24: Information on the voting items)

This brings me to the items on the agenda on which you will vote today. The agenda with a summary of our motions was sent to you by post. The full wording of these motions, along with all the other reports and information, has also been accessible on our website. You will find the long version of the invitation among the documents you received at the entrance to the meeting. I would like to comment briefly on a few of the items.

First, agenda item 2, "Appropriation of the net retained profits from the financial year 2010". We are proposing payment of an increased dividend of €6.25, up from €5.75. In relation to the closing share price of the year 2010, this corresponds to a dividend yield of 5.5%. We are thus continuing our attractive dividend policy.

One more remark on the proposal for the appropriation of profits. When we published the invitation to the AGM in March, our most recent share buy-back programme of over €1bn was not yet concluded. The number of own shares held by the Company, and therefore not entitled to dividend, has again increased. The motion can now take account of the current number of own shares in the items "amount to be distributed" and "amount to be carried forward to new account". You can find the updated motion in the brochure you obtained at the entrance.

Agenda items 7 and 8 concern the authorisation to buy back and use own shares, also employing derivatives. Around half of the amount authorised at the last AGM has been used up by the share buy-back programme just completed. We are therefore asking you for a new authorisation today. In fact, this is merely a general authorisation, because we do not intend to begin a new buy-back programme for the time being.

Under the aforementioned share buy-back programme 2010/2011, we repurchased a total of 9,127,259 shares at an average price of €109.56, representing 4.84% of the share capital. As previously announced, these shares will be retired – once again without reducing the share capital – following today's AGM. Outside the share buy-back programme, Group companies have acquired a further 34,000 shares or 0.02% of the share capital since last year's AGM. These shares – like those acquired in previous years – serve solely to hedge stock appreciation rights granted to management. Since the 2010 AGM, a total of 271,755 shares have been sold on the stock exchange. Altogether, 10,886,068 own shares are today in the possession of the Group, representing 5.78% of the current share capital. You can read more about the share buy-backs in the past financial year on pages 208 and 209 of our annual report and on Munich Re's website. The annual report again also contains an explanatory report on Munich Re shares and your related rights.

Under agenda item 9, we propose renewing the capital authorised for issuing employee shares, the previous authorisation having expired the day before yesterday. Renewal of the authorisation will continue to provide the option of issuing shares to the staff of Munich Reinsurance Company and its affiliated companies at appropriate preferential conditions. Issuing employee shares serves to integrate staff into the Company and promotes the assumption of co-responsibility. Both objectives are in the interests of the Company and its shareholders.

So much for my comments on the items to be voted on at today's AGM. Dr. Schinzler has already commented on agenda items 5 and 6. I will conclude my remarks by asking you to vote in favour of our motions on the agenda.

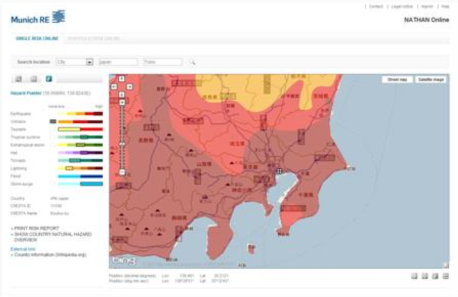
Thank you very much.


MUNICH REINSURANCE COMPANY
ANNUAL GENERAL MEETING 2011
Nikolaus von Bomhard
Chairman of the Board of Management
124th Annual General Meeting
Munich RE


Globe of Natural Hazards
Munich RE
2

Globe of Natural Hazards

Munich RE



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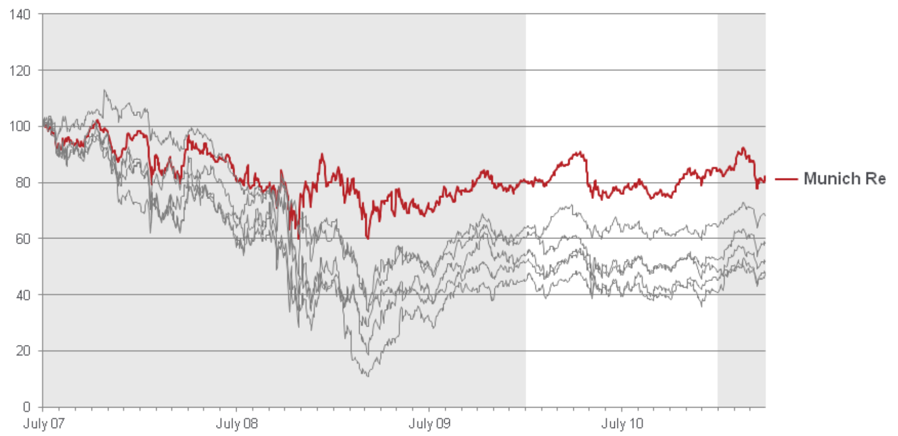
Munich Re (Group)

Stable through the financial and economic crisis

Munich RE

Indexed share performance (including dividend) compared with competitors[1]



[1] Total return (in €) indexed; 1 July 2007 = 100; competitors: Allianz, AXA, Generali, Swiss Re, Zurich Financial Services. Source: Datastream

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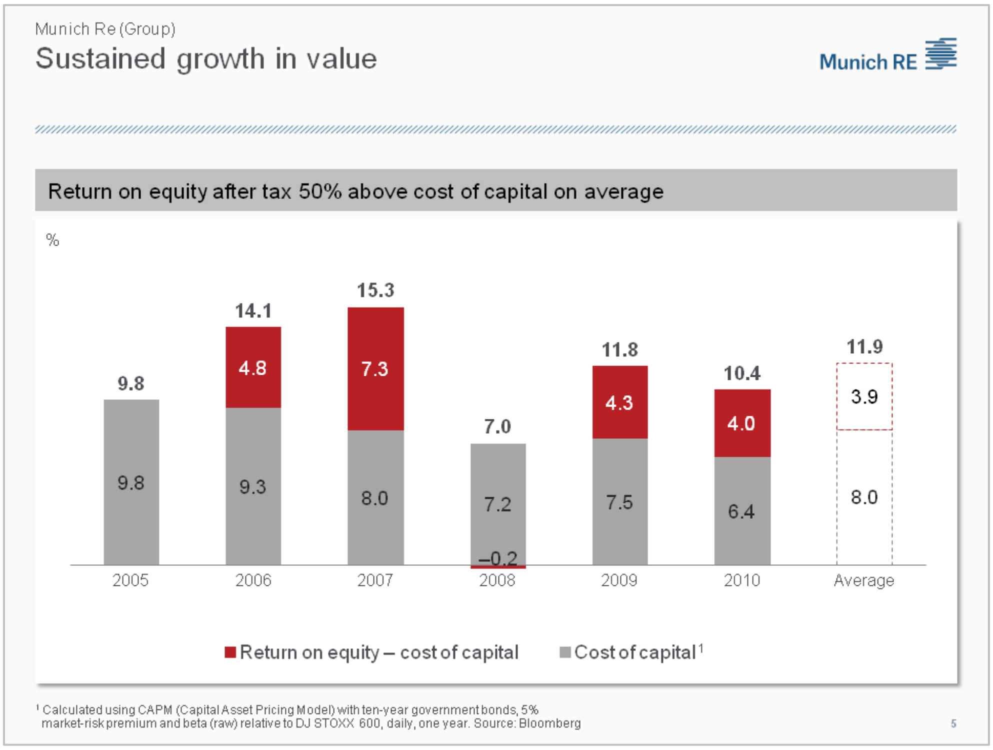

Munich Re (Group)
Sustained growth in value
Munich RE
Return on equity after tax 50% above cost of capital on average
%
9.8
14.1
15.3
7.0
11.8
10.4
11.9
4.8
7.3
4.3
4.0
3.9
9.8
9.3
8.0
7.2
7.5
6.4
8.0
–0.2
2005
2006
2007
2008
2009
2010
Average
Return on equity – cost of capital
Cost of capital 1
1 Calculated using CAPM (Capital Asset Pricing Model) with ten-year government bonds, 5% market-risk premium and beta (raw) relative to DJ STOXX 600, daily, one year. Source: Bloomberg
5

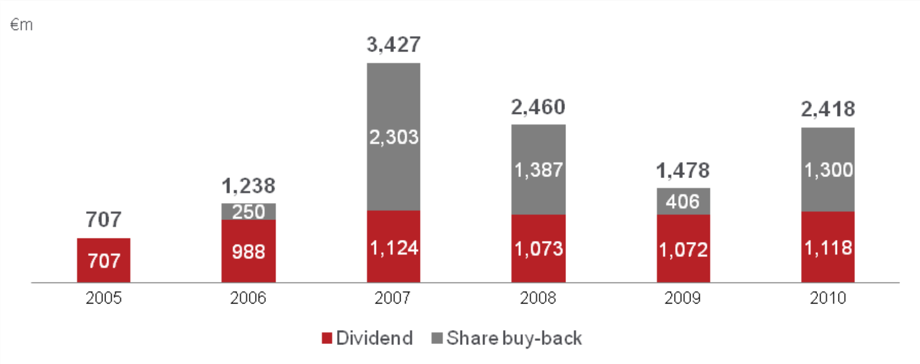

Munich Re (Group)
Cornerstones of strategy
Munich RE
Add value by assuming insurance risks
Well-balanced business portfolio
Disciplined asset management
Considered capital management
Risk management deeply embedded throughout business
6

Munich Re (Group)

Return of capital to shareholders

Munich RE

Considered capital management[1]



High cash payouts remain central component of active capital management

[1] Dividends for the financial year, with payment in the following year. For 2010, dividend of €6.25 per share.

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Munich Re (Group)

Good Group result for 2010

Munich RE

Munich Re (Group)

Consolidated result: €2.43bn

RORAC of 13.5%

Dividend proposal of €6.25 per share (previous year: €5.75)

Equity capital further strengthened: €23.0bn

65% of 2010/2011 share buy-back carried out[1] – meanwhile completed

High investment result

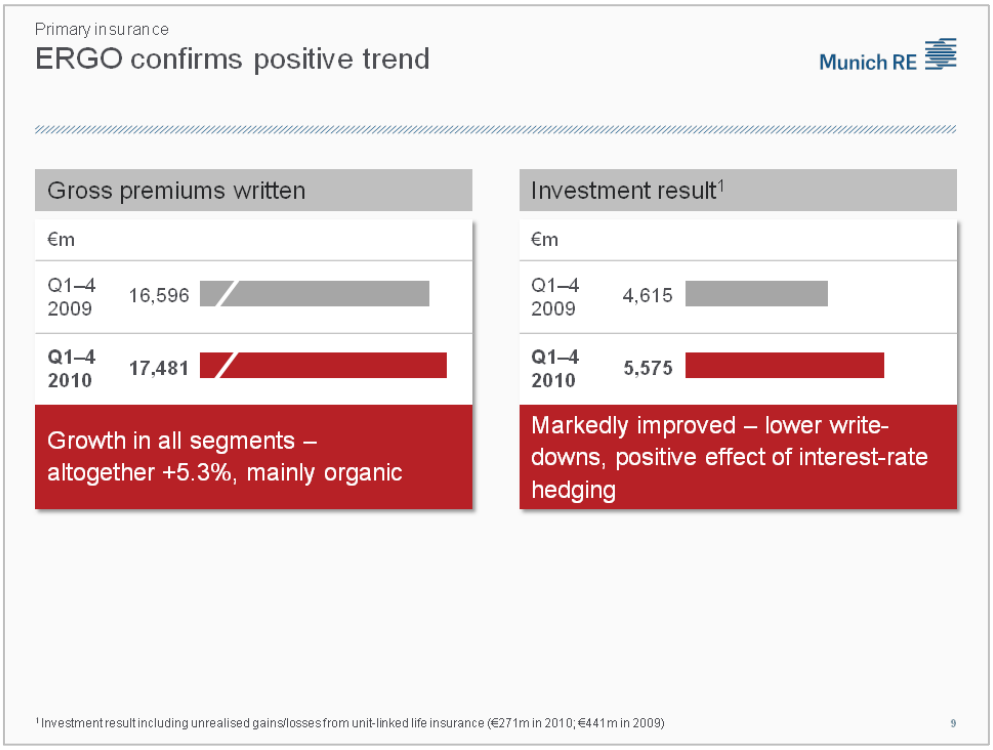
Return of 4.5%

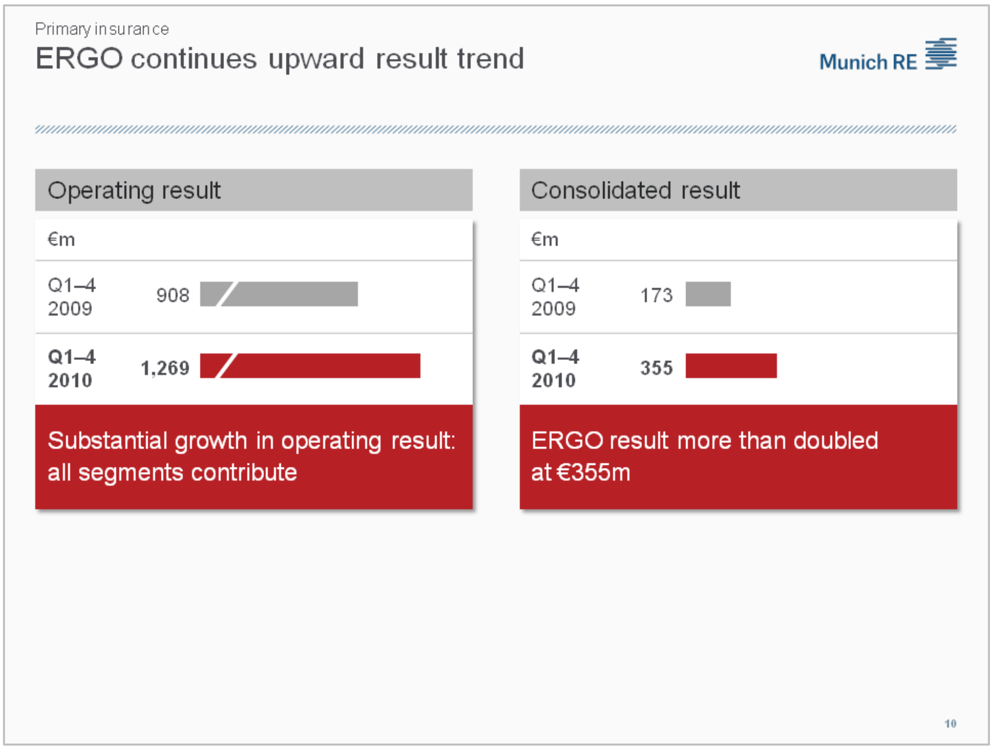
Portfolio and duration management pay off

We have created sustained value

[1] Status at 31 December 2010

8


Primary insurance
ERGO confirms positive trend
Munich RE
Gross premiums written
€m
Q1–4 2009 16,596
Q1–4 2010 17,481
Growth in all segments – altogether +5.3%, mainly organic
Investment result[1]
€m
Q1–4 2009 4,615
Q1–4 2010 5,575
Markedly improved – lower write-downs, positive effect of interest-rate hedging
[1] Investment result including unrealised gains/losses from unit-linked life insurance (€271m in 2010; €441m in 2009)
9


Primary insurance
ERGO continues upward result trend
Munich RE
Operating result
€m
Q1–4 2009 908
Q1–4 2010 1,269
Substantial growth in operating result: all segments contribute
Consolidated result
€m
Q1–4 2009 173
Q1–4 2010 355
ERGO result more than doubled at €355m
10

Primary insurance

New brand presence – To insure is to understand

Munich RE

Measures in 2010

- Renamings:
  - ERGO Direkt, ERGO Leben, ERGO Versicherung
- Products and service
  - Developing easy-to-understand products
  - Improvement of claims management
- Communications
  - Revising all client correspondence
  - Revising policy wordings for private clients

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Primary insurance

ERGO's international business

Munich RE

ERGO in Europe

Market position among top 5 in either life or non-life

Market presence

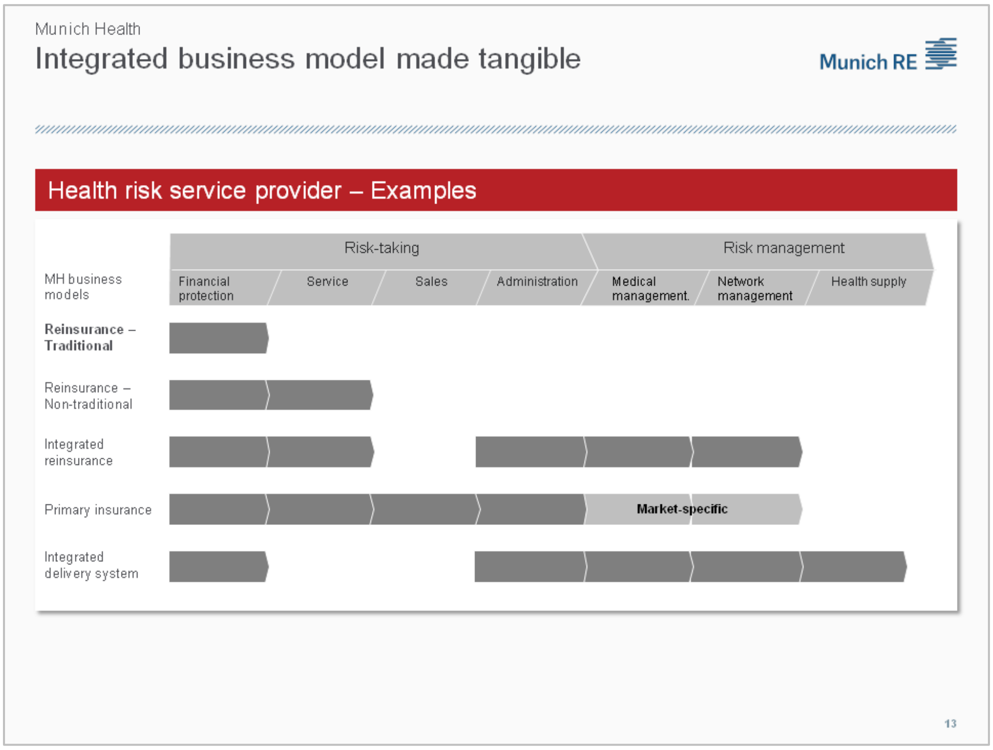
ERGO in Asia

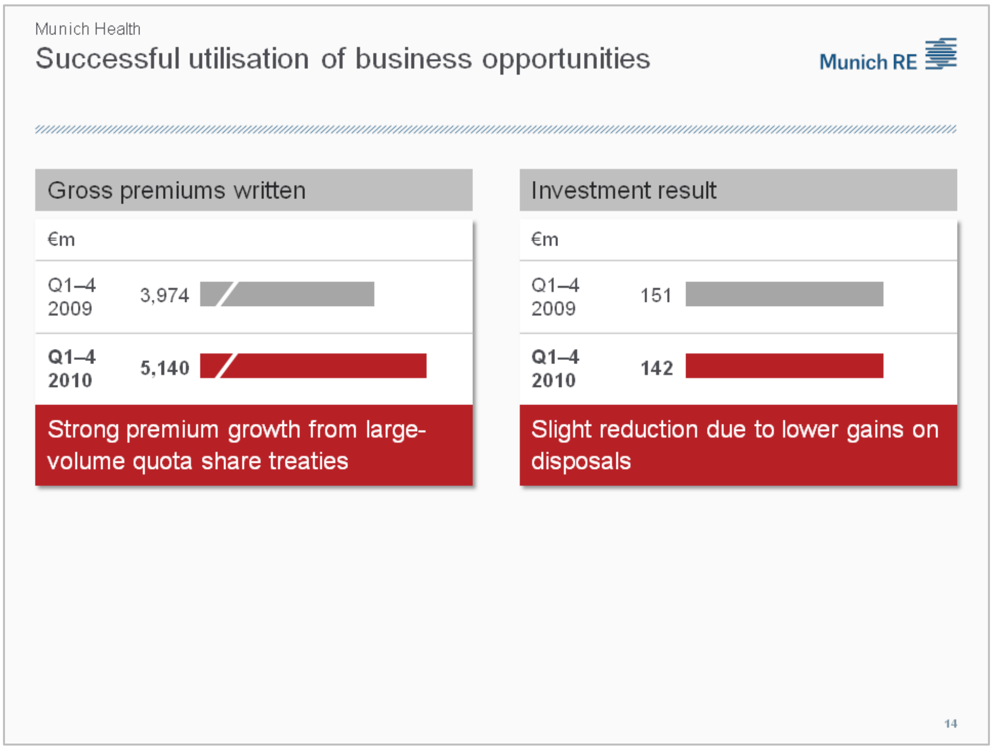
Market position among top 5 in either life or non-life

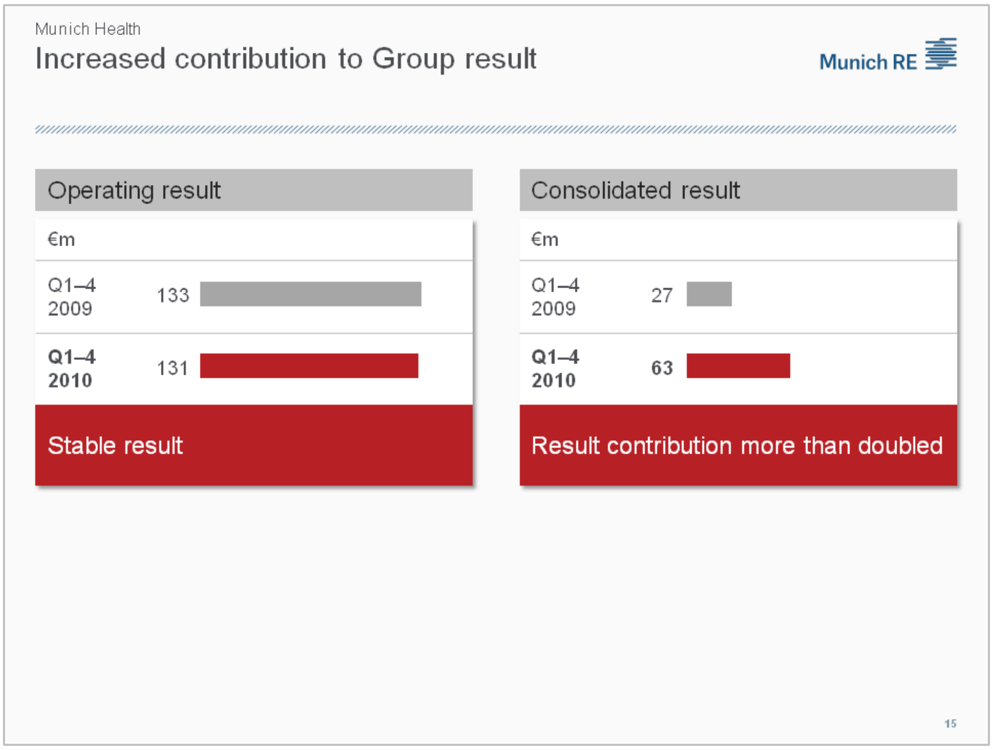
Market presence

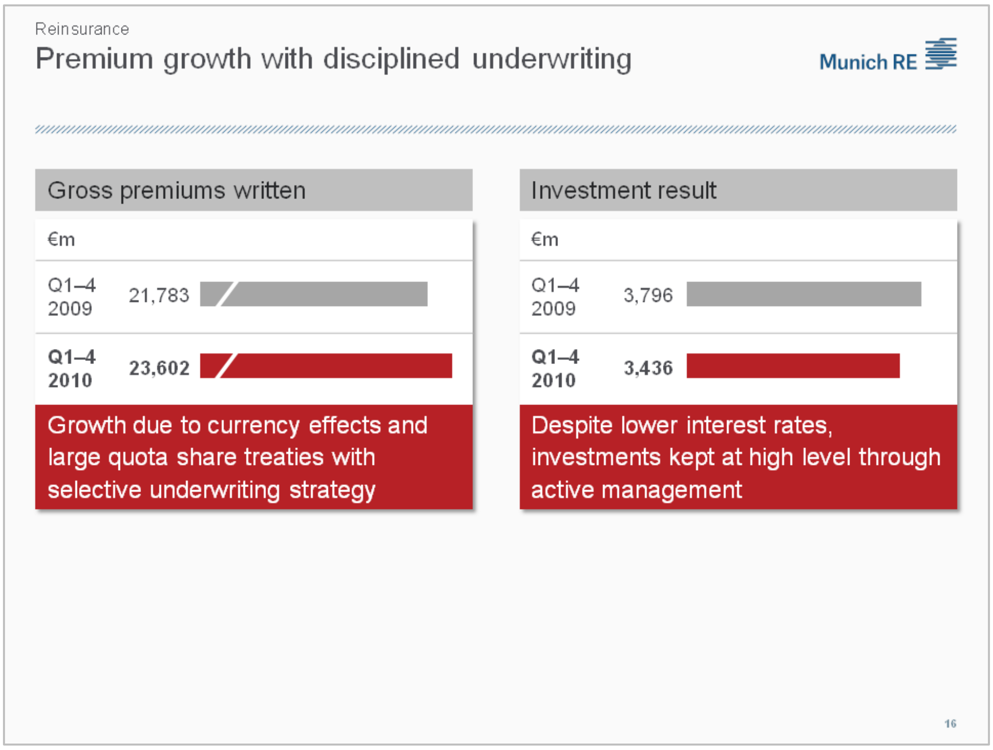
Growth of international business with strong focus on improving profitability

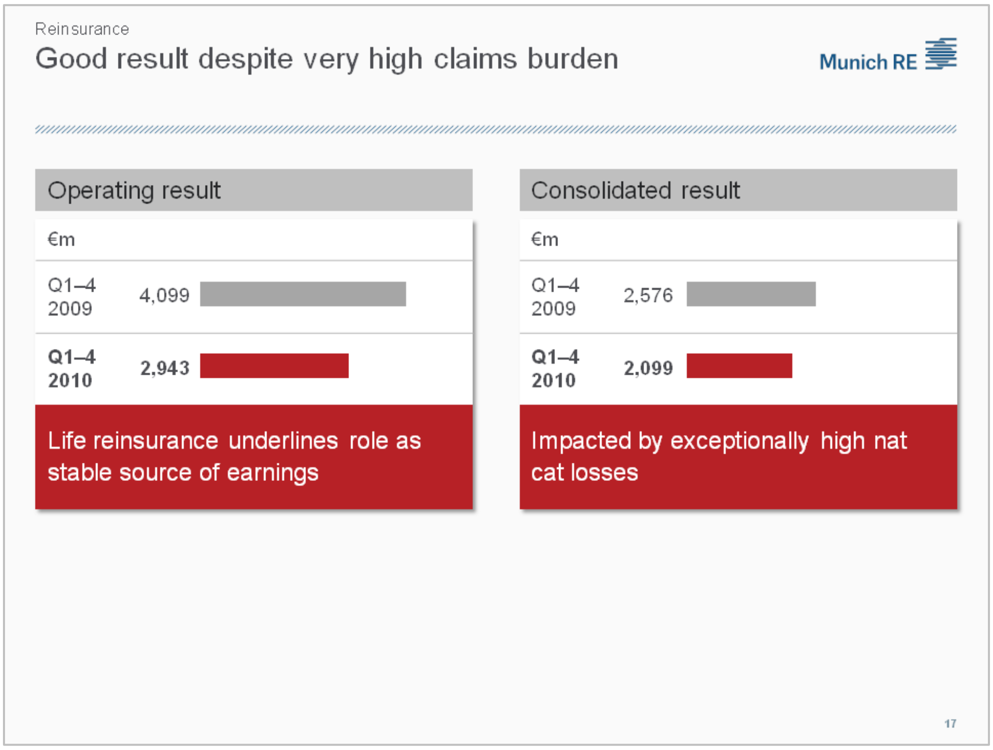
12

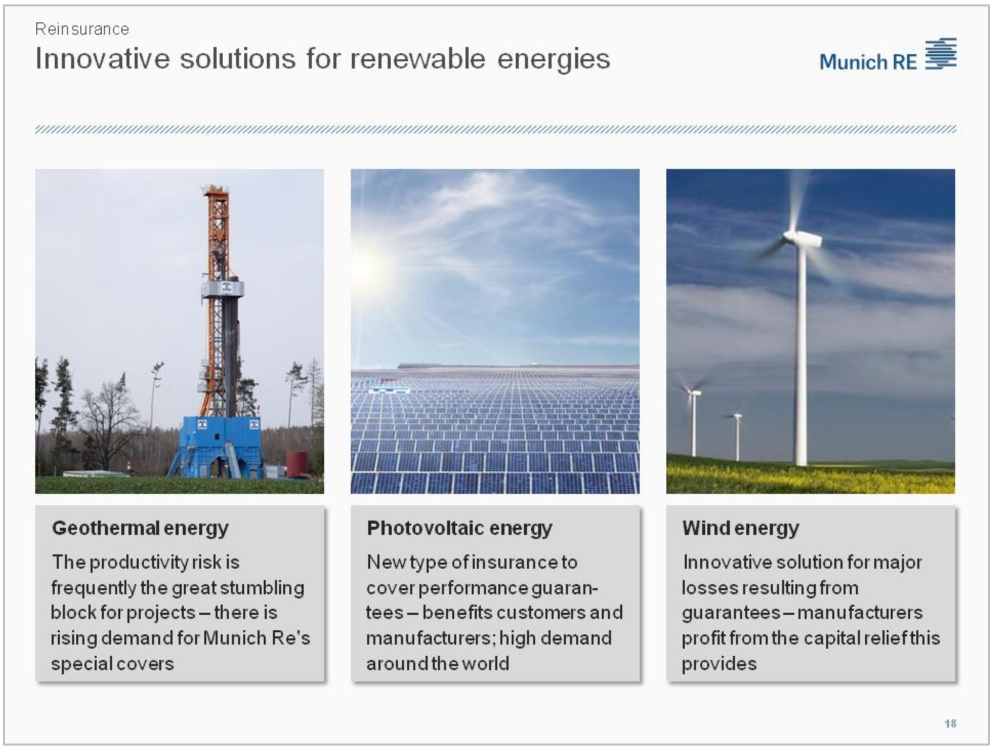

Munich Health
Integrated business model made tangible
Munich RE
Health risk service provider – Examples
Risk-taking
Risk management
MH business models
Financial protection
Service
Sales
Administration
Medical management
Network management
Health supply
Reinsurance – Traditional
Reinsurance – Non-traditional
Integrated reinsurance
Primary insurance
Market-specific
Integrated delivery system
13


Munich Health
Successful utilisation of business opportunities
Munich RE
Gross premiums written
€m
Q1–4 2009
3,974
Q1–4 2010
5,140
Strong premium growth from large-volume quota share treaties
Investment result
€m
Q1–4 2009
151
Q1–4 2010
142
Slight reduction due to lower gains on disposals
14


Munich Health
Increased contribution to Group result
Munich RE
Operating result
€m
Q1–4 2009 133
Q1–4 2010 131
Stable result
Consolidated result
€m
Q1–4 2009 27
Q1–4 2010 63
Result contribution more than doubled
15


Reinsurance
Premium growth with disciplined underwriting
Munich RE
Gross premiums written
€m
Q1–4 2009 21,783
Q1–4 2010 23,602
Growth due to currency effects and large quota share treaties with selective underwriting strategy
Investment result
€m
Q1–4 2009 3,796
Q1–4 2010 3,436
Despite lower interest rates, investments kept at high level through active management
16


Reinsurance
Good result despite very high claims burden
Munich RE
Operating result
€m
Q1–4 2009 4,099
Q1–4 2010 2,943
Life reinsurance underlines role as stable source of earnings
Consolidated result
€m
Q1–4 2009 2,576
Q1–4 2010 2,099
Impacted by exceptionally high nat cat losses
17


Reinsurance
Innovative solutions for renewable energies
Munich RE
Geothermal energy
The productivity risk is frequently the great stumbling block for projects – there is rising demand for Munich Re's special covers
Photovoltaic energy
New type of insurance to cover performance guarantees – benefits customers and manufacturers; high demand around the world
Wind energy
Innovative solution for major losses resulting from guarantees – manufacturers profit from the capital relief this provides
18

Reinsurance

SOS Cover (Sudden Oil Spill Cover)

Munich RE

- Concept developed by Munich Re
- Leading brokers manage consortium and commit insurers and reinsurers as capacity providers
- Consortium will provide significant cover per oil well
- All other covers of the companies involved remain unaffected

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Outlook – Group

Outlook for financial year 2011

Munich RE

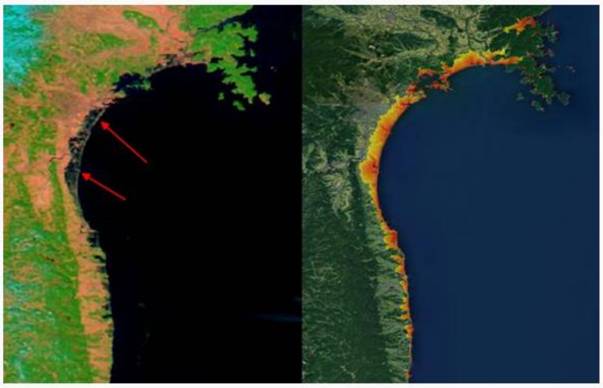
- Global economy to grow slightly more slowly than in 2010
- Continued uncertainties with regard to stability of financial system and public finances
- Massive claims burden from natural catastrophes in first quarter

20

Outlook – Group

Japanese earthquake makes 2011 profit target unattainable

Munich RE



- Estimated burden of €1.5bn after retro-cession and before tax
- Loss estimate determined through modelling
- Continued uncertainty owing to lack of claims notifications from clients

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Outlook – Group

High loss in first quarter inevitable

Munich RE

- Nat cat losses of €2.7bn far exceed expected value
- Life reinsurance and Munich Health with increases in premium and normal business experience
- Improvements in treaty renewals at 1 January 2011 in property-casualty reinsurance
- Combined ratio in ERGO's international business not yet satisfactory
- Group investment result within the expected range
- IFRS equity impacted by nat cat losses and the rise in risk-free interest rates

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Outlook – Group

Diversity key to the Group's success

Munich RE

- Share of women in management positions currently 25.9%
- Diversity firmly established in Group strategy
- Joint declaration of DAX 30 companies signed
- Improving opportunities for women through a combination of measures

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Information on the voting items

Munich RE

Item 2	Resolution on the appropriation of the net retained profits from the financial year 2010
Item 7	Resolution to authorise the buy-back and utilisation of own shares as well as the option to exclude subscription and tender rights
Item 8	Resolution to authorise the buy-back of own shares using derivatives as well as the option to exclude subscription and tender rights
Item 9	Resolution to cancel the existing authorisation for increasing the share capital under "Authorised Capital Increase 2006", to replace this with a new authorisation "Authorised Capital Increase 2011" for the issue of employee shares, and to make the relevant amendments to the Articles of Association

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www.munichre.com

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// Tel.: +49 89 38 91-22 55
// shareholder@munichre.com

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

Christian Becker-Hussong
// Tel.: +49 89 38 91-39 10
// Fax: +49 89 38 91-98 88
// ir@munichre.com

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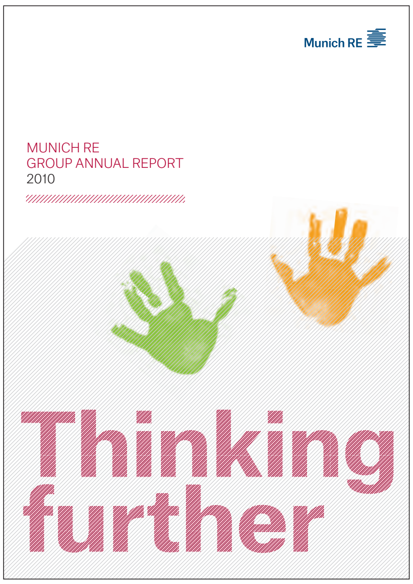

"Thinking further" is the motto of our latest Group annual report , in which we present eight children born in 2010 to Munich Re employees – in Germany, India, Senegal, Poland, the USA and China.

Read about what their lives may be like in the near and distant future and what this has to do with our business of evaluating and insuring risks. The report also contains all the important data and facts on the past financial year and our shares.

More at
www.munichre.com/annualreport2010

Important dates 2011

// **20 April 2011**
Annual General Meeting
// **21 April 2011**
Dividend payment
// **9 May 2011**
Interim report as at 31 March 2011
// **4 August 2011**
Interim report as at 30 June 2011
// **4 August 2011**
Half-year press conference
// **8 November 2011**
Interim report as at 30 September 2011

Important dates 2012

// **13 March 2012**
Balance sheet press conference
for 2011 consolidated financial statements
// **26 April 2012**
Annual General Meeting
// **8 May 2012**
Interim report as at 31 March 2012
// **7 August 2012**
Interim report as at 30 June 2012
// **7 August 2012**
Half-year press conference
// **7 November 2012**
Interim report as at 30 September 2012