

Munich Reinsurance Company
Annual Report 2011

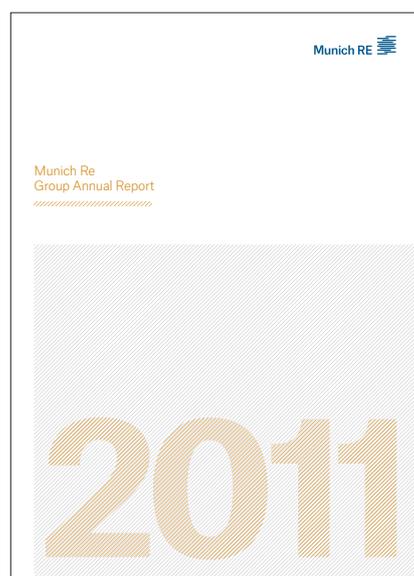


Key figures

Munich Reinsurance Company

€m	2011	2010	2009
Gross premiums written	23,305	20,410	18,322
Investments	72,664	72,661	70,204
Net technical provisions	53,844	53,395	51,791
Shareholders' equity	9,855	10,265	10,760
Profit/loss for the year	1,051	1,360	2,458
Dividend	1,110	1,110	1,072
Dividend per share in €	6.25	6.25	5.75
Share price at 31 December in € ¹	94.78	113.45	108.67
Market capitalisation at 31 December	16,998	21,382	21,452

¹ Source: Datastream



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

MUNICH REINSURANCE COMPANY REPORT ON THE 132ND YEAR OF BUSINESS 1 JANUARY TO 31 DECEMBER 2011

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Ladies and Gentlemen,



Dr. Hans-Jürgen Schinzler
Chairman of the
Supervisory Board

2011 was an extraordinary year in many respects: Munich Re had to absorb the highest losses from natural catastrophes in its history – and this at a time when the financial markets found themselves in an extremely difficult situation. In this challenging environment, the Supervisory Board fulfilled with due care all the tasks and duties incumbent upon it under the law, the Articles of Association and the rules of procedure. We closely monitored the work of the Board of Management, providing regular advice on its running of the Company, and subjecting its conduct of the business to critical review and supervision. Inspection measures in accordance with Section 111 para. 2 sentence 1 of the German Stock Companies Act were at no time required.

Collaboration between Supervisory Board and Board of Management

The collaboration between the Supervisory Board and the Board of Management was constructive and characterised by a spirit of mutual trust. The Board of Management met its reporting obligations towards the Supervisory Board in full. In total, six ordinary meetings of the Supervisory Board took place, with the Board of Management participating in meetings where the topics discussed did not require its absence. This afforded the Supervisory Board an intensive exchange with the Board of Management and gave us a good insight into the competitive position, strategic considerations, corporate planning and the Group's development. The Board of Management kept us constantly informed both orally and in writing about all important business transactions. The Supervisory Board was directly involved in all decisions of fundamental significance to the Company. We reviewed and – where necessary – questioned the information supplied by the Board of Management.

Between the meetings, the Board of Management reported to us on an ad-hoc basis concerning important matters in the Group – for example the effects of the earthquake in Japan on the business, the incidents at ERGO/HMI reported in the press and the necessary corrective measures, and the initial loss estimates for Hurricane Irene and the floods in Thailand.

Beyond this, as Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Board of Management, particularly in connection with issues of strategy, corporate risk management and current business performance. The Chairman of the Board of Management informed me promptly of significant events and developments in the Group. Between the meetings, Jörg Schneider, member of the Board of Management responsible for Group reporting, provided timely updates on key events and developments to Henning Kagermann, Chairman of the Audit Committee. In addition, the shareholder representatives and employee representatives frequently availed themselves of opportunities prior to the Supervisory Board meetings to discuss important topics separately with the Chairman of the Board of Management.

Focal points of the meetings of the full Supervisory Board

At five of the six meetings, we obtained detailed reports on Munich Re's performance. Together with the Board of Management, we concerned ourselves with the strategic risks and opportunities of the individual fields of business and gave detailed consideration to the effects of the exceptional accumulation of very severe natural catastrophes and the continuing global financial crisis on the Group's assets and results. In addition to obtaining regular reports on the development of the Group's investments, at one of our meetings we received a presentation by MEAG's Managing Director on how asset management is organised at Munich Re, and on MEAG's tasks and role. The incidents at ERGO reported in the press, their investigation and the changes necessary in this context were also a focus of our consultations. Furthermore, we engaged in discussions with the Board of Management on economic risk capital requirements and risk-bearing

capacity, on the effects of pending reforms to key parameters such as those deriving from the new European supervisory system, Solvency II, and the IFRS accounting revisions, and on the highly specific issue of the systemic relevance of insurers.

At our first meeting in 2011, we dealt with the Company and Group financial statements for the financial year 2010 and prepared the motions for resolution by the 2011 Annual General Meeting. Besides taking the decision to extend the appointments of three members of the Board of Management, we also reached a resolution on the evaluation of individual objectives for annual performance in 2010. In addition, we established the individual objectives for the Board members' variable remuneration components for 2011, and took reports on compliance and anti-fraud management. Finally, we appointed the external auditors for the 2011 financial year.

At our meeting in April, we concerned ourselves with matters relating exclusively to the Board of Management. We assessed the extent to which the Board of Management had achieved its financial objectives, and determined the amount of bonus payments for the members of the Board of Management based on their annual performance in 2010. As usual, at another meeting immediately prior to the Annual General Meeting, the Board of Management gave us an account of business performance thus far in the year under review.

At its meeting in July, the Supervisory Board received reports on topics including the Group's prospects in German life primary insurance business. We also discussed the main focuses of human resources work in the Group. In the same session, the Board of Management gave us an account of the structure of the compensation systems in the Group, thus fulfilling its annual obligation pursuant to Section 3 para. 5 of the German regulation on the supervisory law requirements for remuneration schemes in the insurance sector (VersVergV).

In October, the agenda included issues of corporate governance, an in-depth report on the development and status of ERGO International, and discussion of the positioning of Munich Re (non-life reinsurance) in Greater China.

At its last meeting in December, routinely attended by two representatives of the German Federal Financial Supervisory Authority (BaFin) as guests, the Supervisory Board dealt with the Board of Management's remuneration from 2012 onwards. We decided on the weightings of the individual target categories and measurement bases for annual and multi-year performance for the financial objectives in connection with the variable remuneration for 2012. The Chief Risk Officer gave his assessment of the risk situation and the Group's risk-bearing capacity and discussed the Group's risk strategy in detail with us. We also concerned ourselves with the Group planning for 2012 to 2014 presented by the Board of Management, in connection with which we also considered deviations in business performance from the planning for the year under review. A presentation on Munich Health gave us an impression of the development of this business field, and we looked into the current challenges in health primary insurance in Germany.

Work of the committees

The Supervisory Board has a total of five committees in place that enable us to perform our tasks efficiently and deal with complex issues more intensively in smaller bodies. The committees' main tasks include preparing resolutions to be taken by the full Supervisory Board and topics for its agenda. Details regarding the responsibilities of the respective committees are available in the corporate governance report on page 45 ff. The composition of each committee is shown on page 118. At all meetings of the full Supervisory Board, the committee chairmen submitted detailed reports on the topics dealt with by the committees and the results of these consultations.

The Personnel Committee met six times in 2011. It prepared the proposals to be submitted to the full Supervisory Board regarding the individual variable remuneration targets for the members of the Board of Management in the year under review. Moreover, it adopted proposals to the Supervisory Board regarding the extension of three Board members' contracts, the assessment of the individual and financial objectives of the members of the Board of Management, and the bonus payments from the 2010 annual performance. The committee obtained comprehensive reports on the fringe benefits and remuneration in kind for the Board of Management as disclosed in the 2010 Annual Report, and on the status of succession planning for the Board of Management. The Personnel Committee approved the acceptance of several seats on supervisory, advisory and similar boards by members of the Board of Management. At the end of the reporting period, the committee very closely considered the proposal submitted to the full Supervisory Board regarding the Board of Management's remuneration from 2012 onwards. It also prepared submissions to the full Board on the weightings of the individual target categories and measurement bases for the financial objectives in connection with the variable remuneration for 2012.

At its four meetings in 2011, the Standing Committee devoted itself mainly to the preparation of Supervisory Board meetings and to topics of corporate governance. The report on the share register was another regular item on the agenda.

The Audit Committee held seven meetings in the period under review. At two meetings, it discussed in detail 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 2010. At one of these two meetings, the external auditor answered questions. In addition, the Audit Committee considered the 2011 quarterly reports and the 2011 half-year financial report, which it reviewed in the presence of the auditor.

The Head of Group Audit routinely provided information on the result of the 2010 audits and the audit planning for 2011. As usual, the Compliance Officer also reported to the committee. In fact, the Audit Committee dealt regularly with compliance topics, following in particular the events at ERGO, their investigation and the measures subsequently resolved; at an extraordinary meeting, the Audit Committee received an in-depth report on these matters from the Chairman of the Board of Management and additionally - at another meeting - from the PwC representative tasked with performing the external review as well as the Chairman of ERGO's Board of Management. In this context, the committee also conferred about the Group's compliance system, ultimately specifying more precisely the tasks and monitoring functions it has to perform in respect of matters involving Group subsidiaries, in particular with regard to the delimitation of these tasks from those of the subsidiaries' own bodies, especially where ERGO is concerned. The development of the embedded values in life reinsurance business and in life and health primary insurance business was a periodic item of discussion. Furthermore, the Audit Committee obtained detailed information from Munich Re's Head of Information Technology on IT security.

The Audit Committee looked into the impact of the financial crisis on Munich Re again in the financial year ended. Asset management was thus a recurring topic of thorough debates at the meetings. The committee regularly monitored the Group's risk situation; alongside quarterly written reports, it also received verbal updates from the Chief Risk Officer, with whom the members of the Audit Committee gave detailed consideration to developments in risk management and the risk strategy.

The committee reviewed and monitored the auditor's independence. In this context, the Audit Committee took delivery of reports from the auditor on its auditing and non-audit-related services. Likewise, the Audit Committee prepared for the full Supervisory Board the appointment of the external auditor for the financial year 2011, determined the main points of the audits, and set the auditor's fees. Following a resolution by the full Supervisory Board, the Chairman of the Audit Committee commissioned the audit for the financial year 2011. Furthermore, it commissioned the external auditor with a review of the half-year financial report 2011. The good close cooperation with the external auditor was of notable benefit to the Audit Committee in its tasks and duties.

At the beginning of 2011, the Nomination Committee concluded the discussions it had begun in the previous year about a successor to Thomas Wellauer, who left the Supervisory Board as at 30 September 2010. The committee agreed to propose Annika Falkengren, President and CEO of Skandinaviska Enskilda Banken AB (publ), as a candidate to the shareholders.

The Conference Committee as per item 7.5 of the rules of procedure for the Supervisory Board did not need to be convened in the financial year ended.

Corporate governance and declaration of conformity

The efficiency audit of the Supervisory Board's work, this time conducted on a non-formal basis, concluded that the measures to improve efficiency implemented in the previous year, which had been identified in an extensive study, had proven successful, and that the work of the Supervisory Board is considered to be efficient and appropriate overall.

A "first" in 2011 was an internal information event offered by Munich Re for all members of the Supervisory Board. As warranted by concrete circumstances, this was devoted to various aspects of the topic "natural catastrophes", and was attended by the majority of the members of the Supervisory Board, as recommended in item 5.4.1 of the German Corporate Governance Code.

In November 2011, the Board of Management and Supervisory Board submitted their compulsory annual declaration of conformity with all the recommendations of the German Corporate Governance Code as per Section 161 of the German Stock Companies Act and their intention to continue complying with it in future. Further information on corporate governance in general is available in the joint report of the Board of Management and Supervisory Board on page 42 ff.

Changes on the Supervisory Board

On 20 April 2011, the Annual General Meeting of Shareholders elected Annika Falkengren, President and CEO of Skandinaviska Enskilda Banken AB (publ), to the Supervisory Board to succeed Thomas Wellauer. Annika Falkengren's appointment brings another exceptionally qualified and internationally experienced figure to the Supervisory Board.

Company and Group financial statements

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the following documents and gave them an unqualified auditor's opinion: the Company and Group management reports and financial statements as at 31 December 2011. 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 1 February 2012, the Audit Committee had already had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2011. On 11 March 2012, 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 the Company and Group financial statements, the management reports 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 Chairman of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting on 12 March 2012.

The full Supervisory Board also checked the Company and Group financial statements and management reports and the proposal of the Board of Management for appropriation of the net retained profits. On the basis of its own examination and having heard the auditor's report, the Supervisory Board had no objections and agreed to the outcome of the external audit. It approved the Company and Group financial statements on 12 March 2011. The financial statements were thus adopted. Having carefully weighed all the relevant aspects, the Supervisory Board agreed with 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 the members of the Board of Management and staff for their great personal commitment and excellent work in a financial year that was as eventful as it was challenging.

Munich, 12 March 2012

For the Supervisory Board



Dr. Hans-Jürgen Schinzler
Chairman

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Munich Reinsurance Company



In order to make the spectrum of their business model and solution-oriented approach clearer, all our reinsurance units throughout the world generally operate under the uniform brand of Munich Re. Our primary insurance activities are for the most part combined in the ERGO Insurance Group (ERGO). Our international health reinsurance business and health primary insurance outside Germany are organised separately under the Munich Health brand.

Structure

Advantages from integrated business model

With its integrated business model consisting of insurance and reinsurance, Munich Re can cover the whole value chain in the risk market. This enables the Group to leverage synergies in revenue and costs, whilst reducing the risk-based capital required through better diversification. Munich Re is also active in the field of asset management. Munich Reinsurance Company is Munich Re's parent company.

We offer a full range of products, from traditional reinsurance to innovative solutions for risk assumption, increasingly using our extensive risk knowledge to develop customised solutions to meet the diverse needs of our clients. Our companies conduct their business from their respective headquarters and also via a large number of branches.

Munich Reinsurance Company and ERGO Versicherungsgruppe AG are under unified control within the meaning of the German Stock Companies Act. The relevant statutory regulations and a Group directive govern the distribution of responsibilities and competences for key decisions between Group management and ERGO.

This management report summarises the business operations of Munich Reinsurance Company.

Reinsurance business is organised in the following divisions:

Our international life business is written in the Life Division.

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.

Special and Financial Risks is in charge of the classes of credit, aviation and space, agriculture, enterprise and contingency risks, and of alternative markets business. Insurance risk securitisation and risk transfer to the capital markets are handled by our Risk Trading Unit. In addition, the division attends to our own reinsurance requirements (retrocession).

Global Clients and North America handles our accounts with major international insurance groups (hence "Global Clients") and globally operating Lloyd's syndicates as well as 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, marine and the Watkins Syndicate, which is a part of Munich Re and operates within Lloyd's of London.

The reinsurance units at a glance¹

Division	Selected subsidiaries and branch offices outside Germany ²
Life	Munich American Reassurance Company, Atlanta, Georgia Munich Re, Tokyo (Life Branch) Munich Re, Toronto (Life Branch) Munich Reinsurance Company of Australasia Limited - New Zealand Branch, Auckland Munich Reinsurance Company of Australasia Ltd., Sydney Munich Re, London (Life Branch)
Europe and Latin America	Bell & Clements (London) Ltd, London Munich Re do Brasil Resseguradora S.A., São Paulo ³ Munich Re, Madrid ³ Munich Re, Milan ³ Munich Re, Paris Munich Re, London (General Branch)
Germany, Asia Pacific and Africa	Great Lakes Australia Branch, Sydney Great Lakes Reinsurance (UK) PLC New Zealand Branch, Auckland Munich Re, Sydney Munich Holdings of Australasia Pty. Ltd., Sydney Munich Mauritius Reinsurance Co. Ltd., Port Louis Munich Re, Kuala Lumpur (Retakaful Branch) Munich Re, Beijing ³ Munich Re, Hong Kong ³ Munich Re, Seoul ³ Munich Re, Kuala Lumpur Munich Re, Auckland Munich Reinsurance Company of Africa Ltd., Johannesburg Munich Re, Singapore ³
Special and Financial Risks	Great Lakes Reinsurance (UK) Plc., London ³ Great Lakes Switzerland Branch, Zurich Munich Re of Malta p.l.c., Floriana ³ New Reinsurance Company Ltd., Zurich ³

**Global Clients and
North America**

American Alternative Insurance Corporation, Wilmington, Delaware³
 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
 First Marine Insurance Company, Amelia, Ohio
 Global Standards, LLC, Wilmington, Delaware
 Groves, John & Westrup Limited, London
 HSB Engineering Insurance Limited, London
 HSB Group, Inc., Hartford, Connecticut
 HSB Solomon Associates LLC, Wilmington, Delaware
 HSB Professional Loss Control, Inc., Tennessee
 MSP Underwriting Ltd., London
 Munich Re Capital Limited, London
 Munich Re Holding Company (UK) Ltd., London
 Munich Reinsurance America, Inc., Wilmington, Delaware³
 Munich Reinsurance Company of Canada, Toronto
 N.M.U. Group Limited, London
 The Roanoke Companies Inc., Schaumburg, Illinois
 Temple Insurance Company, Toronto
 The Boiler Inspection and Insurance Company of Canada, Toronto
 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
 Watkins Syndicate Hong Kong Limited, Hong Kong
 Watkins Syndicate Middle East Limited, Dubai
 Watkins Syndicate Singapore Pte. Limited, Singapore

¹ A detailed list of shareholdings can be found on page 123 ff. in the notes to the financial statements.

² Only subsidiaries and branches outside Germany with equity capital generally exceeding €5m are listed by name.

³ Units that also transact business in Munich Health and are therefore allocated proportionately to reinsurance.

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 brand of Munich Health. It covers large stretches of the healthcare-sector value chain and has been shown as a separate segment since 2010.

MEAG combines the investment activities of our Group. It also offers its comprehensive know-how to external institutional investors and private clients.

Important tools of corporate management

Our corporate management is based mainly on a Group perspective, in which Munich Reinsurance Company is a significant component. Since our fields of business are managed on a Group-wide basis, it is difficult to “extract” the Company from this overall concept. Therefore, a description of the Group’s and reinsurance group’s management system is provided throughout the following. If Munich Reinsurance Company is not mentioned specifically, the Group or reinsurance group as such is meant. The implications of the Group’s targets for the Company’s key performance indicators are considered in the last paragraph.

Munich Re’s value-based management philosophy

Munich Re’s objective is to analyse risks from every conceivable angle and to assess and diversify them, thereby creating lasting value for shareholders, clients, and staff. A guiding principle of our entrepreneurial thinking and activity is to increase Munich Re’s share price on a sustained basis. This is also the aim of our active capital management, on which we report on page 32 f. The main features of our shareholder value approach in practice are the consistent application within the Group of value-based management systems, which we constantly review and refine where appropriate.

The framework for any business activity is our risk strategy (see page 66 ff), from which we derive a detailed network of limitations and reporting thresholds. Besides value-based parameters, we observe a range of important additional conditions in managing our business. These conditions may be reflected in supplementary targets or may even determine a unit’s short-term orientation in a particular situation. They include rules of local accounting systems, tax aspects, liquidity requirements, supervisory parameters, and rating agency requirements.

Aspects of our value-based management

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, which is material in measuring added value as well. That is why we have implemented high quality standards for underwriting, pricing, accumulation control and claims management. 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 view and the necessary comparability of alternative initiatives and prioritise these.
- // We clearly assign responsibilities and make the levers for adding value transparent for both management and staff.
- // We closely link strategic and operative planning.

All initiatives are ultimately geared to the overriding financial objective of enhancing our corporate value on a sustained basis.

In selecting suitable targets, contrasting aspects have to be considered and weighed. On the one hand, undue complexity should be avoided in order to ensure transparency for investors, staff, and the public. On the other hand, the challenge lies in reflecting economic realities as closely as possible, avoiding oversimplification, and enshrining added value as the Group’s overriding guiding principle. The background is multi-faceted, and the parallel use of different performance indicators unavoidable.

Combined ratio and added value

The combined ratio is regularly reported for treaties that are of a short-term nature. This mainly applies to property-casualty business and health reinsurance. The combined ratio, which is calculated as the percentage ratio of the sum of net expenses for claims and benefits plus net operating expenses to net earned premiums, corresponds to the sum of the loss ratio and the expense ratio. Put simply, a combined ratio of 100% means that premium income was exactly sufficient to cover claims and costs. Net expenses for claims and benefits mainly include paid claims, the change in claims provisions, and the bulk of other underwriting expenses. Not included in the expenses are insignificant portions of other underwriting expenses such as German fire brigade tax. Net operating expenses chiefly comprise the costs arising in the acquisition of new business (e.g. commission) and for the ongoing administration of insurance contracts.

Interpreting the combined ratio

When interpreting the combined ratio, the particular circumstances of the class of business in question have to be taken into account. The composition of the portfolio, for example, is of great significance. The following factors (among others) are important:

- // The more the claims burden fluctuates over time, the greater the risk is, and so the premiums needed to cover the risk must be higher. This means that the loss ratios in good years are low, as are the average loss ratios that provide the reinsurer with an adequate return for assuming the risk. This is particularly true in the case of natural catastrophes, which may occur rarely, but are often very severe when they do.
- // Another important point is the time-lag between premiums being received and claims being paid. The more extended these periods are, the longer the premiums received can be invested in the capital markets. High combined ratios in classes of business in which claims settlement takes a long time (e.g. casualty) therefore generally entail higher returns from investments with which the loss reserves are covered. These returns are not reflected in the combined ratio.

Therefore, while we aim to keep our combined ratio as low as possible, it is not our only target. Since there are different ways of calculating this figure, it is also only of limited suitability for comparing our financial performance with that of our competitors.

Determining value added

Rather, the key factor we consider is economic value added, which cannot be properly reflected by the combined ratio. We pursue this target internally through the performance indicator of value added, which measures value creation not only on the basis of current and forecast profits but also taking into account the size of the risks assumed.

$$\boxed{\text{Adjusted result}} - \boxed{\text{Cost of equity}} = \boxed{\text{Value added}}$$

The adjusted result consists of the technical result (derived from the income statement), the investment result, and the remaining non-technical result. In each case, value-based adjustments are made, including the smoothing of expenditure for major losses, the normalisation of investment income, and the recognition of future claims expenses at present value.

We compare the result adjusted in this way with the requisite cost of equity. A significant factor in calculating the cost of equity is the risk-based capital, which we determine using our internal model. For property-casualty business and health reinsurance, value is added to the extent that, measured on the basis of one calendar year, the adjusted result exceeds the cost of equity.

Market Consistent Embedded Value

The products of life primary insurance and the bulk of our health primary insurance business are characterised by their long-term nature and the distribution of results over the duration of the policies. For valuing such long-term portfolios, whose performance cannot be reasonably measured on the basis of a single year, we follow the Principles of Market Consistent Embedded Value (MCEV)¹, the current version of which was published by the European Insurance CFO Forum in October 2009.

Composition of MCEV

MCEV comprises a company's equity and the value of in-force covered business. The latter is the present value of future profits (where profits are post-taxation shareholder cash flows from the in-force covered business and the assets backing the associated liabilities) calculated using financial and actuarial methods, taking into consideration the time value of the financial options and guarantees and the explicitly determined costs of capital.

MCEV relates to the portfolio existing at the valuation date. It encompasses 100% of our life reinsurance business and more than 94% of our life primary insurance and long-term health primary insurance business. By contrast, MCEV does not include the value of future new business. However, the valuation is made under the assumption of continued operations. Options and guarantees – especially for the policyholders – are explicitly valued using stochastic simulations. MCEV reflects the present value of all cash flows for all important currency regions on the basis of the swap rates and the implicit volatilities at the valuation date of 31 December 2011. Assets that are traded on the capital markets are valued on the basis of the market values observed at the valuation date. We refrain from applying high interest margins, e.g. illiquidity premiums and adjustments in the value of assets, even after the occurrence of capital market upheavals, thus opting for a deliberately conservative methodology for valuing our primary insurance portfolio.

The development of the insurance portfolio is modelled by applying the current expectations for biometrics (e.g. mortality and morbidity), lapses and costs. In primary insurance, the participation of policyholders in surplus is modelled according to the current planning and in line with statutory regulations. For the individual companies, the tax rates and assessment bases used in our calculations are based on national regulations; in addition, tax loss carry-forwards are included in the calculation. Withholding taxes on dividends paid by Group companies are disregarded. The cost of capital includes not only the taxes and costs of investment management but also the not explicitly modelled risks of the business and, for health primary insurance, the participation of policyholders in surplus.

The change in MCEV within one year, adjusted for effects of exchange rate fluctuations, acquisition or sale of companies, dividends and capital injections, is shown by us as the total embedded value earnings. Additional adjustments to eliminate the influences of changes in fiscal and capital market parameters result in the operating embedded value earnings, which are a measure of the operative business performance for one year. A detailed presentation regarding MCEV is available on Munich Re's website.

¹ ©Stichting CFO Forum Foundation 2008.

Asset-liability management

Our steering of Munich Re's investments is strongly geared to the structure of the liabilities on our balance sheet, i.e. to our underwriting liabilities. As part of our asset-liability management, we determine the economic neutral position using a synthetic investment portfolio that best reflects the characteristics of our liabilities and takes into consideration significant parameters in the investment of capital. A benchmark portfolio is developed that reflects our own risk-bearing capacity and other investor preferences on the basis of long-term expectations of capital market yields. Our asset manager MEAG implements this strategic benchmark portfolio in the form of concrete investments, from which it deviates only within a carefully defined framework and taking into account its own market view. The target return, i.e. the expected income from the benchmark portfolio, is compared with the return from the actual portfolio. MEAG's performance is measured in terms of the excess return it achieves, taking into consideration the risks incurred.

Return on risk-adjusted capital

In order to also give more emphasis in external communication to Munich Re's value orientation – as implemented through our internal management tools – we take as our Group target return on risk-adjusted capital (RORAC) after tax. We derive this risk-based performance measure by placing the profit achieved or aimed at, expressed in euros, in relation to the necessary risk capital, the amount of which we determine using our internal risk model and publish once a year. Information on the internal risk model is provided on page 77. We thus take into account the economic standards currently underlying (at least to some extent) the requirements of supervisory authorities and rating agencies – standards that are set to play a decisive role in future.

RORAC is defined as follows:

RORAC	=	$\frac{\text{Net income} - \text{Interest rate} \times (1 - \text{Tax rate}) \times \text{Additional available economic equity}}{\text{Risk-based capital}}$
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The numerator in the formula comprises the published IFRS net income adjusted for post-tax income (interest rate x [1 – tax rate]) generated on capital not subject to risk within the given risk tolerance. The basis for the adjustment is the capital exceeding the necessary risk-based capital, which is referred to as additional available economic equity. It is also necessary for rating and solvency purposes, as well as for profitable growth. The additional available economic equity in the system presented here only earns a risk-free interest rate. This is due to the fact that all the risk components of the investment and underwriting are covered with risk-based capital by the internal risk model, and thus assigned return requirements. If, in addition to economic equity, portions of our hybrid capital are also used for assuming risks, the “additional available economic equity” may be negative. In this case, the adjustment item in the preceding RORAC formula is set at zero.

Even though we take a risk-adjusted return as our target, we aspire to meet the high, but fair, expectations of our investors with regard to the return on total capital placed at our disposal.

Non-financial performance measures

Increase in value owing to qualitative factors

In addition to these purely financial performance factors, non-financial performance measures like innovation, speed of processes, staff-training level and client satisfaction play a part. In the long term, a firm can only be successful if it operates sustainably and takes account of such future-oriented qualitative factors as well. 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 perspectives: “financial”, “market and client”, “process” and “employee”. We promote an entrepreneurial culture among our staff through the clear allocation of responsibility and accountability, recognising how much the individual, unit or field of business contributes to increasing value. Our incentive systems for staff, executives and Board support the clear orientation towards value creation. The higher a staff member or executive is positioned in the management hierarchy, the more strongly their remuneration is based on performance.

What do these Group targets mean for Munich Reinsurance Company’s individual financial statements?

Munich Reinsurance Company is managed as part of the Group rather than as a separate entity. However, parallel to Group-related business management, individual financial statement specifics, such as the calculation of the claims equalisation provision or the application of the strict lower-of-cost-or-market principle to investments, and their impact on the German Commercial Code result, are regularly reviewed, and measures taken where needed in order to manage results. Nevertheless, indicators for the Company result are derived from the Group targets.

In underwriting, we are proceeding on the assumption that with the solid quality of our business and in line with our Group objectives, we can achieve a combined ratio of around 96% of our net earned premiums for Munich Reinsurance Company over the cycle. An accurate forecast is not possible, partly due to the obvious fluctuations in the incidence of major losses. Assuming average loss experience, we project that the technical result before claims equalisation provisions will be considerably higher in 2012 than in 2011. Given the current capital market situation, Munich Reinsurance Company’s return on investment based on market values is likely to reach a level similar to that of the previous year. All in all, as things stand at present, we therefore expect to achieve a similar German Commercial Code result to that for 2011. We are aiming for results of the same magnitude in 2013.

Business environment



- // Recovery of global economy falters
- // Financial markets and real economy unsettled by sovereign debt crisis in Europe
- // Market conditions for reinsurance slightly improved

General parameters

Globalisation increases complexity of world economy

Our business environment is being shaped by a number of global trends with a long-term impact. Demographic shifts are leading to fundamental changes in many parts of the world, posing enormous challenges for social security and healthcare systems, particularly in western industrialised countries. In developing and emerging countries, we are witnessing not only rapid population growth but also a swift rise in prosperity among large sections of the population. As a result, the emerging economies in Asia especially are gaining in global importance. Conversely, the economic and also geopolitical weight of western industrial nations is decreasing in relative terms. Technological progress and digitalisation are accelerating the globalisation of capital flows and supply chains and increasing the complexity of the world economy. In this environment, we are seeing a growing number of insurance-relevant major events, with a disproportionate rise in insured losses in relation to economic activity. We see climate change as partly responsible for this, in addition to urbanisation and concentration of values in exposed regions. This is producing new risk potentials and accumulation risks that make it imperative to constantly refine our underwriting.

Munich Reinsurance Company is a leader in integrated risk management and can take advantage of the opportunities resulting from these global trends in both insurance and reinsurance. With our pronounced risk awareness, we continue to number among the leading risk carriers in a complex and volatile environment.

Economic parameters

The year 2011 was dominated by the worsening of the sovereign debt crisis in the eurozone, the debate about the creditworthiness of the USA, and the natural and nuclear disaster in Japan. Growth in the global economy slowed, and great uncertainty prevailed on the capital markets. Fears of defaults on government bonds from the periphery of the eurozone and concerns about a recession in the USA and Europe led to a worldwide slump on the stock markets in summer. There was a flight by investors to the perceived safe havens of German and US government bonds, whose yields remained low.

Faltering recovery of global economy

Having developed considerable momentum in 2010, also in some industrialised countries, the recovery of the global economy slowed down in 2011, as expected. The divide in growth between economies increased: while economic growth stagnated in the USA at the beginning of the year and in the eurozone, especially in the second half of the year, most emerging and developing countries posted high growth rates, albeit somewhat lower than in the previous year. Among the emerging countries, China again recorded particularly strong economic expansion.

The sovereign debt crisis in the peripheral countries of the eurozone worsened again, threatening to develop into a banking crisis as well and unsettling companies and consumers. Economic momentum in the eurozone was restrained: the Italian and Spanish economies hardly grew at all, while growth in the French economy was moderate and even the economy in Germany lost impetus towards the end of the year, owing to the deterioration in the international business environment. The annual average unemployment rate in Germany nevertheless fell to 7.1%.

In the USA, the economy had already begun to cool in the course of 2010 and remained subdued in 2011, with the unemployment rate staying stubbornly high at around 9% for most of the year and only falling to 8.5% towards the end of the year.

The natural and nuclear disaster in Japan intensified the reduction in economic activity in the first half-year, but government assistance measures and interventions by the central bank aided the recovery, so that Japanese industrial production had nearly returned to its pre-earthquake level by July.

Inflation rates driven by oil price worldwide

There was a surprisingly marked increase in inflation rates worldwide in 2011, mainly due to the rise in the oil price. Against the background of political unrest in North Africa and the Middle East, the price per Brent barrel rose from US\$ 95 at the beginning of January to US\$ 127 in April, subsequently remaining at over US\$ 100 for the rest of the year.

Capital markets

Volatility in the international capital markets increased markedly in the second half of the year, mainly due to the escalation of the debt crisis in the eurozone and fears of a downturn in the growth of the global economy. In August, the European Central Bank (ECB) intervened in the market for Italian and Spanish government bonds in order to prevent the crisis from spreading. Neither the expansion of the European rescue fund EFSF and its successor, the ESM, nor the EU summit resolution on more stringent deficit rules and better coordination of economic policy succeeded in calming the markets for long. On the other side of the Atlantic, political disputes over austerity measures and a lifting of the debt limit, followed by a downgrading of the US credit rating by Standard & Poor's, fuelled uncertainty and fears of a recession.

As expected, currency developments remained volatile in view of the debate concerning sovereign debt. The value of the euro fluctuated strongly against the US dollar over the course of the year. At the beginning of the year, strong economic growth in Germany had been accompanied by an appreciation in the euro against other currencies. In the second half-year, however, many investors lost confidence in the euro again, partly taking refuge in the Japanese yen as a comparatively safe haven. The euro fell considerably against the Japanese yen, moving down from over ¥120 in the second quarter to ¥100 at the end of the year. There was a similar development in the value of the euro against the pound sterling.

As anticipated, monetary policy in the industrial nations remained expansive. Owing to the weak state of the economy, the US Federal Reserve kept the range of its key interest rate between 0% and 0.25%. The Japanese central bank also maintained interest rates within a range of 0% to 0.1%. While the ECB initially heralded a cycle of rising inflation rates, raising its key interest rate both in April and in June, it reversed this trend in November and lowered the rate again in December to 1%. Our expectation of a slight rise in the yield level of long-term government bonds was not fulfilled, however. Given the uncertainty on the financial markets, yields on US and German government bonds fell strongly in the third quarter and closed the year at well below their beginning-of-the-year level.

Insurance industry

Reinsurers achieve slight price increase

The effects of the financial market turbulence on the development of global premium in reinsurance were comparatively moderate. In a number of mature markets, demand for insurance was curbed by the weakness of the economy, but a slight increase in prices sustained premium growth in property-casualty insurance. As in the previous year, global non-life premium income showed a moderate inflation-adjusted rise overall, bolstered by the again very dynamic increase in demand for insurance cover in many emerging countries. However, a clear fall-off in the growth of life insurance premiums was observable in some of these markets in 2011.

The capital base of reinsurers decreased, owing to the high losses in the first half-year. However, compared with the capital losses in the 2008 financial crisis, the reduction was only slight. Losses from natural catastrophes and the decline in share prices were partially compensated for by the effects of the low interest rates for low-risk fixed-interest securities.

Especially in the first half-year, reinsurers had to absorb an exceptional accumulation of major losses. On the other hand, market terms and conditions for reinsurers improved in 2011, particularly for natural catastrophe covers. Prices rose in the renewals at the beginning of the year, at 1 April and at 1 July.

According to preliminary estimates, premium income written by the primary insurance industry in Germany decreased by 1.2% in 2011. This was due to the decline in single-premium business in life insurance, which had enjoyed exceptionally strong growth in 2009 and 2010. Thus whereas regular-premium life insurance business grew by around 3%, overall premium in life insurance showed a reduction of 5.7%. Premium growth in private health insurance was again very high at 4.9%, while property-casualty insurance recorded its highest growth rate since 2003, a solid 2.5%.

Overview and key figures



Munich Reinsurance Company's underwriting result for 2011 reflects the currently difficult business environment. Besides the burdens from the financial crisis, we had to absorb the highest losses from natural catastrophes in Munich Re's history. Exceptional claims costs for major losses masked a good performance in basic business. The selective release of loss reserves for prior accident years, which we were able to make following a review of our very solid reserving position, made a positive contribution to the underwriting result.

Munich Reinsurance Company wrote gross premiums totalling €23.3bn (20.4bn) in 2011, a year-on-year increase of 14.2% (11.4%). Without currency translation effects, premium would have risen by 16.2% in the financial year. Approximately €18.9bn (15.6bn) or 81% (77%) of premium was written in foreign currency, of which 29% (21%) was in Canadian dollars, 17% (20%) in US dollars, and 9% (11%) in pounds sterling. 19% (23%) of our premium volume was transacted in euros, with some 93% (91%) coming from business with non-German clients.

The renewal negotiations for reinsurance treaties in 2011 produced satisfactory outcomes in a difficult market environment. We strictly adhered to our focused and disciplined underwriting policy and reduced selected blocks of business for profitability reasons. Capacity continued to be available in sufficient quantities in most lines and regions. Overall, pressure on prices persisted, but the slight downward trend was not maintained, and a stabilisation of prices was evident. The extremely high cost burdens from natural catastrophes led to some marked increases in reinsurance prices in the segments affected by losses. Overall, we succeeded in achieving good terms and conditions and recorded somewhat higher prices than in the previous year.

In the year under review, we again posted marked rises in premium income from large-volume life and health reinsurance treaties, in which reinsurance is used primarily as an instrument for capital management. Since the beginning of the financial crisis in 2007, demand for these solutions has grown significantly. In addition, we increased our premium income through the expansion of existing profitable client accounts. For the coming years, we see additional growth potential resulting from the introduction of Solvency II. As solvency requirements increase, so should the demand for reinsurance solutions.

Our underwriting result before claims equalisation provisions amounted to –€1.5bn in 2011, compared with –€9m in the previous year. The deterioration is attributable to a rise in claims burdens, particularly for natural catastrophes. At €4.7bn¹ (2.1bn), total expenditure for major losses was significantly higher than the projected amount and the multi-year average. Of this, a total of €4.2bn² (1.5bn) was attributable to natural catastrophes, whose exceptional accumulation and severity made 2011 the costliest year to date for such events. At 28.0%³ of net earned premiums for 2011, the loss ratio for natural catastrophes substantially exceeded the figure originally expected

The earthquake that struck Japan on 11 March and subsequent tsunami constitute the largest natural catastrophe loss in 2011, costing us around €1.5bn after retrocession and risk transfer to the capital market and before tax. The relief from this capital market cover is the result of a catastrophe bond being triggered for a Japanese primary insurer's earthquake losses. The income from this bond is shown in the result from derivatives in the investment result. In terms of Munich Re's claims burden, the earthquake was one of the largest losses in our history, alongside the attack on the World Trade Center in 2001 and Hurricane Katrina in 2005. Besides this, we were affected by other major natural catastrophes in the year under review, the most notable being the two earthquakes in New Zealand in February and June, which according to our latest estimates will impact us with around €1.5bn. The widespread flooding in Thailand, which reached its peak in October and November, cost us €536m. In Australia, we incurred high loss expenditure of €295m from the January floods in Brisbane and Cyclone Yasi in the northeast of the country in February. In the USA, we were hit by claims totalling just under €110m from Hurricane Irene on the East Coast in August and from tornadoes in April and May.

At €0.5bn, man-made major losses were lower than in the previous year (€0.6bn), which had been significantly affected by the explosion of the Deepwater Horizon oil rig. Losses of around €50m each were caused by the explosion at a munitions dump in Cyprus and a coal-fired power station in the USA. Fires in two production facilities in Germany also resulted in damage amounting to some €50m. Other losses of note were the explosion in an oil sand mine in Canada (€46m) and claims involving the liability of pharmaceutical manufacturers (€55m).

The combined ratio, which reflects the relation of claims and costs to net earned premiums, came to 112.1%⁴ (101.4%). Excluding claims burdens from natural catastrophes, it amounted to 84.1% (89.8%).

The following table shows our expenditure for major losses in the past five years (with the percentage for natural catastrophe losses):

Major losses over €10m (net)

€m	2011 ²	2010	2009	2008	2007 ¹
Major losses total	4,665	2,097	1,037	1,286	1,006
Thereof natural catastrophes	4,197	1,510	171	622	537

¹ 2007 adjusted owing to an increase in the threshold for major losses.

² The figure for 2011 is not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.

¹ €4.5bn taking into account economic risk transfer to the capital markets.

² €4.0bn taking into account economic risk transfer to the capital markets.

³ 26.6% taking into account economic risk transfer to the capital markets.

⁴ 110.7% taking into account economic risk transfer to the capital markets.

After withdrawing €114m from the claims equalisation provisions owing to negative claims experience in the previous year, we additionally withdrew €1.5bn in the year under review. This amount was necessitated by the exceptional major-loss burden on the result. After the changes in claims equalisation provisions, our underwriting result came to -€48m (104m).

Developments on the capital markets have recently been shaped by uncertainty over the further course of the debt crisis. On the stock markets, the EURO STOXX 50 lost around 17% in the period under review. The performances of the bond markets varied greatly: whilst yields on German and US government bonds fell to historically low levels, risk spreads rose both on government bonds from countries such as Portugal, Greece and Ireland, and on corporate bonds. Despite these uncertainties, we posted an investment result of €2,562m (3,067m). In accordance with German commercial law, some €490m (528m) of the investment result is incorporated in the underwriting result as interest on technical provisions. We report on our investment performance on page 26 ff.

The Company's return on investment (including deposits retained on assumed reinsurance) totalled 3.4%¹ (4.2%) on the basis of carrying amounts. Based on market values, the return was 2.9%² (3.8%).

Munich Reinsurance Company's results

€m	2011	2010	2009	2008	2007
Technical result	-48	104	1,225	520	-337
Investment result without interest on technical provisions	2,072	2,539	2,450	3,566	2,894
Other result	-319	-451	-297	-439	-465
Taxes	-654	-832	-920	-660	-649
Profit/loss for the year	1,051	1,360	2,458	2,987	1,443
Net retained profits	1,119	1,178	1,291	1,567	1,198

In the financial year 2011, we posted a profit for the year of €1,051m. After consideration of the profit of €68m carried forward, net retained profits totalled €1,119m. Subject to the approval of the Annual General Meeting, we intend to pay our shareholders a dividend of €6.25 per share from the net retained earnings for the financial year 2011.

Events after the balance sheet date

The accident involving cruise ship Costa Concordia is likely to result in a claims burden for us in the mid double-digit million euro range. Besides costs for the vessel under hull insurance, further losses may arise due to liability claims from passengers, salvage of the wreck, and potential environmental liability claims. Therefore, it is not possible at this stage to put a final figure on the exact loss amount for Munich Reinsurance Company.

¹ 3.1% excluding the earnings from economic risk transfer to the capital market that are posted in the investment result.

² 2.7% excluding the earnings from economic risk transfer to the capital market that are posted in the investment result.

Classes of business

In **life reinsurance**, we posted a satisfying increase in gross premium income, although this growth was diminished by changes in exchange rates. The gratifying premium development was largely attributable to a number of large-volume treaties where reinsurance serves as a capital substitute. Since the beginning of the capital market crisis in 2007, demand for these solutions has increased dramatically and remains at a high level. In the financial year 2011, premium growth came mainly from the conclusion of further large-volume transactions in North America providing solvency relief to primary insurers. A growth-curbing effect, by contrast, derived from the consequences of the global recession, which partially impacted our clients' business and thus also reduced the volume of business available in reinsurance.

An integral part of our life reinsurance business in Germany is occupational disability risk coverage, and we assist our clients in underwriting, managing claims and, above all, developing future-oriented product concepts in this area. Another important growth driver for our life reinsurance segment is the dynamic development of life insurance in Asia. In the year under review, the positive trend in new business in the Asian life insurance markets continued. We expect further growth impulses for our future new business to come from the ongoing privatisation trends in provision for old age, long term care and disability. Additional demand should be generated by the new regulatory solvency capital requirements in the EU (Solvency II). Under Solvency II, capital requirements for risks, including risks from investment, will become more extensive and demanding than previously. This is a challenge, particularly for small, medium-sized and less diversified primary insurers. We also see increasing demand for the management of investment risks in life insurance products.

In the year under review, we posted a very satisfactory result, which benefited from positive claims experience and dynamic new business. The result figure was significantly above that of last year, when we had to increase reserves for US long term care insurance. The positive business performance in Europe and Asia in 2011 helped to compensate for the strengthening of active life and disabled life reserves in Australia.

In **health reinsurance**, premium volume showed a strong increase in the year under review, which would have been even greater if exchange rates had remained the same. The growth was essentially due to a new large-volume quota share treaty in North America, which became effective at the beginning of the financial year. A counterbalancing effect derived from the planned termination of a large capital relief treaty in Asia, leading to a decline in premium volume.

In recent years, the global health market has become one of the fastest-growing sectors of the economy in terms of both care provision and insurance. This trend will become even more pronounced in future due to advances in medicine, improved life expectancy and the development of healthcare markets in emerging countries.

The result improved compared with 2010. Unlike in the previous year, when individual reinsurance accounts were slightly negative owing to high claims burdens, the period under review showed a profit. The improvement is mainly due to the good performance of our new business and to more favourable claims experience, primarily as a consequence of business restructuring.

In **property-casualty business**, premium income showed a year-on-year increase, but – unlike in 2010 – the depreciation of the euro had an adverse effect here too, thus weakening the positive trend. Owing to major losses, the underwriting result before the change in claims equalisation provisions was clearly negative in 2011. We report on the withdrawals from and allocations to the balance sheet item “claims equalisation provisions” for the individual classes of business on page 25.

In **accident reinsurance**, we recorded a decrease in premium income in the year under review, primarily owing to the expiry or non-renewal of various retrocessions and the termination of a large quota share treaty.

Our underwriting result before claims equalisation provisions improved year on year, and we again posted a gratifying profit in the financial year. A positive result impact in the low three-digit million euro range came from the commutation of US workers’ compensation business. Under the German Commercial Code, in contrast to IFRS, the provisions for this very long-term business are not measured at discounted rates.

Our premium income in **liability reinsurance** showed a modest rise in the year under review. We consistently adhered to our profit-oriented pricing and underwriting policy and withdrew from unprofitable business.

Whilst in the previous year the underwriting result before claims equalisation provisions had been very negative, in the year under review we achieved a significant improvement, mainly due to a considerably lower claims expenditure for basic losses than in the previous year.

In **motor reinsurance**, we posted a distinct rise in premium in the year under review, mainly because of the business expansion we generated in the Asian market. We participated in strong original growth in China and also acquired additional large-volume quota share treaties. Premium also benefited from the appreciable increase in original rates in motor business in the United Kingdom within the framework of our cooperation with a strategic partner.

The underwriting result before claims equalisation provisions was slightly negative in the year under review. In the previous year, the reduction of reserves in this class of business had a favourable impact on the result. In 2011, we again shed motor business that did not meet our profitability requirements – above all in the non-proportional third-party liability segment.

Premium income in **marine reinsurance** was down considerably on the previous year, primarily owing to the expiry of a large-volume intra-Group retrocession. A further factor was our consistent focus on profitability in a competitive market with a generally inadequate price level and consequent non-renewal of unprofitable business. The numerous natural catastrophes and additional individual losses should lead to appreciable rate increases for 2012.

The result before claims equalisation provisions fell slightly against the previous year but remained positive.

Premium income in **aviation reinsurance**, which comprises the aviation and space classes, declined in the financial year under review. Given falling prices, especially in aviation business, we withdrew from selected segments, causing our premium volume to decrease. In space business, our position as market leader enabled us to write profitable new business and, through long-term treaties in our existing business, to largely avoid the consequences of the pressure on rates.

The result in aviation reinsurance improved compared with the previous year, benefiting from our selective underwriting, reserve releases from prior underwriting years, and below-average expenditure for major losses.

In **fire reinsurance** we were able to again better last year's high premium level, in particular through the acquisition of new large-volume treaties in China, alongside profitable new business and significant rate increases for natural hazard covers in Japan, Australia, New Zealand and the USA. As in the past, we optimised our portfolio further by forgoing business that failed to offer risk-commensurate prices, terms and conditions.

Since major-loss expenditure in the period under review was extremely high owing to numerous losses from natural catastrophes, we posted a large deficit in the underwriting result before claims equalisation provisions.

We kept premium volume nearly stable in **engineering reinsurance** (machinery, EAR, CAR, EEI, etc.).

As in the previous year, our underwriting result was negative but nevertheless showed a major improvement. In the previous year, the result had been burdened by reserve strengthening in the low three-digit million euro range, whereas in the year under review we were able to release reserves.

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 and householders' and homeowners' comprehensive reinsurance – as well as credit and fidelity guarantee reinsurance.

Total premium volume in these classes of business was higher than in 2010. Premium income grew mainly due to business growth in agricultural reinsurance, deriving in particular from the acquisition of new business in the USA and the implementation of rate increases.

The combined underwriting result of these classes improved again year on year, and we posted a pleasing profit for the year under review. The main reason for the improvement lay in credit reinsurance, where the number of insolvencies after the financial crisis was lower than expected, enabling us to release reserves from prior underwriting years.

€m	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions	
	2011	2010	2011	2010
Life	7,783	6,299	279	183
Health	3,861	3,056	25	-21
Accident	206	261	159	99
Liability	1,518	1,378	-20	-582
Motor	2,716	2,024	-18	100
Marine	391	857	44	72
Aviation	515	615	180	63
Fire	3,547	3,245	-2,551	60
Engineering	929	960	-42	-153
Other classes	1,839	1,715	395	170
Non-life combined	15,522	14,111	-1,828	-192
Total	23,305	20,410	-1,549	-9

Claims equalisation provision and similar provisions

The **claims equalisation provision and similar provisions**, whose calculation and recognition are largely governed by law, can substantially influence the underwriting result shown.

The claims equalisation provision is established for individual classes of property-casualty business and serves to equalise significant fluctuations in loss experience in individual classes of business over a number of years. 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 adjustment is calculated based on the difference between the actual and average loss ratio and determined separately for each class of business. The amount of the claims equalisation provision for each class of business is limited by a legally stipulated maximum amount.

In classes of business showing high fluctuations in claims experience in the current accounting period (despite a homogeneous portfolio), a stabilisation of results is achieved through the performance-related changes in the claims equalisation provision. Based on past statistics, the provision thus smooths the financial effects of the random occurrence of above-average and below-average claims in individual financial years. The item "similar provisions" combines provisions for major risks established for exceptional cases in underwriting where it is not possible to form a risk community that is sufficiently large and homogeneous to balance the risk within a determinable period of time. Allocations to a provision for major risks have the character of advance claims payments and must be held in reserve until the maximum amount of a possible total loss or the maximum liability determined by actuarial models is reached. Major risks are only insurable if a balance of risks over time is provided through the establishment of reserves over several financial years. A provision for major risks therefore does not serve to balance annual fluctuations but to deal with very rare individual occurrences that have exceptional loss potential. This item embraces provisions for nuclear risks, pharmaceutical product liability risks and terrorism risks.

The balance-sheet item "claims equalisation provision and similar provisions" decreased by €1,501m (114m) to €6,410m (7,911m) in the financial year 2011. The main withdrawals from the claims equalisation provision were in fire (€2,571m; previous year: €101m), due to the negative performance caused by natural catastrophe losses in this class of business. In addition, the maximum amounts allowed for the claims equalisation provision in marine and aviation had to be reduced by €230m (9m) and €72m respectively, owing to lower premium income. In the previous year, we had allocated €93m for aviation. By contrast, positive results enabled us to allocate amounts to the claims equalisation provision in other classes of business: €356m (-226m) in liability, €256m (187m) in accident, €355m (74m) in motor, and €421m (92m) in credit business. Except in fire and engineering business, the current level of the claims equalisation provision in each class of business is more than 50% of the legally stipulated maximum amount. In fire reinsurance, the claims equalisation provision fell to 21% of the legally stipulated maximum amount in the year under review. Further allocations made by the Company in the financial year 2011 were €17m (13m) to the provision for terrorism risks, €4m (5m) to the provision for pharmaceutical product liability risks, and €2m (3m) to the provision for nuclear risks.

Investments

Investment principles

Our investment strategy considers supervisory requirements aimed at ensuring optimum security and profitability, with sufficient liquidity at all times, and an appropriate mix and spread. We also comply with all other legal requirements. We only make investments in assets from which we expect an appropriate return, our asset managers paying strict attention to the Company's risk tolerance and the principle of sustainability. We reduce currency risks by generally matching our expected liabilities with assets in the same currencies. We also take care that the maturities of our fixed-interest securities are aligned with those of our liabilities. The methods we use to control investment risks are described in detail in the risk report on page 65 ff.; our approach to asset-liability management is explained on page 32.

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.

Investment mix

€m	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Land, land rights and buildings, including buildings on third-party land	998	1,018	900	863	824
Investments in affiliated companies and participating interests	32,208	27,840	27,014	23,675	21,831
Loans to affiliated companies and participating interests	177	1,556	1,799	2,002	703
Shares, investment certificates and other non-fixed-interest securities	5,796	6,434	5,002	5,163	7,839
Bearer bonds and other fixed-interest securities	19,770	20,540	20,927	21,707	21,419
Other investments	838	1,200	717	815	919
Total	59,787	58,588	56,359	54,225	53,535

Development and structure of investments

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by 2.0% to €59.8bn in the financial year 2011. In the following, we provide details of significant changes.

Land, land rights and buildings, including buildings on third-party land

Our investments in real estate are geared to generating an appropriate yield from regular income and growth in value, which requires continually monitoring existing properties and property funds with regard to their long-term profitability, and their location- and property-specific risks. In the year under review, there were no major changes in our real estate portfolio.

Investments in affiliated companies and participating interests

The carrying amounts increased by €4.4bn. In the year under review, a net amount of €2.2bn was allocated to investment companies holding special funds for fixed-interest securities. This includes reinvested annual profits of €0.5bn from 2011, currency gains of €0.2bn and the investment of a dividend of €0.5bn from Munich American Holding Corporation. Capital increases totalling €0.5bn were carried out at Munich Re of Malta Holding in the financial year to finance expansion of business activities. In the case of Munich American Holding Corporation, there was a further write-up of €0.3bn in the carrying amount of our participation. A total of €0.4bn was allocated in the financial year to an investment holding company that invests in renewable energies. Another investment company, which performs a holding function for healthcare business, was allocated a total of €0.5bn by the ERGO Group for the acquisition of various companies.

Loans to affiliated companies and to participating interests

The reduction in carrying amounts totalling €1,380m is mainly due to the redemption of loans to the ERGO Group.

Shares, investment certificates and other non-fixed-interest securities

The decrease of €0.6bn concerns our equity portfolio held indirectly via investment funds. The bulk of our equity portfolio comprises shares in European companies.

Bearer bonds and other fixed-interest securities

At €19.8bn, investments in fixed-interest securities show a fall of €0.8bn compared with the previous year and account for 33.1% of total investments (excluding deposits retained on assumed reinsurance business). A reduction in our portfolio was counteracted by positive currency translation effects.

Over 79% of our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable. Pursuing our risk-conscious investment policy, we reduced our holdings of Portuguese, Irish, Italian, Greek and Spanish government bonds from 14% to below 1%.

Additionally, unchanged compared with the previous year's reporting date, around 9% of our bearer paper is in securities and debt instruments with top-quality collateralisation, namely German and European pfandbriefs.

At the reporting date, corporate bonds made up 4% of our bearer bonds and other fixed-interest securities.

As protection against the risks of future inflation and the rise in interest rates typically associated with this, some 8% of our investments are held in bonds for which the interest and redemption amounts are linked to the rate of inflation (inflation-indexed bonds).

Our portfolio of interest-bearing investments has a very good rating structure. As at 31 December 2011, nearly 98% of our fixed-interest securities were investment-grade and around 96% were rated "A" or better.

Deposits retained on assumed reinsurance business

As at 31 December 2011, deposits retained stood at €12.9bn.

Valuation reserves

In accordance with Section 54 of the German Accounting Regulations for Insurance Companies, valuation reserves must be disclosed for the investments shown. Our off-balance-sheet valuation reserves, i.e. the difference between the fair value of our investments and their book value, increased by 28.7%, or €2.6bn, compared with the previous year. A detailed breakdown of the reserves is provided in the notes on page 103 f.

Valuation reserves

€m	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Real estate	1,525	1,338	1,344	1,303	1,309
Equity investments	8,745	6,849	4,920	3,878	9,009
Fixed-interest securities ¹	1,618	1,053	918	829	697
Total	11,888	9,240	7,182	6,010	11,015

¹ As from 2007, investments recognised at nominal value are taken into account as well as investments at amortised cost.

The increase in valuation reserves for equity investments is mainly attributable to the investment companies holding special funds and to Munich Re of Malta Holding. In the case of fixed-interest securities, the rise in valuation reserves derives from a decrease in the yields on Canadian, German, US and UK government bonds.

Result

The investment result totalled €2,562m (3,067m), as the higher regular income was only able to partially compensate for the worse results in other areas.

Investment result

€m	2011	2010	2009	2008	2007
Regular income	3,083	2,655	2,480	3,751	3,797
Write-ups/write-downs	-280	189	3	-643	-319
Net capitalised gains	239	661	1,005	1,647	1,028
Other income/expenses	-480	-438	-384	-726	-813
Total	2,562	3,067	3,104	4,029	3,693

The table below shows the investment result for the past five business years broken down by type of investment:

Investment result by type of investment

€m	2011	2010	2009	2008	2007
Real estate	84	120	-3	35	32
Investments in affiliated companies and participating interests	1,391	1,425	718	1,350	285
Loans to affiliated companies and participating interests	28	48	69	73	9
Shares, investment certificates and other non-fixed-interest securities	80	142	900	1,507	1,835
Bearer bonds and other fixed-interest securities	1,078	1,019	1,132	724	793
Other investments	-99	313	288	340	739
Total	2,562	3,067	3,104	4,029	3,693

Financial position



Analysis of our capital structure

Investments on the assets side of the balance sheet serve mainly to cover technical provisions (69.5% of the balance sheet total). Equity (12.7% of the balance sheet total) and subordinated bonds classified as strategic debt (5.7%) are the most important sources of funds.

Strategic debt has not changed significantly compared with the previous year. A detailed analysis of the structuring of this type of funding is provided in the section on strategic debt on page 31.

Our equity decreased by €410m in the 2011 financial year. The dividend payment and share buy-back programme, on which we report on page 33, had a lowering effect on equity.

Equity

In the year under review, our equity decreased by €410m to €9,855m, or by 4.0% compared with the previous year. Within the framework of the share buy-back programme announced in the previous year, we bought back shares to the value of €350m in 2011, which we offset against the revenue reserves. €1,110m of the net retained profits for the previous year was distributed as a dividend to shareholders.

These withdrawals compare with a profit for the financial year 2011 totalling €1,051m. This amount, plus the profit of €68m brought forward from the previous year, has been earmarked for financing a dividend payment of €1,110m.

Equity

€m	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Equity	9,855	10,265	10,760	9,782	9,306

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 and is essentially designed to optimise the cost of capital and ensure that we have sufficient liquidity at all times.

Strategic debt

€m	31.12.2011
Subordinated bonds 2003/2023, €1,678m ¹	1,678
Subordinated bonds 2003/2028, £300m ¹	359
Subordinated bonds 2007/perpetual, €1,349m ²	1,349
Subordinated bonds 2011/2041, €1,000m	1,000
Bank borrowing, US\$ 250m	193
Total	4,579

¹ With original nominal value of €3,000m (thereof €1,678m outstanding).

² With original nominal value of €1,500m (thereof €1,349m outstanding).

The subordinated bond with an initial volume of €1.5bn issued by Munich Reinsurance Company in June 2007 is a perpetual bond, but callable by us from ten years after the date of issue. The terms of the Munich Reinsurance Company subordinated bonds issued in 2003 and 2011 are limited. The subordinated bonds issued in 2003 with original nominal values of €3.0bn and £300m will mature in 2023 (euro subordinated bond) and 2028 (pound sterling subordinated bond) and are callable by us for the first time on 21 June 2013 and 21 June 2018 respectively. The subordinated bond issued in 2011 with a nominal value of €1.0bn will mature in 2041 and is callable by us for the first time on 26 May 2021.

The Company strengthens its capitalisation with these subordinated bonds, which are recognised in part as own funds by the German Federal Financial Supervisory Authority (BaFin).

Furthermore, in 2009 Munich Reinsurance Company assumed a strategic bank loan totalling US\$ 250m from Munich Re America Corporation, which we show under amounts owed to banks. This loan was repaid in February 2012 as planned.

Technical provisions

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. 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, pound sterling and the Canadian dollar. We ensure that our business is sufficiently capitalised at all times by monitoring the situation continuously and taking suitable measures, which are dealt with in the section on capital management.

Restraints on disposal

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 €6.6bn (7.1bn).

Asset-liability management

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

The structure of our technical provisions and other liabilities is the basis for the Company's investment strategy, the main focus of which is asset-liability management: our aim is to ensure that economic factors influence the value of our investments and that of our technical provisions and liabilities in the same way, thus cushioning the effect of 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 if possible. In terms of currency positioning, exchange-rate fluctuations thus affect assets and liabilities in equal measure. Currency translation losses on assets are largely offset economically by currency translation gains on underwriting liabilities. In this approach, any deviations from the structure of our liabilities are made consciously, taking due account of our risk tolerance and the risk spreads. Due to the unresolved debt crisis in 2011, we have again reduced the proportion of our investments in equities accordingly and have thus been affected less by the price correction on the stock markets. Besides this, to an increasing extent we are endeavouring in our asset-liability management to partially structure our investment portfolio in such a way that investments increase in line with rising inflation rates.

To configure our economic asset-liability management as effectively as possible, we also use derivative financial instruments to hedge against fluctuations on the interest-rate, equity and currency markets. As pending transactions, these are generally only recognised under German Commercial Code accounting in the case of anticipated (unrealised) losses. The gains are not recognised until they have been realised.

Capital management

Through active capital management, we ensure that the Company's capital is maintained at an appropriate level. Our available financial resources must always be sufficient to cover the capital requirements determined both by our internal risk model and the requirements of supervisory authorities and rating agencies. We aim to ensure that our financial strength is such that it enables us to take advantage of measured opportunities for growth, is not significantly affected by normal fluctuations in capital market conditions, and remains at a reasonable level even in the wake of major loss events or substantial falls in the stock markets, as we experienced in 2011. At the same time, we also define an appropriate level of Group economic capital as one which does not exceed that required for our operations. Such a needs-based, risk-commensurate capital level makes a decisive contribution to financial discipline in all our business processes.

We return surplus capital to equity holders mainly through attractive dividends, within the scope permitted by Munich Reinsurance Company's revenue reserves, and provided this does not impair our strategic flexibility or our overall capital strength. Alongside dividend payments, we still generally consider share buy-backs an important instrument of active capital management, even if we have currently discontinued these in view of the difficult environment.

Over €11bn for shareholders

In the financial year 2011, we bought back 3.0 million shares worth €350m. Since the beginning of the share buy-backs in 2006, we have returned a total of over €11bn, including dividend payouts, to our shareholders in order to bring our previously high capitalisation level more closely into line with requirements. At the balance sheet date on 31 December 2011, our revenue reserves amounted to €1,317m.

In line with our active capital management, we bought back a nominal amount of €1.2bn of the subordinated bond 2003/2023 in the period under review, out of the total outstanding amount of €2.9bn as at the end of 2010. We also issued a new subordinated bond with a nominal volume of €1bn in the financial year 2011.

Subject to the approval of the Annual General Meeting, we aim to pay our shareholders a dividend of €6.25 per share from the net retained earnings for the financial year 2011.

Information in accordance with Section 289 para. 4 of the German Commercial Code and explanatory report of the Board of Management

Composition of the issued capital

As at 31 December 2011, Munich Reinsurance Company's share capital of €587,725,396.48 was divided into 179,341,212 registered, no-par-value, fully paid shares. The rights and obligations deriving from them follow from the pertinent statutory requirements and Articles of Association. The shares are endowed with full voting and dividend rights, with the exception of the 1,752,462 shares held by Munich Re itself at 31 December 2011 (Section 71b of the German Stock Companies Act). Each voting share carries one vote at the Annual General Meeting. With respect to the Company, the only parties deemed shareholders in accordance with the German Stock Companies Act (Section 67) 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 restrictably transferable registered shares by Munich Reinsurance Company dates back to the Company's foundation in 1880 and is a very common phenomenon in the insurance industry. Restricted transferability means that these shares may be transferred to another holder only with the Company's consent, which, according to Article 3 para. 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.

Shareholdings exceeding 10% of the voting rights

Warren E. Buffett and companies in his group informed us in accordance with Section 21 of the German Securities Trading Act (WpHG) that they hold a total share of 10.244% of Munich Reinsurance Company's voting rights. They notified us most recently, as at 12 October 2010, of the following direct or indirect shareholdings exceeding 10% of the voting rights:

Shareholdings exceeding 10% of the voting rights

%	Direct holding	Indirect holding
Warren E. Buffett, USA	0.053	10.191
Berkshire Hathaway Inc., Omaha, USA		10.191
OBH LLC, Omaha, USA		10.191
National Indemnity Company, Omaha, USA	10.191	

Warren E. Buffett and the aforementioned companies in his group informed us in a letter dated 15 October 2010 that the objective of the investment is to generate trading profits and not to implement strategic objectives.

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 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 Companies Act, and Sections 121a para. 1 and 7a of the German Insurance Control Act. Munich Re's co-determination agreement and Articles of Association have taken over the legal tenets of the German Co-Determination Act. The Supervisory Board appoints the members of the Board of Management 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 between three and five years. Extensions of up to five years are possible and – in exceptional cases – members of the Board of Management may also be appointed by a court of law.

The German Stock Companies Act contains general provisions governing amendments to the Articles of Association (Sections 124 para. 2 sentence 2, and 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, a resolution must receive at least three-quarters of the votes cast by 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 German Stock Companies 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.

The Annual General Meeting is entitled to transfer to the Supervisory Board the authority to make amendments to the Articles of Association that affect only the wording (Section 179 para. 1 sentence 2 of the German Stock Companies Act). This is the case with Munich Reinsurance Company and has been regulated in Article 14 of the Articles of Association.

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 German Stock Companies Act. The Board of Management has the following powers to issue and buy back shares (the complete wordings of the relevant resolutions and provisions in the Articles of Association can be viewed on our website):

- // The Annual General Meeting of 20 April 2011 authorised the Company under agenda items 7 and 8, pursuant to Section 71 para. 1 item 8 of the German Stock Companies Act, to buy back shares until 19 April 2016 up to a total amount of 10% of the share capital at the time of the Annual General Meeting resolution (€587,725,396.48). 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 German Stock Companies Act may at no time amount to more than 10% of the share capital. The shares may, in accordance with the provisions of the authorisation, 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 admissible purposes, in particular those specified in the authorisation, whilst excluding subscription rights. Among other things, the Board of Management is empowered under Section 71 para. 1 item 8 of the German Stock Companies Act to retire the shares without requiring further approval from the Annual General Meeting.
- // The Annual General Meeting of 28 April 2010 authorised the Board of Management to issue, with the consent of the Supervisory Board, convertible bonds or bonds with warrants on one or more occasions up to 27 April 2015 for a maximum nominal amount of €3bn with or without a limited maturity period. 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 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 para. 3 of the Articles of Association (Contingent Capital 2010).
- // Under Article 4 para. 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 21 April 2014 by an amount of up to €280m by issuing new shares against cash or non-cash contribution (Authorised Capital Increase 2009). In accordance with the above-mentioned provisions of the Articles of Association, it may exclude subscription rights.
- // Under Article 4 para. 2 of the Articles of Association, the Board of Management is authorised to increase the share capital at any time up to 19 April 2016 by an amount of up to €10m by issuing new shares against cash contribution (Authorised Capital Increase 2011). 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.

The above-mentioned authorisations to issue or buy back shares are within the range of what is customary in the market and allow the Company to engage in active capital management. They enable it to cover any capital needs, even at short notice, for taking swift and flexible advantage of market opportunities in different fields of business. As demonstrated by the Company's share buy-backs, the authorisations also offer the opportunity to return to the equity holders capital that is no longer required.

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 provides for special exercise options in the event of a change of control. This plan is for members of the Board of Management, senior management and top executives in Munich Re's international organisation, which is explained in detail in the remuneration report.

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.

Solvency

Solvency in the case of insurance companies is generally understood to be the ability of an insurer to always meet the obligations assumed under contracts. In concrete terms, this means an insurance company must fulfil specific minimum capital requirements. To calculate 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 company's financial statements. In determining the eligible capital elements, the equity is adjusted; specifically, it is increased by portions of the subordinated liabilities and reduced by intangible assets, participations in banks, financial services institutions and financial services companies. Munich Reinsurance Company's equity capital still amounts to several times the statutory minimum requirement.

Analysis of the cash flow

Munich Reinsurance Company's cash flow is strongly influenced by our operating business. 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 inflows from operating activities** remained clearly positive overall. Strongly increased payments for (major) claims were almost fully offset by an expansion of premium volume. Moreover, regular income from investments was stable, despite the prolonged low-interest-rate environment. Also, there was again a reduction in the balance of accounts receivable on reinsurance business, deposits retained on assumed reinsurance, and the corresponding liabilities items.

Countervailing trends resulted overall in **cash outflows for investment activities**. On balance, outflows for allocations of capital to affiliated companies exceeded inflows from reductions in our portfolio, particularly of investment funds and fixed-interest securities.

The 2010/2011 share buy-back concluded in April 2011, the dividend payment of Munich Reinsurance Company for the preceding financial year, and the repayment of liabilities resulted in **cash outflows for financing activities**.

In the year under review, cash – which encompasses cash with banks, cheques and cash in hand – fell by €90m to €438m overall.

Other success factors



- // Munich Re as clients' first port of call for all risk matters
- // Ongoing development of innovative coverage concepts for new and complex risks
- // Corporate responsibility for employees, society and the environment

Clients and client relationships

Munich Reinsurance Company works together with over 4,000 corporate clients from more than 160 countries.

As reinsurers, we apply our extensive risk knowledge to find individual solutions that meet our clients' diverse requirements and to add value. Knowing our clients' needs, we devise innovative risk transfer solutions with them, and aim to expand risk competence through strategic partnerships, thus providing our cedants with the full range of underwriting products. We regularly assume a pioneering role in new coverage concepts – for example, in preparing European cedants for the introduction of Solvency II. In addition, we offer our clients consultancy and other risk-related services. 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 Asia, 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.

Research and development

An in-depth understanding of risks is the basis of our business. That is why we analyse known risks on an ongoing basis to determine whether there have been any changes in their structure or occurrence probability. We focus on identifying new risks at an early stage and offer solutions for known risks that have hitherto been uninsurable.

In 2011, Munich Re again developed and launched several innovative products related to climate change and the necessary expansion of renewable energies. In the field of geothermal energy, for example, Munich Re covers the exploration risk for investors and operators, providing cost and planning certainty by insuring against the risk of project failure. Elsewhere, Solvency II and the current financial crisis present Munich Re not

only with challenges but also with opportunities for profitable growth, as undercapitalised insurers and their investors seek forms of capital relief. Reinsurance provides a good means of capital optimisation, and we have consequently refined our strategy in this area.

Last but not least, in many countries we also work closely with governments and specialist insurance providers on such projects as setting up catastrophe funds for property risks. The most recent example is an insurance solution devised by Munich Re for the Mexican government to cover infrastructure damage from natural catastrophes.

Staff

During the financial year, we defined the Group-wide cornerstones for our future diversity management. Active diversity is conducive to commercial success. We promote and value different mindsets, mentalities, experience and specialist knowledge throughout the Group: that is the core of our new global diversity policy. An example in our reinsurance field of business is the further improvement of the internal company agreement "Family and Career" at our Munich location.

In keeping with our integrated business model, we have assigned responsibility for the recruitment, development and personnel support of our Group's top executives to a single unit that reports to the Chairman of the Board of Management. Its tasks include overarching talent management and Group-wide succession planning that enable us to retain and develop outstanding managers.

An average of 4,157 (4,145) staff were employed at Munich Reinsurance Company in 2011, a slight increase of 0.3%. There were an average of 36 (42) trainees working at the Company last year, while 11 staff were enrolled on a training-integrated Master of Science course in 2011.

We have refined our strategic human resources planning and, at our Munich location, successfully introduced a method for gaining a differentiated picture of the status and demographic trend of our employee portfolio. This produces valuable findings for further personnel requirements and the competences needed – findings of fundamental importance in view of the growing challenge of staffing positions with the right specialists.

Under the heading "Career @ Munich Re", we have taken a number of measures to ensure even more targeted development of our staff in their current functions and to prepare them for assuming further responsibilities. We have communicated a uniform understanding of "career" Group-wide, clearly formulating our expectations of managers and staff. In addition, we provide practical guidance for systematic and structured competence development and possible career stages.

With the renewed internal company agreement on family and career, Munich Re (Munich) has improved the conditions for parental or care leave. Going beyond the legal requirements, we guarantee parents who return to work within 12 months reintegration in their previous positions, also in a part-time capacity. Besides this, we have expanded company-sponsored childcare provision, giving financial support to childcare organised by parents on their own initiative. At our international locations, too, a range of programmes are in place, such as paid family leave, flexible part-time arrangements and financial assistance.

Munich Re expects a high level of performance from its employees. At the same time, we recognise our duty of care towards staff. In today's business world, pressure to succeed and meet deadlines can endanger the physical and mental health of employees, particularly if they are ambitious and highly motivated. To prevent this from happening, we support managers and staff with workshops, seminars, medical check-ups, regular communications and individual counselling. In the event of illness, we provide our employees with assistance and support them in their reintegration. Extensive measures have also been put in place in our international organisation – from preventive check-ups and advice through employee assistance programmes to work-related stress analyses.

Corporate responsibility

A forward-looking and responsible approach is an integral part of Munich Re's corporate strategy. Our understanding of corporate responsibility is underlined by our membership of the UN Global Compact, whose ten principles on environmental protection, labour rights, human rights and anti-corruption have formed the framework of our corporate responsibility strategy since 2007.

Our current strategy, revised in 2011, has three main focal areas. Firstly, our aim is to integrate ecological, social and governance factors (so-called ESG factors) in our core business and investments to a greater extent. Secondly, in order to minimise the impact we have on the environment, we have in place a Group-wide environmental management system and are successively making our business operations carbon-neutral. Thirdly, in the area of corporate citizenship, we are committed to serving the communities in which we work and operate. Our corporate responsibility portal provides details of our activities throughout the Group in the field of sustainability, in compliance with the international guidelines of the Global Reporting Initiative. Our inclusion in internationally recognised sustainability indices, such as the Dow Jones Sustainability and the FTSE4Good, as well as our first place in the Newsweek Green Ranking, attest to the successful realisation of our strategy.

In our core business, we accept global challenges ranging from climate change and demographic trends to combating poverty in developing countries, offering innovative insurance solutions wherever possible. For loss prevention in connection with extreme weather events, Munich Re supports its clients with such tools as the NATHAN (Natural Hazards Assessment Network) Risk Suite. Besides this, Munich Re and ERGO participate in public-private partnerships to help provide solutions for people whose economic existence would be ruined by events such as natural disasters because they lack insurance cover. In the Philippines, we protect the loan portfolio of smallholder cooperatives against extreme weather events like typhoons. And via ERGO, our Group offers microinsurance (especially in India) to indemnify the loss of livestock, for example, or damage to harvesting machinery. The challenges of demographic change in the USA are being addressed by Munich Health through involvement in the health insurance sector for seniors. In this special segment, our subsidiary Windsor Health Group, Inc. offers managed care products that can make a contribution to curbing the rising healthcare costs in the USA.

We are also actively working on formulating globally binding principles for the core business of insurance. Together with other major providers of financial services, we are taking part in the development of internationally recognised Principles for Sustainable Insurance under the auspices of the United Nations Environment Programme. These principles, due to be signed in June 2012 at the Rio+20 UN Conference on Sustainable

Development, include responsible conduct based on environmental, social and governance factors along the whole insurance value chain. Existing portfolios in all business units are being reviewed on this basis. Through our asset manager, MEAG, we adhere to a commitment we entered into when we signed the UN Principles for Responsible Investment (PRI) in 2006. At least 80% of our investments in shares, corporate bonds, government bonds, real estate (from construction year 2010 onwards) and RENT (renewable energies and new technologies) satisfy sustainability criteria. We plan to achieve a target investment volume of up to €2.5bn in renewable energies and new technologies in the coming years. Furthermore, new internal guidelines, compulsory for all fields of business, govern the way we handle firms that produce or market internationally outlawed landmines and cluster bombs.

To keep our environmental impact and our CO₂ emissions as low as possible, we concentrate especially on making fewer business trips and reducing our consumption of paper, water and energy. So that we can measure progress, we are steadily expanding the scope of the environmental data we record, which already capture around 57% of our employees worldwide. Our binding climate strategy Group-wide includes the target of making the whole Group carbon-neutral by 2015.

In addition to sustainable development and purposeful environmental and climate protection, corporate responsibility for Munich Re means assuming social responsibility. Besides location-based social and cultural projects, the emphasis in future is to be on business-related topics by promoting projects in areas such as catastrophe prevention, environment and demographic changes.

Corporate governance report and corporate governance statement



Corporate governance report

The following report by the Board of Management and Supervisory Board of Munich Reinsurance Company on the Group's corporate governance within the meaning of item 3.10 of the German Corporate Governance Code contains the remuneration report in accordance with item 4.2.5 of that Code and the corporate governance statement as per Section 289a of the German Commercial Code.

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 foster the confidence of investors, clients, employees and the general public. Also of great significance for us are 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.

Continually improving corporate governance is an important principle underlying our business activities.

What rules apply to Munich Re?

As a result of its international organisation, Munich Re has to consider corporate governance rules in different national legal systems. Clearly, we observe not only the respective national standards but also internationally recognised best practices. In Germany, where Munich Reinsurance Company has its headquarters, corporate governance rules are laid down above all in the German Stock Companies Act and the German Corporate Governance Code. The German Insurance Control Act standardises specific requirements for the business organisation of insurance companies and the "fit and proper" criteria for their Board members. It also provides particular rules for insurance companies' remuneration systems. These rules formed the basis for the regulation on remuneration schemes in the insurance sector (VersVergV) issued by the German Federal Finance Ministry.

Also applicable to Munich Reinsurance Company is the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG) and a co-determination agreement, which is published on our website.

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, Munich Reinsurance Company's Board of Management and Supervisory Board publish a declaration stating how far the Code's recommendations have been and will be complied with.

It is our conviction that 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. The declaration of conformity is permanently accessible on our internet website (www.munichre.com).

Corporate legal structure

Munich Reinsurance Company is a joint-stock company ("Aktiengesellschaft") within the meaning of the German Stock Companies Act. It has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. Their functions and powers derive from the relevant legal provisions, the co-determination agreement and the Articles of Association, which are published on our website.

The principle of parity co-determination on the Supervisory Board has been maintained in the co-determination agreement, and strengthened by taking into account staff employed in the rest of Europe.

Board of Management

Duties and responsibilities

The Board of Management is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a long-term increase in the Company's value. The Board of Management must ensure compliance with statutory requirements and internal company directives, and is responsible for effecting adequate risk management and risk control in the Company.

Internal regulation and working procedure

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. Munich Reinsurance Company's Board of Management had nine members in the 2011 financial year. An overview of its composition and distribution of responsibilities can be found on page 117. Additional information on individual members of the Board of Management is available on our website. Rules of procedure issued by the Supervisory Board regulate the work of the Board of Management, in particular the allocation of responsibilities between the individual Board members, matters reserved for the full Board of Management, and the required majority for resolutions. The full Board of Management decides on all matters for which the law, the Articles of Association or the rules of procedure prescribe a decision by the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, and for tasks which constitute fundamental management functions or are of exceptionally great importance, including significant personnel issues at top management level.

Meetings of the Board of Management take place as required, but at least once a month. The members of the Board of Management cooperate closely to the benefit of the Company and aim to reach unanimous decisions.

The Board of Management has two committees – one for Group matters and one for reinsurance – in order to enhance the efficiency of its work.

Group Committee

The Group Committee comprises the Chairman of the Board of Management and at least one other member of the Board of Management, i.e. Nikolaus von Bomhard and Jörg Schneider. A further member is Munich Reinsurance Company's Chief Risk Officer, Joachim Oechslein. The Chairman of the Board of Management is also Chairman of the Group Committee, which decides on all fundamental matters relating to its voting members' divisions unless the full Board of Management is mandatorily responsible. In addition, it prepares decisions that have to be taken by the full Board.

Reinsurance Committee

The Reinsurance Committee comprises those members of the Board of Management that do not sit on the Group Committee, i.e. Torsten Jeworrek, Ludger Arnoldussen, Thomas Blunck, Georg Daschner, Peter Röder, Wolfgang Strassl and Joachim Wenning. A further member is the Chief Financial Officer for Reinsurance, Hermann Pohlchristoph. The Chairman of the Committee is appointed by the Supervisory Board. This office is held by Torsten Jeworrek. The Reinsurance Committee decides on all fundamental matters relating to the business field of reinsurance except where the full Board of Management is mandatorily responsible.

The committee meetings are held as needed, and usually take place every two weeks. Only the members of the Board of Management are entitled to vote. Further details are regulated by the rules of procedure adopted by the full Board of Management.

Subcommittees

Both the Group Committee and the Reinsurance Committee have set up subcommittees, whose members include other senior executives from Munich Reinsurance Company and the Group. They comprise the Group Investment Committee, the Group Risk Committee, the Global Underwriting and Risk Committee, and the Strategy Committee. Only members of the Board of Management have voting rights on these committees, each of which – apart from the Strategy Committee – has its own written rules of procedure. The Group Investment Committee deals with all significant issues affecting the investments of the Group and of the individual fields of business. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with risk management, albeit in different contexts.

Collaboration between Board of Management and Supervisory Board

The Board of Management and Supervisory Board cooperate closely to the benefit of the Company. The Board of Management coordinates the Company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with it at regular intervals. It reports regularly to the Supervisory Board about all questions relevant to the Company. The Supervisory Board has defined the Board of Management's information and reporting requirements in detail. Specific types of transaction such as investments and divestments of substantial size and individual capital measures (e.g. according to Article 4 of the Articles of Association) generally require the Supervisory Board's consent. Beyond this, the Board of Management reports to the Audit Committee on specific topics falling within the latter's scope of responsibility.

Supervisory Board

Duties and responsibilities

The Supervisory Board monitors the Board of Management and gives counsel where appropriate. Certain transactions require its approval, 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 the Articles of Association, the Supervisory Board has 20 members. Half are representatives of the shareholders, elected by the Annual General Meeting,

and half are elected representatives of the employees. Under the co-determination agreement, employees of Group companies in the European Union (EU) and European Economic Area (EEA) may also participate in the election of employee representatives.

An overview of the members of the Supervisory Board can be found on page 117 ff. Additional information on the current members of the Supervisory Board is available on our website.

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate rules of procedure for the Audit Committee. As provided for in the German Co-Determination Act and included in the provisions of Article 12 of the Articles of Association, the Chairman of the Supervisory Board and his first deputy must be elected by a majority of two-thirds of its constituent members. If a second vote is needed, the shareholder representatives elect the Chairman of the Supervisory Board, and the employee representatives his first deputy, by a simple majority of the votes cast in each case.

The Supervisory Board is quorate if all its members have been invited to the meeting or called upon to vote and if ten members including the Chairman or alternatively 15 members participate in the vote. If the Chairman of the Supervisory Board so determines, meetings of the Supervisory Board may be conducted using telecommunications.

The Chairman of the Supervisory Board is authorised to make declarations on the Supervisory Board's behalf based on prior resolutions.

Objectives for composition of Supervisory Board

In accordance with item 5.4.1 para. 2 of the German Corporate Governance Code, the Supervisory Board has set itself the following objectives for its composition:

- // The main criteria for selecting future members of the Supervisory Board continue to be sustained corporate profitability, personal abilities, talents, experience (especially of an international nature), independence, professional knowledge and enterprise of the nominated persons.
- // All members of the Supervisory Board should be free of 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. By the beginning of the next term of office (scheduled for 2014), at least 20% of the members should be female, with this figure increasing to at least 30% by the start of the following term of office (scheduled for 2019).

Currently, four members of the Supervisory Board are women: two representatives of the employees and two shareholder representatives.

The aforementioned objectives apply to the Supervisory Board as a whole. Shareholder and employee representatives will each contribute their share to meeting them, and the bodies responsible under the co-determination agreement for election proposals to the European Electoral Board are requested to take due consideration of the objectives within the framework of the current rules.

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

The five Supervisory Board committees

Munich Reinsurance Company's Supervisory Board has set up five committees: the Standing Committee, the Personnel Committee, the Audit Committee, the Nomination Committee, and the Conference Committee. The full Supervisory Board is regularly informed about the work of the committees by their respective chairmen.

Their main responsibilities are as follows:

Standing Committee

The Standing Committee prepares Supervisory Board meetings insofar as no other committee is responsible for doing so. It decides on matters of Company business requiring the Supervisory Board's approval unless the full Supervisory Board or another committee is responsible. It makes amendments to the Articles of Association that only affect the wording, and decides on whether and when guests may attend Supervisory Board meetings. Besides this, it prepares the annual declaration of conformity with the German Corporate Governance Code, in accordance with Section 161 of the German Stock Companies Act, and the Supervisory Board's report on the Company's corporate governance in the annual report. Every year, it reviews the efficiency of the Supervisory Board's work and submits appropriate proposals to the full Supervisory Board where necessary. It also approves loan transactions of the Company with senior managers and Supervisory Board members or parties related to them, as well as Company contracts with members of the Supervisory Board. Members of the Standing Committee are Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen, Wolfgang Mayrhuber and Bernd Pischetsrieder.

Personnel Committee

The Personnel Committee prepares the appointment of members of the Board of Management and, together with the Board of Management, concerns itself with long-term succession planning. It also prepares the Supervisory Board's resolution on the remuneration system for the Board of Management, including the total remuneration of the individual members of the Board of Management. The Personnel Committee represents the Company vis-à-vis the members of the Board of Management and is responsible for personnel matters involving members of that Board unless these are issues that have been allocated to the full Supervisory Board. It approves loan transactions between the Company and members of the Board of Management or parties related to them, as well as any material transactions between the Company or its associated companies and members of the Board of Management or parties related to them. It also decides on secondary occupations that members of the Board of Management may pursue and seats they hold on the boards of other companies. Members of the Personnel Committee are Hans-Jürgen Schinzler (Chairman), Herbert Bach and Bernd Pischetsrieder.

Audit Committee

The Audit Committee prepares Supervisory Board resolutions on the adoption of the annual Company financial statements and approval of the Group financial statements, reviews the financial reporting, discusses the quarterly reports, and takes delivery of the audit reports and other reports and statements by the external auditor. The committee monitors the accounting process, including the effectiveness of the Company's internal control system, the risk management system, the compliance system and internal audit system. Furthermore, it initiates the decision on the appointment of the external auditor and monitors the latter's independence and quality. It appoints the external auditor for the Company and Group financial statements, determines focal points of the audits and agrees the auditor's fee for the annual audit; the same applies to the review of the half-year financial report. In addition, together with the Board of Management, the Audit Committee prepares the annual discussion of the risk strategy held before the Supervisory Board and discusses any changes or deviations from the risk strategy with the Board of Management during the year. In this connection, the Audit Committee obtains reports not only from the Board of Management but also directly from the Compliance Officer, the Head of Group Audit, and the Chief Risk Officer, or from corporate counsel. Members of the Audit Committee are Henning Kagermann (Chairman), Christian Fuhrmann, Marco Nörenberg, Anton van Rossum and Hans-Jürgen Schinzler.

Nomination Committee

Comprising solely representatives of the shareholders, the Nomination Committee suggests suitable candidates to the Supervisory Board for the latter's election proposals to the Annual General Meeting. It has drawn up and adopted a list of criteria on which these proposals are to be based. Members of the Personnel Committee are Hans-Jürgen Schinzler (Chairman), Henning Kagermann and Bernd Pischetsrieder.

Conference Committee

The Conference Committee makes personnel proposals to the Supervisory Board if the requisite two-thirds majority is not achieved in the first vote when it comes to appointing or dismissing members of the Board of Management. Its responsibilities have remained the same after application of the co-determination agreement and are now laid down in the Articles of Association and the Supervisory Board's rules of procedure. Members of the Conference Committee are Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen and Bernd Pischetsrieder.

More details of the work of the Supervisory Board committees in the financial year ended can be found in the report of the Supervisory Board to the Annual General Meeting, which is printed on page 3 ff.

Annual General Meeting

The regular responsibilities of the Annual General Meeting include reaching a resolution on the appropriation of profits and approving the actions of the Board of Management and Supervisory Board.

At the Company's Annual General Meeting, the principle of "one share, one vote" applies. Insofar as shareholders are entered under their own name as being the holders of shares which belong to a third party and exceed the upper limit of 2% of the share capital as stated in the Articles of Association, the shares entered do not carry any voting rights. The aim of this provision is greater transparency of the share register. Besides this, it is intended to facilitate direct contact with the shareholders, especially in connection with the convening of the Annual General Meeting and the exercising of voting rights.

Declaration of the Board of Management and Supervisory Board of Munich Reinsurance Company in accordance with Section 161 of the German Stock Companies Act, dated November 2011

"Since the last declaration of conformity in November 2010, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 26 May 2010 (published on 2 July 2010) and will continue to do so in future."

Important rules of corporate governance

Munich Re Code of Conduct

Beyond this, we have our own Munich Re Code of Conduct specifying high-level ethical and legal requirements that must be met by employees. This document is also published on our website.

In our Code of Conduct we clearly state our views on corporate integrity, i.e. legally impeccable behaviour based on ethical principles. The Code of Conduct contains regulations that are binding on all Munich Re employees including the management.

In this connection, employees also have the option of contacting an external and independent ombudsman, who reports cases of suspected fraud to the Fraud Prevention Committee, comprising the Fraud Prevention Officer and the Compliance Officer, thus

supporting Munich Re's anti-fraud management. In the ERGO Group, as from 1 January 2012, the Board of Management has transferred responsibility for overseeing adherence to corporate rules of conduct to a separate compliance unit, which reports directly to the Chairman of the Board. Through this new set-up, the prevention and avoidance of compliance violations are assigned top priority.

Global Compact

To make clear Munich Re's understanding of important values – and thus also its corporate responsibility – inside and outside our Group, Munich Re joined the United Nations Global Compact in 2007. The ten principles of this declaration form the benchmark for our actions throughout the Group and thus provide the fundamental framework for our corporate responsibility. Our annual Communication on Progress for the UN Global Compact is integrated into the corporate responsibility portal on our website.

Principles for Responsible Investment

In 2006, Munich Re became the first German company to sign the UN Principles for Responsible Investment (PRI). There is a link to the PRI via the corporate responsibility portal on our website, where we also report on how we implement these principles for sustainable investment.

Remuneration report

Structure of the remuneration system for the Board of Management

In conformity with the German Corporate Governance Code, we here explain the principles of the remuneration system for Munich Re's Board of Management and the structuring of the individual remuneration components.

In accordance with item 4 of the German Corporate Governance Code, the remuneration system for the Board of Management is determined by the full Supervisory Board. The Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative, prepares the resolution for the full Supervisory Board.

The remuneration system for members of the Board of Management in place since 1 January 2010 focuses more strongly than before on long-term targets and thus creates an even greater incentive for sustainable corporate development. No changes were made with effect from 1 January 2011.

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 (company car, healthcare, security measures, insurance)	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% achievement of objectives)		Group objective Company objective Divisional objectives Individual objectives	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% achievement of objectives)		Objectives for the business fields - reinsurance - primary insurance - Munich Health Individual objectives	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				> Retirement > Insured event > Premature termination or non-extension of employment contract under certain circumstances	
a) Defined benefits plan (Board members appointed before 2009 who had reached the age of 55 in 2008)	-	Pensionable basic remuneration (= 25% of target overall direct remuneration) Number of years on the Board	Fixed		-
b) Defined contribution plan (Board members appointed before 2009 who had not reached the age of 55 in 2008 and Board members appointed since 2009)	-	Target overall direct remuneration	Pension contribution		-

¹ For the variable remuneration, the share shown presupposes 100% achievement of the objectives.

Fixed components

Basic remuneration

The fixed annual basic remuneration is paid in the form of a monthly salary.

Remuneration in kind/fringe benefits

Remuneration in kind and fringe benefits are granted according to function, and are commensurate with market conditions (DAX 30 companies). 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 valued on the basis of expenditure for disclosure in the annual report.

Variable remuneration

The variable remuneration component is geared to the overall performance of the Group and defined organisational units and to the personal performance of the individual members of the Board of Management. Its amount depends on the degree to which annually set objectives for annual and multi-year performance are met.

Compliance with the processes laid down for specifying objectives and assessing their achievement is critically reviewed by the external auditor, who verifies whether the envisaged financial objectives are measurable and whether their achievement is in accordance with the guidelines established by the Company. The outcome of this review and any potentially controversial aspects are rendered transparent for the Supervisory Board.

Achievement of objectives is measured at the end of the performance terms, there being no adjustment of the targets during these periods. Payouts are made at the end of the one- and three-year 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 50% and 25% of the paid-out variable remuneration in Munich Reinsurance Company shares.

Variable remuneration based on annual performance

Annual performance targets for the variable remuneration component geared to annual performance are set on the basis of divisional results and individual objectives as well as the Company result (property-casualty reinsurance) and Group result. 30% of the target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for Group, Company and divisional objectives are geared to particular indicators, while individual objectives form the basis for the achievement of personal targets. The key indicator used for the Group result is RORAC (return on risk-adjusted capital), which is derived from key figures in external accounting and from other important portfolio and performance data. Information on the definition of RORAC is provided on page 14 f. The performance measures embodied in value-based management are used for the Company result and the divisional results. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for annual performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the one-year period under consideration. Payment is effected on condition that 50% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a four-year period.

Variable remuneration based on multi-year performance

For the multi-year performance remuneration component, three-year targets based on the performance of the reinsurance, Munich Health and primary insurance segments and on individual objectives are fixed every year. 70% of the overall target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for the business field targets are geared to VBM performance indicators, and the individual targets are based on individual objectives. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for the multi-year performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the three-year period under consideration. Payment is effected on condition that 25% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a two-year period.

Full and pro-rata calculation of the variable remuneration for annual and multi-year performance

The basis for the full and pro-rata calculation of the variable remuneration is the first year. Only the full “eligible” months in this year are taken into account (pro rata temporis). In the case of retirement, occupational disability, death or premature departure from the Company for other reasons, the rules for the full and pro-rata calculation apply.

Share-based remuneration agreements in force during the reporting period Mid-Term Incentive Plan 2009–2011

This plan is based on performance over a three-year period. It promotes the medium- and long-term increase in Munich Re’s value in terms of internal value creation (value-based success factors) and improvement in the total shareholder return (TSR) of Munich Re shares. The plan provides for the granting of performance share units, free of charge, to members of the Board of Management for the first and last time for 2009. Plan participants have the opportunity to share in the development of Munich Re’s value if they achieve their performance targets and increase the TSR.

For the value-based performance objectives, three-year average targets are set for each of the business fields reinsurance, primary insurance and Munich Health. Achievement of objectives is measured at the end of the plan’s term, there being no adjustment of the targets during the course of the plan.

The TSR represents the total return on shares, comprising both the rise in the share price and the dividends paid over a period of three years. Further information on the Mid-Term Incentive Plan can be found in the notes to the financial statements under (19) Mid-Term Incentive Plan.

Long-Term Incentive Plan

This remuneration component, with a long-term perspective, is linked to the sustained appreciation of Munich Re’s share price. The Long-Term Incentive Plan, launched each year as from 1999, was set up for the last time in 2009 for members of the Board of Management and in 2010 for other eligible participants. The participants were granted a certain number of stock appreciation rights. These can only be exercised if, after a two-year vesting period, Munich Re’s share price has risen by at least 20% since inception of the plan and the shares have outperformed the EURO STOXX 50 at least twice over a three-month period during the term of the plan.

Whether the stock appreciation rights can be exercised and, if so, when, is not certain. The exercising and proceeds depend on the development of the share price and on fulfilment of the exercise conditions. Future obligations arising from the long-term incentive plans are safeguarded in such a way that the expenses resulting from a growth in value of the stock appreciation rights are neutralised as far as possible by an increase in the value of the share portfolio. The amount of income is limited. Up to now, it has only been possible to exercise stock appreciation rights under the plans set up in 1999 and 2003 to 2005. Further information on the Long-Term Incentive Plan can be found in the notes to the financial statements under (18) Long-Term Incentive Plan.

Weighting of remuneration components

In the case of 100% achievement of objectives (annual performance and multi-year performance), the weightings of the individual components in terms of total remuneration for 2011 were as follows: basic remuneration around 30% and variable remuneration around 70%, of which 30% was based on annual performance and 70% on multi-year performance. Annual objectives, multi-year objectives and investment in shares together form a well-balanced and economic, i.e. strongly risk-based, incentive system, designed to ensure that the targets set for the members of the Board of Management do not have undesirable effects. No guaranteed variable salary components are granted.

All in all, the remuneration system for members of the Board of Management was in conformity with the recommendations of the German Corporate Governance Code for 2011. In particular, it also complies with the German regulation of 6 October 2010 concerning the supervisory law requirements for remuneration schemes in the insurance sector (Insurance Compensation Regulation – VersVergV).

Beyond the actual remuneration system, the level of total remuneration is set and regularly monitored by the full Supervisory Board, acting on recommendations from the Supervisory Board's Personnel Committee. The consideration of what is appropriate remuneration takes into account data from peer-group companies and the relation to remuneration of other Munich Reinsurance Company employees. Criteria also include 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. New Board members are generally placed at a level which allows sufficient potential for development in the first three years.

Continued payment of remuneration in the case of incapacity to work

In the case of temporary incapacity to work due to illness or for other 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 the Board member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him (permanent incapacity to work). In this event, the Board member will receive a disability pension.

Other remuneration

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 recognised by the Company as private.

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 within the meaning of Section 626 of the German Civil Code, 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 para. 2 of the German Securities Acquisition and Takeover Act) and may not cover more than the remaining period of the employment contract. The calculation is to be based on the overall remuneration for the past financial year and, if necessary, on the probable overall remuneration for the current financial year.

In the event of a change of control, only the conditions of the Long-Term Incentive Plan (under which stock appreciation rights were granted to members of the Board of Management for the last time in 2009) provide for special exercise options. Details of this are available in the notes to the financial statements under (18) Long-Term Incentive Plan.

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 depending on their basic remuneration and years of service on the Board. The pension level started at 30% and could reach a maximum of 60% of annual basic remuneration.

Beginning in 2009, pension plans for Board members were changed to a defined contribution system. The main aim of this change was the fullest possible outsourcing of all pension-specific risks from the Company's balance sheet. This major risk transfer was achieved by financing increases in entitlements exclusively by paying premiums into insurance policies concluded to cover these benefit obligations. This means the Company is no longer liable for the pension benefits, as these are covered by the

aforementioned insurance policies. The longevity risk, the biometric risks of premature occurrence of a pensionable event (e.g. disability or death of a member of the Board during active service), and the capital market risk were thus transferred to the insurer and the individual Board members.

As of 2009, newly appointed members of the Board hence become members of a defined contribution plan. For this plan, the Company provides the Board members with a pension contribution, which in 2009 was related to basic remuneration, for each calendar year (contribution year) during the term of their contract. The pension contribution is paid over to an external pension insurer. This insurer's guaranteed interest rate is 2.25%. The insurance benefits that result from the contribution payments to the external insurer constitute the Company's pension commitment to the Board member. For Board members newly appointed as from 1 January 2009, a uniform pension contribution rate has been set; the annual basic remuneration is multiplied by this rate to arrive at the pension contribution payable.

Board members who had not reached the age of 55 by the end of 2008 retained as a vested pension their pension entitlement under the previous defined benefit plan (fixed amount in euros) existing at the point of transition on 31 December 2008. As of 1 January 2009, these Board members receive an incremental pension benefit generally based on the defined contribution plan for new Board members. Since the conversion of the pension system took place while Board members' contracts were in force, the pension contributions were calculated in such a way that the total of vested pension, pension-fund pension and incremental pension benefit results in an expected pension at age 60 equivalent to that of the previous pension benefit based on realistic estimates.

Board members who had already reached the age of 55 at the conversion date were not transferred to a defined contribution system and remain members of the previous system's defined benefit plan.

Owing to the increase from 25% to 30% in the share of basic remuneration in overall remuneration as at 1 January 2010, there was a change in the assessment basis for the Board members' pensions. An unintended rise in the pensions would otherwise have been the consequence. From 1 January 2010 onwards, the defined benefits are fixed on the basis of "pensionable basic remuneration", which corresponds to 25% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). In the case of the defined contribution plan, the rate is fixed on the basis of the target overall direct remuneration.

Benefits on termination of employment

Occupational pension

Board members are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60 or, at the latest, 65.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum
- // For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and annuity or lump sum from the policy reserve under the defined contribution plan
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

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 revoked. Permanent incapacity to work means that the Board Member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: 80% of the insured occupational pension up to the age of 59, with subsequent occupational pension
- // For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and 80% of the insured occupational pension benefit up to age 59 with subsequent occupational pension based on the defined contribution plan
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

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 the Board member's appointment without the Board member having given cause for this through a gross violation of his duties or at his own request. The precondition is that the Board member has already passed the age of 50, has been in the employment of the Company for more than ten years when the contract terminates, and has had his appointment to the Board of Management extended at least once.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the pension benefit is claimed
- // For Board members transferred from the old system to the new: Entitlement of between 30% and 60% of pensionable 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. The policy reserve available at the date the pension benefit is claimed can be paid out as an annuity or as a lump sum.
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday

Vested benefits for occupational pension, disability pension and surviving dependants

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

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

Benefit amount:

- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the insured event occurs
- // For members of the Board of Management transferred from the old system to the new: 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 para. 1 of the German 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 para. 5a of the German Employers' Retirement Benefits Act). This entitlement is paid out as an annuity or a lump sum.
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration. The vested benefits are a proportion of the occupational pension, based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether until his 65th birthday (Section 2 para. 1 of the German Employers' Retirement Benefits Act).

Improved vested benefits // Improved vested benefits are granted if the contract ends owing to non-extension of the Board member's appointment (by the Company) but not due to gross violation of duties or to the Board member giving notice. A further precondition is that the Board member leaves the Board before reaching the age of 60 and has at least ten years' service with the Company.

The improved vested benefits do not apply to Board members appointed as from 2009. For Board members transferred from the old system to the new, the improved vested benefits apply only to that part of their pension resulting from the vested pension under the defined benefit plan.

Benefit amount:

- // For a period of six months after leaving the Board, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // For the share from the defined benefit plan: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 60th birthday

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. If the Board member's occupational pension was reduced owing to early retirement, benefits for surviving dependants are based on the reduced occupational pension.

Subsequently, surviving dependants of a Board member who dies during active service or after retirement receive the following benefits:

- // Widow(er)'s pension or pension for registered civil partner amounting to 60% of the defined benefit or insured occupational pension. If the spouse or registered civil partner is more than ten years younger than the Board member, the surviving dependant's pension will be reduced by 2% for each year or part thereof of age difference, but by not more than 50%.
- // Orphan's pension amounting to 20% of the defined benefit or insured occupational pension per orphan.
- // Doubling of the orphan's pension if no widow(er)'s pension or pension for registered civil partner is payable.
- // Surviving dependants' pensions together may not exceed the occupational pension of the Board member. If necessary, the orphans' pensions will be reduced proportionally.

The benefits for surviving dependants are not payable for widow(er)s or registered civil partners if the marriage or registered civil partnership was not contracted until a point in time when the Board Member was already drawing the occupational pension, and for orphans if they were not born until after such a point in time. The entitlement for orphans ceases on their reaching the age of 18 (or 20 for orphans of Board members transferred from the old system to the new). For orphans who are in full-time education or vocational training, doing military or civilian service, or unable to support themselves owing to a physical or mental disability, the entitlement is extended until they reach the age of 25 (or 27 for orphans of Board members transferred from the old system to the new). The entitlement to a surviving dependant's pension under the defined contribution plan ceases if the Board member draws the pension in the form of a lump sum. Pensions for surviving dependants cease upon their death.

Pension adjustment

In the case of Board members appointed before 2009, occupational pensions and pensions for surviving dependants are reviewed for adjustment if salaries payable under pay-scale agreements in the insurance industry have increased by more than 12% (based on the average final salary of all pay-scale categories) since the pensions were last fixed or more than three years have passed since that date. The adjustment made will at least be in line with the increase in the cost of living in the meantime according to the consumer price index for Germany. This arrangement also applies to Board members newly appointed as from 2009 and receiving a pension commitment from the Company for the first time before 1 January 1999. For Board members appointed as from 2009 who did not receive a pension commitment from the Company before 1 January 1999, occupational pension and benefits for surviving dependants are adjusted by 1% annually in accordance with Section 16 para. 3 item 1 of the German Employers' Retirement Benefits Act from the date when the pension or benefit starts being drawn. Vested benefits are not adjusted.

Total remuneration of the Board of Management

The basis for reporting the remuneration of Board members is German Accounting Standard No. 17 – DRS 17 (revised 2010), according to which the amount shown as remuneration for annual performance is the provision established for that remuneration, since the performance on which the remuneration is based has been completed by the balance sheet date and the requisite Board resolution is already foreseeable. Under the above-mentioned standard, remuneration for multi-year performance is not recognised until the year of payment. The members of Munich Reinsurance Company's Board of Management received remuneration totalling €9.8m (11.7m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Total remuneration thus shows a reduction of €1.9m compared with the previous year. The main reason for this is that, according to current estimates, the overall achievement of objectives for the annual performance in 2011 was lower than for the previous year.

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

Name	Financial year	Basic remuneration	Remuneration in kind/fringe benefits	Annual performance ¹	Total
		€	€	€	
Dr. Nikolaus von Bomhard ²	2011	1,140,000	34,205	525,294	1,699,499
	2010	1,092,000	214,809	1,030,666	2,337,475
Dr. Ludger Arnoldussen	2011	519,000	37,527	280,521	837,048
	2010	519,000	37,136	685,040	1,241,176
Dr. Thomas Blunck	2011	540,000	27,832	450,222	1,018,054
	2010	519,000	27,829	640,923	1,187,752
Georg Daschner	2011	585,000	32,296	507,762	1,125,058
	2010	570,000	31,536	582,541	1,184,077
Dr. Torsten Jeworrek	2011	780,000	33,682	532,658	1,346,340
	2010	750,000	31,744	754,583	1,536,327
Dr. Peter Röder	2011	519,000	33,308	274,137	826,445
	2010	480,000	31,983	524,160	1,036,143
Dr. Jörg Schneider	2011	810,000	36,426	369,180	1,215,606
	2010	780,000	35,730	685,230	1,500,960
Dr. Wolfgang Strassl	2011	540,000	30,276	289,341	859,617
	2010	519,000	28,747	258,383	806,130
Dr. Joachim Wenning	2011	480,000	26,083	325,382	831,465
	2010	420,000	23,517	389,004	832,521
Total	2011	5,913,000	291,635	3,554,497	9,759,132
	2010	5,649,000	463,031	5,550,530	11,662,561

¹ At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2011. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted. For the 2010 annual performance, a total of €485,172 more was paid out than had been reserved. The additional expenditure breaks down as follows: von Bomhard €122,304, Arnoldussen €40,144, Blunck €56,856, Daschner €73,016, Jeworrek €42,787, Röder €29,400, Schneider €57,330, Strassl €36,875, Wenning €26,460. The amounts for the 2011 annual performance remuneration have been increased accordingly.

² Remuneration in kind/fringe benefits for 2010 including anniversary payment.

The total expenditure recognised in 2011 (reserve allocations/releases due to the development in value of performance share units from the 2009-2011 plan) for the Mid-Term Incentive Plan 2009-2011 breaks down as follows: von Bomhard -€152,214, Arnoldussen -€673, Blunck -€584, Daschner -€654, Jeworrek -€994, Röder -€543, Schneider -€108,793, Strassl -€32,047, Wenning -€382.

The total expenditure recognised in 2011 (reserve allocations/releases due to the development in value of performance share units from the 2004-2009 plans) for the Long-Term Incentive Plans breaks down as follows: von Bomhard -€1,123,077, Arnoldussen -€243,011, Blunck -€327,611, Daschner -€521,826, Jeworrek -€650,760, Röder -€226,877, Schneider -€991,056, Strassl -€391,806, Wenning -€157,439.

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 full achievement of objectives
(= 100%) as per DRS 17 (revised 2010)
Corridor 0-200%**

Name	Annual performance ^{1, 3}			Multi-year performance ^{2, 3}			Total amounts payable €
	Set for	for	€	Set for	for	€	
Dr. Nikolaus von Bomhard	2011	2012	840,000	2011	2012	1,960,000	2,800,000
	2010	2011	798,000	2010	2011	1,862,000	2,660,000
Dr. Ludger Arnoldussen	2011	2012	399,000	2011	2012	931,000	1,330,000
	2010	2011	363,300	2010	2011	847,700	1,211,000
Dr. Thomas Blunck	2011	2012	399,000	2011	2012	931,000	1,330,000
	2010	2011	378,000	2010	2011	882,000	1,260,000
Georg Daschner	2011	2012	409,500	2011	2012	955,500	1,365,000
	2010	2011	409,500	2010	2011	955,500	1,365,000
Dr. Torsten Jeworrek	2011	2012	598,500	2011	2012	1,396,500	1,995,000
	2010	2011	546,000	2010	2011	1,274,000	1,820,000
Dr. Peter Röder	2011	2012	399,000	2011	2012	931,000	1,330,000
	2010	2011	363,300	2010	2011	847,700	1,211,000
Dr. Jörg Schneider	2011	2012	598,500	2011	2012	1,396,500	1,995,000
	2010	2011	567,000	2010	2011	1,323,000	1,890,000
Dr. Wolfgang Strassl	2011	2012	399,000	2011	2012	931,000	1,330,000
	2010	2011	378,000	2010	2011	882,000	1,260,000
Dr. Joachim Wenning	2011	2012	378,000	2011	2012	882,000	1,260,000
	2010	2011	336,000	2010	2011	784,000	1,120,000
Total	2011	2012	4,420,500	2011	2012	10,314,500	14,735,000
	2010	2011	4,139,100	2010	2011	9,657,900	13,797,000

¹ At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2011. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted in the table on page 57.

² The remuneration set for multi-year performance for 2011 is payable in 2014, that for 2012 in 2015.

³ The information on the calculation bases and parameters on page 50 for the amounts set for 2011 also apply to the amounts set for 2012.

Pension entitlements

Personnel expenses of –€2.4m (0.8m) were incurred in the financial year 2011 to finance the pension entitlements for active members of the Board of Management. Of these, –€5.7m was apportionable to defined benefit plans and €3.3m 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 ¹ €/year	Defined benefit plan	
			Present value of defined benefit as at 31 December €	Personnel expenses for provisions ² €
Dr. Nikolaus von Bomhard ^{3, 8}	2011	407,100	10,083,711	-1,727,784
	2010	407,100	7,334,181	-684,308
Dr. Ludger Arnoldussen ^{4, 8}	2011	157,500	1,445,010	-329,539
	2010	157,500	866,032	-345,796
Dr. Thomas Blunck ^{5, 8}	2011	120,000	1,563,805	-334,956
	2010	120,000	1,049,449	-129,095
Georg Daschner ^{7, 8}	2011	214,500	6,594,931	-690,126
	2010	199,500	5,219,022	40,507
Dr. Torsten Jeworrek ^{3, 8}	2011	171,000	3,231,784	-629,328
	2010	171,000	2,278,144	-227,368
Dr. Peter Röder ^{3, 8}	2011	90,000	1,761,306	-351,295
	2010	90,000	1,241,841	-152,339
Dr. Jörg Schneider ^{3, 8}	2011	275,000	6,003,580	-1,104,539
	2010	275,000	4,298,787	-434,400
Dr. Wolfgang Strassl ^{3, 8}	2011	120,000	3,020,955	-498,240
	2010	120,000	2,201,334	-186,235
Dr. Joachim Wenning ^{6, 8}	2011	-	-	19,288
	2010	-	-	17,613
Total	2011	1,555,100	33,705,082	-5,646,519
	2010	1,540,100	24,488,790	-2,101,421

See table on next page for footnotes.

Pension entitlements

Name	Financial year	Pension contribution rate for target total direct remuneration	Entitlement as at 31 December	Defined contribution plan	
				Present value of entitlement as at 31 December	Personnel expenses for provisions
Dr. Nikolaus von Bomhard^{3, 8}	2011	17.00	77,665	1,518,619	586,103
	2010	17.00	51,480	937,942	553,187
Dr. Ludger Arnoldussen^{4, 8}	2011	14.75	33,315	581,397	220,925
	2010	14.75	22,144	366,314	237,839
Dr. Thomas Blunck^{5, 8}	2011	16.25	39,903	639,469	265,335
	2010	16.25	26,504	403,638	247,819
Georg Daschner^{7, 8}	2011	-	-	-	-
	2010	-	-	-	-
Dr. Torsten Jeworrek^{3, 8}	2011	19.50	64,975	1,122,138	461,779
	2010	19.50	42,890	702,962	448,612
Dr. Peter Röder^{3, 8}	2011	20.25	41,499	769,088	322,573
	2010	20.25	26,606	467,215	313,073
Dr. Jörg Schneider^{3, 8}	2011	16.50	55,273	1,533,511	664,440
	2010	16.50	36,759	638,141	377,839
Dr. Wolfgang Strassl^{3, 8}	2011	21.00	45,544	890,509	341,919
	2010	21.00	30,221	550,621	324,775
Dr. Joachim Wenning^{6, 8}	2011	25.50	41,712	571,054	387,991
	2010	25.50	26,089	344,088	348,063
Total	2011		399,886	7,625,785	3,251,065
	2010		262,693	4,410,921	2,851,207

¹ In the case of Board members transferred from the old system to the new, the amount corresponds to the value of the vested pension at 31 December 2008; in the case of Mr. Daschner, it corresponds to the defined benefit at 31 December.

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 in the event of premature or regular termination of employment.

⁴ Entitled to vested benefits under the German Company Pensions Act in the event of premature or regular termination of employment.

⁵ Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to improved vested benefits in the event of regular termination of employment.

⁶ Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to a reduced occupational pension on early retirement in the event of regular termination of employment.

⁷ No transfer to defined contribution system, as Board member had already reached 55 at the conversion date. Entitled to an occupational pension in the event of premature or regular termination of employment.

⁸ Entitled to occupational pension in the event of termination of employment owing to incapacity to work.

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.

Company result bonus determined on the basis of RORAC

The key indicator used for the Company result bonus is RORAC (see page 14 f). The targets correspond to the Group objective for the variable remuneration of members of the Board of Management. The Company result bonus basically takes the form of a "bonus pool" model. Depending on corporate performance, an aggregate amount is calculated that can be distributed between all staff as a bonus. The higher the management level, the higher the target range under 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 targets as the medium-term 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, the most important 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 a longer-term incentive system is provided for. No guaranteed variable remuneration components are granted.

Total remuneration of the Supervisory Board

The rules in place since the financial year 2009 provide for a fixed remuneration component of €50,000 for each member of the Supervisory Board, plus a variable result-related component and a component based on long-term corporate performance. The Chairman of the Supervisory Board receives two-and-a-half times, and the Deputy Chairman one-and-a-half times, the fixed remuneration and the variable remuneration.

The variable result-related remuneration is based on the undiluted earnings per share from continuing operations, as shown in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs): each Supervisory Board member receives €4,000 for each full euro by which earnings per share exceed €12, but a maximum of €40,000. Based on earnings per share of €3.94, no variable result-related remuneration is payable for the financial year 2011. The performance-related remuneration component with long-term incentivisation was introduced in accordance with the German Corporate Governance Code. This amounts to €10,000 and is paid out if earnings per share in the remuneration year exceed earnings per share in the third financial year preceding the remuneration year by at least 30%. No long-term remuneration component is payable for the remuneration year 2011.

Members of the Supervisory Board committees receive an additional 50% of their fixed remuneration, with the chairmen of the committees receiving 100%. This takes account of the substantial workload involved.

The total remuneration of each Supervisory Board member is limited to three times the fixed remuneration, thus ensuring that the overall remuneration of individual Supervisory Board members remains appropriate even if further committees are set up.

Remuneration of Supervisory Board members in accordance with Article 15 of the Articles of Association¹

Name	Financial year	Fixed remuneration		Result-related remuneration	Total
		Annual	For committee work ²	Annual	
		€	€	€	€
Dr. Hans-Jürgen Schinzler	2011	125,000.00	137,000.00	0.00	262,000.00
Chairman	2010	125,000.00	139,000.00	10,000.00	274,000.00
Hans Peter Claußen	2011	75,000.00	25,000.00	0.00	100,000.00
Deputy Chairman	2010	75,000.00	25,000.00	6,000.00	106,000.00
Herbert Bach	2011	50,000.00	50,000.00	0.00	100,000.00
	2010	50,000.00	50,000.00	4,000.00	104,000.00
Dina Bösch	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Annika Falkengren (from 20.4.2011)	2011	35,068.49	-	0.00	35,068.49
	2010	-	-	-	-
Frank Fassin	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Dr. Benita Ferrero-Waldner	2011	50,000.00	-	0.00	50,000.00
	2010	44,246.57	-	3,539.73	47,786.30
Christian Fuhrmann	2011	50,000.00	37,000.00	0.00	87,000.00
	2010	50,000.00	35,000.00	4,000.00	89,000.00
Prof. Dr. Peter Gruss	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Prof. Dr. Henning Kagermann	2011	50,000.00	62,000.00	0.00	112,000.00
	2010	50,000.00	64,000.00	4,000.00	118,000.00
Peter Löscher	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Wolfgang Mayrhuber	2011	50,000.00	25,000.00	0.00	75,000.00
	2010	50,000.00	25,000.00	4,000.00	79,000.00
Silvia Müller	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Marco Nörenberg	2011	50,000.00	37,000.00	0.00	87,000.00
	2010	50,000.00	35,000.00	4,000.00	89,000.00
Reinhard Pasch	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Dr. Bernd Pischetsrieder	2011	50,000.00	50,000.00	0.00	100,000.00
	2010	50,000.00	56,000.00	4,000.00	110,000.00
Anton van Rossum	2011	50,000.00	37,000.00	0.00	87,000.00
	2010	50,000.00	35,000.00	4,000.00	89,000.00
Andrés Ruiz Feger	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Richard Sommer	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Dr. Ron Sommer	2011	50,000.00	-	0.00	50,000.00
	2010	50,000.00	-	4,000.00	54,000.00
Total	2011	1,085,068.49	460,000.00	0.00	1,545,068.49
	2010	1,044,246.57	464,000.00	83,539.73	1,591,786.30

¹ Plus turnover tax in each case, in accordance with Article 15 para. 6 of the Articles of Association.

² In the case of members of the Audit Committee and/or Nomination Committee, the amount includes attendance fees in accordance with Article 15 para. 4 of the Articles of Association.

Remuneration of Supervisory Board members for membership of supervisory boards at Munich Reinsurance Company subsidiaries, in accordance with the companies' respective articles of association¹

Name	Financial year	Fixed remuneration		Result-based remuneration	Total
		Annual ²	For committee work ²	Annual	
		€	€	€	
Hans Peter Claußen, Deputy Chairman	2011	49,777.00	6,750.00	0.00	56,527.00
	2010	57,500.00	6,750.00	0.00	64,250.00
Frank Fassin	2011	27,000.00	-	0.00	27,000.00
	2010	31,441.78	-	0.00	31,441.78
Silvia Müller	2011	27,000.00	-	0.00	27,000.00
	2010	33,019.86	-	0.00	33,019.86
Marco Nörenberg	2011	27,000.00	6,750.00	0.00	33,750.00
	2010	33,389.73	13,691.10	0.00	47,080.83
Richard Sommer	2011	27,000.00	-	0.00	27,000.00
	2010	31,343.15	-	0.00	31,343.15
Total	2011	157,777.00	13,500.00	0.00	171,277.00
	2010	186,694.52	20,441.10	0.00	207,135.62

¹ Plus turnover tax 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.

Share trading and shares held by members of the Board of Management and the Supervisory Board

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.

Under Section 10 para. 1 of the German Securities Prospectus Act, Munich Reinsurance Company is obliged to publish information of this kind on its website without delay as well as in an annual document.

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

Risk report



Risk governance and risk management system

The selective acceptance of reinsurance risks is at the core of our business model. Compliance of our risk early-warning system with the legal requirements is regularly examined independently, both by internal auditing units and by the external auditor as part of the annual audits. Whilst we are in a position to adequately assess risk situations, the growing complexity and dynamism of the environment in which we operate means that there are, naturally, limits. This risk report reflects German Accounting Standard DRS 5-20.

Risk management organisation, roles and responsibilities

Remit and objectives

Risk management is a key part of our corporate governance. It underpins our financial strength, enabling us to meet our obligations to clients and create sustained value for our shareholders. In addition, it protects Munich Re's reputation. **We achieve these objectives through worldwide risk management encompassing all of our units, subsidiaries and operations.** In this process, Munich Reinsurance Company is included in the risk management of the reinsurance segment.

Organisational structure

To ensure that our risk management operates efficiently and effectively, we have established specific risk management functions and bodies. Our Integrated Risk Management (IRM) Division supervises risk management Group-wide with the support of decentralised structures in all units of the Group. It is headed by the Group Chief Risk Officer (Group CRO), who, like the local CROs at individual companies, is supported by interdisciplinary teams of highly qualified staff. 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, organisation and processes, enabling the risks incurred to be actively controlled.

Risk governance

Munich Re's risk governance fosters the development and maintenance of an effective risk and control culture, which encompasses all significant risk categories. It is supported by the following committees:

The Group Risk Committee and the Group Investment Committee are extensions of the Group Committee

The CRO is a permanent member of the **Group Committee**, the central committee responsible for Group-wide issues, the development and management of strategy, financial control, and risk management and investment matters.

The Group Committee meets quarterly as the **Group Risk Committee**, the membership of which additionally includes further specialists from our business segments, to deal with risk issues affecting the Group as a whole.

Besides this, the Group Committee meets quarterly together with members of senior management responsible for investments in our business segments as the **Group Investment Committee**. This committee is the central management committee for major Group-wide issues affecting the Group's investments, including specific investment risks.

Additionally, there is a **Reputational Risk Committee** (see page 76 for further details).

In the 2011 financial year, the Remuneration Committee was set up in accordance with the new German statutory order on remuneration in the insurance industry (VersVergV) and is responsible for designing, reviewing and enhancing the systems for remunerating staff, with a particular focus on variable incentive components.

For reinsurance, a dedicated risk committee – the **Global Underwriting and Risk Committee (GURC)** – has been formed from within the ranks of the Reinsurance Committee.

The Munich Health Risk Committee is responsible for risk matters in the Munich Health segment.

Determining the risk strategy

The assumption of risks is an essential part of our business strategy. Our risk strategy defines the extent of the risks we are prepared to incur for our clients and shareholders. The development of our 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. Its objectives are as follows:



The risk strategy is determined by a risk appetite defined for a series of risk criteria. The criteria are based on the capital and liquidity available and on our earnings target within specified volatility limits, and provide a frame of reference for the Group's operational divisions.

- Our risk criteria**
- // Whole portfolio criteria: relating to Munich Re's entire portfolio of risks, designed to protect our capital and limit the likelihood of an economic loss for the year. Particularly worth mentioning in this respect is the criterion "economic earnings at risk" (EEaR), which we use to manage the Group's risk profile in such a way that our risk-bearing capacity does not fall below a defined threshold in the event of adverse business experience of the type that occurs statistically around every ten years. Economic earnings at risk at 31 December 2011 total €4.1bn.
 - // Supplementary criteria: to limit losses that can arise out of individual risk types or accumulations, such as natural hazards, terrorism and pandemics, and to limit market and credit risks that could endanger Munich Re's ongoing viability were they to materialise.
 - // Other criteria: aimed at preserving Munich Re's reputation and thus protecting its future business potential. They encompass limits for individual risks that, though they would not necessarily threaten Munich Re's existence, could cause lasting damage to the confidence of clients, shareholders and staff.

The risk appetite laid down ensures that an appropriate balance is maintained between business opportunities and risks incurred. Our risk strategy process has already proved its worth in both the financial crisis and the sovereign debt crisis. Our integrated business model ensures that we are well positioned to be a strong partner for our clients, even in particularly difficult markets, and a stable investment for our shareholders. With our broadly diversified portfolio of investments, we aim to be well equipped for all market scenarios – even extreme ones – that could realistically arise.

Implementation of strategy and the risk management cycle

Risk appetite anchored in business planning

The risk appetite defined by the Board of Management is reflected in our business planning and integrated into the management of our operations. In the event of capacity shortages or conflicts with the systems of limits and rules, there are fixed escalation and decision-making processes which ensure that business interests and risk management aspects are reconciled. If necessary, risks are ceded or hedged by means of reinsurance, derivatives or other forms of risk relief.

Our implementation of risk management at operational level embraces the identification, measurement, analysis and assessment of risks, and the resultant risk reporting, limitation (reduction to a level we have defined as appropriate) and monitoring, which enables us to follow all significant risks closely.

Risk identification is performed by means of appropriate systems and indicators (quantitative component) and a number of risk surveys, which are supplemented by expert opinions and assessments by selected, highly experienced managers (qualitative component). Our ad-hoc reporting process provides for staff to report risks to the central risk management function (IRM) at any time.

Constant refinement of our risk measurement tools

We are constantly refining our risk measurement tools, which are tailored to each segment. This enables us to properly assess the risks of Munich Reinsurance Company as a part of the reinsurance segment. Our lead risk measure is based on economic principles.

We regularly compare the results produced by our risk model with those of supervisory authorities, rating agencies and commercial modelling companies at a number of levels, including Group, segment, legal entity and risk type. We also regularly perform benchmarkings of our risk-model results and participate in industry surveys to constantly challenge and refine our risk measurement tools.

benchmarkings of our risk-model results and participate in industry surveys to constantly challenge and refine our risk measurement tools.

Our financial strength is an important criterion for the success of our business. As far as our financial strength ratings are concerned, our aim for the present is the second-highest rating from each of the main agencies that rate us. Meeting this objective is a supplementary parameter of our corporate management 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.

We compare our internal risk model with the current status of Solvency II and take part in the Quantitative Impact Studies and stress tests (European Insurance Stress Test).

Risk analysis and assessment are carried out at the highest level in IRM, in the form of a consolidated Group view, taking into account limitations on capital fungibility. They are based on the analyses prepared in the risk management units of our reinsurance, Munich Health and asset management operations. Besides this, IRM is responsible for checking and validating the analyses of downstream units, working closely with numerous units and experts within, and in some cases outside, the Group. This provides us with a quantitative and qualitative assessment that considers possible interactions between risks.

Continuous reconciliation of risk criteria and business interests

Risk limitation is derived from the risk strategy. Based on the defined risk appetite, limits and rules and any risk-reducing measures required are decided on 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, e.g. at MEAG for investments, and then collated centrally. We monitor risks that cannot be depicted in figures on a decentralised or centralised basis, depending on their significance and classification.

Control and monitoring systems

Uniform worldwide system for managing risks

Our internal control system (ICS) is a uniform worldwide system for managing operational risks integrated across all risk dimensions and areas of the Group that both meets Group management needs and complies with local regulations.

The Board of Management has Group-wide responsibility for the ICS, which falls structurally under the responsibility of the CRO. Experts and staff in our specialist areas are responsible for the detailed content of the system and perform the risk and control assessments at least annually.

For each of Munich Re's business segments, the ICS delivers a risk map, which systematically links the significant risks and processes and shows all relevant risk control points. By making our risk situation transparent in this way, we can focus on and react

rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

Appropriate internal controls for accounting risks

Our financial accounting and reporting is subject to carefully defined materiality thresholds to ensure that internal controls are appropriate. Significance, risk experience and compliance are taken into account in determining the thresholds. All risks significant for financial reporting from the Company's perspective are integrated into the ICS in accordance with uniform criteria.

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 and income statement. Any amendments are subject to a stringent procedure as regards timing, responsibilities and circulation of information.

The financial statements are prepared using a fast-close procedure in a central system. Clearly documented instructions and controls are in place for the closing process.

At the branches included in the financial statements, transactions are posted using a globally standard ledger with harmonised basic data, standard processes and posting rules, and standard interfaces to the underwriting and investment sub-ledgers. Clear authorisation systems regulate access to accounting systems.

Dual control is applied throughout the process of producing the financial statements. System and accounting checks are in place at every stage of the closing process. Any errors are analysed, followed up and corrected.

Risk reporting

Internal risk reporting provides all Board members with regular information on the risk situation, as regards both the individual risk categories (ongoing) and the entire Group (quarterly). The Audit Committee of the Supervisory Board and the German Federal Supervisory Authority (BaFin) also receive the quarterly internal risk report.

Early-warning mechanisms thus ensure that negative trends are identified in sufficient time for countermeasures to be taken.

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

Significant risks

According to our classification, significant risks are risks that could have a long-term adverse effect on the economic, financial or profit situation of Munich Re. We have applied this definition consistently to the individual business units, taking account of their individual risk tolerance.

There are significant risks in the following risk categories:

Underwriting risk: Property-casualty insurance

This is defined as the risk of insured losses in property-casualty business being higher than our expectations.

Significant risks in property-casualty insurance are the premium and reserve risks. 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

Line management has primary responsibility for controlling the premium risk. Line managers grant underwriting authorities and lay down internal processes aimed at ensuring that a high level of quality is maintained; in doing so, they take account of both the specific exposures in their business and the knowledge and experience of each member of staff.

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

Due to the diversity and extensive ramifications of Munich Re's business, it is not possible to produce a set of rules for acceptance that would fully cover relevant risks. The expertise of the underwriter on the ground is therefore of prime importance and we recognise this by providing training and IT systems for risk assessment and pricing, publishing internal information sheets and underwriting recommendations, and setting up working groups to create and transmit underwriting knowledge

Reserve risk

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 resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long term care, and economic factors such as inflation can have a considerable impact on loss experience.

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.

Group-wide reserving rules ensure consistency

Application of Group-wide reserving rules guarantees a substantially consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the reserves.

We are convinced that the reserves we have posted comply with accepted actuarial principles and are sufficient for all unpaid claims and actuarial liabilities that Munich Re has to meet on the basis of its contractual conditions and agreements.

The net run-off profit (excluding life business) after adjustment premiums amounted to €759m in the year under review, following the previous year's run-off profit totalling €33m. Significant run-off profits after adjustment premiums resulted in the financial year in fire, credit and accident business. While high reserve reductions for major-loss expenditure largely determined the positive run-off in fire reinsurance, the release of reserves for prior underwriting years triggered by the diminishing consequences of the financial crisis had a profit-enhancing effect on the run-off in credit reinsurance. In accident business, the positive result is primarily attributable to the commutation of US workers' compensation business, as the provisions for this long-term business are not measured at discounted rates under the German Commercial Code (in contrast to IFRS). By contrast, run-off losses resulted above all in marine and health reinsurance.

Besides other key indicators, combined ratios are important for us in monitoring the premium/claims risk in property-casualty reinsurance.

Combined ratios for the last ten years

%	2011 ⁴	2010	2009	2008	2007 ³	2006	2005 ²	2004	2003	2002 ¹
Including natural catastrophes	112.1	101.4	98.2	102.4	95.9	97.9	117.0	96.4	93.8	108.3
Excluding natural catastrophes	84.2	89.8	96.8	97.1	91.5	96.6	97.5	91.2	92.3	105.0

¹ Thereof World Trade Center: 3.5%.

² Thereof effect of assuming discounted claims provisions from Munich Re America: 8.7%.

³ 2007 and prior years adjusted due to an increase in the threshold for large losses.

⁴ The figure for 2011 is not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.

Underwriting risk: Life and health insurance

The underwriting risk in this case is defined as the risk of insured benefits payable in life or health business being higher than expected. Of particular relevance are the biometric and lapse risks. We differentiate between risks that have a short-term or long-term effect on our portfolio.

Random annual fluctuations in insurance benefits or lapse behaviour 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. For pandemic scenarios, limits are derived from the risk strategy.

Changes in client biometrics or surrender behaviour can give rise to risks that have a long-term effect on the value of a portfolio, making it necessary to adjust the actuarial assumptions. In health insurance, morbidity risks understandably dominate, whereas in life insurance mortality, longevity and disability risks are most important. The latter particularly affected us in Australia in 2011. We calculate limits, derived from the risk strategy, for longevity scenarios as well as for pandemic scenarios.

The remarks on underwriting guidelines and limits (see "property-casualty" section) also apply to life and health reinsurance business.

Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. This includes equity risk, the general and specific interest-rate risk, property risk and currency risk. The general interest-rate risk relates to changes in risk-free interest-rate curves, whereas the specific interest-rate risk arises out of changes in

credit risk spreads, e.g. on government bonds or on credit default swaps (CDSs). We also include in market risk the risk of changes in inflation rates and implicit volatilities (cost of options). Fluctuations in market prices affect not only our investments but also our underwriting liabilities.

Limit and early-warning systems
and asset-liability management
used to manage market risks

We deal with market risks by means of suitable limit and early-warning systems, and through our asset-liability management. We mainly use derivative financial instruments to hedge parts of the portfolio, optimise earnings or implement planned purchases and sales. For this, strict rules apply as regards the limitation of risks and the choice of top-quality business partners. Adherence to these rules is continually monitored.

Beyond this, derivatives are used in isolated cases to hedge against risks assumed in underwriting business. Securitisation of insurance risks and their placement on the capital markets is gaining in importance as an instrument of risk transfer to supplement traditional reinsurance. Here, an underwriting risk is ceded by way of a retrocession contract (swap contract) to a special-purpose vehicle (Insurance derivatives I). The special-purpose vehicle covers potential liabilities arising from the contract by issuing insurance bonds (cat bonds). In addition, Munich Reinsurance Company itself has cat bonds in its portfolio. These in turn contain derivative components to be accounted for separately (Insurance derivatives II). The options on catastrophe and reinsurance risks (Insurance derivatives III) also serve a hedging purpose. Further information on the carrying amounts and fair value of the derivatives is provided on page 102 in the notes to the financial statements.

With the exception of equity futures, stock index futures, Bund futures and interest-rate index futures, all the derivatives are over-the-counter products.

Applying stress tests, sensitivity and duration analyses, we simulate market fluctuations and devise strategies for counteracting them where necessary.

The investments we make must comply with Group-wide minimum standards as defined in our General Investment Guidelines. We also take account of risk-relevant restrictions on investments resulting from our risk strategy.

The following sensitivity analyses for market risks serve to estimate potential changes in the value of investments under hypothetically possible market scenarios. The review is based on the Company's investments excluding participations in insurance companies, holding and service companies as at 31 December 2011. The changes in share price assumed in these scenarios, $\pm 10\%$ and $\pm 20\%$ respectively, a corresponding shift in the interest rate curve of ± 100 and ± 200 basis points (BP) respectively, and a fluctuation in exchange rates of $\pm 10\%$, would produce the following changes in the market value of the investments:

Market risk - Share prices

Change in share prices	Change in market value of investments sensitive to share prices
Increase of 20%	€0.929bn
Increase of 10%	€0.460bn
Decrease of 10%	-€0.460bn
Decrease of 20%	-€0.920bn
Market values at 31 December 2011	€5.488bn

Market risk - Interest rates

Change in interest rates	Change in market value of investments sensitive to interest rates
Increase of 200 BP	-€4.594bn
Increase of 100 BP	-€2.517bn
Decrease of 100 BP	€2.957bn
Decrease of 200 BP	€6.353bn
Market values at 31 December 2011	€34.937bn

Market risk - Exchange rates

Change in exchange rates	Change in market value of investments sensitive to exchange rates
Increase of 10%	€2.623bn
Decrease of 10%	-€2.623bn
Market values at 31 December 2011	€26.874bn

A breakdown of investments by type can be found on page 100 f. Risks from our portfolio of participating interests are controlled by closely involving the companies concerned in our Group-wide planning and controlling process.

Credit risk

We define credit risk as the financial loss which the Company 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 towards us.

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

Our internal risk model takes account of a wide range of specific drivers that analyse the risk of economic losses from our credit exposure. Credit risk emanating from the insurance and investment sides of the balance sheet are considered. On the insurance side, we model mainly trade credit, surety and bonding, and political risks. We also take into consideration credit risks associated with our claims on insurance companies, for instance from retrocessions, after allowing for any collateralisation. On the investment side, credit risks are measured and limited using a Credit-Value-at-Risk (CVaR) approach. The main input parameters are our investment volume, the migration matrix between different rating classes, interest-rate curves and recovery rates. The correlated rating class migrations and defaults of the respective bond issuers are modelled using a simulation. Revaluation of our investments under these rating scenarios ultimately leads to a future profit and loss distribution. Hence, we can then adequately capitalise for this risk and manage our portfolio with respect to its expected and unexpected loss. Over

79% of all our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable. Pursuing our risk-conscious investment policy, we reduced our holdings of Portuguese, Irish, Italian, Greek and Spanish government bonds from 14% to below 1% of the carrying amount of this item.

Group-wide counterparty limit system to monitor and control credit risks

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). Investments in structured products and securities lending activities are monitored separately (completely so in the first case, and largely so in the second) and controlled using volume limits. The resultant credit risk is reduced by means of Group-wide rules for collateral management, for example for OTC derivatives and catastrophe bonds issued.

In order to take account of country risks other than the credit risk on government bonds, our advisory unit for strategic and economic issues, Group Development, also produces specific country scores in addition to the pure default ratings. These cover the significant political and economic risks and those relating to a country's internal security, and thus enable us to assess comprehensively additional country risks of varying importance for different business segments.

In the area of retrocession, we control the default risk through the Retro Security Committee. The experts on the committee review the quality of our main retrocessionaires independently and on the basis of various criteria (e.g. minimum ratings, market data and capital requirements) and allocate appropriate limits for the counterparties based on underwriting guidelines laid down by the risk management function.

Ceded claims provisions and provisions for future policy benefits

%	31.12.2011	Prev. year
AAA	-	-
AA	77.9	76.3
A	13.3	21.4
BBB or lower	0.3	-
No rating available	8.4	2.3

We reduce the credit exposure for capital market placements, such as our catastrophe bond, by requiring first-class collateral or integrating suitable hedging mechanisms into the structure.

We set very high standards for issuers of fixed-interest securities in which we invest, and these are reflected in our Group-wide investment principles. There are additional limits on investments in structured products according to their risk profile.

As at 31 December 2011, our accounts receivable on ceded business were split between the following ratings (based on those of Standard & Poor's):

Rating of accounts receivable

€m	31.12.2011
AAA	-
AA	98.4
A	23.0
BBB or lower	0.8
Without external rating	52.5

€48.0m of our total receivables of €2.9bn on underwriting business at the balance sheet date was outstanding for more than 90 days. The average defaults of the last three years total €4.7m.

Operational risk

Munich Re defines operational risks as potential losses resulting from inadequate processes, technical failure, human error or external events. These include criminal acts committed by employees or third parties, insider trading, infringements of anti-trust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations, and disagreements with business partners.

We identify and mitigate these risks through our internal control system (see page 68 f). We take all possible steps to ensure that employees are aware of potential risks and to establish an appropriate risk culture. This includes willingness to learn from mistakes and to recognise them as opportunities for improvement.

Liquidity risk

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 continuously monitored.

The management of liquidity risk includes taking account of

- // known and expected payment obligations through regular, detailed liquidity planning at individual-entity level, and a central cash-flow reporting system;
- // margin calls and collateral requirements for derivative positions;
- // unexpectedly high payments resulting, for example, from accumulation losses that far exceed normal loss expectations.

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 and a cash pool fed by Group companies. Through stringent availability requirements, which also comply with supervisory rules, we ensure that every unit is able to meet its payment obligations.

Strategic risk

Munich Re defines strategic risk as the risk of making wrong business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. The existing and new potential for Munich Re's success and the segments in which it operates creates strategic risks, which can lead to a significant long-term reduction in corporate value.

We counter this risk by discussing significant strategic issues and decisions in our Strategy Committee and regularly monitoring their implementation. The Strategy Committee comprises members of the Group Committee, and hence the CRO, plus the Chief Executive Officers (CEOs) of the business segments and the Head of Group Development. As a result, strategic decision-making processes are intermeshed with risk management. 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).

We monitor reputational risk through processes we have established in various internal units to identify it. As soon we become aware of the possibility of such a risk, our reaction is determined by the Compliance Officer and, if appropriate, the Reputational Risk Committee, which was set up specifically for the purpose. The committee is made up of experts from various units and is headed by the Compliance Officer.

In 2011, ERGO and Munich Re suffered considerable damage to their reputation as a result of media reports on an unethical incentive trip organised by HMI. A short while later, there were reports of irregularities in the sale of insurance products (including errors in the "Riester" proposal form and company pension products). All cases were investigated by our internal audit function. In view of the importance and impact of the issues involved, not only were the cases thoroughly investigated at ERGO, but action has also been taken to prevent recurrence: central guidelines on conduct and organisation in the ERGO Group have been changed and, in particular, compliance has been strengthened through the creation of a separate compliance unit reporting directly to the Chairman of ERGO's Board of Management.

A further reputational risk arose when our internal audit unit uncovered a case of fraud in which an external service provider had used false information and manipulated statements of account to receive unjustified payments. When the suspected fraud had been confirmed by a full special investigation, Munich Re immediately filed criminal charges with the public prosecutors' office in Munich against the service provider, former employees and persons unknown.

Overview of the risk situation

We use our central risk management to assess our risk situation on the basis of qualitative and quantitative factors. Throughout the entire period under review, Munich Re's risk situation was manageable and under control. Our carefully implemented, modern risk management processes combined with our solid level of capitalisation at all times ensured the solvency and viability of the Group expected by our clients and shareholders. In addition to the underwriting and capital market risks inherent in our business model, which we are able to assess very well so that we can be fully aware of the implications of taking them, there are a large number of other risks to which Munich Re – like every other undertaking – is inevitably exposed. The incidence of these risks is random and their occurrence probability and impact are generally difficult to estimate. We therefore closely monitor our environment and our own Group to identify even these risks in good time and to take suitable measures to avert loss or damage.

Munich Reinsurance Company's
risk situation in 2011 manageable and under control

Integrated risk model used to manage the business

Internal risk model

For a quantitative assessment of the overall risk situation, we use our internal model, whose design follows a bottom-up approach. We have selected the financial year as the period for evaluating risk capital requirements at Group level. Risks within this period are covered by risk-based capital derived from our risk tolerance. All risks beyond the annual timeline are accounted for by the costs of holding risk-based capital over time. In so doing, we follow the “cost of capital” approach. In determining the risk capital, we examine the risk segments “underwriting”, “market”, “credit” and “operational risks”. Within underwriting risks, we distinguish between property-casualty and life and health risks. Further subcategories are applied to these risk types – for example, for the property-casualty reinsurance segment, we distinguish between natural catastrophe risks, other accumulation losses (such as terrorism or liability accumulations), large losses and basic losses. Those risks are first modelled separately. In a further step, the risks are aggregated using a combination of empirical and judgemental techniques that allow for the risks of so-called “tail dependencies” (e.g. the risk that different lines of business, geographies and risk types are affected by extreme events at the same time), and the overall risk is thereby quantified.

Regulatory and rating-agency capital requirements

Munich Reinsurance Company meets the regulatory solvency requirements stipulating a specified minimum capitalisation supplemented by the criteria of specific ratings from the major rating agencies. More information is given in the “Financial position” section.

Selected risk complexes

Overarching accumulation risks

Effects of the sovereign debt crisis

As an insurer and reinsurer, we are an institutional investor and when we invest we have to accept certain credit risks in addition to market risks. This is clearly the case for corporate bonds, but there are also considerable risks in government bonds, which were considered safe in the past. The eurozone is our home market and we thus have substantial investments in euros. These are broadly diversified and are natural assets to hold to match the euro liabilities arising out of our insurance businesses.

The interest rates on the borrowing of a number of eurozone sovereign issuers increased in 2011 as a result of the higher credit margins required in the markets, leading to a fall in the market values of our holdings in the government bonds of the countries concerned. This contrasted with the still generally low yields on bonds issued by eurozone countries considered safe. Especially the interest rates for German federal government or “Länder” issues fell further in 2011 in a volatile environment. This produced price gains on our German government bonds, but harbours major risks owing to the low return on reinvestment, which makes it more difficult for us to fulfil our future payment requirements. We monitor these risks closely and counter them with various risk management measures.

In both our insurance and reinsurance business, we review the underwriting prices calculated by our valuation and pricing systems to ensure that they take adequate account of the current interest-rate environment. Reinsurance business activities exposed to significant economic risks are reviewed and exposure limited where appropriate.

In monitoring the country risks, we do not simply rely on the customary ratings, but perform independent analyses of the political, economic and fiscal situation in those countries in which investments might potentially be made. Our experts also evaluate and draw conclusions from the movements in the market prices of the bonds 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 Risk Committee. In 2011, limits for certain countries were reduced significantly a number of times because of the continually deteriorating financial situation in some European states. These limits are mandatory throughout the Group for investments and the insurance of political risks, and any exceptions must be approved by the Group Risk Committee.

In 2011, we reduced our investment exposures in countries on the euro periphery. Our close monitoring includes investments guaranteed directly or indirectly by the states concerned. In addition, the Board committees regularly receive an overview of our investments for each country, detailing the debtors resident there.

On the basis of defined stress scenarios relating to further developments in the 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, the high degree of diversification in both our investments and our liability structure together with our active Group-wide asset-liability management counter any negative effects.

Our sophisticated limit system and our well-established administration systems have served us well so far during the periods of turbulence in the financial markets. The losses incurred due to falls in the prices of euro periphery bonds were more than offset by price gains on safe investments, in particular German and US government bonds.

Pandemic

Another example of an overarching accumulation is a large 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 with a detailed analysis of our overall exposure (scenario analysis), defining suitable limits.

Climate change

Climate change represents one of the greatest risks of change for the insurance industry.

In our Corporate Climate Centre, we analyse and assess this risk and are developing a holistic strategic approach. The findings are made available to all business areas and our asset-liability management function.

Whilst we are in a position to adequately assess the known risks in our portfolio on the basis of current knowledge, scientific research into climate change is complex and the political and regulatory environment in which we operate is developing dynamically, so that we must remain vigilant with regard to the identification and evaluation of new and changing risks. We adopt a multidisciplinary approach, using and combining the pertinent experience and expertise of our scientists, specialist underwriters, lawyers, economists, sociologists and actuaries as appropriate for the risk situation.

Climate change –
Risks and opportunities

However, changes in the physical environment and new regulations resulting from climate change also open up many business opportunities. Applying the knowledge we have accumulated over decades, we exploit these opportunities – for example, through new insurance products for renewable energy technologies.

New and complex risks

Our **risk early-warning system** also covers “emerging risks”, i.e. those that arise as a result of legislative, socio-political, scientific or technological changes and are therefore liable to have unmeasured or unknown effects on our portfolio. The degree of uncertainty as to extent of damage and occurrence probability is by nature very high.

We identify trends and faint signals in many ways, including systematic trend research, using Munich Re’s knowledge management, and regular structured discussions in our “emerging risks think-tank”. To ensure that emerging risks are understood, a group of experts reports on the issues involved from various perspectives. The group derives conceivable scenarios and analyses their possible impact on Munich Re, also looking at interdependencies between different risks and other consequences related directly or indirectly to emerging risks. Cooperation with external partners complements our internal early-warning system.

Our new CARE software supports the management of complex risks

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events with impacts difficult to identify using traditional scenario processes are occurring with greater frequency. Examples in 2011 were the earthquake in Japan and the floods in Thailand. Not only did both natural catastrophes have a devastating impact on the population, infrastructure and economy in the regions affected, but worldwide supply chains were also hit, with industrial production being interrupted in far-away countries. 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 Munich Re has developed its Complex Accumulation Risk Explorer software (CARE), enabling it to identify, and at least partially quantify, the risks and correlations. With CARE, we can improve the identification and structuring of complex accumulation risks for our own risk management and provide support for our clients, placing us in a strong position to meet the rising demand for reinsurance of these risks.

Legal and supervisory risks

Legal risks

So-called “Placement and Market Service Agreements (PSA)” had been under investigation by the authorities in the USA from 2004. The investigations have now been discontinued, with no payment or other obligations ensuing for Munich Re. We do not expect any significant risks to arise out of the related class actions filed by policyholders in the USA.

Investigations by several US federal and state authorities into certain loss-mitigation insurance products have now likewise been discontinued, also with no payment or other obligations ensuing for Munich Re.

The proceedings started by the Spanish antitrust authority (CNC - Comisión Nacional de la Competencia) in 2009 against several insurers and reinsurers, including Munich Re's Spain and Portugal branch, for alleged collusion restricting competition in Spanish decennial liability business (compulsory insurance for guarantee claims in respect of contract works) continue. In December 2009, Munich Re's Spain and Portugal branch lodged an appeal against the fine of €15.9m imposed by the CNC.

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. Following revelations about often questionable asbestos-related disease diagnoses and the resultant lawsuits, a number of investigation committees are at work. Similar questionable practices have come to light in silicosis lawsuits. These developments indicate that US legal practice is contesting abusive liability claims with increasing resolve. However, it is too early to say whether and to what extent this will have favourable implications for future loss development 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. Though 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.

Regulatory developments

The progress made in the Solvency II project in 2011 has clarified the future supervisory requirements somewhat, though some uncertainties remain. However, the adoption of the Omnibus II Directive planned for 2012 is expected to clarify the dates for the transition from Solvency I to Solvency II and the duties and powers of EIOPA. Considerable progress has been made on the first pillar, with the exception of the key issue of underwriting liabilities. In particular for life primary insurance, the still open questions have far-reaching implications for capitalisation under Solvency II. There is therefore a risk for companies, including our life primary insurers, that they may not meet the capital requirements. The draft implementing measures produced by the Solvency II Expert Group (SEG) have shed more light on the qualitative requirements of insurance companies and supervisory authorities laid down in Solvency II's Pillar 2. However, these measures are not expected to be adopted before mid-2012.

At national level, implementation of the Solvency II Directive will bring about changes in German supervisory law. We continue to monitor progress in the revision of the German Insurance Control Act initiated in the middle of the second quarter of 2011. Munich Re has played, and will continue to play, an active role and submit regular feedback on the drafts. Since there are still outstanding issues in the underlying parallel Solvency II project at European level, some uncertainties remain concerning the final translation into national law.

Work is still in going on at 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 the real global economy. The discussions, which are being held primarily by the Financial Stability Board (FSB), are currently focusing on the banking sector. The investigations relating to the insurance industry are not following the same timetable as those for banking and will be led by the International

Association of Insurance Supervisors (IAIS). The insurance industry believes that its core business does not give rise to a systemic risk. Munich Re is actively participating in the consultations. We will probably have to wait until mid-2012 before we can say with any certainty whether the insurance industry as a whole, and reinsurance companies and Munich Re in particular, could be subject to additional requirements. Specific requirements for SIFIs could range from additional reporting to higher capital requirements.

Other legal developments

On 1 March 2011, the European Court of Justice issued a fundamental ruling on sex discrimination in insurance, which repealed with effect from 21 December 2012 a European regulation allowing member states to permit differentiation between males and females for the purpose of calculating insurance benefits and premiums. This applies even if consideration of gender is based on accurate actuarial and statistical risk data. The relevant legislation in member states, including Germany, must be amended to comply with the ruling, which will lead to significant changes in the calculation of insurance benefits and premiums. To clarify outstanding issues, we are in close contact with the relevant people in the scientific community, the economy and European committees and bodies. We will take all necessary action before the deadline set by the European Court of Justice.

The ongoing discussions regarding the German healthcare system may result in further changes in the statutory parameters, notably the "citizens' insurance scheme". If, unlike now, all citizens were to be compulsorily included in the German public health insurance system, it would spell the end of at least new business for private health insurers in comprehensive health insurance. We have been monitoring this risk for many years. Similar proposals have been put forward for "citizens' long term care insurance".

Summary

In accordance with the prescribed processes, Munich Re's Board committees explicitly defined the risk appetite for significant risk categories in the year under review and quantified it with specific figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout Munich Re. During the whole of 2011, risk exposures were regularly quantified and compared with the risk appetite. We assess Munich Re's risk situation as manageable and under control.

Prospects



- // Challenges for the Group owing to uncertain economic environment, but also opportunities thanks to financial strength and solution-finding ability
- // Expected return on investment of around 3.5%
- // Unchanged long-term result target of 15% on risk-adjusted capital (RORAC) after tax over the cycle
- // Consolidated result of €2.5bn envisaged for 2012
- // Dividend continuity for 2011

Predictions about the forthcoming development of our Group are based primarily on planning figures, forecasts and expectations. Consequently, the following assessment of Munich Re's development merely reflects our imperfect assumptions and subjective views. It follows that we cannot accept any responsibility or liability in the event that they are not realised in part or in full.

In the section "Important tools of corporate management", we pointed out that our corporate management is based mainly on a Group perspective, in which Munich Reinsurance Company is a significant component. Since our fields of business are managed on a Group-wide basis, it is difficult to "extract" the Company from this overall concept. A description of the Group's and reinsurance group's estimates is therefore provided throughout the following. If Munich Reinsurance Company is not mentioned specifically, the Group or reinsurance group as such is meant.

Overview

Despite the difficult economic situation, there are a wide range of opportunities for us. After major losses, general risk awareness is heightened and the demand for effective risk relief via reinsurance increases. With our know-how, our ability to find the right solutions and our financial strength, we are well positioned. In primary insurance, too, we expect stable development. People's need for care and provision is rising and increasingly has to be financed privately. In property-casualty primary insurance, we forecast that premium income will expand, mainly owing to growth in international business. For Munich Health, there are opportunities and risks from the international healthcare markets.

Economic environment

Further significant growth in the emerging countries

It is our assumption that the existing uncertainties with regard to the sovereign debt crisis and consolidation of state finances will continue to dampen the business climate and consumer confidence in most industrial nations. Besides this, it is anticipated that 2012 – like 2011 – will see slower economic momentum in many industrialised

countries, owing to high unemployment and efforts to reduce high household debt levels. We anticipate a brief recession in the eurozone. In the emerging economies, especially China and India, growth should again be strong. Inflation rates will consequently be moderate in most industrialised countries and will only remain relatively high in a few emerging countries.

Capital markets

In spite of the difficult growth environment, yields on German government bonds with long periods to maturity are likely to increase if the situation in the eurozone eases at least to some extent or collective liability for the debts of other euro countries is expanded. In such a case, yields on US government bonds – up to now also considered safe havens – could also increase, especially since economic growth in the USA should be higher. Since we do not anticipate any increases in key interest rates, the yields on short-duration bonds are expected to remain relatively low, so that yield curves will probably become steeper overall. Given the sovereign debt crisis in Europe, the greater relaxation of European monetary policy and projected higher growth in the USA, the US dollar should rise further against the euro. If the situation in the eurozone defuses at least partially, equities could benefit.

Insurance industry

In the European Union, state supervision for primary insurers and reinsurers is set to undergo profound changes with the new rules planned under Solvency II, which are expected to generally enter into force at the earliest in mid-2013. In terms of capital, risk management and reporting, these changes will impose greater requirements on insurance companies. However, the introductory and transitional periods are likely to be long. Irrespective of the fine-tuning still to be done, Solvency II will influence insurance supply and demand. New opportunities will emerge for Munich Re in both primary insurance and reinsurance, and these will exceed the challenges from the many different additional demands.

Demand for life insurance cover to grow far more quickly than the economy

The projected moderate growth in the global economy should be reflected in a generally stable worldwide demand for insurance, albeit subject to considerable differences between individual regions and segments. Overall, we predict a growth rate for global premiums in property-casualty insurance that is equivalent to that of global economic growth. Given the huge need for private provision, however, demand for life insurance cover is likely to grow faster than the economy itself.

Nevertheless, the extremely low yields on German and US government bonds present a challenge for insurers because of the significant reduction in interest earned on investments in the period between premiums being received and policy benefits being paid out. Especially in long-tail business, this intensifies the need to increase prices. In property insurance business, which has a more short-term character, the heavy claims burdens arising from recent natural catastrophes have made the risk exposure clear and are driving prices up. Conversely, subdued economic growth is limiting demand for insurance protection and with it the scope for higher prices.

Risks

The economic outlook is clouded by great uncertainty. A sharp downturn in the economy or even an extended period of stagnation with deflationary consequences cannot be ruled out in a number of industrialised countries. A sustained low-interest-rate environment would significantly impair the situation of life insurance companies. The high levels of debt in many countries and potential upheavals in the eurozone could further destabilise the global financial system to the detriment of the insurance industry.

If there was a surprisingly strong economic recovery, the substantial interventions of the central banks and related expansion of the money supply might result in higher inflation, with corresponding inflation in claims costs for insurers.

Potential geopolitical upheavals, for instance in the Middle East or Southeast Asia, are also still a significant risk for the global economy and thus the insurance industry.

By nature, the insurance industry is also particularly exposed to the consequences of economic and social policy decisions, an example being healthcare policy, with its substantial implications for private health insurance. Moreover, the planned tightening of supervisory regulations in the financial services industry also harbours significant risks for the insurance sector: after the financial crisis, there are particular concerns that some of the changes – mainly geared to banking – could be transferred indiscriminately to the insurance industry, irrespective of the differences between the two business models. Conceivable in this context are exaggerated capital requirements, excessive reporting obligations, and restrictions on individual types of business.

Finally, ruinous competition with a downward trend in insurance prices lasting several years remains an unlikely but not impossible risk scenario. Giving clear priority to profitability over growth and focusing on the efficiency of management systems continues to be critical for the insurance industry's success.

Munich Re's development

Munich Re (Group) targets

		Target 2012
Gross premiums written	€bn	48–50
Consolidated result	€bn	approx. 2.5
Return on investment	%	approx. 3.5
Return on risk-adjusted capital (RORAC)	%	15

Limits to forecasting results

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 particular features of IFRS accounting also make it difficult to provide a result forecast. 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. In particular, a rising interest-rate level will tend to lead to lower results, and falling interest rates to higher

results, than those forecast in these prospects. Major share price losses could require write-downs on equities which would only be partially offset by gains on derivatives. Rises in share prices lead to write-downs on derivatives, which would at best be compensated for by gains on the sale of equities.

Underwriting

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities, especially after the many major losses in 2011. Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks such as balance sheet management, risk modelling and asset-liability management. Reinsurance is an efficient and flexible option for protecting primary insurers against major claims and accumulation losses, or strengthening their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are being made significantly more demanding in many countries.

We see further growth opportunities in life reinsurance, and we are experiencing continuing demand for large-volume capital substitute solutions. Opportunities will also derive from the privatisation trends in provision for old age, long term care and disability, from the need for asset protection, and from the dynamic expansion of the Asian life insurance markets. For 2012, we expect an increase in gross premiums written to around €10bn and a technical result of around €0.4bn.

In 2010, we set ourselves the objective of achieving value added by new business of €450m a year by 2015 based on Market Consistent Embedded Value (MCEV) Principles. Given the further very good result posted in the past year, we see ourselves as well positioned to achieve this goal.

In property-casualty reinsurance, which is influenced worldwide by partially divergent price trends in various segments and markets, Munich Re will adhere to its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions.

Essentially, the generally solid capitalisation of providers and buyers is shaping prices, terms and conditions in the international reinsurance markets. No broad-based increase in prices in property-casualty reinsurance was therefore observable in the renewals at the beginning of the year, but prices did rise – in some cases significantly – in the classes of business and regions in which companies suffered high losses. For the further course of 2012, we anticipate a continuation of this trend.

The renewals at 1 January 2012 took place in a competitive market environment. On the primary insurance side, demand was stable. By contrast, reinsurance capacity remained in sufficient supply, despite the high burden from natural catastrophes in 2011 and the reduction in capital buffers available to the insurance industry. Competitors maintained a disciplined approach, writing natural catastrophe business on a selective basis. There were appreciable rate increases in the USA and in regions recently exposed to high natural catastrophe losses, e.g. Australia and Southeast Asia. All other regions and classes of business (e.g. European natural catastrophe business) saw unchanged prices or marginal increases (e.g. UK motor insurance business). In aviation business, however, prices remained under pressure. Since the end of the last financial crisis, a certain amount of pressure on rates has also made itself felt in credit

and surety business but it is uncertain what impact the persisting euro crisis will have on the expected pricing level.

Premium volume increased by 2.6% in the January renewals

A premium volume of €8.5bn of our treaty business was up for renewal. Overall, we were able to increase premium income by around €230m (+2.6%). In accordance with our profit-oriented underwriting policy, we refrained from renewing business that did not meet our pricing requirements.

In particular, we reduced our European property business, traditional marine business and selected subportfolios in non-proportional casualty business. On the other hand, we were able to expand profitable business with strategic partners, particularly in UK motor insurance business. We achieved price increases in the low double-digit percentage range for US natural catastrophe covers and appreciably higher ones in Australia and Asia. All in all, the profitability of our entire portfolio was enhanced by around two percentage points thanks to our active portfolio management. Our regional diversification enabled us to take specific advantage of business opportunities in attractive markets and segments.

The renewals at 1 April 2012 (Japan and Korea) and 1 July 2012 (parts of the US market, Australia and Latin America) will involve the renegotiation of treaties with a premium volume (last year) of around €2.9bn, with a greater proportion of natural catastrophe business than the renewals in January. We project further price increases here, particularly in loss-affected regions. For other property business and in the casualty classes, we are proceeding on the assumption that prices will stabilise with a trend towards slight increases. A further continuation of the low-interest-rate phase would particularly favour a positive price trend. In the current year, however, we do not anticipate any broad-based hardening of the market.

For 2012, we expect gross premiums written in property-casualty reinsurance to be around €16.5bn. We aim for a combined ratio of around 96% of net earned premiums over the market cycle as a whole. The uncertainties involved in the estimate partly derive from the random incidence of major individual losses.

If exchange rates remain constant, gross premiums in reinsurance should range between €25bn and €27bn overall in 2012. We envisage a consolidated result in reinsurance of €1.9–2.1bn for 2012.

Investments

Given the currently uncertain political situation, we are planning to further diversify our portfolio in order to be prepared as well as possible for different developments in the capital markets and the political environment. As things stand at present and given a continuation of the currently highly volatile development of the capital markets, we are looking to reduce our portfolio of government bonds in developed countries and invest moderately in corporate bonds and emerging market bonds. We are already prudently expanding our existing credit exposure, but we are not prepared to counter the decline in interest rates on low-risk bonds by taking inappropriate risks. In addition, we intend to marginally increase our commodities portfolio. Our proportion of investments in equities is currently small, but we are keeping open the option of responding to opportunities and very moderately increasing our share portfolio.

The structure of our bond portfolio is generally geared to the periods of our liabilities in order to limit the interest-rate risk. The duration will tend to rise slightly in 2012, as a result of which, at Group level, our overall duration position will match our liabilities even more closely. We plan to continue to keep our portfolio of investments in inflation-indexed bonds/inflation swaps constant in 2012.

Further expanding the portfolio of investments in renewable energies and new technologies

Provided that profitability is appropriate, we intend to invest more strongly in renewable energy and new technologies. In 2011, we were able to expand this portfolio substantially by around €500m. To reduce the portfolio's main risk drivers, i.e. technical and political risk, we are aiming to diversify our investments in this area regionally and technologically, investing to an increasing extent in infrastructure projects. We intend to maintain our real estate portfolio unchanged in terms of both volume and orientation in 2012.

We do not anticipate any rapid and significant increase in capital market interest rates; regular income from our investments is therefore likely to be relatively low – at just under 4% overall – for the financial years 2012 and 2013. We expect an annual return on investment of around 3.5%, taking into account the result from the disposal of investments, write-ups and write-downs as well as other income and expenses.

Munich Re (Group) and Munich Reinsurance Company

Our assumption is that the Group's gross premiums written in 2012 will be in the range of €48–50bn, provided that exchange rates remain stable compared with those at the end of 2011.

Our long-term target of a 15% return on our risk-adjusted capital (RORAC) after tax across the capital-market and insurance cycle applies unchanged, but it will be difficult to achieve given the current low-interest-rate environment. As soon as the requirements of Solvency II and the new IFRSs for insurance contracts and financial instruments have been finalised, we will gear our target performance measures to the key indicators from this new framework with its strong economic focus.

For 2012, given a general upward trend in prices in reinsurance and average loss experience, we project a considerably higher technical result than in 2011. A return on investment of around 3.5% would mean an investment result of approximately €7.2bn, i.e. slightly higher than last year, which was impacted by high write-downs on Greek securities, but lower than in previous years. If actual claims experience with regard to major losses is within normal bounds and there are no severe currency or capital market developments, we expect that for 2012 we will be able to achieve a profit in the region of €2.5bn. That is equivalent to a RORAC of around 10%. For 2013, we expect to be able to improve the consolidated result further.

Munich Reinsurance Company's gross premiums should range between €23–24bn in 2012, assuming that exchange rates remain constant. In underwriting, we are proceeding on the assumption that with the solid quality of our business and in line with our Group objectives, we can achieve a combined ratio of around 96% of our net earned premiums for Munich Reinsurance Company across the cycle. An accurate forecast is not possible, partly due to the obvious fluctuations in the incidence of major losses. Assuming average loss experience, we project that the technical result before claims equalisation provisions will be considerably higher in 2012 than in 2011. Given the current capital market situation, Munich Reinsurance Company's return on investment

based on market values is likely to be of a similar level to last year. All in all, as things stand at present, we expect to achieve a similar German Commercial Code result to that for 2011. We are aiming for results of the same magnitude in 2013.

Subject to the approval of the Annual General Meeting, we aim to pay the same dividend amount for the financial year 2011 as for the previous year, i.e. €6.25 per share.

MUNICH REINSURANCE COMPANY REPORT ON THE 132ND YEAR OF BUSINESS 1 JANUARY TO 31 DECEMBER 2011

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Balance sheet as at 31 December 2011

Assets

	Notes	€k	€k	€k	€k	Prev. year €k
A. Intangible assets	(1)				28,779	27,032
B. Investments	(2, 3)					
I. Land, land rights and buildings, including buildings on third-party land				997,707		1,018,112
II. Investments in affiliated companies and participating interests						
1. Shares in affiliated companies			31,971,174			27,599,917
2. Loans to affiliated companies			151,682			1,529,442
3. Participating interests			237,481			240,414
4. Loans to participating interests			24,474			26,357
				32,384,811		29,396,130
III. Other investments						
1. Shares, investment fund certificates and other non-fixed-interest securities			5,795,929			6,434,336
2. Bearer bonds and other fixed-interest securities			19,769,849			20,540,328
3. Loans secured on property			1,839			2,124
4. Other loans						
a) Loans and promissory notes		-				16,528
b) Miscellaneous		62				134
			62			16,662
5. Deposits with banks			543,159			507,937
6. Miscellaneous investments			293,404			672,645
				26,404,242		28,174,032
IV. Deposits retained on assumed reinsurance				12,877,372		14,073,187
					72,664,132	72,661,461
C. Receivables						
I. Accounts receivable on reinsurance business				2,877,878		3,485,123
Thereof from						
- affiliated companies: €319,924k (986,768k)						
- participating interests: €68,667k (106,205k)						
II. Other receivables				1,023,708		670,056
Thereof from						
- affiliated companies: €104,582k (81,529k)						
- participating interests: €2,840k (7,146k)						
					3,901,586	4,155,179
D. Other assets						
I. Tangible assets and inventories				30,221		27,394
II. Cash at banks, cheques and cash in hand				438,364		527,661
					468,585	555,055
E. Deferred items						
I. Accrued interest and rent				378,772		385,351
II. Miscellaneous deferred items	(4)			42,021		30,775
					420,793	416,126
F. Excess of plan assets over pension liabilities	(5)				41,157	24,003
Total assets	(11)				77,525,032	77,838,856

Equity and liabilities

	Notes	€k	€k	€k	Prev. year €k
A. Equity	(6)				
I. Issued capital			587,725		587,725
II. Capital reserve			6,832,037		6,832,037
III. Revenue reserves			1,316,806		1,667,158
IV. Net retained profits			1,118,843		1,177,928
				9,855,411	10,264,848
B. Subordinated liabilities	(7)			4,385,920	4,599,246
C. Technical provisions	(8)				
I. Unearned premiums					
1. Gross amount		4,091,846			3,932,052
2. Less for retroceded business		306,736			202,044
			3,785,110		3,730,008
II. Provision for future policy benefits					
1. Gross amount		10,637,662			11,028,548
2. Less for retroceded business		919,917			924,314
			9,717,745		10,104,234
III. Provision for outstanding claims					
1. Gross amount		36,342,114			32,608,786
2. Less for retroceded business		2,829,956			1,504,324
			33,512,158		31,104,462
IV. Provision for premium refunds					
1. Gross amount		4,567			27,309
2. Less for retroceded business		-			-
			4,567		27,309
V. Claims equalisation provision and similar provisions			6,409,650		7,910,910
VI. Other technical provisions					
1. Gross amount		420,593			537,945
2. Less for retroceded business		5,736			19,779
			414,857		518,166
				53,844,087	53,395,089
D. Other accrued liabilities	(9)				
I. Provisions for employees' pensions and similar commitments			12,043		3,626
II. Provisions for tax			2,193,720		2,281,082
III. Other provisions			976,982		1,073,388
				3,182,745	3,358,096
E. Deposits retained on retroceded business				1,181,830	1,133,241
F. Other liabilities					
I. Accounts payable on reinsurance business			3,637,316		3,242,353
Thereof to					
- affiliated companies: €972,107k (709,352k)					
- participating interests: €32,890k (49,708k)					
II. Amounts due to banks	(10)		203,192		1,510,420
III. Miscellaneous liabilities			1,077,625		324,244
Thereof towards					
- affiliated companies: €693,441k (50,259k)					
Thereof from taxes: €142,976k (32,257k)					
Thereof for social security: €541k (675k)					
				4,918,133	5,077,017
G. Deferred items				156,906	11,319
Total equity and liabilities	(11)			77,525,032	77,838,856

Income statement for the financial year 2011

Items

	Notes	€k	€k	€k	Prev. year €k
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		23,305,055			20,409,910
b) Retroceded premiums		-1,629,155			-1,532,368
			21,675,900		18,877,542
c) Change in gross unearned premiums		-48,486			-299,891
d) Change in retroceded share of unearned premiums		97,137			37,205
			48,651		-262,686
				21,724,551	18,614,856
2. Interest on technical provisions for own account	(13)			455,142	493,383
3. Other underwriting income for own account				8,644	10,000
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		-17,138,126			-14,140,188
ab) Retroceded amount		1,075,515			932,690
			-16,062,611		-13,207,499
b) Change in provision for outstanding claims					
ba) Gross amount		-2,759,433			-227,541
bb) Retroceded amount		1,251,614			328,898
			-1,507,819		101,357
				-17,570,430	-13,106,141
5. Change in other technical provisions for own account					
a) Net provision for future policy benefits			-188,509		-287,834
b) Other net technical provisions			-375		11,109
				-188,884	-276,725
6. Expenses for premium refunds for own account					
				-11,160	-7,570
7. Operating expenses for own account	(14, 18, 19, 22)				
a) Gross operating expenses			-6,213,226		-6,114,920
b) Less commission received on retroceded business			272,304		415,450
				-5,940,922	-5,699,470
8. Other underwriting expenses for own account					
				-26,040	-37,666
9. Subtotal					
				-1,549,099	-9,333
10. Change in claims equalisation provision and similar provisions	(12)			1,501,259	113,529
11. Underwriting result for own account	(12)			-47,840	104,196

Items

	Notes	€k	€k	€k	€k	Prev. year €k
II. Non-technical account						
1. Investment income	(15)					
a) Dividends from participating interests						
Thereof from affiliated companies: €1,516,909k (1,047,848k)			1,563,419			1,062,596
b) Income from other investments						
Thereof from affiliated companies: €194,669k (290,033k)						
ba) Rents from land and buildings, including buildings on third-party land		124,991				114,482
bb) Income from other investments		1,394,973				1,477,881
			1,519,964			1,592,363
c) Income from write-ups			460,029			486,310
d) Realised gains on the disposal of investments			1,862,471			1,302,005
e) Income from profit-transfer agreements			16,706			2,795
				5,422,589		4,446,069
2. Investment expenses	(14, 16, 18, 19, 22)					
a) Expenses for the management of investments, interest paid and other expenses for investments			-496,615			-409,483
b) Write-downs of investments			-739,790			-296,818
c) Realised losses on the disposal of investments			-1,624,154			-641,103
d) Expenses from loss transfers			-6			-31,384
				-2,860,565		-1,378,788
				2,562,024		3,067,281
3. Interest income on technical provisions				-490,424		-527,915
					2,071,600	2,539,366
4. Other income	(20, 21)				755,411	671,068
5. Other expenses	(20, 22)				-1,074,856	-1,122,840
6. Operating result before tax					1,704,315	2,191,790
7. Taxes on income				-649,326		-829,631
8. Other taxes				-4,184		-2,290
					-653,510	-831,921
9. Profit/loss for the year					1,050,805	1,359,869
10. Profit brought forward from previous year					68,038	62,846
11. Withdrawals from revenue reserves					350,352	1,299,637
12. Transfers to revenue reserves					-	-244,787
13. Offset against shares bought back for retirement					-350,352	-1,299,637
14. Net retained profits					1,118,843	1,177,928

Notes to the financial statements

Recognition and measurement

Accounting basis

The financial statements and management report have been prepared in accordance with the German Commercial Code and the German Stock Companies Act, the German Statutory Order on Insurance Companies' Accounting and the German Insurance Control Act, observing conservative accounting principles.

Intangible assets

Intangible assets are measured at the acquisition cost less admissible straight-line amortisation and, where applicable, write-downs for impairment.

Investments

Our real estate is valued at the acquisition or construction cost less admissible depreciations and, where applicable, write-downs for impairment.

The carrying amount of shareholdings in affiliated companies and other participating interests is generally the acquisition cost, written down to a lower fair value where applicable.

Loans to affiliated companies and to participating interests, mortgage loans and other receivables are measured at amortised cost. The restriction specified in Section 341c of the German Commercial Code regarding recognition at nominal value has not had any effect on the investments' carrying amounts.

Shares, investment fund certificates, bearer bonds, fixed-interest and non-fixed-interest securities, and other investments are valued at acquisition cost or at the market price at the balance sheet date, whichever is the lower. Investments with participating interests have been classified under Section 341b of the German Commercial Code but have been valued according to the strict lower of cost or market principle, despite the alternative valuation option provided for.

Lower valuations from previous years are maintained for all our investments if the impairment in value is probably permanent. Where the market value at the balance sheet date was higher than the previous year's valuation, we have written back the value to the acquisition cost or the amortised cost.

Receivables

Deposits retained on assumed reinsurance business, accounts receivable on reinsurance business and other receivables are recognised at the nominal values less any necessary adjustments of value.

Other assets

Inventories are recognised at acquisition cost. Office furniture and equipment is valued at acquisition cost less admissible depreciations. The purchase price of low-value items is written off over a period of five years.

Deferred taxes

For temporary differences in the valuation of assets, liabilities and deferred items between the commercial balance sheet and tax accounts, tax liabilities and tax benefits are determined. We did not avail ourselves of the option provided for in Section 274 para. 1 sentence 2 of the German Commercial Code, so the tax benefit resulting on balance from this calculation has not been recognised as an asset. In the calculation, the temporary differences across all the tax spheres of the states in which we have taxable branches are added together.

Significant for the Company are the temporary differences existing in Germany, where the deductible temporary differences exceed the taxable temporary differences by €5,755m. The deductible temporary differences result mainly from write-downs of investments that were not recognisable in the tax accounts owing to the stricter regulations, and from technical provisions that tend to be valued lower in the tax accounts than in the commercial balance sheet. In addition, there were deductible temporary differences resulting from intangible assets, due to the extensive recognition of self-developed IT programs in the tax accounts, as well as from miscellaneous provisions recognised in the commercial balance sheet but not (or not to the same extent) in the tax accounts. The taxable temporary differences existing in the German tax sphere are of subordinate importance.

The rounded deferred tax rate applicable for the German tax sphere is 33.0%. It is made up of the corporate tax rate (including solidarity surcharge) of 15.8% and the trade tax rate of 17.2%. The tax rate applicable for the Canadian branch amounts to 25.7%, for the UK branch to 25.0%, and for the Italian branch to 34.3%.

Munich Reinsurance Company has total loss carry-forwards of €1,138m, of which €308.3m is attributable to the German tax sphere. The remaining loss carry-forwards stem from the Company's foreign business units. Loss carry-forwards of €522.4m will probably be utilised within the next five years.

Excess of plan assets over pension liabilities

Under certain conditions, assets are netted with related liabilities for pension commitments (exception to the prohibition of offsetting under Section 246 para. 2 sentence 2 of the German Commercial Code). Under this rule, assets that are not accessible to creditors and serve solely to settle liabilities arising from pension commitments or comparable long-term commitments must be netted with those liabilities. In accordance with Section 253 para. 1 sentence 4 of the German Commercial Code, the assets in question must be measured at fair value. If the fair value of the assets exceeds the settlement amount of the liabilities, the excess amount must be capitalised separately in the balance sheet as "excess of plan assets over pension liabilities".

Technical provisions

The technical provisions are calculated in accordance with the requirements of German commercial law. In all cases, we have taken into account the necessity of ensuring that our obligations from reinsurance business can always be met.

Unearned premiums are accrued premiums already written for future risk periods. They have been calculated in accordance with the principles of German commercial law, partly on the basis of information received from our ceding companies and partly using nominal percentages. Where unearned premiums are calculated using such percentages, these are based on many years of experience and the latest knowledge available. Costs for reinsurance commissions are deducted at a rate of 92.5% from the unearned premium components calculated.

The provision for future policy benefits is generally set up in accordance with the amounts reported to us by our ceding companies. Sufficient provisions, calculated using actuarial methods, have been posted for claims that have been incurred but not yet reported or not reported enough.

The actuarial assumptions used for their calculation include, in particular, assumptions relating to mortality, disablement, morbidity, 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, and only if, the original provisions for adverse deviation are no longer considered sufficient.

Provisions for outstanding claims are generally established in accordance with the amounts reported to us by our cedants. They are posted for payment obligations arising from reinsurance contracts 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 which are 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 basically known but whose extent has turned out to be greater than originally foreseen. All these provisions include expenses for internal and external loss adjustment expenses. 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 parameters) and using appropriate actuarial methods. Future payment obligations are not discounted but recognised at the future settlement value.

The item "claims equalisation provision and similar provisions" contains the amounts required in accordance with commercial law to mitigate fluctuations in claims experience in future years, plus the provisions for major risks.

The “other technical provisions” mainly comprise provisions for profit commission and the provision for anticipated losses.

Technical provisions apportionable to the business retroceded by us have been calculated in accordance with the terms of the retrocession agreements.

Other accrued liabilities

As stated above, under certain conditions, assets must be netted with related liabilities from pension commitments (see “Excess of plan assets over pension liabilities”). If these conditions are met, a pension provision only has to be recognised in the amount by which the settlement amount exceeds the fair value of the assets.

The Company has availed itself of the option under Section 253 para. 2 of the German Commercial Code to discount pension commitments or comparable long-term commitments using the average market interest rate determined and published by the German Bundesbank for a residual term of 15 years. Based on studies of the Company’s portfolio of pensioners, the mortalities of the currently used Heubeck 2005 G tables were also modified. The present value of the commitments is calculated using the Projected Unit Credit Method.

In 2003, Munich Reinsurance Company established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. To finance these obligations, it is necessary for the trust assets to correspond to the present value of pension obligations. In the process, however, account has to be taken of the difference between the actuarial interest rate relevant for measuring the obligations and the return attainable on the investments. Therefore, the present value of the pension obligations is calculated using an actuarial interest rate equivalent to the expected investment return.

For calculating pension commitments, semi-retirement commitments and anniversary payments, we use discount rates between 2.86% and 5.14%. Increases of between 1.00% and 3.50% were assumed for the future development of existing entitlements, and of between 1.00% and 2.00% for the future development of current pensions.

All other provisions are posted in accordance with the required settlement amount, based on reasonable and prudent commercial judgement. For discounting, we use the interest rates issued by the Bundesbank as per Section 253 para. 2 of the German Commercial Code, in line with the duration of the provisions.

Liabilities

Subordinated liabilities, deposits retained on retroceded business, accounts payable on reinsurance business, amounts owed to banks and other liabilities are stated at the settlement amount.

Foreign currency translation and hedging relationships for currency risks

All business transactions are generally booked in the original currencies and recorded using the applicable day's exchange rate in euros. The foreign currency amounts are retranslated for the balance sheet at the year-end exchange rate.

Foreign currency liabilities are grouped together with the assets matching them per currency in hedging relationships, in accordance with Section 254 of the German Commercial Code (Portfolio Hedges), the items allocated to the hedging relationships being primarily long-term assets and long-term liabilities. Translation is generally done independently of the restrictions of the historical-cost and realisation principle.

If there is an excess of assets over liabilities in a particular currency, this is examined to see whether it is long term or not. Long-term excesses of assets over liabilities are grouped together with currency forward transactions in separate hedging relationships, as per Section 254 of the German Commercial Code, and are also generally translated independently of the restrictions of the historical-cost and realisation principle. In the year under review, there was a long-term excess of assets over liabilities only in respect of the Canadian dollar.

The effective part of the hedging relationships is accounted for using the "gross method".

Short-term excesses of assets over liabilities and (short-term and long-term) excesses of liabilities over assets are generally translated immediately with impact on profit or loss. The remaining assets and liabilities outside the above-mentioned hedging relationships per currency have a residual term of less than one year and are therefore recognised independently of the restrictions of the historical-cost and realisation principle, in accordance with Section 256a of the German Commercial Code. The same applies to provisions, whose residual term is, however, immaterial for non-compliance with the historical-cost or realisation principle.

Gains and losses resulting from currency translation are recognised in the income statement under other income or other expenses.

The following table shows the exchange rates of the most important currencies for our business (exchange rate for €1 in each case):

Foreign currency translation

	31.12.2011	Prev. year
Australian dollar	1.26620	1.30875
Japanese yen	99.87970	108.80600
Canadian dollar	1.32185	1.33300
Pound sterling	0.83530	0.85685
Taiwan dollar	39.60670	39.11490
US dollar	1.29815	1.34155
Chinese renminbi	8.17055	8.84040

Hedging relationships

In addition to the hedging relationships for currency risks described above, we have also availed ourselves of the option under Section 254 of the German Commercial Code to recognise the economic hedge through hedge accounting for the subordinated bond from the year 2007, which is hedged against interest-rate risks by means of an interest-rate swap (cf. page 107 f). The effective part of the hedging relationship is recognised in accordance with the "net method". As described in the risk report that is part of the management report, numerous other risks are hedged using economic hedges as part of our risk management. However, we do not apply hedge accounting for these items. Details of the hedging relationships are provided on page 110 f.

Notes to the balance sheet – Assets

(1), (2) Intangible assets and investments

	Carrying amount 31.12.2010	Currency translation
	€k	€k
(1) Intangible assets	27,032	-
(2) Investments		
Land, land rights and buildings, including buildings on third-party land	1,018,112	-
Investments in affiliated companies and participating interests		
Shares in affiliated companies	27,599,917	235,350
Loans to affiliated companies	1,529,442	600
Participating interests	240,414	-1,173
Loans to participating interests	26,357	617
	29,396,130	235,394
Other investments		
Shares, investment fund certificates and other non-fixed-interest securities	6,434,336	49,307
Bearer bonds and other fixed-interest securities	20,540,328	268,661
Loans secured on property	2,124	-
Other loans		
Loans and promissory notes	16,528	-
Miscellaneous	134	7
Deposits with banks	507,937	13,302
Miscellaneous investments	672,645	-
	28,174,032	331,277
Total investments (2)	58,588,274	566,671
Total (1) + (2)	58,615,306	566,671

The statement of changes in assets and investments is shown at year-end (31 December 2011) exchange rates.

Intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of owner-occupied property totals €256m.

Of our total investments (excluding deposits retained on assumed reinsurance) with a carrying amount of €59,787m, an amount of €6,587m is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us.

To support Hypo Real Estate (HRE), the German federal government adopted a rescue package in October 2008, backed by the Deutsche Bundesbank and also the German financial services industry. Munich Re participated in this rescue package and also in its follow-up financing at the end of 2009 and 2010. These measures have now expired, and further such steps are not envisaged.

	Additions	Reclassi- fications	Disposals	Write-ups	Write-downs	Carrying amount 31.12.2011
	€k	€k	€k	€k	€k	€k
	14,021	-	-35	-	-12,239	28,779
	69,525	-7,879	-36,310	453	-46,194	997,707
	5,420,534	35	-1,584,382	339,687	-39,967	31,971,174
	1,413,608	16,056	-2,800,210	-	-7,814	151,682
	11,570	1,054	-14,354	3	-33	237,481
	-	-	-2,500	-	-	24,474
	6,845,712	17,145	-4,401,446	339,690	-47,814	32,384,811
	897,935	-1,089	-1,038,993	1,523	-547,090	5,795,929
	20,096,318	-	-21,062,488	24,060	-97,030	19,769,849
	-	-	-285	-	-	1,839
	-	-16,056	-472	-	-	-
	-	-	-5	-	-74	62
	21,920	-	-	-	-	543,159
	7,293,696	7,879	-7,679,101	-	-1,715	293,404
	28,309,869	-9,266	-29,781,344	25,583	-645,909	26,404,242
	35,225,106	-	-34,219,100	365,726	-739,917	59,786,760
	35,239,127	-	-34,219,135	365,726	-752,156	59,815,539

Derivatives	Balance sheet item	Carrying amount €k	Fair value €k	Notional principal amount €k
Equity and index risks				
Equity/index futures	Other provisions	-989	-977	24,292
Interest-rate risks				
Interest-rate swaps	Other provisions	-	51,364	1,387,555
EONIA swaps	Other provisions	-	95	394,882
Interest-rate currency swaps	Other provisions	-2,108	-2,108	400,570
Interest-rate swaps (subordinated bond)	Other provisions	-	215,089	1,349,050
Inflation swaps	Other provisions	-84,831	-41,155	3,964,392
Bund futures	Other provisions	-6,929	45,769	3,276,498
Currency risks				
Long currency options	Shares, investment fund certificates and other non-fixed-interest securities	130	130	48,644
Short currency options	Other liabilities	-542	-261	48,338
Currency forwards	Other provisions	-94,982	77,105	11,932,141
Currency forwards for CAD hedging	Other liabilities	-	-24,946	1,409,526
Other transactions				
Insurance derivatives I (swaps)	Other provisions	-13,974	-9,330	879,642
Insurance derivatives II (cat bonds)	Other provisions	-12,921	-11,868	191,136
	Deferred asset items	7		
	Deferred liability items	-257		
Insurance derivatives III (long options)	Other investments	347	347	54,976
Insurance derivatives III (short options)	Other liabilities/provisions	-775	-623	29,002
Insurance derivatives IV (Weather options, short)	Other provisions	-13,131	-18,203	74,009
	Other liabilities	-7,695		
Single credit default swaps	Other provisions	-7,762	6,219	679,969
	Deferred asset items	9,035		
	Deferred liability items	-5,094		
Basket credit default swaps	Other provisions	-3,991	-104,424	3,772,138
	Deferred asset items	7,819		
	Deferred liability items	-133,778		
Commodity swaps	Other provisions	-13,455	15,785	1,816,016

Derivative financial instruments (derivatives) are financial contracts relating to one or more underlying assets.

Derivatives are generally valued at the acquisition cost or their fair value at the balance sheet date, whichever is the lower. A pending liability is taken into account through the posting of a provision for anticipated losses. Upfront payments are capitalised and amortised over the term.

The carrying amounts of the insurance derivatives (swap contracts, options, and derivatives embedded in cat bonds) are derived from the market value of the related underlying assets.

One interest-rate swap (notional principal amount: €1,349m) to hedge the subordinated bond from the year 2007 against interest-rate risks has not been accounted for at fair value owing to its recognition as part of a hedging relationship in accordance with Section 254 of the German Commercial Code and application of the "net method". The change in market value of the interest-rate swap is recognised in determining the result of the hedging relationship. The positive market value of the interest-rate swap at the balance sheet date was €215m.

Recognised valuation methods are used to determine the fair values of derivatives not traded on the stock exchange. Details may be obtained from the following table.

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)
Equity forwards	Theoretical price	Money-market interest rate Share price Dividend yield	Present-value method
Equity/index futures	Quoted price		
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
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 Interest-rate curve	Present-value method
Bund and interest-rate futures	Quoted price		
Currency risks			
Currency options	Theoretical price	Volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present-value method
Other transactions			
Insurance derivatives	Theoretical price	Market values of the cat 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
Commodity swaps	Theoretical price	Listing of underlying index	Present-value method
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Weather options	Theoretical price	Event estimates Historical data	Monte Carlo

The fair value of investments (excluding deposits retained on assumed reinsurance) amounts to €71,675m. The relevant carrying amount totals €59,787m. This results in valuation reserves of €11,888m for the financial year 2011.

The valuation reserves contain hidden losses of €18m for participating interests, of which €13m is apportionable to an investment holding company whose sole purpose is to hold shares in a listed company. However, due to the low trading volume involved and small free float, the stock market price of these shares is not very meaningful. No write-down has been made because the net asset value per share is higher than the stock market price and also higher than the carrying amount per underlying share in the holding company.

The valuation reserves also contain hidden losses of €15m for loans. No write-downs have been made, because the impairments in value are only temporary (the carrying amount corresponds to the loans' redemption amount).

The fair values of real estate are determined once a year, generally using the capitalised earnings value; new buildings are valued at cost at the balance sheet date. In the case of shares in affiliated companies, participating interests, equities, investment fund certificates and other non-fixed-interest securities, the market prices on the balance sheet date are used if the investments concerned are listed on the stock market. If no market prices are available, we calculate the value using the discounted earnings method or use net asset values. In the case of unlisted new acquisitions, we use the acquisition cost.

The fair values of fixed-interest securities listed on the stock market are determined on the basis of the market prices at the balance sheet date. In the case of fixed-interest securities not listed on the stock market, we determine the values using recognised valuation methods in accordance with the present-value principle on the basis of interest-rate curves.

Investments - Fair values and valuation reserves

€m	Carrying amounts	Fair values	Valuation reserves
	31.12.2011	31.12.2011	31.12.2011
Land, land rights and buildings, including buildings on third-party land	998	2,523	1,525
Investments in affiliated companies and participating interests			
Shares in affiliated companies	31,971	39,943	7,972
Loans to affiliated companies	152	138	-14
Participating interests	237	389	152
Loans to participating interests	25	36	11
	32,385	40,506	8,121
Other investments			
Shares, investment fund certificates and other non-fixed-interest securities	5,796	6,417	621
Bearer bonds and other fixed-interest securities	19,770	21,391	1,621
Loans secured on property	2	2	-
Deposits with banks	543	543	-
Miscellaneous investments	293	293	-
	26,404	28,646	2,242
Total investments	59,787	71,675	11,888

At 31 December 2011, the Company held shares of more than 10% in several German and foreign investment funds.

€m	Market value	Carrying amount	Difference	Distribution
				received in the financial year
Equity funds	4,685	4,410	275	25
Bond funds	461	416	45	5
Total	5,146	4,826	320	30

(3) Information on shareholdings

A list of all our shareholdings can be found on page 123 ff.

(4) Deferred items

These include €8.9m for a difference (as defined in Section 250 para. 3 of the German Commercial Code) in respect of the settlement amount of a liability.

(5) Excess of plan assets over pension liabilities

A total settlement amount of €885m for liabilities from pension commitments is more than covered by plan assets with a total fair value of €914m. Netting at individual plan level results in both an excess of €41m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €12m. The acquisition costs of the assets to be netted amounts to €782m. The income from these assets and the interest charges for the pension provisions and comparable long-term commitments in the financial year totalled €103m and €126m respectively.

Netted income and expenses from pension commitments and plan assets to be netted

€k	2011
Expenses for discounting liabilities for pension commitments	28,375
Expenses for change in the discount rate for liabilities for pension commitments	97,209
Income from plan assets to be netted with liabilities for pension commitments	103,180
Net expenses for pension commitments	22,404
Expenses for discounting liabilities for semi-retirement commitments	1,899
Expenses for change in the discount rate for liabilities for semi-retirement commitments	22
Expenses for plan assets to be netted with liabilities for semi-retirement commitments	509
Net expenses for semi-retirement commitments	2,430

Notes to the balance sheet - Equity and liabilities

(6) Equity

The total share capital of €588m at 31 December 2011 is divided into 179,341,212 no-par-value registered shares, each fully paid up and entitled to one vote.

Composition of the capital authorised for capital increases:

€m	31.12.2011
Authorised Capital Increase 2009 (until 21 April 2014)	280
Authorised Capital Increase 2011 (until 19 April 2016)	10
Total	290

Composition of contingent capital:

€m	31.12.2011
Contingent Capital Increase 2010 (until 27 April 2015)	117
Total	117

The withdrawal from the revenue reserves due to the share buy-back programme amounts to €350m. Net retained profits include a profit of €68m carried forward from the previous year. €133m resulting from the capitalisation of assets at fair value is subject to a restriction on distribution (Section 268 para. 8 of the German Commercial Code).

By resolution of the Annual General Meeting on 28 April 2010, Munich Reinsurance Company was authorised to buy back shares amounting to a maximum of 10% of the share capital up to 27 April 2015. This authorisation was cancelled by the Annual General Meeting on 20 April 2011 and replaced by a new one, authorising the Board of Management to buy back shares amounting to a maximum of 10% of the share capital up to 19 April 2016.

On 31 December 2011, a total of 1,752,462 Munich Reinsurance Company shares with a calculated nominal value of around €5.7m were held by Group companies. This represents 1.0% of the share capital.

On 7 May 2010, 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 28 April 2010, in accordance with Section 71 para. 1 item 8 of the German Stock Companies Act. From 25 May 2010 to 12 April 2011, the Company bought back 9,127,259 Munich Re shares via the stock exchange at an average price of €109.56. Of these, 3,037,591 shares were acquired in the calendar year 2011 at an average price of €115.34. All shares from this buy-back programme were retired on 20 April 2011 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.

So far no use has been made of the authorisation to buy back shares granted by the Annual General Meeting on 20 April 2011.

In 2011, no employee share programmes were set up for the employees of Munich Reinsurance Company or of dependent Group companies or enterprises in which the Company has a majority shareholding. The Company has no remaining portfolio from prior employee share programmes.

One subsidiary holds 1,423,055 shares to hedge stock appreciation rights granted to the Board of Management and top Munich Reinsurance Company executives since 1999. In 2011, no shares were acquired for hedging these programmes, but a total of 186,012 shares were sold at an average price of €121.36.

In the financial year 2011, companies of the ERGO Insurance Group acquired no more shares to cover future commitments from the long-term incentive plans launched since 2002, but sold a total of 46,589 shares at a price of €118.18 each. Together with the remaining Munich Re shares acquired to hedge the stock appreciation rights granted in prior years, the ERGO Insurance Group had a total portfolio of 177,468 shares at 31 December 2011.

MEAG MUNICH ERGO AssetManagement GmbH also acquired no more shares in the financial year 2011 to safeguard obligations from its long-term incentive plan, but sold 15,157 shares at an average price of €116.22, leaving it with a portfolio of 151,939 Munich Re shares.

The acquisition costs of all Munich Re shares in the possession of Group companies at the end of the financial year totalled €170m.

The Company has received the following notifications pursuant to Section 21 of the German Securities Trading Act regarding voting-right percentages (status at 31 December 2011):

In October 2010, Warren E. Buffett, USA, notified us that his share of the voting rights in our Company had exceeded the threshold of 10% and totalled 10.244% (19,306,100 voting rights) on 12 October 2010. Of this, 10.191% (19,206,100 voting rights) was attributable to Warren E. Buffett in accordance with Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. Voting rights attributable to him are held by the following companies under his control whose voting rights in our Company amount to 3% or more: Berkshire Hathaway Inc., OBH LLC and National Indemnity Company. As regards the objectives pursued in acquiring the voting rights and the origin of the funds used for the acquisition, Warren E. Buffett and the aforementioned companies each notified us as follows on 15 October 2010, in accordance with Section 27a para. 1 of the German Securities Trading Act: The investment serves the purpose of making trading profits and not of implementing strategic objectives. The intention is to acquire further voting rights within the next 12 months, but not to exert an influence on the composition of Munich Re's management or supervisory boards or to significantly change the Company's capital structure, particularly with regard to the equity-debt ratio or the dividend policy. The acquisition of voting rights in our Company was financed from own resources.

In May 2010, BlackRock Inc., New York, USA, notified us that its share of the voting rights in our Company had exceeded the threshold of 5% on 6 May 2010 and totalled 6.15% (11,592,279 voting rights) on that date. These voting rights are attributable to BlackRock in accordance with Section 22 of the German Securities Trading Act (para. 1, sentence 1, item 6 in conjunction with sentence 2). In this connection, the following companies notified us that they held 3% or more of the voting rights in our Company: BlackRock Financial Management, Inc., BlackRock Holdco 2, Inc., BlackRock International Holdings Inc., BR Jersey International Holdings L.P., BlackRock Advisors Holdings Inc.

In September 2011, the People's Bank of China/SAFE, Beijing, China, notified us on behalf and as authorised agent of the People's Republic of China, in accordance with Article 21 para. 1 of the German Securities Trading Act, that the share of the voting rights in our Company held by the People's Republic of China had exceeded the threshold of 3% on 5 August 2011 and totalled 3.04% (5,450,911 voting rights) on that date. Of this, 3.04% (5,450,911 voting rights) was attributable to the People's Republic in accordance with Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act via shares held by the People's Bank of China/State Administration of Foreign Exchange (SAFE), which are under its control and whose voting rights in our Company amount to 3% or more.

(7) Subordinated liabilities

The subordinated bonds issued in 2003 with nominal values of €3,000m and £300m will mature in 2023 (euro tranche) and 2028 (pound sterling tranche) and are callable by us for the first time on 21 June 2013 and 21 June 2018 respectively. The subordinated bond issued in 2011 with a nominal value of €1,000m will mature in 2041 and is callable for us for the first time on 26 May 2021.

In June 2007, the Company issued another subordinated bond with a volume of €1,500m. We have hedged the interest-rate risk by means of an interest-rate swap on the nominal amount of the bond and recognise this as a hedging relationship, details of which are provided on page 111. It is a perpetual bond, callable by us from ten years after the date of issue.

The remaining term of the subordinated liabilities with a total amount of €4,386m is more than five years.

Subordinated liabilities

€m	31.12.2011
Subordinated bonds 2003/2023, €1,678m ¹ 6.75% p.a. until 2013, thereafter floating	1,678
Subordinated bonds 2003/2028, €300m 7.625% p.a. until 2018, thereafter floating	359
Subordinated bonds 2007/perpetual, €1,349m ² 5.767% p.a. until 2017, thereafter floating	1,349
Subordinated bonds 2011/2041, €1,000m 6.00% p.a. until 2021, thereafter floating	1,000
Total	4,386

¹ With original nominal value of €3,000m (thereof €1,678m outstanding).

² With original nominal value of €1,500m (thereof €1,349m outstanding).

The Company's subordinated bonds have been given the following ratings by the leading rating agencies:

Rating

		A.M. Best	Fitch	Moody's	S&P
Bonds	Identification numbers				
Subordinated bonds 2003/2023 €1,678m ¹ 6.75% p.a. until 2013, thereafter floating	WKN: 843278 ISIN: XS0166965797 Reuters: DE016696579= Bloomberg: MUNRE	a+	A	A2 (hyb)	A
Subordinated bonds 2003/2028 €300m 7.625% p.a. until 2018, thereafter floating	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A
Subordinated bonds 2007/perpetual €1,349m ² 5.767% p.a. until 2017, thereafter floating	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A
Subordinated bonds 2011/2041, €1,000m 6.00% p.a., until 2021, thereafter floating	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DEA1KQYJ= Bloomberg: MUNRE	a+	A		A

¹ With original nominal value of €3,000m (thereof €1,678m outstanding).

² With original nominal value of €1,500m (thereof €1,349m outstanding).

(8) Technical provisions by class of business

€m	Unearned premiums	Provision for future policy benefits	Claims provision	Claims equalisation provision and similar provisions	Other provisions	Total	Reserves as % of net premiums
Life	452	8,702	1,039	11	466	10,670	163
Health	218	1,016	410	5	16	1,665	43
Accident	35	-	2,873	457	-4	3,361	1,846
Liability	258	-	11,591	858	-3	12,704	855
Motor	943	-	5,635	842	-117	7,303	270
Marine	108	-	851	309	-51	1,217	327
Aviation	225	-	1,154	963	-	2,342	468
Fire	670	-	6,586	915	63	8,234	250
Engineering	643	-	2,201	270	-	3,114	341
Other classes	233	-	1,172	1,780	49	3,234	177
Non-life combined	3,333	1,016	32,473	6,399	-47	43,174	285
Total	3,785	9,718	33,512	6,410	419	53,844	248

The claims provisions shown have been influenced both by payments made in the year under review and by expenses or income from increasing or reducing the provision respectively.

Claims expenses for the year under review less the payments already made in the same year increase the provisions. The provisions for previous years are reduced by the payments made in the year under review for these years. As the provisions are determined using best estimates based on claims information and past claims experience, as well as estimates of future claims development, it is inevitable that the relevant estimate will regularly change as knowledge of claims cases grows in the year under review.

The claims equalisation provision and similar provisions break down as follows:

€k	31.12.2011	31.12.2010
Claims equalisation provision	6,005,521	7,529,667
Provision for major risks	404,130	381,243
Thereof:		
For nuclear facilities	77,693	75,889
For pharmaceutical product liability risks	83,415	79,055
For terrorism risks	243,022	226,299
Total	6,409,651	7,910,910

(9) Other accrued liabilities

As at 31 December 2011, prior to netting, the provision for employees' pensions and similar commitments totalled €885m, compared with assets of €914m prior to netting. There was an excess of €24m of plan assets over pension liabilities as at 31 December 2010, an amount which increased to €41m by 31 December 2011. In addition, there was a pension provision of €4m as at 31 December 2010, which rose to €12m by 31 December 2011.

For semi-retirement commitments, a settlement amount of €50m compares with assets of €26m to be netted. The acquisition costs of the assets to be netted amounts to €25m.

We have agreed to pay pensions to nearly all our staff and their surviving dependants. These commitments are to be met by the Company itself, by the Munich Re staff pension fund, and by Allianz Pensions Management e.V.

The other provisions include, in particular, a provision of €454m for unrealised currency gains. As a consequence of the change in the accounting approach to foreign currency in the year under review, unrealised currency gains are no longer neutralised but recognised with impact on profit or loss (cf. page 98). This means that no more allocations are made to the provision for unrealised currency gains. The provision posted in previous years will be systematically released by 2015.

For personnel expenses not yet payable on the balance sheet date, provisions of €186m have been posted.

There are provisions of €273m for anticipated losses from derivatives.

(10) Amounts due to banks

On the balance sheet date, amounts due to banks totalled €203m (1,510m). The change is attributable to the repayment of a short-term loan. The amounts due to banks at the balance sheet date had a remaining term of less than five years.

(11) Hedging relationships

Hedge accounting is used for the following economic hedges:

Type of hedging relationship	Hedged items Types and volumes	Hedging instruments Types and volumes	Type of risks	Amount of risks hedged
Portfolio hedges	Foreign currency liabilities	Foreign currency assets	Exchange-rate risks	Currency result from hedged foreign currency liabilities Recognition of effective change in the fair value of hedged items and hedging instruments in the balance sheet and income statement, owing to use of "gross method" for hedging relationships
	The following hedging relationships - the largest in terms of volume - were recognised at the balance sheet date: - US dollar: 21,160m (€16,300m) - Pound sterling: 4,854m (€5,811m) - Australian dollar: 4,823m (€3,809m) - Canadian dollar: 4,325m (€3,253m) - Chinese renminbi 13,491m (€1,651m) - Japanese yen: 81,335m (€814m) - Swiss franc: 398m (€328m) - New Zealand dollar: 1,412m (€848m) - South African rand 1,686m (€161m)			
Portfolio hedge	Variable portfolio of securities (Canadian dollar) in deposit MXA016F100	Hedging by means of currency forward transactions (sale of Canadian dollars in exchange for euros) Hedging always annually at year-end with regular adjustments in line with book value change in the deposit	Exchange-rate risk	Currency result from hedged securities deposit MXA016F100 Recognition of effective change in the fair value of hedged items and hedging instruments in the balance sheet and income statement, owing to use of "gross method" for hedging relationship
	Book value (basis for hedging) as at 31 December 2011: Can\$ 1,898m (€1,436m)	Open currency forward contracts as at 31 Dec. 2011: Sell Can\$ 1,894m in exchange for €1,410m		
Micro-hedge	Subordinated bond XS0304987042 2007/perpetual; nominal volume/book value €1,349m 5.767% p.a. until 2017	Interest-rate swap Nominal volume €1,349m Market value as at 31 December 2011: €215m Receive fix 5.767% p.a., pay EURIBOR 3 Months + spread 101.35 BP	Interest-rate risk	Accounting at nominal value using the "net method"; Munich Reinsurance Company's own issue; therefore no valuation of the interest-rate risk and no omitted write-up or write-down, owing to recognition as hedging relationship

→ Details of effectiveness

Reason	Scope	Period	Method for measuring effectiveness
Currency match	Probable compensation of countervailing changes in the fair value Effectiveness 100%	According to duration of liabilities	Critical term match method, prospective Dollar offset method, retrospective
Identity of underlying	Probable compensation of countervailing changes in the fair value	Commenced on 1 Oct. 2011	Critical term match method, prospective
Currency match		Unlimited term	
Volume of hedge is regularly adjusted to the status of the deposit	Effectiveness 83% Ineffectiveness results mainly from swap premium (difference between forward rate and spot rate in currency forward transactions)		Dollar offset method, retrospective
Identity of underlying	Probable compensation of countervailing changes in the fair value	Term until June 2017	Critical term match method, prospective
Currency match			
Identical parameters	Effectiveness 99%		Dollar offset method, retrospective

Notes to the income statement

(12) Reinsurance underwriting result by class of business

€m	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions		Change in claims equalisation provision and similar provisions		Combined ratio %	
	2011	2010	2011	2010	2011	2010	2011	2010
Life	7,783	6,299	279	183	-1	-	-	-
Health	3,861	3,056	25	-21	-	-	99.4	100.7
Accident	206	261	159	99	-256	-187	16.1	61.6
Liability	1,518	1,378	-20	-582	-362	220	101.4	144.8
Motor	2,716	2,024	-18	100	-355	-74	100.7	94.1
Marine	391	857	44	72	230	9	90.8	91.5
Aviation	515	615	180	63	72	-93	63.9	88.7
Fire	3,547	3,245	-2,551	60	2,556	89	177.8 ¹	97.6
Engineering	929	960	-42	-153	73	304	104.6	117.4
Other classes	1,839	1,715	395	170	-456	-154	135.9	89.4
Non-life combined	15,522	14,111	-1,828	-192	1,502	114	112.1	101.4
Total	23,305	20,410	-1,549	-9	1,501	114	-	-

¹ The figure for 2011 is not adjusted for relief of 6.4 percentage points from economic risk transfer to the capital markets.

(13) Interest on technical provisions

We have calculated the interest on technical provisions in accordance with Section 38 of the German Accounting Regulations for Insurance Companies and – where prescribed there – have transferred it from the non-technical to the technical account.

(14) Personnel expenses

The management expenses include the following personnel expenses:

€k	2011	Prev. year
Wages and salaries	392,463	411,248
Social insurance contributions and voluntary assistance	67,056	66,345
Expenses for employees' pensions	96,689	29,789
Total	556,208	507,382

In 2011, a modification of the actuarial assumptions led to an increase in expenses for employees' pensions, whereas in 2010 the implementation of the German Act to Modernise Accounting Law (BilMoG) had resulted in a reduction in this amount.

(15) Investment income

The write-ups result from the reversal of write-downs because the reasons for these write-downs no longer apply.

(16) Investment expenses

€578m of the write-downs are for impairments as per Section 253 para. 3 sentences 3 and 4 of the German Commercial Code.

(17) Tax accounting influences

There are no tax accounting influences.

(18) Long-Term Incentive Plan

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, these share-price-related remuneration plans were only provided for members of senior management and selected top executives in the international organisation.

Under the long-term incentive plans, 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 relevant plan commencement. The obligations arising from the long-term incentive plans are covered by Munich Reinsurance Company shares.

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; this amount is recognised in full. In the year under review, provisions of €12.0m had to be posted. 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 2011, this resulted in income of €18.3m. The weighted average share price for the stock appreciation rights exercised in 2011 was €118.35 for plan year 2004 and €122.85 for plan year 2005. The intrinsic value of the exercisable stock appreciation rights amounted to €0.7m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2004-2010

	Incentive Plan 2004	Incentive Plan 2005	Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2004	1.7.2005	1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2011	30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Initial share price	€88.65	€88.10	€108.87	€134.07	€121.84	€97.57	€109.11
Intrinsic value 2011 for one right	€4.13	€4.68	-	-	-	-	-
Fair value 2011 for one right	-	€5.07	€2.99	€1.83	€3.64	€7.78	€6.43
Number of rights on 31 Dec. 2004	456,336						
Additions	1,697	485,527	-	-	-	-	-
Forfeited	2,005	-	-	-	-	-	-
Number of rights on 31 Dec. 2005	456,028	485,527	-	-	-	-	-
Additions	-	-	443,609	-	-	-	-
Exercised	119,363	-	-	-	-	-	-
Forfeited	-	-	1,019	-	-	-	-
Number of rights on 31 Dec. 2006	336,665	485,527	442,590	-	-	-	-
Additions	-	-	6,123	341,737	-	-	-
Exercised	85,652	84,329	-	-	-	-	-
Forfeited	-	3,892	8,514	503	-	-	-
Number of rights on 31 Dec. 2007	251,013	397,306	440,199	341,234	-	-	-
Additions	-	-	-	4,013	444,104	-	-
Exercised	31,582	31,716	-	-	-	-	-
Forfeited	1,069	-	5,388	5,848	3,063	-	-
Number of rights on 31 Dec. 2008	218,362	365,590	434,811	339,399	441,041	-	-
Additions	-	-	-	-	463	459,271	-
Exercised	8,906	19,213	-	-	-	-	-
Forfeited	-	715	2,904	2,804	4,194	-	-
Number of rights on 31 Dec. 2009	209,456	345,662	431,907	336,595	437,310	459,271	-
Additions	-	-	-	-	-	-	675,029
Exercised	120,331	72,662	-	-	-	-	-
Forfeited	1,833	1,936	1,653	1,379	1,462	1,287	-
Number of rights on 31 Dec. 2010	87,292	271,064	430,254	335,216	435,848	457,984	675,029
Additions	-	-	-	-	-	-	6,546
Exercised	54,081	122,681	-	-	-	-	-
Forfeited	33,211	957	4,631	5,333	7,623	7,338	16,266
Number of rights on 31 Dec. 2011	-	147,426	425,623	329,883	428,225	450,646	665,309
Exercisable at year-end	-	147,426	425,623	329,883	428,225	450,646	-

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.

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 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.

(19) Mid-Term Incentive Plan

Since 1 January 2009, Munich Reinsurance Company has set up mid-term incentive plans, each with a term of three years. Entitled to participate in these cash-settled share-price-related remuneration plans are members of senior management in Munich, and – for 2009 only – the members of the Board of Management. 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 three following years and are allocated according to responsibilities.

The share-based factor TSR represents the total return on Munich Re shares and comprises share price performance 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 the 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 full and partial allocation of PSUs is the first plan year.

The final number of PSUs is calculated from the number of PSUs at plan commencement and 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 150% of the target amount for members of the Board of Management, and to 300% of the target amount for senior management.

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 during the performance period. To this end, the TSR index value observed 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 Reinsurance Company's Mid-Term Incentive Plans 2009-2011

	Incentive Plan 2009	Incentive Plan 2010	Incentive Plan 2011
Plan commencement	1.1.2009	1.1.2010	1.1.2011
Plan end	31.12.2011	31.12.2012	31.12.2013
Fair value 2011 for one right	€171.13	€176.39	€181.16
Number of rights (for 100% achievement of objectives) on 1 January 2009	56,741	-	-
Additions	-	-	-
Forfeited	-	-	-
Number of rights (for 100% achievement of objectives) on 31 December 2009	56,741	-	-
Number of rights (for 100% achievement of objectives) on 1 January 2010	56,741	38,284	-
Additions	-	-	-
Forfeited	245	-	-
Number of rights (for 100% achievement of objectives) on 31 December 2010	56,496	38,284	-
Number of rights (for 100% achievement of objectives) on 1 January 2011	56,496	38,284	63,769
Additions	-	-	-
Forfeited	842	843	-
Number of rights (for 100% achievement of objectives) on 31 December 2011	55,654	37,441	63,769

In the financial year 2011, expenses of €12.2m were recognised for the mid-term incentive plans. The provision at the reporting date amounted to €31.5m.

(20) Income and expenses from currency translation

€463m from currency translation has been recognised in other income and €723m in other expenses.

(21) Income from the discounting of provisions

The other income contains €101m from the discounting of provisions.

(22) Remuneration report

The total remuneration of Munich Reinsurance Company's Board of Management amounted to €9.8m and that of the Supervisory Board to €1.5m, which does not include remuneration of €0.2m for membership of supervisory boards of other Group companies. All other disclosures on the remuneration of and loans to Board members, on share trading and shares held by the members of the Board of Management and the Supervisory Board, and on the structure of the Board of Management's remuneration system can be found in the remuneration report on page 48 ff.

Payments to retired members of the Board of Management or their surviving dependants totalled €5.8m.

Personnel expenses of €16.3m were incurred for pension commitments to retired members of the Board of Management.

As at 31 December 2011, the pension provisions and provisions for comparable benefits for former members of the Board of Management and their surviving dependants amounted to €0 after netting with the plan assets (contractual trust agreement). The total value of the commitment was €118,8m.

The members of the Supervisory Board and Board of Management did not receive any cash advances or loans in the year under review; no contingent liabilities were entered into for their benefit.

(23) Governing bodies of the Company**Board of Management**

Dr. jur. Nikolaus von Bomhard
(Chairman of the Board of Management)
(Chairman of the Group Committee)
Group Development
Group Investments
Group Communications
Group Audit

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

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

Georg Daschner
Europe and Latin America

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

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

Dr. jur. Jörg Schneider
Group Reporting
Group Controlling
Corporate Finance M&A
Integrated Risk Management
Group Legal, Compliance
Group Taxation
Investor and Rating Agency Relations

Dr. oec. publ. Wolfgang Strassl
(Board member responsible for personnel
and welfare matters, within the meaning
of Section 33 of the German Co-Deter-
mination Act)
HealthCare
Human Resources

Dr. oec. publ. Joachim Wenning
Life

Supervisory Board

Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Member since 2 January 2004,
last re-elected 22 April 2009
Former Chairman of the Board of
Management of Munich Reinsurance
Company

Hans Peter Claußen
(Deputy Chairman)
Member since 22 April 2009
Employee of D.A.S. Allgemeine
Rechtsschutz Versicherungs-AG

Herbert Bach
Member since 9 December 1994,
last re-elected 22 April 2009
Employee of Munich Reinsurance
Company

Dina Bösch
Member since 22 April 2009
Member of the National Executive Board
of ver.di (trades union)

Annika Falkengren
Member since 20 April 2011
President and Chief Executive Officer of
Skandinaviska Enskilda Banken AB (publ)

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

Dr. jur. Benita Ferrero-Waldner
Member since 12 February 2010
Former member of the European
Commission

Christian Fuhrmann
Member since 22 April 2009
Head of Divisional Unit,
Munich Reinsurance Company

Prof. Dr. rer. nat. Peter Gruss
Member since 22 April 2009
President of the Max Planck Society for
the Advancement of Science

**Prof. Dr. rer. nat. Dr.-Ing. e. h.
Henning Kagermann**
Member since 22 July 1999,
last re-elected 22 April 2009
President of acatech – German Academy
of Science and Engineering

Peter Löscher

Member since 22 April 2009
Chairman of the Board of Management of Siemens AG

Wolfgang Mayrhuber

Member since 13 December 2002,
last re-elected 22 April 2009
Former Chairman of the Board of Management of Deutsche Lufthansa AG

Silvia Müller

Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Marco Nörenberg

Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Reinhard Pasch

Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder

Member since 17 April 2002,
last re-elected 22 April 2009
Consultant to the Board of Management of Volkswagen AG

Anton van Rossum

Member since 22 April 2009
Former Chief Executive Officer and former member of the Board of Fortis

Andrés Ruiz Feger

Member since 22 April 2009
Employee of Münchener Rückversicherungs-Gesellschaft Sucursal de España y Portugal

Richard Sommer

Member since 22 April 2009
Former Trades Union Secretary and former Head of the Federal Specialist Group, Insurances, ver.di

Dr. phil. Ron Sommer

Member since 5 November 1998,
last re-elected 22 April 2009
Chairman of the Supervisory Board of MTS OJSC, Russia

Membership of the Supervisory Board Committees

Standing Committee

Dr. jur. Hans-Jürgen Schinzler

(Chairman)

Herbert Bach

Hans Peter Claußen

Wolfgang Mayrhuber

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder

Personnel Committee

Dr. jur. Hans-Jürgen Schinzler

(Chairman)

Herbert Bach

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder

Audit Committee

Prof. Dr. rer. nat. Dr.-Ing. e. h.

Henning Kagermann

(Chairman)

Christian Fuhrmann

Marco Nörenberg

Anton van Rossum

Dr. jur. Hans-Jürgen Schinzler

Nomination Committee

Dr. jur. Hans-Jürgen Schinzler

(Chairman)

Prof. Dr. rer. nat. Dr.-Ing. e. h.

Henning Kagermann

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder

Conference Committee

Dr. jur. Hans-Jürgen Schinzler

(Chairman)

Herbert Bach

Hans Peter Claußen

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder

A report on the remuneration of the Board of Management and the Supervisory Board is provided on page 48 ff.

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)	COMMERZBANK AG ERGO Versicherungsgruppe AG ² (Chairman) Munich Health Holding AG ² (Chairman)	-
Dr. rer. pol. Ludger Arnoldussen	-	-
Dr. rer. pol. Thomas Blunck	-	Global Aerospace Underwriting Managers Ltd. (GAUM), London (Chairman) New Reinsurance Company Ltd., Zurich ² (Chairman)
Georg Daschner	-	-
Dr. rer. nat. Torsten Jeworrek	-	-
Dr. rer. pol. Peter Röder	EXTREMUS Versicherungs-AG	Munich Re America Corp., Wilmington ² (Chairman) Munich Reinsurance America, Inc., Wilmington ² (Chairman)
Dr. jur. Jörg Schneider	MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH ² (Chairman)	-
Dr. oec. publ. Wolfgang Strassl	-	Apollo Munich Health Insurance Company Ltd., Hyderabad, India
Dr. oec. publ. Joachim Wenning	-	-

¹ Status: 31 December 2011.

² Own group company within the meaning of Section 18 of the German Stock Companies Act.

Supervisory Board ¹	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Hans-Jürgen Schinzler (Chairman)	METRO AG	UniCredit S.p.A., Italy
Hans Peter Claußen (Deputy Chairman)	D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG ² ERGO Versicherungsgruppe AG ²	-
Herbert Bach	-	-
Dina Bösch	-	-
Annika Falkengren	Volkswagen AG	Securitas AB (publ), Sweden
Frank Fassin	ERGO Versicherungsgruppe AG ² Provinzial NordWest Holding AG	-
Dr. jur. Benita Ferrero-Waldner	-	Gamesa Corporación Tecnológica. S.A., Spain Alpine Holding GmbH, Austria
Christian Fuhrmann	-	Munich Re Holding Company (UK) Ltd., United Kingdom ²
Prof. Dr. rer. nat. Peter Gruss	Siemens AG	-
Prof. Dr. rer. nat. Dr.-Ing. e. h. Henning Kagermann	Bayerische Motoren-Werke AG Deutsche Bank AG Deutsche Post AG	Nokia Corporation, Finland Wipro Ltd., India
Peter Löscher	-	-
Wolfgang Mayrhuber	Bayerische Motoren-Werke AG Infineon Technologies AG (Chairman) Lufthansa-Technik AG	AUA Austrian Airlines, Austria Österreichische Luftverkehrs- holding GmbH, Austria Heico Corporation, USA UBS AG, Switzerland
Silvia Müller	ERGO Versicherungsgruppe AG ²	-
Marco Nörenberg	ERGO Versicherungsgruppe AG ²	-
Reinhard Pasch	-	-
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder	METRO AG	Tetra-Laval International S.A. Group, Switzerland
Anton van Rossum	-	Credit Suisse Groupe AG, Switzerland Rodamco Europe NV, Netherlands Royal Vopak NV, Netherlands (Chairman) Solvay S.A., Belgium
Andrés Ruiz Feger	-	-
Richard Sommer	ERGO Versicherungsgruppe AG ²	-
Dr. phil. Ron Sommer	-	JSFC Sistema, Russia Sistema Shyam Teleservices Ltd., India Tata Consultancy Services Ltd., India

¹ Status: 31 December 2011.

² Own group company within the meaning of Section 18 of the German Stock Companies Act.

(24) Number of staff

The number of staff employed by the Company in Munich and at its offices abroad in the financial year 2011 averaged 4,157 (4,145), of which an average of 256 (257) were senior executive staff and 3,901 (3,888) non-senior-executive staff.

(25) Auditor's fees

Information on the auditor's fees can be found in Munich Re's Group annual report.

(26) Contingent liabilities, other financial commitments

The Company has assumed a guarantee for certain reinsurance liabilities of Munich American Reassurance Company (MARC Life). In addition, an agreement has been signed under which Munich Reinsurance Company guarantees to maintain the company's solvency capital above the level required by supervisory law.

There is an agreement between the Company and Munich American Capital Markets in which a target minimum capitalisation and the liquidity of the subsidiary is guaranteed.

The Company has given a guarantee for the liabilities of a foreign subsidiary under certain insurance contracts.

For three foreign subsidiaries, a guarantee for office rents has been assumed for a total amount equivalent to €6.3m per annum.

Moreover, the Company has assumed a guarantee of €500,000 for a small German subsidiary's pension obligation towards a former member of its Board of Management.

In isolated cases, we have given time-limited guarantees concerning the correctness of individual items warranted in the sales contract when buying or selling investments. An obligation to pay compensation for disadvantages is included in some of these guarantees.

For one of its subsidiaries, the Company has assumed a guarantee to fulfil all financial obligations resulting from the sale of equities and interests, and for another subsidiary, a guarantee of financial assistance for financial commitments that become payable.

As a member of the German Reinsurance Pharmapool and the German Nuclear Insurance Pool, we are committed – to the extent of our proportional share – to assuming the payment obligations of another pool member if the latter is not able to meet these obligations.

The Company has assumed a guarantee of €300,000 for the liability of one foreign subsidiary under a credit line.

In the event of the need to repay state subsidies totalling €68,000, the Company has guaranteed sufficient capital resources for one of its subsidiaries.

In none of the cases mentioned is there an increased risk of the guarantees being claimed on.

Beyond this, there are no off-balance-sheet transactions which are material for the assessment of the Company's financial position.

There are other financial commitments amounting to €767m (€728m of these to affiliated companies). They result mainly from commitments to inject capital into various investment funds, agency and leasing agreements, and initiated investment projects. Information on open forward transactions can be found on page 102 of this annual report.

(27) Declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act

In November 2011, the Board of Management and Supervisory Board of Munich Reinsurance Company published their annual declaration of conformity with the German Corporate Governance Code as per Section 161 of the German Stock Companies Act. This declaration can be publicly and permanently accessed on the Company's website.

(28) Proposal for appropriation of profit

The net retained profits at the disposal of the Annual General Meeting amount to €1,118,842,577.07. The Board of Management proposes that this amount be appropriated as follows: payment of a dividend of €6.25 per dividend-bearing share, with the remaining amount being carried forward to new account.

List of shareholdings as at 31 December 2011 in accordance with Section 285 item 11 of the German Commercial Code



The following disclosures relate to companies in which our directly and indirectly held shareholdings (as defined in Section 16 paras. 2 and 4 of the German Stock Companies Act) add up to 20% or more of the share capital, and large companies (as defined in Section 267 para. 3 of the German Commercial Code) in which our directly and indirectly held shareholdings add up to more than 5% of the voting rights.

The figures for equity and the result for the year are taken from the most recent local GAAP annual financial statements available, mainly those at 31 December 2010. If such financial statements are not available, figures prepared for the consolidated financial statements have been used.

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Shareholdings in affiliated companies			
40, Rue Courcelles SAS, Paris	100.0000	39,931	-8,943
50 Plus Strategies, Inc., Brentwood, Tennessee	100.0000	-37	18
80e LIMITED, Bristol	100.0000	1	0
Acalter 140014 S.L., Playa del Inglés	100.0000	1	-2
Adelfa Servicios a Instalaciones Fotovoltaicas, S.L., Santa Cruz de Tenerife	100.0000	32,702	-18
Agenzia Chianti S.R.L., Milan	100.0000	40	-9
Aitesacho 5005 S.L., Playa del Inglés	100.0000	1	-2
aktiva Vermittlung von Versicherungen und Finanz-Dienstleistungen GmbH, Cologne	100.0000	1,964	280
Albulzaga 8008 S.L., Playa del Inglés	100.0000	1	-2
Aleama 150015 S.L., Madrid	100.0000	-85	-60
ALICE GmbH, Düsseldorf	100.0000	2,701	478
Allfinanz Inc., Wilmington, Delaware	100.0000	-126	-10
Allfinanz KK, Tokyo	100.0000	-116	40
Allfinanz Limited, Dublin	100.0000	6,530	2,204
Allfinanz PTY, Sydney	100.0000	-97	68
Allfinanz Software Services GmbH, Grünwald	100.0000	8	-17
almeda GmbH, Munich ¹	100.0000	5,484	0
almeda Versicherungs-Aktiengesellschaft, Munich ¹	100.0000	3,200	0
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000	112,644	10,989
American Family Home Insurance Company, Jacksonville, Florida	100.0000	137,060	3,844

Company and registered seat	% share of capital	Equity €k	Result for the year €k
American Modern Home Insurance Company, Amelia, Ohio	100.0000	240,870	-5,957
American Modern Home Service Company, Amelia, Ohio	100.0000	2,913	642
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000	6,977	-64
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000	85,088	23,854
American Modern Life Insurance Company, Amelia, Ohio	100.0000	34,159	-486
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000	2,568	-486
American Modern Select Insurance Company, Amelia, Ohio	100.0000	30,295	3,221
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000	23,155	160
American Southern Home Insurance Company, Jacksonville, Florida	100.0000	28,234	1,150
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000	50,197	2,432
Amicus Legal Ltd., Colchester	100.0000	1,440	108
Amicus Ltd., Colchester	100.0000	1	0
Amladeza 7007 S.L., Playa del Inglés	100.0000	1	-2
Arkansas Life Insurance Company, Phoenix, Arizona	100.0000	356	16
Arridabra 130013 S.L., Madrid	100.0000	-90	-62
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000	2	-1,904
ArztPartner almeda AG, Munich	100.0000	1,237	-12
Associated Asset Management Corporation B.V., 's-Hertogenbosch	51.0000	694	61
avanturo GmbH, Düsseldorf	100.0000	10,596	1,005
B&C International Insurance, Hamilton, Bermuda	100.0000	2,063	-68
B&D Acquisition B.V., Amsterdam	80.0000	1,567	0
B&D Business Solutions B.V., Utrecht	100.0000	516	348
Badozoc 1001 S.L., Madrid	100.0000	-70	-45
Bank Austria Creditanstalt Versicherung AG, Vienna	90.0000	117,589	26,794
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna	100.0000	703	514
Baqueda 7007 S.L., Madrid	100.0000	-88	-60
Beaufort Dedicated No. 1 Ltd, London	100.0000	178	-10
Beaufort Dedicated No. 2 Ltd, London	100.0000	19,663	38
Beaufort Dedicated No. 3 Ltd, London	100.0000	697	-15
Beaufort Dedicated No. 4 Ltd, London	100.0000	68	-10
Beaufort Dedicated No. 5 Ltd, London	100.0000	-370	-760
Beaufort Dedicated No. 6 Ltd, London	100.0000	-78	-5
Beaufort Underwriting Agency Limited, London	100.0000	7,006	2,020
Beaufort Underwriting Services Limited, London	100.0000	1	0
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000	2,043	-13
Bell & Clements (London) Ltd, London	100.0000	657	-63
Bell & Clements (USA) Inc, Reston, Virginia	100.0000	58	0
Bell & Clements Inc, Reston, Virginia	100.0000	374	-57
Bell & Clements Ltd, London	100.0000	4,877	-213
Bell & Clements Underwriting Managers Ltd, London	100.0000	6	0
Beteiligung HMM Hamburg-Mannheimer Erste Bürogebäude-Verwaltungsgesellschaft mbH, Hamburg	100.0000	29	0
Beteiligung HMM Hamburg-Mannheimer Zweite Bürogebäude-Verwaltungsgesellschaft mbH, Hamburg	100.0000	25	0
BioEnergie Elbe-Elster GmbH & Co. KG, Elsterwerda	100.0000	0	-183
BioEnergie Verwaltungs-GmbH, Elsterwerda	100.0000	26	-1
Blitz 01-807 GmbH, Munich ⁵	100.0000	25	0
Bobasbe 6006 S.L., Madrid	100.0000	-102	-74
Bos Incasso B.V., Groningen	90.0240	12,055	2,839
Botedazo 8008 S.L., Madrid	100.0000	-89	-61
Bureau voor kredietinformaties Janssen B.V., The Hague	100.0000	-99	-4
Bureau voor kredietinformaties Janssen Holding B.V., The Hague	100.0000	379	235
Callopio 5005 S.L., Madrid	100.0000	-95	-64
Camcichu 9009 S.L., Madrid	100.0000	-88	-61
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000	57,617	1,620
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000	31	0
Caracuel Solar Catorce S.L., Madrid	100.0000	-83	-67

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Caracuel Solar Cinco S.L., Madrid	100.0000	-90	-72
Caracuel Solar Cuatro S.L., Madrid	100.0000	-76	-59
Caracuel Solar Dieciocho S.L., Madrid	100.0000	-71	-58
Caracuel Solar Dieciseis S.L., Madrid	100.0000	-69	-54
Caracuel Solar Diecisiete S.L., Madrid	100.0000	-84	-70
Caracuel Solar Diez S.L., Madrid	100.0000	-76	-59
Caracuel Solar Doce S.L., Madrid	100.0000	-74	-59
Caracuel Solar Dos S.L., Madrid	100.0000	-68	-52
Caracuel Solar Nueve S.L., Madrid	100.0000	-74	-59
Caracuel Solar Ocho S.L., Madrid	100.0000	-78	-63
Caracuel Solar Once S.L., Madrid	100.0000	-76	-61
Caracuel Solar Quince S.L., Madrid	100.0000	-77	-62
Caracuel Solar Seis S.L., Madrid	100.0000	-83	-68
Caracuel Solar Siete S.L., Madrid	100.0000	-80	-65
Caracuel Solar Trece S.L., Madrid	100.0000	-70	-55
Caracuel Solar Tres S.L., Madrid	100.0000	-78	-58
Caracuel Solar Uno S.L., Madrid	100.0000	-51	-42
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000	-12	10
Chobocuga 150015 S.L., Playa del Inglés	100.0000	1	-2
Ciborum GmbH, Munich ⁵	100.0000	25	0
CJSIC "European Travel Insurance", Moscow	100.0000	2,123	11
Compagnie Européenne d'Assurances, Nanterre	100.0000	2,533	-2,844
Compania Europea de Seguros S.A., Madrid	100.0000	10,603	800
Copper Leaf Research, Bingham Farms, Michigan ⁵	100.0000	0	0
Corion Pty Limited, Sydney	100.0000	5,070	375
Cotatrillo 100010 S.L., Madrid	100.0000	-90	-60
D.A.S. Defensa del Automovilista y de Siniestros - Internacional, S.A. de Seguros y Reaseguros, Barcelona	100.0000	2,228	-1,896
D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Munich ¹	100.0000	256,908	0
D.A.S. HELLAS Allgemeine Rechtsschutz-Versicherungs-AG, Athens	99.9983	3,898	614
D.A.S. Jogvédelmi Biztosító Részvénytársaság, Budapest	100.0000	2,888	372
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	99.9500	2,734	207
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000	2,351	-303
D.A.S. Österreichische Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Vienna	99.9800	54,762	3,735
D.A.S. poisť'ovna právnej ochrany, a.s., Bratislava	100.0000	5,138	18
D.A.S. poisť'ovna právnej ochrany, a.s., Prague	100.0000	5,415	699
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	99.9800	12,855	2,011
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9000	2,459	18
Daman Health Insurance - Qatar LLC, Doha, Qatar	100.0000	17,981	-
DAS Assistance Limited, Bristol	100.0000	443	318
DAS Consultancy & Detachering Rotterdam B.V., Rotterdam	65.0200	24	-392
DAS Holding N.V., Amsterdam	51.0000	141,439	25,410
DAS Incasso Arnhem B.V., Arnhem	100.0000	-1,005	-1,527
DAS Incasso Den Bosch B.V., 's-Hertogenbosch	95.0000	-1,278	-340
DAS Incasso Rotterdam B.V., Rotterdam	80.0000	3,565	239
DAS Law Limited, Bristol	100.0000	1	0
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000	5,544	-2,331
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000	52,497	-1,596
DAS Legal Finance B.V., Amsterdam	100.0000	36,005	629
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000	11,516	-1,655
DAS Legal Protection Ireland Limited, Dublin	100.0000	1	0
DAS Legal Protection Limited, Christchurch, New Zealand ⁵	100.0000	1	0
DAS Legal Protection Limited, Vancouver ⁵	100.0000	0	0
DAS Legal Protection Pty. Ltd., Sydney	100.0000	1	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
DAS LEGAL SERVICES LIMITED, Bristol	100.0000	6	-20
DAS Lex Assistance, S.L., Barcelona	100.0000	50	-
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000	93,001	24,902
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000	11,565	1,189
DAS Services Limited, Bristol	100.0000	-5,837	1,013
DAS Support B.V., Amsterdam	100.0000	-331	-136
DAS UK Holdings Limited, Bristol	100.0000	25,487	472
De Wit Vissers Incasso Holding B.V., Breda	95.0000	-160	-103
Diana Vermögensverwaltungs AG, Munich	100.0000	68	0
DKV - Alpha Vermögensverwaltungs GmbH, Cologne	100.0000	129,231	0
DKV - Beta Vermögensverwaltungs GmbH, Cologne	100.0000	25	0
DKV BELGIUM S.A., Brussels	100.0000	114,638	25,840
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne ¹	100.0000	507,596	0
DKV Globality S.A., Luxembourg	100.0000	2,978	-6,950
DKV Immobilienverwaltungs GmbH, Cologne	100.0000	25	0
DKV Luxembourg S.A., Luxembourg	75.0000	23,547	1,860
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000	5,740	202
DKV Residenz am Tibusplatz gGmbH, Münster	100.0000	1,353	246
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000	103,116	30,237
DKV Servicios, S.A., Saragossa	100.0000	785	250
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000	-1,268	23
DRA Debt Recovery Agency B.V., The Hague	100.0000	2,265	566
Economic Data Research B.V., Leidschendam	100.0000	-1,680	-35
Economic Data Resources B.V., Leidschendam	100.0000	168	285
EDR Acquisition B.V., Amsterdam	80.0000	3,560	-34
EDR Credit Services B.V., The Hague	100.0000	696	56
EIG, Co., Wilmington, Delaware	100.0000	112,077	19,313
Einzelanlage Hohenseefeld GmbH & Co KG, Bremen	100.0000	590	-169
ERGO Alpha GmbH, Düsseldorf	100.0000	25	0
ERGO Asia Management Pte. Ltd., Singapore	100.0000	473	7
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000	4,799	-2,017
ERGO Assicurazioni S.p.A., Milan	100.0000	61,760	-4,026
ERGO Austria International AG, Vienna	100.0000	452,974	17,287
ERGO Bilisim Teknolojisi Limited Sirketi, Istanbul	100.0000	237	178
ERGO Business Solutions s.r.l., Bucharest	100.0000	105	515
ERGO Daum Direct General Insurance Co. Ltd., Seoul	100.0000	28,321	-10,866
ERGO DIREKT Krankenversicherung AG, Fürth ¹	100.0000	80,048	0
ERGO DIREKT Lebensversicherung AG, Fürth ¹	100.0000	73,980	0
ERGO Direkt Lebensversicherung AG, Schwechat	100.0000	6,543	263
ERGO DIREKT Versicherung AG, Fürth ¹	100.0000	50,499	0
ERGO Élértbiztosító Zrt., Budapest	100.0000	4,110	-1,036
ERGO Emeklilik ve Hayat A.S., Istanbul	99.9999	9,704	-10,833
ERGO Eurosolar der welivit Solar Italia GmbH & Co. KG, Bolzano ⁵	100.0000	5	0
ERGO Eurosolar GmbH & Co. KG, Nuremberg	100.0000	20,000	-
ERGO Funds AS, Tallinn	100.0000	4,811	-128
ERGO General Insurance Company S.A., Athens	99.9999	66,191	7,122
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000	34,159	5,249
ERGO GmbH, Herisau	100.0000	5,277	-528
ERGO Gourmet GmbH, Düsseldorf	100.0000	344	318
ERGO Grubu Holding A.S., Istanbul	100.0000	330,358	830
ERGO Grundstücksverwaltung GbR, Düsseldorf	100.0000	220,378	655
ERGO Immobilien-GmbH 1. DKV & Co. KG, Kreien	100.0000	-1	0
ERGO Immobilien-GmbH 14. Victoria & Co. KG, Kreien	100.0000	95,734	2,795
ERGO Immobilien-GmbH 15. Victoria & Co. KG, Kreien	100.0000	0	0
ERGO Immobilien-GmbH 4. DKV & Co. KG, Kreien	100.0000	-1	-1

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO Immobilien-GmbH 5. Hamburg-Mannheimer & Co.KG, Kreien	100.0000	177,652	-1,846
ERGO Immobilien-GmbH 6. Hamburg-Mannheimer & Co. KG, Kreien	100.0000	0	0
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien	100.0000	0	0
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000	39	14
ERGO Insurance N.V., Brussels	99.9999	88,715	8,306
ERGO Insurance Service GmbH, Vienna	99.6000	634	-17
ERGO International Aktiengesellschaft, Düsseldorf ¹	100.0000	2,022,660	0
ERGO International Services GmbH, Düsseldorf ¹	100.0000	25	1
ERGO Invest SIA, Riga	100.0000	5,580	25
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000	13,121	0
ERGO Italia Direct Network s.r.l., Milan	100.0000	6,346	4,052
ERGO Italia S.p.A., Milan	100.0000	374,790	29,064
ERGO Kindlustuse AS, Tallinn	100.0000	56,414	424
ERGO Latvija Versicherung AG (ERGO Latvija Apdrošināšanas Akciju Sabiedrība), Riga	100.0000	15,247	2,271
ERGO Lebensversicherung Aktiengesellschaft, Hamburg ¹	100.0000	568,654	0
ERGO Lietuva draudimo UADB, Vilnius	100.0000	24,514	700
ERGO Life Insurance Company S.A., Thessaloniki	100.0000	5,604	5
ERGO Life Insurance SE, Vilnius	100.0000	9,249	-1,102
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	29	4
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf	100.0000	4,517	-43
ERGO Pensionskasse AG, Düsseldorf	100.0000	50,649	745
ERGO PORTFÖY YÖNETİMİ A.S., Istanbul	99.9999	797	122
ERGO Previdenza S.p.A., Milan	100.0000	343,468	59,979
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000	160,687	747
ERGO Private Capital GmbH, Düsseldorf	100.0000	27	2
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000	260,209	2,383
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000	38	-4
ERGO Private Equity Gesundheit GmbH, Düsseldorf	100.0000	47,706	-4,035
ERGO Private Equity Komposit GmbH, Düsseldorf	100.0000	41,787	-2,218
ERGO Private Equity Leben GmbH, Düsseldorf	100.0000	88,187	-3,604
ERGO RUSS Versicherung AG, St. Petersburg	100.0000	24,266	-477
ERGO Shisn, Moscow	100.0000	6,865	-620
ERGO SIGORTA A.S., Istanbul	99.9999	42,809	-43,796
ERGO Sigorta ve Emeklilik Satis Aracilik Hizmetleri Limited Sirketi, Istanbul	100.0000	903	-2,461
ERGO Specialty GmbH, Hamburg	100.0000	127	8
ERGO Trust Erste Beteiligungsgesellschaft mbH i.L., Munich ⁵	100.0000	22	0
ERGO Versicherung Aktiengesellschaft, Düsseldorf ¹	100.0000	736,923	0
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000	453	92
ERGO Versicherungsgruppe AG, Düsseldorf	100.0000	1,844,960	-107,189
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000	34,723	2,673
ERGO Zavarovalnica d. d., Ljubljana	100.0000	4,791	-1,103
ERGO životná poisťovňa, a. s., Bratislava	100.0000	7,515	-676
ERGO Zweite Beteiligungsgesellschaft mbH, Düsseldorf	99.9999	112	1
ERIN Sigorta Aracilik Hizmetleri Limited Sirketi, Istanbul	99.9950	1,958	-877
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000	167	48
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.0000	-295	-201
Esoleme 120012 S.L., Playa del Inglés	100.0000	1	-2
Etics, s.r.o., Prague	100.0000	68	7
Etoblete 160016 S.L., Madrid	100.0000	-91	-60
Etogibon 100010 S.L., Playa del Inglés	100.0000	1	-2
Etolede 6006 S.L., Playa del Inglés	100.0000	1	-2
EUREKA GmbH, Düsseldorf	99.9999	58	-4
Euro Alarm Assistance Prague, Prague	100.0000	762	358
Euro-Center (Cyprus) Ltd., Larnaca	100.0000	344	136
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000	1,092	156

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000	87	14
Euro-Center China (HK) Co., Ltd., Beijing	100.0000	314	122
Euro-Center Holding A/S, Copenhagen	83.3330	4,989	575
Euro-Center Holding North Asia (HK) Pte. Ltd., Hong Kong	100.0000	-27	-27
Euro-Center Ltda., Rio de Janeiro	100.0000	71	-31
Euro-Center USA, Inc., New York	100.0000	103	24
Euro-Center Yerel Yardim, Istanbul	100.0000	559	105
Euro-Center, S.A. (Spain), Palma de Mallorca	100.0000	381	70
Europaeiske Rejseforsikring A/S, Copenhagen	100.0000	33,586	1,048
Europäische (UK) Ltd., London	100.0000	1	0
EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich ¹	100.0000	62,806	0
European Assistance Holding GmbH, Munich	100.0000	20	-1
European International Holding A/S, Copenhagen	100.0000	50,937	1,516
Europeiska Försäkringsaktiebolaget, Stockholm	100.0000	1,062	0
Evaluación Médica TUW, S.L., Barcelona	90.7508	1,423	-595
Everything Legal Ltd., Bristol	100.0000	1	-
Evropska Cestovni Pojistovna A.S., Prague	90.0000	9,012	1,516
EVV Logistik Management GmbH, Düsseldorf	100.0000	17	-2
Exolvo GmbH, Hamburg	100.0000	18	-48
FAIRANCE GmbH, Düsseldorf ¹	100.0000	63,880	0
First Legal Protection Limited, St. Albans	100.0000	-360	-5
First Marine Financial Services, Amelia, Ohio ⁵	100.0000	0	0
First Marine Insurance Company, Amelia, Ohio	100.0000	5,955	0
Flexitel Telefonservice GmbH, Berlin	100.0000	5,675	302
Forst Ebnath AG, Ebnath	96.7315	7,949	860
FOTOUNO S.r.l., Turin	100.0000	47	57
FOTOWATIO ITALIA GALATINA S.r.l., Turin	100.0000	40	20
Gamaponti 140014 S.L., Madrid	100.0000	-89	-60
GBG Vogelsanger Straße GmbH, Cologne	94.0000	237	-158
Gebäude Service Gesellschaft Überseering 35 mbH, Hamburg	100.0000	158	133
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000	210	3
Genius II Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	31	0
Geschlossene Aktiengesellschaft Europäische Reiseversicherung, Kiev	95.2708	1,190	88
Global Standards LLC, Wilmington, Delaware	100.0000	59,579	6,527
goDentis - Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000	-367	-194
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000	97	5
goMedus GmbH & Co. KG, Cologne	100.0000	1,771	-2,393
goMedus Partnerkliniken GmbH, Cologne	100.0000	413	-93
GRANCAN Sun-Line S.L., Madrid	100.0000	-4,578	829
Great Lakes Marine Insurance Agency Pty Ltd, Sydney	100.0000	1,477	-469
Great Lakes Re Management Company (Belgium) S.A., Brussels ⁵	100.0000	0	0
Great Lakes Reinsurance (UK) Plc., London	100.0000	364,956	18,865
Great Lakes Services Ltd., London	100.0000	1,702	946
Group Risk Services Limited, London	100.0000	10,008	-3,470
Groves, John & Westrup Limited, London	100.0000	22	0
Guanzu 2002 S.L., Madrid	100.0000	-84	-57
Hamburger Hof Management GmbH, Hamburg ⁵	100.0000	31	0
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000	91	1
Hamburg-Mannheimer Pensionskasse AG, Hamburg	100.0000	31,775	1,262
Hamburg-Mannheimer Rechtsschutz Schaden-Service GmbH, Hamburg	100.0000	52	1
Hartford Steam Boiler (M) Sdn. Bhd, Kuala Lumpur	100.0000	471	9
Hartford Steam Boiler (Singapore), PTE Ltd., Singapore	100.0000	265	-38
Hartford Steam Boiler Colombia Ltda., Bogotá, Colombia	100.0000	422	18
Hartford Steam Boiler International India Pyt Ltd., Kolkata	100.0000	133	21

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Hartford Steam Boiler International-GmbH, Rheine	100.0000	2,797	-215
Health OÜ, Tallinn ⁵	100.0000	3	0
Hestia Advanced Risk Solutions Sp. z.o.o., Sopot	100.0000	24	-14
Hestia Kontakt Sp. z o.o., Sopot	100.0000	768	9
Hestia Loss Control Sp. z o.o., Sopot	100.0000	83	-18
HMI Ceska republika, spol. s.r.o., Prague	100.0000	677	24
HMI Partners N.V., Brussels	100.0000	3,825	70
HMI S.r.l., Verona	100.0000	11	-123
HMI Sp. z o.o., Warsaw	100.0000	878	-37
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000	15,310	-7,964
Horbach GmbH, Düsseldorf	70.1000	101	35
HSB Associates, Inc, New York	100.0000	911	-46
HSB Engineering Finance Corporations, Wilmington, Delaware	100.0000	-13,379	157
HSB Engineering Insurance Limited, London	100.0000	126,025	23,701
HSB Engineering Insurance Services Limited, Oldham	100.0000	8,322	0
HSB Group, Inc., Wilmington, Delaware	100.0000	516,250	120,745
HSB Inspection Quality, Limited, Oldham ⁵	100.0000	0	0
HSB Investment Corporation, Hartford, Connecticut	100.0000	32	-9
HSB Japan KK, Minato-KU, Tokyo	100.0000	1,921	752
HSB Professional Loss Control, Inc., Lenoir City, Tennessee	100.0000	1,214	-322
HSB Reliability Technologies LLC, Wilmington, Delaware	100.0000	2,024	176
HSB Solomon Associates LLC, Wilmington, Delaware	100.0000	7,203	1,944
HSB Technical Consulting & Services (Shanghai) Company, Ltd., Shanghai	100.0000	2,118	899
HSB Ventures, Inc., Wilmington, Delaware ⁵	100.0000	0	0
Humanity B.V., The Hague	100.0000	157	-168
IDEENKAPITAL Anlagebetreuungs GmbH, Düsseldorf	100.0000	25	-
Ideenkapital Client Service GmbH, Düsseldorf ¹	100.0000	26	0
Ideenkapital erste Investoren Service GmbH, Düsseldorf	100.0000	35	6
IDEENKAPITAL Financial Engineering GmbH, Düsseldorf ¹	100.0000	624	0
IDEENKAPITAL Financial Service GmbH, Düsseldorf ¹	100.0000	562	0
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000	30	2
IDEENKAPITAL GmbH, Düsseldorf	100.0000	1,515	-14,780
IDEENKAPITAL Media Finance GmbH, Düsseldorf	50.1000	501	395
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000	103	48
IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf	72.3477	12,502	-2,234
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	28	9
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000	35	7
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000	81	14
Ideenkapital Treuhand GmbH, Düsseldorf	100.0000	20	-3
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000	50	25
IK Einkauf Objekt Eins gmbH & Co. KG, Düsseldorf	100.0000	8,941	201
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000	14	-8
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000	23	5
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0387	9,533	-1,847
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	29	6
IK FE Fonds Management GmbH, Düsseldorf	100.0000	54	8
IK FE Management GmbH, Düsseldorf	100.0000	81	81
IK Objekt Bensheim GmbH, Düsseldorf	100.0000	29	3
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000	25	-1
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000	24	1
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000	-9,066	-753
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000	-14,329	-15,168
IK Premium GmbH, Düsseldorf	100.0000	35	2
IK Property Eins Verwaltungsgesellschaft mbH, Hamburg	100.0000	30	4
IK Property Treuhand GmbH, Düsseldorf	100.0000	38	11

Company and registered seat	% share of capital	Equity €k	Result for the year €k
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000	35	3
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000	33	6
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000	30	3
IKFE Properties I AG, Zurich	63.5532	11,771	269
InterAssistance Gesellschaft für Dienstleistungen mit beschränkter Haftung, Munich	100.0000	27	0
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143	27,878	-14
ISVICRE SIGORTA KIBRIS LIMITED, Istanbul	51.0000	133	3
ITERGO Informationstechnologie GmbH, Düsseldorf ¹	100.0000	23,982	0
Itus Verwaltungs AG, Grünwald	100.0000	521,851	5,746
Janus Vermögensverwaltungsgesellschaft mbH, Munich ⁵	100.0000	35	0
Joint Stock Insurance Company ERGO, Minsk	92.3100	728	54
Jordan Health Cost Management Services W.L.L., Amman	100.0000	1,391	187
Jupiter Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	147	3
Juventus Vermögensverwaltungs AG, Hamburg	100.0000	52	1
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000	32	2
K & P Objekt Munich Hufelandstraße GmbH, Düsseldorf	100.0000	32	2
K & P Pflegezentrum IMMAC Uelzen Renditefonds GmbH & Co. KG, Düsseldorf	84.8817	1,722	36
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000	1,502	-2,592
Kapdom-Invest GmbH, Moscow	100.0000	5,333	1
KQV Solarpark Franken 1 GmbH & Co. KG, Fürth	100.0000	483	-17
Kuik & Partners Credit Management BVBA, Brussels	98.9000	19	-
Kuik & Partners Gerechtsdeurwaarders & Incassobureau B.V., Eindhoven	100.0000	452	-
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen	90.0240	16,689	714
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	427	13
LAVG Associatie van Gerechtsdeurwaarders Zuid Holding B.V., Breda	80.0000	7,398	1,805
LAVG Zuid B.V., Breda	100.0000	2,067	1,637
LawAssist Limited, Bristol	100.0000	1	0
Legal Net GmbH, Munich	100.0000	25	0
LEGIAL AG, Munich	100.0000	3,862	859
LifePlans Inc., Waltham, Massachusetts	100.0000	12,722	1,066
LifePlans LTC Services, Inc., Ontario	100.0000	537	274
Lloyds Modern Corporation, Dallas, Texas	100.0000	1	0
Longial GmbH, Düsseldorf	100.0000	631	-244
Longial Versicherungsmakler GmbH, Düsseldorf	100.0000	25	1
m:editerran Power der welivit Solar Italia GmbH & Co. KG, Bolzano	100.0000	19	-5
m:editerran POWER FRANCE GmbH, Nuremberg	100.0000	25	-
m:editerran POWER GmbH & Co. KG, Nuremberg	100.0000	3,525	17
MAM Munich Asset Management GmbH, Munich ⁵	100.0000	25	0
Marbury Agency, Inc., Amelia, Ohio ⁵	100.0000	0	0
Marina Salud S.A., Alicante	65.0000	2,606	-2,072
Marina Sp.z.o.o., Sopot	100.0000	9,245	22
MAYFAIR Financing GmbH, Munich	100.0000	445	-4
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf	71.4285	8,826	148
MAYFAIR Holding GmbH, Düsseldorf	100.0000	31	1
MEAG Cash Management GmbH, Munich	100.0000	87	62
MEAG Hong Kong Limited, Hong Kong	100.0000	5,007	388
MEAG Luxembourg S.à.r.l., Luxembourg	100.0000	1,147	34
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000	121,446	50,285
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich ¹	100.0000	19,665	0
MEAG New York Corporation, Wilmington, Delaware	100.0000	8,474	-348
MEAG Property Management GmbH, Munich ¹	100.0000	108	0
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000	32	1
MEAG US Real Estate Management Holdings, Inc., Wilmington DE	100.0000	2,587	-4,112
Mechanical & Materials Engineering, Wilmington, Delaware	100.0000	1,238	137
Mediastream Consulting GmbH, Grünwald	100.0000	28	1

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Mediastream Dritte Film GmbH, Grünwald	100.0000	37	2
Mediastream Film GmbH, Grünwald	100.0000	35	1
Mediastream Vierte Medien GmbH, Grünwald	100.0000	31	1
Mediastream Zweite Film GmbH, Grünwald	100.0000	41	2
MedNet Bahrain W.L.L., Bahrain	100.0000	1,341	322
MedNet Europa GmbH, Munich	100.0000	18	0
MedNet Greece S.A., Athens	78.1419	785	4
MedNet Gulf E.C., Manama	100.0000	-1,658	0
MedNet Holding GmbH, Munich	100.0000	24,472	5,135
MedNet International Ltd., Nicosia	100.0000	-527	678
MedNet International Offshore SAL, Beirut ⁵	99.6700	0	0
MedNet Saglik Hizmetleri Yönetim ve Danismanlik Anonim Sirketi, Istanbul	100.0000	47	-426
MedNet Saudi Arabia LLC, Riyadh	100.0000	-64	-631
MedNet UAE FZ L.L.C., Dubai	100.0000	562	-320
MedWell Gesundheits-AG, Cologne	100.0000	453	57
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf ¹	100.0000	6,447	0
miCura Pflegedienste Berlin GmbH, Berlin	100.0000	-79	-48
miCura Pflegedienste Bremen GmbH, Bremen	100.0000	170	93
miCura Pflegedienste Dachau GmbH, Dachau	51.0000	62	3
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000	345	99
miCura Pflegedienste GmbH, Cologne	100.0000	-106	-143
miCura Pflegedienste Hamburg GmbH, Hamburg	100.0000	-86	-146
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000	185	53
miCura Pflegedienste München GmbH, Munich	100.0000	-168	-107
miCura Pflegedienste München Ost GmbH, Munich	65.0000	-129	-63
miCura Pflegedienste Münster GmbH, Münster	100.0000	302	142
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000	248	119
Midland-Guardian Co., Amelia, Ohio	100.0000	25,242	-3
Midwest Enterprises, Inc., Miami, Florida	100.0000	-1,661	-828
Modern Life Insurance Company of Arizona, Inc., Phoenix, Arizona	100.0000	1,275	-32
MR Beteiligungen 1. GmbH, Munich ^{1, 3}	100.0000	164,452	0
MR Beteiligungen 14. GmbH, Munich ¹	100.0000	25	0
MR Beteiligungen 15. GmbH, Munich ¹	100.0000	25	0
MR Beteiligungen 16. GmbH, Munich ¹	100.0000	25	0
MR Beteiligungen 18. GmbH & Co. Immobilien KG i.G., Grünwald ^{2, 6}	100.0000	-	-
MR Beteiligungen 18. GmbH, Grünwald	100.0000	24	0
MR Beteiligungen 19. GmbH, Munich	100.0000	31,830	-908
MR Beteiligungen 2. EUR AG & Co. KG, Grünwald ^{2, 6}	100.0000	-	-
MR Beteiligungen 3. EUR AG & Co. KG, Grünwald ^{2, 6}	100.0000	-	-
MR Beteiligungen AG, Grünwald	100.0000	623	7
MR Beteiligungen EUR AG & Co. KG, Grünwald ²	100.0000	5,744,721	166,441
MR Beteiligungen GBP AG & Co. KG, Grünwald ²	100.0000	1,751,326	52,783
MR Beteiligungen USD AG & Co. KG, Grünwald ²	100.0000	5,798,144	281,626
MR ERGO Beteiligungen GmbH, Munich	100.0000	46	0
MR Parkview Holding Corporation, Wilmington, Delaware	100.0000	1	0
MR RENT-Investment GmbH, Munich ¹	100.0000	40,525	0
MR RENT-Management GmbH, Munich	100.0000	25	0
MR Solar Beneixama GmbH, Nuremberg	100.0000	1,267	-25
MR Solar GmbH & Co. KG, Nuremberg	100.0000	57,672	143
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000	16,862	-303
MSP Underwriting Ltd., London	100.0000	21,166	-4
MTU Moje Towarzystwo Ubezpieczeniowe S. A., Sopot	100.0000	26,277	2,534
Multiasistencia Europea, S.A., Madrid	100.0000	188	6
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000	608	-18
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000	63	49

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Münchener de Colombia S.A. Corredores de Reaseguros, Santa Fe de Bogotá D.C.	100.0000	1,626	12
Münchener de Mexico S. A., Mexico	100.0000	1,677	168
Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas	100.0000	107	67
Münchener Ecoconsult GmbH i.L., Munich ⁵	100.0000	60	1
Münchener Finanzgruppe AG Beteiligungen, Munich ⁵	100.0000	53	0
Münchener Vermögensverwaltung GmbH, Munich ⁵	100.0000	26	0
Munich American Holding Corporation, Wilmington, Delaware	100.0000	7,390,910	936,985
Munich American Life Reinsurance Company, Atlanta, Georgia	100.0000	94,347	357
Munich American Reassurance Company, Atlanta, Georgia	100.0000	1,199,740	-24,968
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000	24,065	15
Munich Canada Systems Corporation, Toronto	100.0000	1	0
Munich Columbia Square Corp., Wilmington, Delaware	100.0000	21	1
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000	-286	-1,111
Munich Health Holding AG, Munich ^{1, 3}	100.0000	94,059	0
Munich Health North America, Inc., Wilmington, Delaware	100.0000	284,729	42,843
Munich Holdings Ltd., Toronto	100.0000	263,228	41,349
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000	93,318	8,740
Munich Life Management Corporation Ltd., Toronto	100.0000	-9,858	1,139
Munich Management Pte. Ltd., Singapore	100.0000	1,331	827
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000	37,657	5,845
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000	2,177	31
Munich Re America Corporation, Wilmington, Delaware	100.0000	2,388,682	306,445
Munich Re America Management Ltd., London	100.0000	1,744	745
Munich Re America Services Inc., Wilmington, Delaware	100.0000	15,059	-783
Munich Re Capital Limited, London	100.0000	-35,314	1,180
Munich Re Capital Markets GmbH, Munich	100.0000	974	157
Munich Re Capital Markets New York, Inc., Wilmington, Delaware	100.0000	11,133	5,549
Munich Re do Brasil Resseguradora S.A., São Paulo	100.0000	62,937	5,321
Munich Re General (UK) plc, London ⁵	100.0000	60	0
Munich Re Holding Company (UK) Ltd., London	100.0000	43,476	5,778
Munich Re India Services Private Limited, Mumbai	100.0000	393	173
Munich Re Japan Services K. K., Tokyo	100.0000	2,593	299
Munich Re Life and Health (UK) Plc., London ⁵	100.0000	60	0
Munich Re of Malta Holding Limited, Floriana	99.9999	1,414,751	27,314
Munich Re of Malta p.l.c., Floriana	99.9999	1,543,771	80,138
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000	1,212	407
Munich Re UK Services Limited, London	100.0000	47,229	14,421
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000	1,184	803
Munich Re Underwriting Limited, London	100.0000	1,173	-121
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000	3,381,966	403,609
Munich Reinsurance Company Life Reinsurance Eastern Europe / Central Asia i.L., Moscow	100.0000	5,381	-2,416
Munich Reinsurance Company of Africa Ltd, Johannesburg	100.0000	153,933	9,941
Munich Reinsurance Company of Australasia Ltd, Sydney	100.0000	156,470	12,194
Munich Reinsurance Company of Canada, Toronto	100.0000	200,653	29,958
Munich-American Global Services (Munich) GmbH, Munich	100.0000	306	-18
Munich-American Risk Partners GmbH, Munich	100.0000	1,908	-5
Munich-Canada Management Corp. Ltd., Toronto	100.0000	4	0
MunichFinancialGroup AG Holding, Munich ⁵	100.0000	52	0
MunichFinancialGroup GmbH, Munich ⁵	100.0000	38	0
MunichFinancialServices AG Holding, Munich ⁵	100.0000	53	0
Munichre General Services Limited, London	100.0000	2,674	798
Munichre New Zealand Service Limited, Auckland	100.0000	1,005	9
Munichre Service Limited, Hong Kong	100.0000	47	21
N.M.U. (Holdings) Limited, Leeds	100.0000	180	0
Naretoblera 170017 S.L., Madrid	100.0000	-88	-58

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Nassau Incasso Services Den Haag B.V., The Hague	100.0000	428	236
Neckermann Lebensversicherung AG, Fürth	100.0000	18,598	2,500
Neckermann Versicherung AG, Nuremberg	100.0000	17,860	2,682
Nerruze 120012 S.L., Madrid	100.0000	-87	-61
New Reinsurance Company Ltd., Zurich	100.0000	694,009	110,589
Nicamballo 1001 S.L., Playa del Inglés	100.0000	-2	-8
Nightingale Legal Services Ltd., Colchester	100.0000	-109	-22
NMU Group Limited, London	100.0000	2,394	0
Northern Marine Underwriters Limited, Leeds	100.0000	173	0
OHM Services of Texas, Inc., Bellingham, Washington ⁵	100.0000	0	0
Olbodeca 4004 S.L., Playa del Inglés	100.0000	-1	-2
Olympic Health Management Services Inc., Bellingham, Washington	100.0000	114	0
Olympic Health Management Systems, Inc., Bellingham, Washington	100.0000	4,248	208
One State Street Intermediaries, Hartford, Connecticut	100.0000	13	0
Oracuet 160016 S.L., Playa del Inglés	100.0000	1	-2
Oragulno 9009 S.L., Playa del Inglés	100.0000	1	-2
Oraunte 130013 S.L., Playa del Inglés	100.0000	1	-2
Orrazipo 110011 S.L., Madrid	100.0000	-89	-61
Otusleme 3003 S.L., Playa del Inglés	100.0000	-1	-2
P.A.N. GmbH & Co. KG, Grünwald ²	99.0000	330,328	12,477
P.A.N. Verwaltungs GmbH, Grünwald	99.0000	50	1
PLATINIA Verwaltungs-GmbH, Munich	100.0000	33	1
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000	1,193	-66
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000	634	-54
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000	872	0
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000	620	135
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000	32	5
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000	30	5
PRORENDITA FÜNF Verwaltungsgesellschaft mbH, Hamburg	100.0000	31	4
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000	30	5
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000	31	5
Proserpina Vermögensverwaltungsges. mbH, Munich	100.0000	-468	62
ProVictor Immobilien GmbH, Düsseldorf ⁴	50.0000	57	5
ProVictor Property Fund IV Management, Inc., Atlanta ⁵	51.0000	0	0
ProVictor Property Fund V Management, Inc., Atlanta ⁵	51.0000	0	0
ProVictor Property Fund VI Management, Inc., Atlanta ⁵	51.0000	0	0
ProVictor US Corporation, Atlanta ⁵	100.0000	0	0
Queensley Holdings Limited, Singapore	100.0000	8,860	-1,109
Ra-Hart Investment Company, Dallas, Texas ⁵	100.0000	0	0
Reaseguradora de las Américas S. A., La Habana ⁵	100.0000	619	0
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000	503	10
Roanoke International Brokers Limited, London	100.0000	304	22
Roanoke International Insurance Agency Inc., Schaumburg, Illinois	100.0000	1	0
Roanoke Real Estate Holdings Inc., Schaumburg, Illinois	100.0000	212	14
Roanoke Trade Insurance Inc., Schaumburg, Illinois ⁵	100.0000	1	0
Roanoke Trade Services Inc., Schaumburg, Illinois	100.0000	9,698	380
Roanoke Trade Services of Texas Inc., Schaumburg, Illinois ⁵	100.0000	1	0
Romney Holdings Limited, Dublin	100.0000	98	-21
San Marino Life Impresa sammarinese di assicurazione sulla vita S.p.A., San Marino	100.0000	5,200	-601
Schloss Hohenkammer GmbH, Hohenkammer ¹	100.0000	3,438	0
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000	360	-240
Seldac 1. Kommunalere-Rendite-Fonds GmbH & Co. KG, Düsseldorf	100.0000	1	-217
Seldac 1. Verwaltungs-GmbH, Düsseldorf	100.0000	27	-1
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	75.0000	2,599	466
Silvanus Vermögensverwaltungsges. mbH, Munich ¹	100.0000	3,542	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Solarfonds Garmisch-Partenkirchen 2011 GmbH & Co. KG, Nuremberg	99.7500	1,916	-79
Solomon Associates Limited, London	100.0000	662	-44
Sopocki Instytut Ubezpieczen S.A., Sopot	100.0000	1,457	-44
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000	18	1
Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot	100.0000	157,707	-20,453
Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot	100.0000	31,164	5,602
Specialty Insurance Services Corp., Amelia, Ohio	100.0000	164	4
STARSUN S.R.L., Corciano	100.0000	15	-
Sterling Life Insurance Company, Bellingham, Washington	100.0000	86,664	-27,583
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000	140	29
Sydney Euro-Center Pty. Ltd., Sydney	100.0000	185	13
Synkronos Italia SRL, Milan	60.1000	1,277	-645
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000	34	-2
TAS Touristik Assekuranz Service International GmbH, Frankfurt/Main ¹	100.0000	34	0
TAS Touristik Assekuranzmakler und Service GmbH, Frankfurt/Main ¹	100.0000	256	0
Teginago 2002 S.L., Playa del Inglés	100.0000	-1	-2
Temple Insurance Company, Toronto	100.0000	110,280	11,119
Tennessee Utilities Assistance Fund, Inc., Brentwood, Tennessee	100.0000	8	0
Tenoslema 110011 S.L., Playa del Inglés	100.0000	1	-2
TGR Biztosítás Többségynöki Zrt., Budapest	100.0000	0	-1
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000	797	58
The Boiler Inspection and Insurance Company of Canada, Toronto	100.0000	59,003	14,646
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000	51,446	8,919
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000	693,698	112,126
The Midland Company, Cincinnati, Ohio	100.0000	56,059	-44
The National Senior Membership Group, Bellingham, Washington ⁵	100.0000	0	0
The Polytechnic Club, Inc., Hartford ⁵	100.0000	0	0
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000	43,440	7,759
The Roanoke Companies Inc., Schaumburg, Illinois	100.0000	11,430	109
Three Lions Underwriting Ltd., London	100.0000	1,051	-140
Tillobesta 180018 S.L., Madrid	100.0000	-87	-59
TIS Holdings Inc., Schaumburg, Illinois	100.0000	1	0
Titus AG, Düsseldorf	100.0000	55	-4
Trade Insurance Services Inc, Schaumburg, Illinois	100.0000	1	0
Trusted Documents GmbH, Nuremberg	100.0000	186	-359
Union Beteiligungsholding GmbH, Vienna	100.0000	218	13
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000	6,786	359
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000	36	4
Van Arkel Gerechtsdeurwaarders B.V., Leiden	79.9000	8,907	1,213
VB VICTORIA Zastupanje u Osiguranju d.o.o., Zagreb	74.9000	12	1
Venus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	154,977	3,006
Verwaltungsgesellschaft "PORT VICTORIA" GmbH, Hamburg	100.0000	182	-3
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000	764	-126
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	24,285	255
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000	6,887	-444
VICTORIA Asien Verwaltungs GmbH, Munich	100.0000	25	2
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	886	785
VICTORIA Immobilien Management GmbH, Munich	100.0000	581	-51
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000	61	-29
VICTORIA Investment Properties Two L.P., Atlanta	100.0000	9,974	5,876
VICTORIA Italy Property GmbH, Düsseldorf	100.0000	1,305	7,055
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf ¹	100.0000	522,711	0
Victoria Osiguranje d.d, Zagreb	74.9000	3,936	-110
VICTORIA US Beteiligungsgesellschaft mbH, Munich	100.0000	20	-1
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000	22,614	-21,123

Company and registered seat	% share of capital	Equity €k	Result for the year €k
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000	19,101	-25,917
VICTORIA US Property Zwei GmbH, Düsseldorf	100.0000	1,637	-652
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	389	-5
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000	99,929	754
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000	23	1
Victoria VIP II, Inc., Wilmington, Delaware	100.0000	9	0
Victoria Zivotno Osiguranje d.d, Zagreb	74.9000	4,740	-358
VICTORIA-VOLKSBANKEN Eletbiztosító Zrt., Budapest	74.8000	3,704	101
VICTORIA-VOLKSBANKEN Poist'ovna, a.s., Bratislava	74.8000	10,430	-117
VICTORIA-VOLKSBANKEN Biztosító Zrt., Budapest	74.8000	2,614	78
VICTORIA-VOLKSBANKEN pojišť'ovna, a.s., Prague	74.5373	14,008	1,028
VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft, Vienna	74.6269	64,131	2,078
Viwis GmbH, Munich ¹	100.0000	2,013	0
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf ¹	100.0000	27,746	0
Vorsorge Luxemburg Lebensversicherung S.A., Munsbach	100.0000	17,888	2,550
Vorsorge Service GmbH, Düsseldorf	100.0000	398	-249
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000	314	157
VV-Consulting Többsügynöki Kft., Budapest	100.0000	52	-6
VV-Immobilien Gesellschaft für Haus- und Grundbesitzverwaltung GmbH, Vienna	100.0000	81	-8
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000	125	0
Watkins Syndicate Middle East Limited, Dubai	100.0000	410	52
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000	170	0
welivit AG, Nuremberg	100.0000	3,090	96
welivit New Energy GmbH, Fürth	100.0000	357	201
welivit Solar España GmbH, Nuremberg	100.0000	36	3
Welivit Solar Italia s.r.l., Bolzano	100.0000	360	136
WFB Stockholm Management AB, Stockholm ⁷	50.0000	44,455	-8,629
Windpark Geisleiden GmbH & Co KG, Bremen	100.0000	757	-331
Windpark Großberendten 2 GmbH & Co KG, Bremen	100.0000	2,132	-377
Windpark Hilmersdorf GmbH & Co KG, Bremen	100.0000	-119	-513
Windpark Klein Bünzow GmbH & Co KG, Bremen	100.0000	-3,198	-981
Windpark Krüge GmbH & Co KG, Bremen	100.0000	610	-189
Windpark Langengrassau GmbH & Co KG, Bremen	100.0000	591	-156
Windpark Langengrassau Infrastruktur GbR, Bremen ⁵	83.3300	0	0
Windpark Marwitz GmbH & Co KG, Bremen	100.0000	1,412	-216
Windpark Mittelhausen GmbH & Co KG, Bremen	100.0000	3,722	-634
Windpark Osterhausen-Mittelhausen Infrastruktur GbR, Bremen	85.7100	414	0
Windpark Sassenberg GmbH & Co KG, Bremen	100.0000	2,206	-644
Windsor DME Operations, Inc., Brentwood, Tennessee ⁵	100.0000	0	0
Windsor Health Group, Inc., Brentwood, Tennessee	100.0000	27,322	10,856
Windsor Health Plan, Inc., Brentwood, Tennessee	100.0000	22,421	9,388
Windsor HomeCare Network, LLC, Brentwood, Tennessee	100.0000	650	592
Windsor Long Term Care, LLC, Brentwood, Tennessee	100.0000	-37	18
Windsor Management Services, Inc., Nashville, Tennessee	100.0000	5,044	-2,709
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf	65.0000	6,822	27
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Nuremberg	100.0000	-670	-973
Wohnungsgesellschaft Brela mbH, Hamburg ¹	100.0000	102	0
wpd Windpark Wergahna GmbH & Co KG, Bremen	100.0000	1,337	-399
wse Solarpark Spanien 1 GmbH & Co. KG, Fürth	75.1243	14,639	477
Zacubu 110011 S.L., Madrid	100.0000	-164	-67
Zacuba 6006 S.L., Madrid	100.0000	-165	-68
Zacubacon 150015 S.L., Madrid	100.0000	-166	-68
Zafacesbe 120012 S.L., Madrid	100.0000	-164	-67
Zagacobi 180018 S.L., Playa del Inglés	100.0000	1	-2

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Zapaceba 170017 S.L., Playa del Inglés	100.0000	1	-2
Zapacubi 8008 S.L., Madrid	100.0000	-165	-67
Zarzucolumbu 100010 S.L., Madrid	100.0000	-165	-67
Zetaza 4004 S.L., Madrid	100.0000	-91	-60
Zicobucar 140014 S.L., Madrid	100.0000	-166	-69
Zucaelo 130013 S.L., Madrid	100.0000	-164	-67
Zucampobi 3003 S.L., Madrid	100.0000	-165	-68
Zucarrobiso 2002 S.L., Madrid	100.0000	-167	-70
Zucobaco 7007 S.L., Madrid	100.0000	-172	-75
Zulazor 3003 S.L., Madrid	100.0000	-86	-59
Zumbicobi 5005 S.L., Madrid	100.0000	-164	-67
Zumcasba 1001 S.L., Madrid	100.0000	-141	-46
Zuncabu 4004 S.L., Madrid	100.0000	-165	-68
Zunclubomcasa 9009 S.L., Madrid	100.0000	-167	-70
Associates			
"PORT ELISABETH" GmbH & Co. KG, Hamburg	31.9658	9,411	-1,266
"PORT LOUIS" GmbH & Co. KG, Hamburg	26.4129	-3,604	-2,606
13th & F associates Limited Partnership, Washington D.C. ⁹	80.0000	91,088	10,751
Agricultural Management Services S.r.l., Verona	33.3333	129	32
Apollo Munich Health Insurance Co. Ltd., Hyderabad	25.5300	54,428	-12,244
Assistance Partner GmbH & Co. KG, Munich	21.6600	1,056	100
BF.direkt AG, Stuttgart	27.2000	226	1,134
BHS tabletop AG, Selb	28.9134	32,226	1,741
Bloemers Holding B. V., Rotterdam	22.7273	59,376	7,648
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000	2,680	2,218
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027	55,610	6,541
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920	17,759	3,958
DAMAN - National Health Insurance Company, Abu Dhabi ⁸	20.0000	-	-
Dovull SPV GmbH & Co. KG, Frankfurt/Main	20.0597	67,302	1,970
Europai Utazasi Biztosito Rt., Budapest	26.0000	8,151	1,274
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100	17,983	3,324
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	35.8715	1,327	0
Finsure Investments (Private) Limited, Harare	24.5000	3,687	182
Global Aerospace Underwriting Managers Ltd., London	40.0000	33,853	9,158
Global Insurance Company, Ho Chi Minh City	25.0000	13,687	1,025
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH, Hillerse	20.0000	-2,978	911
Hartford Research LLC, Wilmington, Delaware ⁵	41.7500	0	0
HDFC ERGO General Insurance Company Ltd., Mumbai	26.0000	35,958	-14,535
HighTech Beteiligungen GmbH und Co. KG, Düsseldorf	23.1000	20,272	15,016
IFFOXX AG, Rosenheim	28.0020	1,400	-427
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000	230	-92
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co.KG, Düsseldorf	36.6889	5,171	-832
KarstadtQuelle Finanz Service GmbH, Düsseldorf	50.0000	655	-708
LCM Logistic Center Management GmbH, Hamburg	50.0000	327	125
MCAF Management GmbH, Düsseldorf	50.0000	34	1
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000	100	-22
MDP Ventures I L.L.C., New York	50.0000	7,753	555
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000	15,107	24,274
MEDICLIN Aktiengesellschaft, Offenburg	35.0042	193,680	9,144
MEGA 4 GbR, Berlin	34.2569	78,456	-764
Millennium Entertainment Partners II L.P., New York	42.2992	52,163	3,916
Millennium Entertainment Partners L.P., New York	27.5400	7,962	-348
Millennium Partners LLC, New York	20.3039	-8,658	-51,439

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MSMR Parkview LLC, Dover, Delaware	38.4600	38,551	1,562
POOL Sp. z o.o., Warsaw	33.7500	1	0
Property Finance France S.A., Luxembourg	45.4605	6,027	-715
RehaCare GmbH, Munich	25.1000	1,456	63
Reisegarant, Vermittler von Insolvenzversicherungen mbH, Hamburg	24.0000	149	18
Rendite Partner Gesellschaft für Vermögensverwaltung mbH, Frankfurt/Main ⁵	33.3333	0	0
RM 2264 Vermögensverwaltungs GmbH, Munich	25.0000	22	-1
RP Vilbeler Fondsgesellschaft mbH, Frankfurt/Main	40.0000	2,788	1,254
Rumba GmbH & Co. KG, Munich	25.0000	-803	-68
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000	206	8
Sana Kliniken AG, Munich	21.7025	188,194	14,362
Saudi National Insurance Company B.S.C.(c), Manama	22.5000	27,452	1,622
Seaflower Health Ventures III L.P., Waltham	28.8434	3,938	-2,517
SEBA Beteiligungsgesellschaft mbH, Nuremberg	48.9931	155,922	4,561
Secundi CBVA, Brussels	33.0000	11	-13
Storebrand Helseforsikring AS, Oslo	50.0000	18,778	6,992
TEGG Corporation, Dover, Delaware ⁵	33.3400	0	0
Teko - Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000	55	29
TERTIANUM Besitzgesellschaft Berlin Passauer Strasse 5-7 mbH, Munich	25.0000	24,496	-255
TERTIANUM Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstrasse 5-9 mbH, Munich	25.0000	31,430	492
TERTIANUM Besitzgesellschaft München Jahnstrasse 45 mbH, Munich	33.3333	43,261	1,329
TERTIANUM Seniorenresidenz Betriebsgesellschaft München mbH, Munich	33.3333	984	-33
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0000	255	-460
Trend Capital GmbH & Co. Solarfonds 2 KG, Mainz	34.4234	416	-395
Triple IP B.V., Amsterdam	50.0000	-671	-123
T-Solar Global Operating Assets S.L.U., Madrid	37.0000	231,618	-
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286	55,863	-621
U.S. Property Management II L.P., Atlanta	33.3333	75	-1
U.S. Property Management III L.P., Atlanta	20.0000	1,080	7,354
Uelzener Lebensversicherungs-AG, Uelzen	23.9750	2,912	90
US PROPERTIES VA GmbH & Co. KG, Düsseldorf	45.8348	15,099	1,498
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Hamburg	50.0000	30	5
Verwaltungsgesellschaft "Port Hedland" mbH, Hamburg	50.0000	22	2
Verwaltungsgesellschaft "PORT KELANG" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "Port Lincoln" mbH, Hamburg	50.0000	22	2
Verwaltungsgesellschaft "PORT LOUIS" GmbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT MENIER" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT MOODY" mbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "PORT MORESBY" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT MOUTON" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT NELSON" mbH, Hamburg	50.0000	30	4
Verwaltungsgesellschaft "PORT RUSSEL" GmbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "PORT SAID" GmbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "PORT STANLEY" GmbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "PORT STEWART" mbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "PORT UNION" mbH, Hamburg	50.0000	29	4
Verwaltungsgesellschaft "Port Williams" mbH, Hamburg	50.0000	22	2
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft, Vienna	47.5028	15,407	528
VICTORIA-VOLKSBANKEN Vorsorgekasse AG, Vienna	50.0000	3,812	290
VisEq GmbH, Grünwald	34.0000	100	-
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319	3,159	292
VV Immobilien GmbH & Co. GB KG, Düsseldorf	40.9241	623	-9
VV Immobilien GmbH & Co. United States KG, Munich	28.9514	29,816	790

Company and registered seat	% share of capital	Equity €k	Result for the year €k
VV Immobilien GmbH & Co. US City KG, Munich	23.0999	90,483	3,698
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG, Munich	20.4082	17,947	-4,741
VV Immobilien Verwaltungs GmbH, Munich	30.0000	844	575
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000	1,271	8
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000	32	1
Other shareholdings of 20% or more			
ARIES, Wilmington, Delaware	21.6000	2,706	-579
Capital Dynamics Champion Ventures VI, L.P., Woodside	27.3400	44,538	3,939
FIA Timber Partners II L.P., Wilmington	21.1600	280	-472
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside	44.8788	78,350	13,023
Other shareholdings exceeding 5% of the voting rights in large companies as defined in the German Commercial Code			
Admiral Group plc, Cardiff	10.0219	419,849	223,070
Adveq Europe II GmbH, Frankfurt	9.7800	88,124	21,733
Asia Real Estate Income Fund SICAV, Luxembourg	19.8000	378,550	156,949
Best Doctors, Health Resources and Technology, Inc., Boston	5.9400	5,289	1,566
Consortio Internacional de Aseguradores de Crédito, S.A., Madrid	19.5000	43,502	-176
Credit Guarantee Insurance Corporation, Johannesburg	7.1000	34,414	12,642
Crown Premium Private Equity Buyout SICAV, Luxembourg	6.4200	146,766	34,004
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000	65,640	2,450
Jordan Insurance Co. p.l.c., Amman	10.0000	49,220	3,158
New National Assurance Company Ltd., Durban, South Africa	16.0000	13,211	2,154
Österreichische Volksbanken-AG, Vienna	9.3800	1,507,475	-20,033
PICC Health Insurance Company Limited, Beijing	5.2100	146,052	5,990
Protección Agropecuaria, Compañía de Seguros S.A., Mexico	19.9900	10,358	2,759
Protector Lebensversicherungs-AG, Berlin	10.7600	82,116	12,096
Suramericana S.A., Medellín	18.8669	536,768	120,346
Swaziland Royal Insurance Corporation, Mbabane	16.0000	43,680	12,010

¹ There are profit transfer agreements with these companies.

² This fully consolidated German subsidiary with the legal form of a partnership, as defined in Section 264a of the German Commercial Code, intends to fulfil the conditions required in Section 264b of the German Commercial Code and, in the financial year 2011, 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 264b para. 3 of the German Commercial Code and, in the financial year 2011, to avail itself of the relevant provision exempting it from preparing annual financial statements.

⁴ Control owing to majority of voting power.

⁵ No active business operations.

⁶ Company was established in 2011; financial statements for 2011 have not yet been adopted.

⁷ Control owing to the existence of a special purpose entity as per SIC 12 in which the main risks and rewards remain with Munich Re.

⁸ No financial statements published.

⁹ Only significant influence owing to reduced voting power.

Drawn up and released for publication, Munich, 2 March 2012.

The Board of Management

The following is a translation of the auditor's opinion in respect of the original German consolidated financial statements and Group management report:

Auditor's report

We have audited the financial statements prepared by the Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookkeeping system and management report for the business year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the Articles of Association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual 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 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 annual financial statements in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and 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, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 5 March 2012

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Declaration of the Board of Management

"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 Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company."

Munich, 12 March 2012

H. Hury

Arnoldsson

Bleumch

Carlucci

Jaworski

P. H.

Shuck

Heur

Weinberg

Imprint

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Responsible for content

Reinsurance Accounting
Group Communications

Editorial deadline:
28 February 2012
Online publication date:
13 March 2012
Print publication date:
2 April 2012

Concept and design

Strichpunkt, Stuttgart

Picture credits

Robert Brembeck

Printed by

Druckerei Fritz Kriechbaumer
Wettersteinstrasse 12
82024 Taufkirchen/München
Germany

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

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Service for investors and analysts

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

Important dates 2012



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

Important dates 2013



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