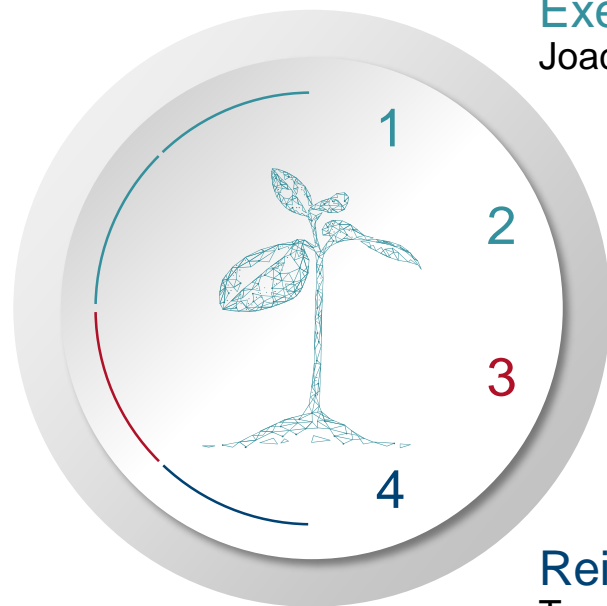


BALANCE SHEET PRESS CONFERENCE 2019

# Executing business opportunities – Good start to the 2020 ambition

Munich, 20 March 2019





Executing business opportunities  
Joachim Wenning

2

Group finance and risk  
Christoph Jurecka

13

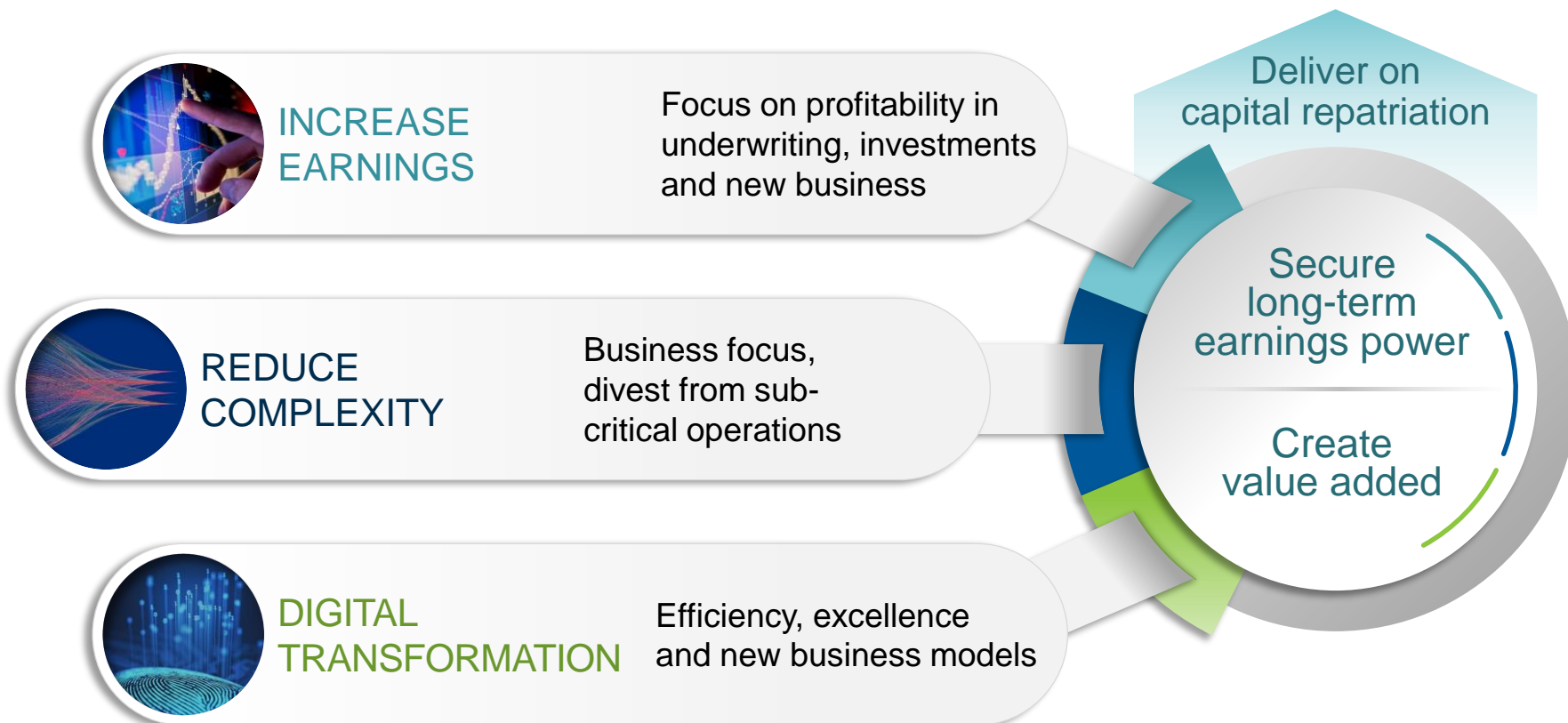
**ERGO**  
Markus Rieß

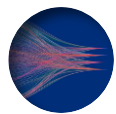
20

Reinsurance  
Torsten Jeworrek

27

# Strategic priorities and rigorous execution pave the way for profitable growth





# Reduce complexity – Making the organisation more focused and efficient

## REINSURANCE

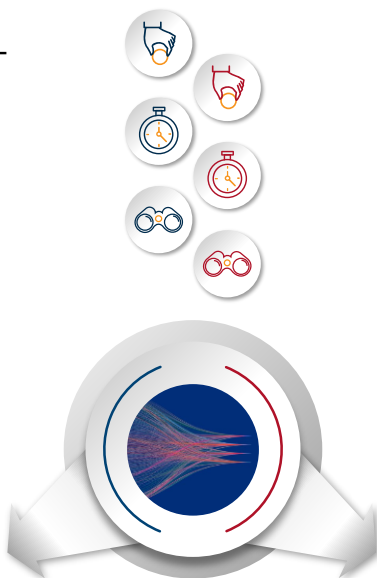
### Cost savings well on track, more efficiency

- Achieve admin. cost savings of ~€200m by 2020<sup>1</sup>
- Voluntary programme in Munich very successful – reduction of ~350 FTEs; savings targets in the international organisation well underway
- Leaner operations following automation of global processes (e.g. accounting, claims)

### Re-focusing

- Disposal of MSP Underwriting (Lloyds' market) and Ellipse (UK life)
- Integration of Special and Financial Risks division in market segments to benefit from business synergies

Growing business  
in a leaner organisation



## ERGO

### Cost savings well on track, more efficiency

- Cost savings of €174m out of €279m achieved<sup>2</sup>
- Reduction of ~1,240 FTEs out of ~2,100 FTEs completed<sup>2, 3</sup>
- Simplification of processes in sales, operations and claims

### Re-focusing

- Portfolio optimisation in International almost concluded – 13 entities sold
- Focused life strategy
  - Dedicated management responsibility for fully separated back book
  - Bundling of new life offerings in one risk carrier

Business transformation as  
foundation for future competitiveness



# Successfully mastering the digital transformation – Good progress in 2018

## REINSURANCE

### Internet of Things

Build and scale up loss prevention and finance-related products and risk-management-service models for commercial and industrial partners worldwide

### Realtytix

Cloud-based digital transaction platform for primary insurance companies, brokers and MGAs

### SaveUp

Enhance our partners' direct distribution channel for life products via a digital white-label platform

### Digital Partners

Offer InsurTech start-ups a platform to gain access to clients, data and insurance functionalities and expertise

Embracing innovation to actively drive the evolution of business models worldwide



## ERGO

### Actively addressing industry trends

Pilot and introduce new solutions throughout the entire ERGO Group in the areas of AI, robotics and voice

### Improving existing business models

Invest in digital front-ends (Portal/CRM/OneWebsite)

### Disrupting existing business models

Successful establishment of our purely digital player nexible with 50,000 policies, ready to scale up

### Digital culture

We increasingly work in digital factories and support our staff in digital transformation

Progress towards digitally-enabled customer solutions



# Progress in interlocking business models between primary insurance and reinsurance



## Strategy

- Group-wide solution to ensure business continuity after Brexit
- Collaboration on mobility strategy, e.g. concerning "CASE"<sup>1</sup>
- Regional market boards to facilitate joint strategic initiatives, e.g. UK



## Innovation

- Common initiatives for collaboration with start-ups, e.g. Ridecell and fair.com
- Integrated global scouting approach leveraging PI and RI scouting networks
- Joint data analytics methodologies



## Product development

- Joint life product development, e.g. "ERGO Betriebsrente Index"
- Close cooperation between MEAG and ERGO concerning capital market products, e.g. sales



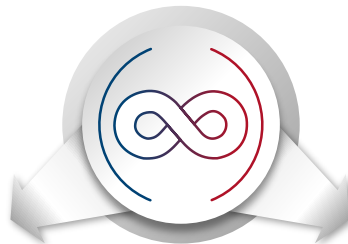
## Sales and distribution

- MGA set-up for DAS Canada optimising capital requirements
- Mutual sharing of existing market accesses, e.g. Travel (USA)
- Joint analysis of PI sales support via RI



## Underwriting/policy administration

- Leveraging existing underwriting automation, e.g. life
- Scaling existing administration automation, e.g. Health
- Establishing common expert groups per business line, e.g. life and industrial



## Interlocking HR and development programmes

International Group trainee programme "EXPLORE"

Management development programme ("Group Management Platform")

Joint training initiatives to foster common skill sets, e.g. data analytics

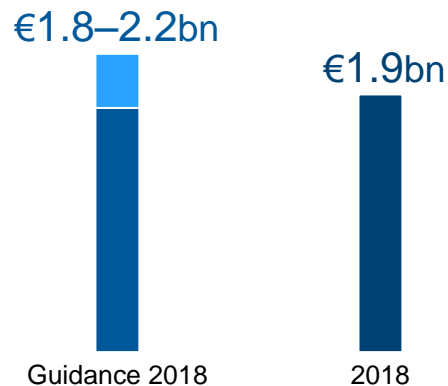
<sup>1</sup> "CASE" = Connectivity, Autonomous driving, Shared mobility and Electric mobility.



## Delivering on targets – Profitable earnings growth in 2018

### REINSURANCE

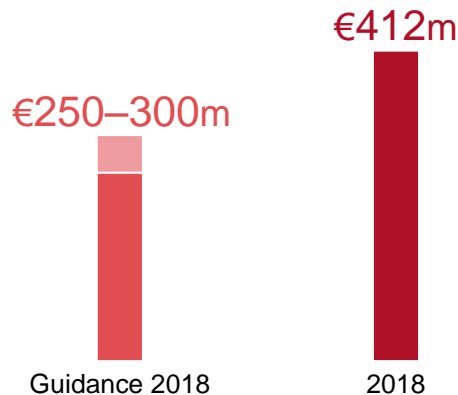
NET RESULT



Profitable growth in P-C,  
technical performance at  
L&H above expectations

### ERGO

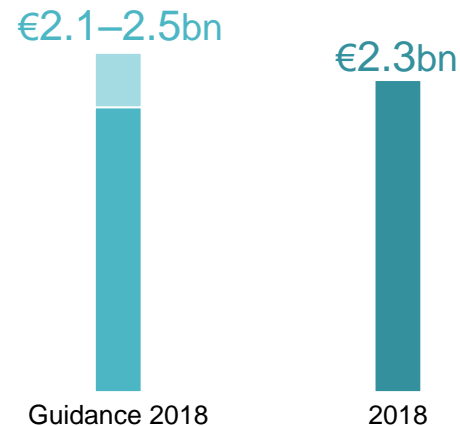
NET RESULT



Strong earnings contribution,  
even when adjusted for one-offs

### GROUP

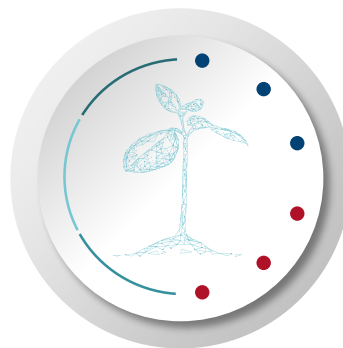
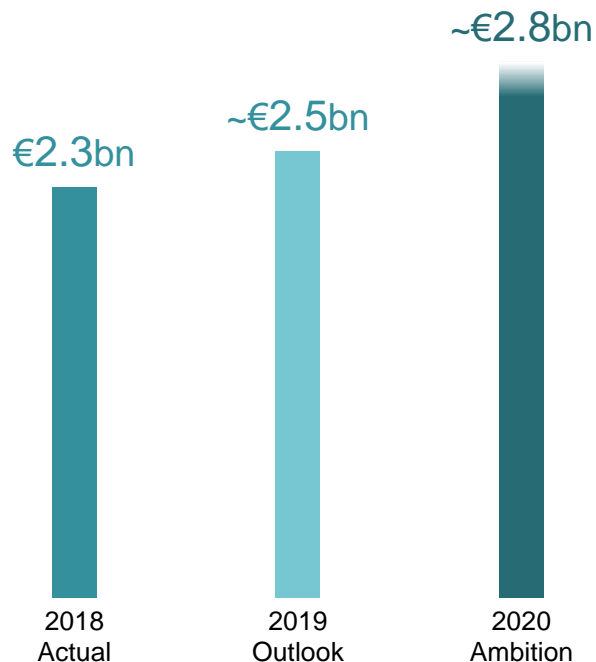
NET RESULT



Return on equity 8.4% –  
Good start to the 2020 ambition



# ERGO Strategy Programme and growth in reinsurance are the major drivers to deliver on our 2020 ambition



## OUTLOOK 2019<sup>1</sup>

### REINSURANCE

Net result	P-C combined ratio <sup>2</sup>	L/H technical result incl. fee income
~€2.1bn	~98%	~€500m

### ERGO

Net result	P-C combined ratio	International
~€0.4bn	Germany ~93%	~95%

<sup>1</sup> Gross premiums written: ~€49bn Munich Re (Group), ~€31bn Reinsurance, ~€17.5bn ERGO. Munich Re (Group) return on investment: ~3%, tax ratio ~25%.

<sup>2</sup> Expectation of reserve releases (basic losses) in 2019 of at least 4%-pts.

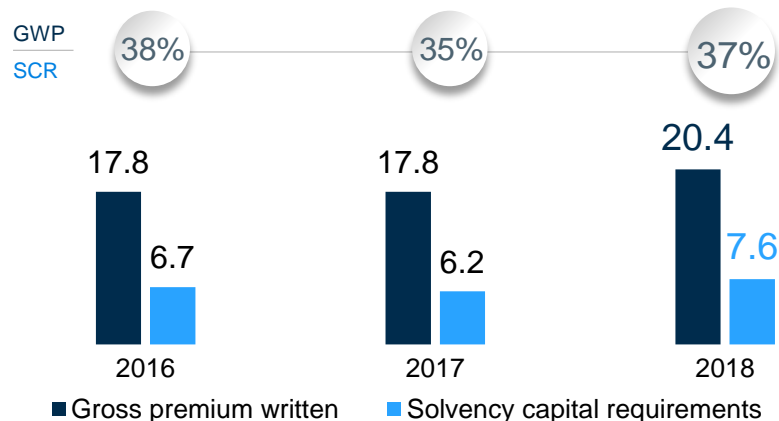




# Consistent business and earnings focus – Rigorously using leeway of largely unchanged risk appetite

## UNDERWRITING

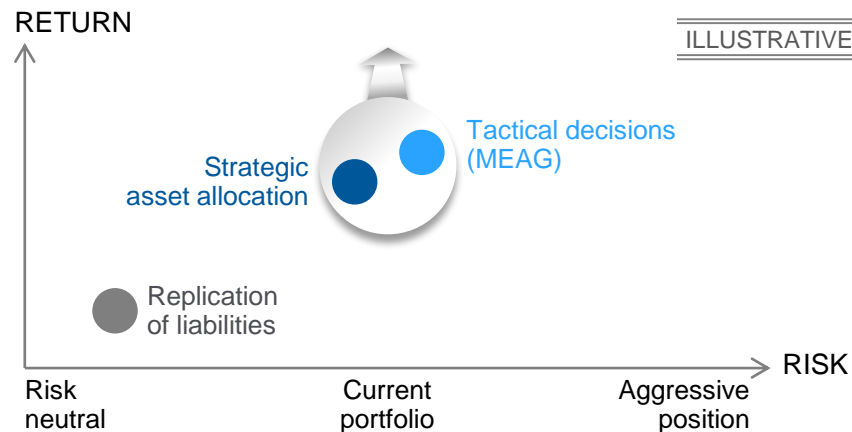
Selective business growth in P-C Reinsurance while not compromising on earning requirements



> Leveraging our underwriting excellence

## INVESTMENTS

Generate higher investment result under new CIO responsibility by further optimising the risk-return profile



> Generating alpha



# Systematically integrating sustainability criteria when creating value – Key achievements in 2018



## Climate strategy

Enabling new technologies for a low-carbon economy

- Innovative insurance solutions for new technologies, e.g. battery storage
- €1.6bn invested in renewable energies, €0.9bn in green bonds

Driving industry standards for climate risk management via UNEP FI PSI<sup>1</sup> Working Group on TCFD<sup>2</sup> recommendations



## ESG in core business

Sustainability criteria deeply entrenched in our underwriting and investment decisions

- Investment process established to fully integrate ESG criteria for all asset classes
- New approach to coal sector – divestment (30% revenue threshold) and strict underwriting exclusions for new coal projects



## Governance

New remuneration system for the Board of Management, aligned with long-term shareholders' interests

Responsible employer

- Establishment of Munich Re Digital School to enhance digital qualifications of employees
- Voluntary programme to support reduced complexity and digital transformation

Top positions in major external ratings:  
MSCI AA rating, top 10 in DJSI, #1 Union Investment for governance



# Strong balance sheet, dividend increase and continuation of €1bn share buy-back in 2019



245%

Well above  
target capitalisation



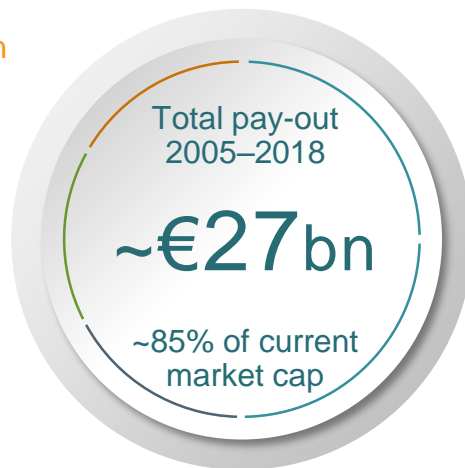
€3.8bn

Safeguards  
capital repatriation

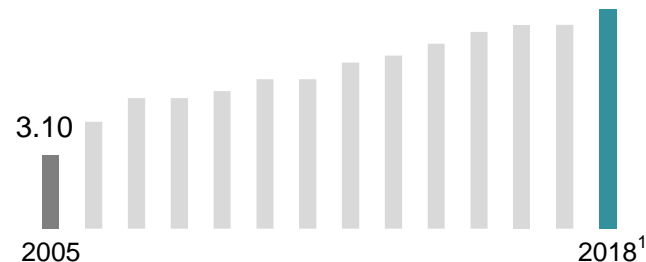


13.2%

Provides financial  
flexibility



Sustainable dividend-per-share growth  
€9.25

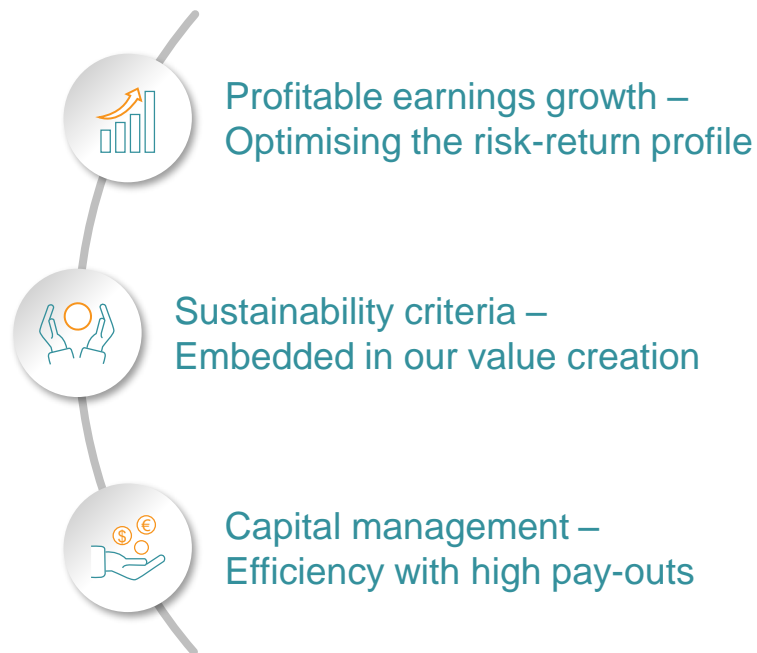


Ongoing share buy-backs

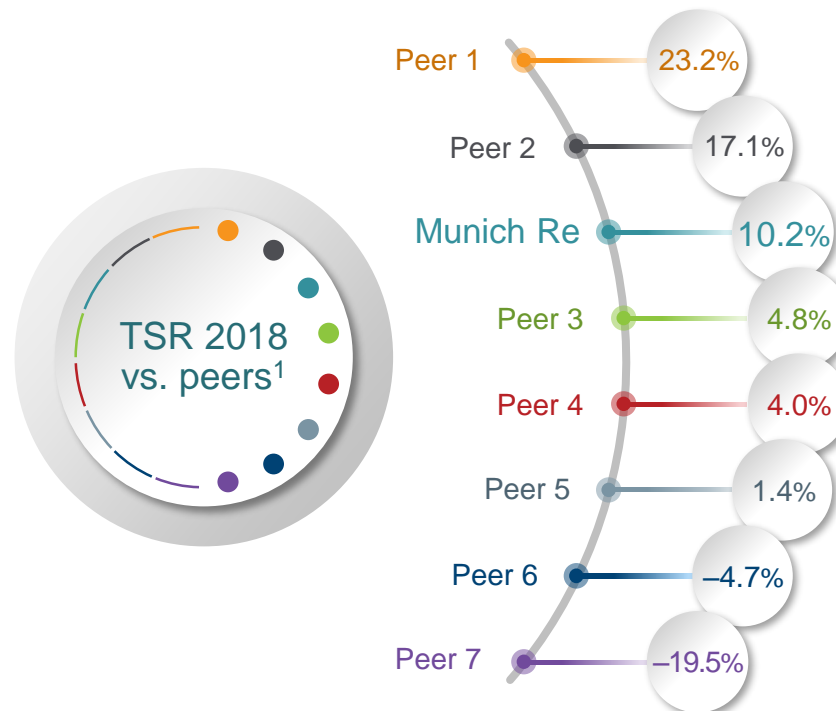


# Focus on TSR – 70% of the Board of Management's long-term variable remuneration linked to relative TSR to peers

Committed to leveraging drivers of TSR ...



... to deliver attractive returns to our shareholders



<sup>1</sup> Source: Datastream. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.

# Group finance and risk



# Striking the balance – Efficient management of different metrics safeguards payouts to shareholders



# Munich Re delivers good underlying results according to all metrics

€2.3bn (€0.4bn)

Meets guidance

IFRS NET INCOME

ECONOMIC EARNINGS

€1.9bn (€2.3bn)

Adverse capital market  
development absorbed



245% (244%)

Well above target capitalisation

SOLVENCY II RATIO

HGB RESULT

€2.2bn (€2.2bn)

Safeguards  
capital repatriation

# Solid balance sheet limits downside while providing a good basis for earnings growth



## PROTECT DOWNSIDE

Resilience to  
adverse development

Defensive  
portfolio

Prudent setting  
of reserves

Low level of goodwill  
limits risk of write-downs

## SUPPORT EARNINGS

Ongoing reserve  
releases

Usual harvesting of  
unrealised gains

Some tax releases  
in recent years



# Strong reserving position – Protection against adverse development while contributing to earnings strength

## PROTECT DOWNSIDE Global hot spots well managed

### MOTOR LIABILITY

**UK:** Significant reduction of discount rate for claims settlement (“Ogden”) in 2017

**USA:** Continually increasing loss frequency and severity – reserve increases for whole US primary market

### CASUALTY

**USA:** High litigation risk, increased claims inflation risk

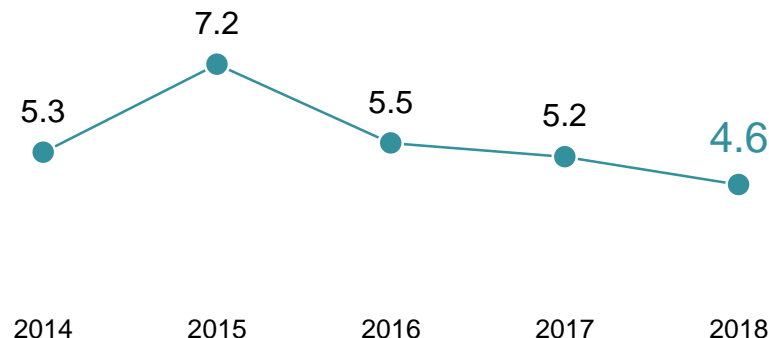
**Asbestos:** Complex litigation, changes in legal and regulatory environment

**US workers’ compensation:** High losses for reinsurers in business underwritten during soft market (late 90s)

- Prudent reserving approach ensuring solid reserve position going forward
- Stable reserve situation in 2018 demonstrating resilience to all hot-spot areas

## SUPPORT EARNINGS Ongoing reserve releases<sup>1</sup>

%



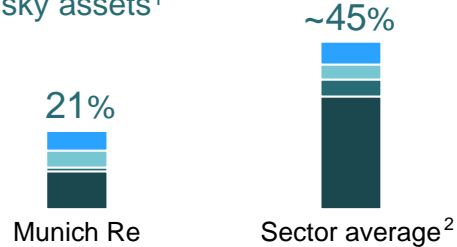
- Positive run-off responds to benign loss emergence while preserving confidence level
- Cautious initial loss picks for new underwriting year expected to unwind over time

# Investment portfolio – Resilience to capital market shocks while providing reliable earnings contribution

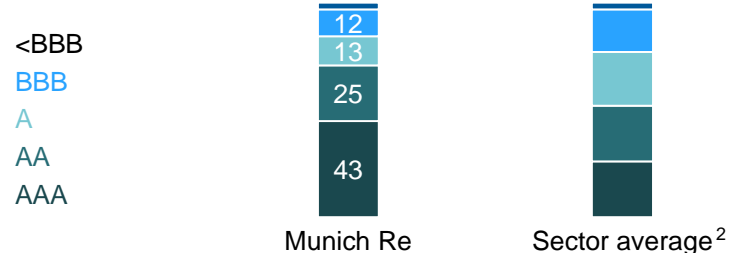
## PROTECT DOWNSIDE Well-balanced profile

Low exposure to risky assets<sup>1</sup>

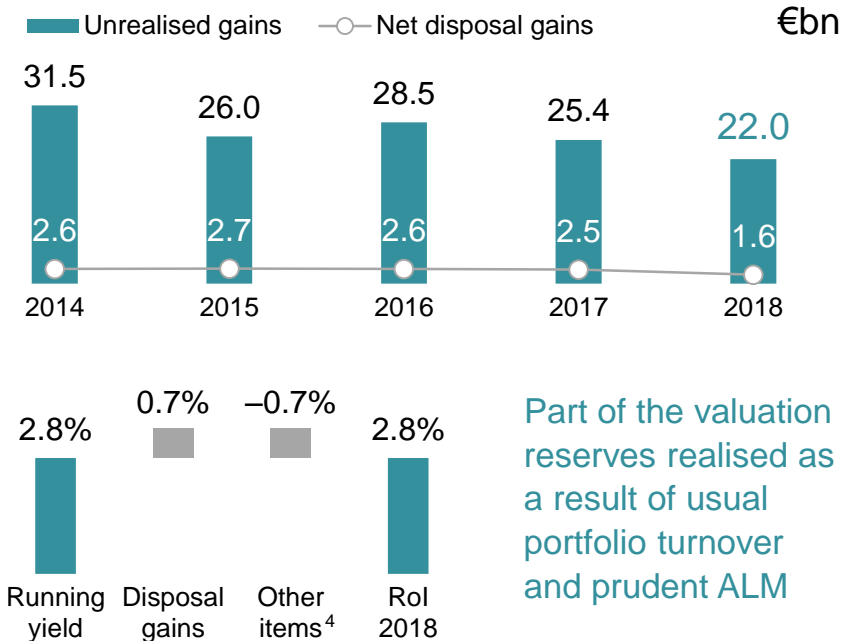
Equity  
Real estate  
ABS/MBS  
Corporates



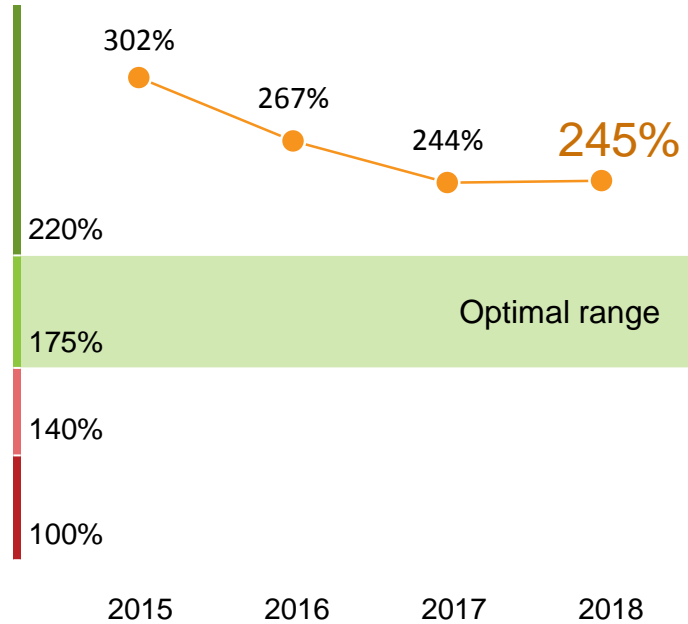
High rating quality<sup>3</sup>



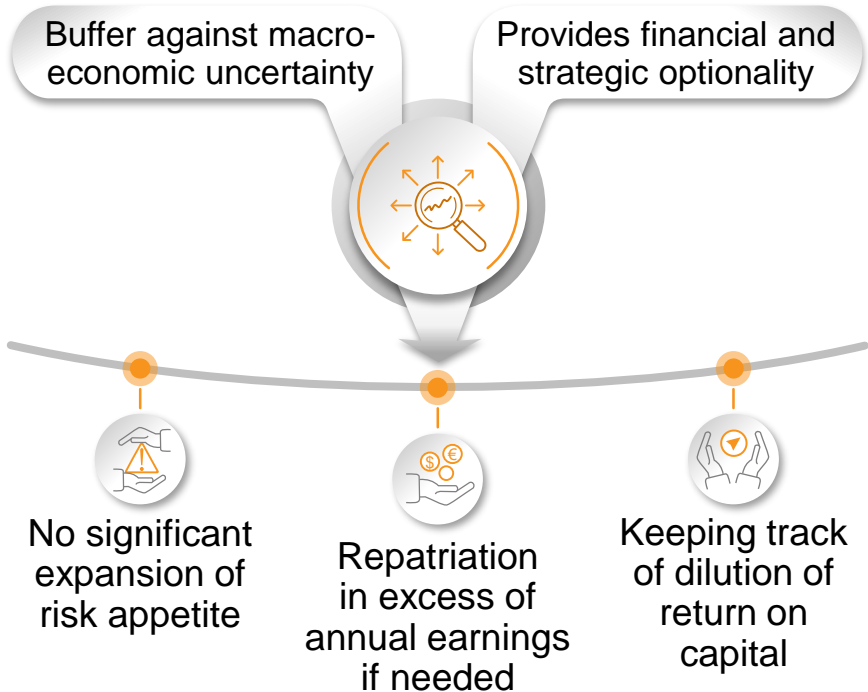
## SUPPORT EARNINGS Ongoing disposal gains



# Solvency II ratio – Stable capitalisation despite volatile capital markets



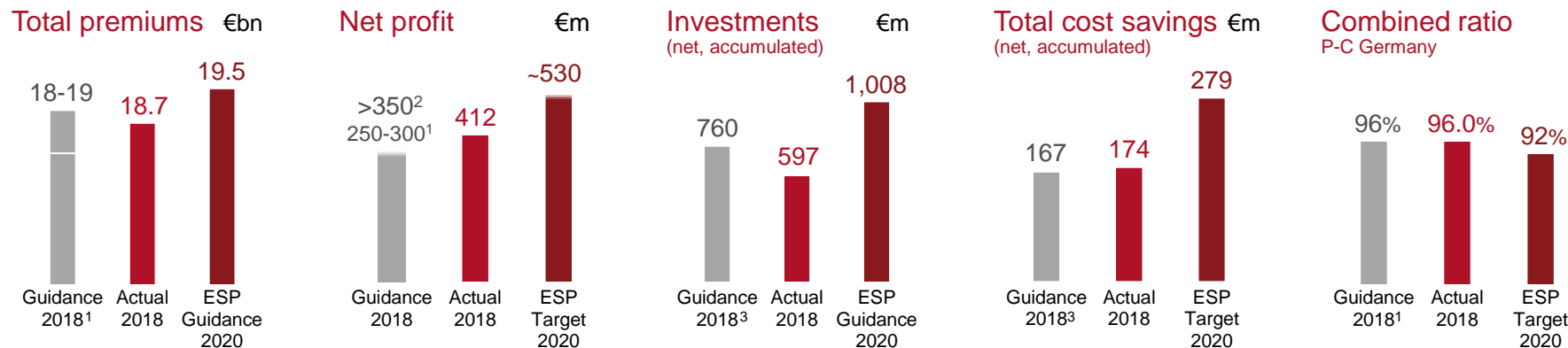
## Keeping SII ratio above the optimal range



ERGO



# ERGO Strategy Programme (ESP) on track – Consistent financial delivery and consequent strategic execution



## ERGO Germany

### GROUNDWORK FOR GROWTH

- Tied agent productivity increased by ~20%<sup>4,5</sup>
- New business increased by ~10%, new business in Life increased by 25%<sup>4,5</sup> driven by attractive product portfolio
- Overall cost savings (€174m of €279m) and FTE reduction (~1,240 of ~2,100) in plan

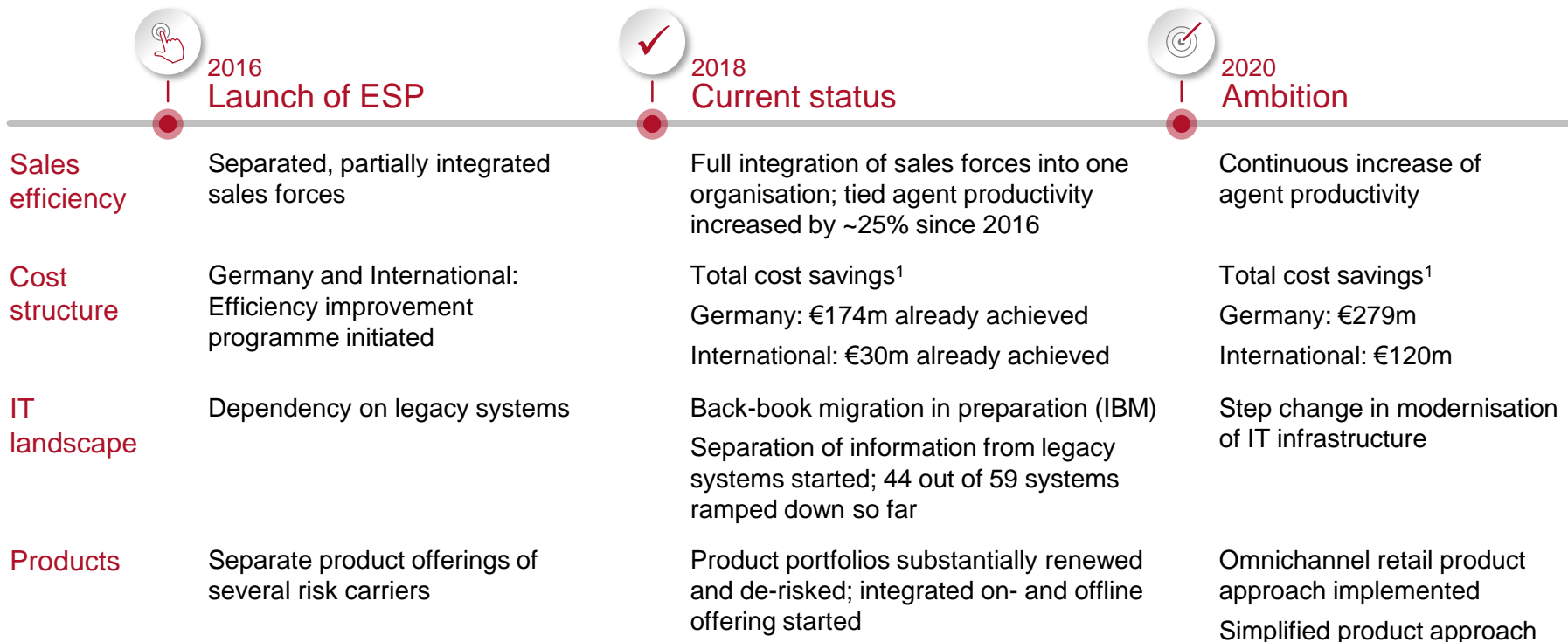
### INNOVATION AND DIGITISATION

- nexible more than doubled<sup>5</sup> number of policies to ~50,000
- Increasing number of use cases for robotics, voice and AI, modernisation of IT infrastructure on its way
- Number of users of ERGO-wide customer self-service portal increased by 31%<sup>5</sup> to ~900,000

## ERGO International

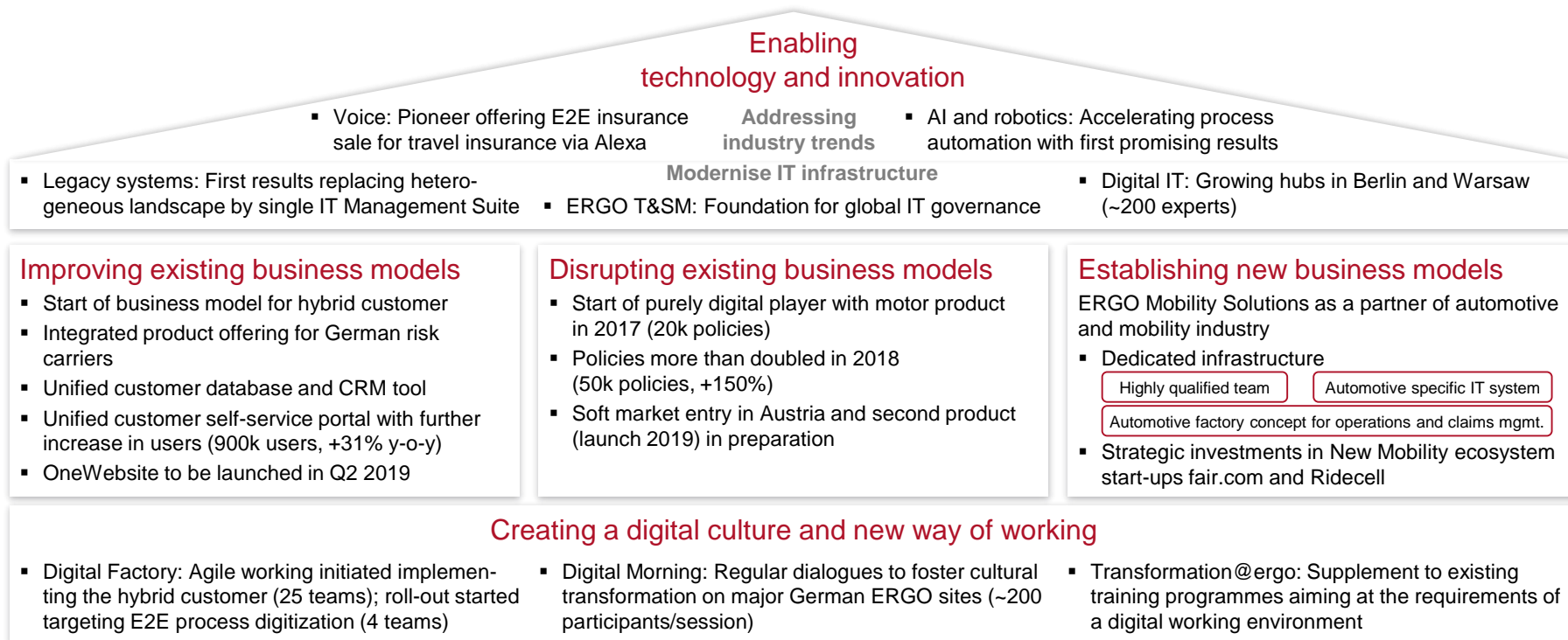
- Portfolio consolidation fully on track
- Increased profits in core markets esp. Poland, Baltics, Spain and Austria
- Strong premium development<sup>5</sup> in India (+14%) and China (+45%)

# ERGO Strategy Programme – Highlights



<sup>1</sup> Net, accumulated.

# Framework for digitalisation at ERGO



# Life and Health Germany

## Status 2018

GROSS PREMIUMS WRITTEN

**€9.3bn** (€9.2bn)



NET RESULT

**€264m** (€175m)

ROI

**2.9%** (3.5%)

## Life

**New IT platform: Reducing legacy risks, lifting efficiency gains**

- Life portfolio management partnership with IBM
- Ramp-up phase successfully completed, migration of first tranche expected for Q1 2020
- Reduction of IT costs (sourcing/partnership) and realisation of efficiency gains

**Maintain sustainable profitability**

- Strengthen earnings potential of back book over time while maintaining financial stability
- Operational and organisational separation of classic life business completed
- Continued hedging programme via receiver swaptions and new interest-rate reinsurance programme to mitigate interest-rate risk

## Health

**Strong position in comprehensive insurance**

- Stable and attractive earnings contribution
- Offering for online and hybrid customers further developed
- Position as second biggest insurer in German market (GWP: €3.7bn) confirmed

**Market leadership in supplementary health**

- Further growth in supplementary health business (+12%<sup>1</sup>)
- ERGO clear market leader (GWP: €1.6bn) – expansion in long-term care and direct insurance
- Hybrid customer: All relevant supplementary health products available online



# Property-casualty Germany

## Status 2018

GROSS PREMIUMS WRITTEN

**€3.4bn** (€3.3bn)



NET RESULT

**€45m** (€57m)

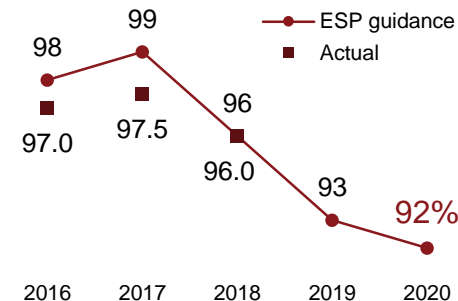
COMBINED RATIO

**96.0%** (97.5%)

## Combined ratio – On track to 92% target

Improvement driven by

- Top-line growth
- Decrease in expense ratio mainly driven by realisation of efficiency gains and decreasing ESP investments
- Decrease in claims ratio influenced by E2E digitalisation of claims processes, e.g. motor, further product lines planned



## Products – Achievements in 2018

- Modularisation and simplification of retail product portfolio
- New IT back-end system and pricing engine for motor business implemented, ~7m policies migrated
- New motor tariff with simplified product model launched, further product optimisations planned
- Profitable premium growth in commercial and industrial business

# International

## Status 2018

### GROSS PREMIUMS WRITTEN

P-C **€2.8bn** (€2.8bn)

Life **€0.8bn** (€0.9bn)

Health **€1.4bn** (€1.4bn)

### NET RESULT

**€103m** (€40m)

### COMBINED RATIO

**94.6%** (95.3%)



## Strengthen presence in core markets

- **Poland and Baltics:** Significant contribution, continuous high profitability of motor business
- **Greece:** Bancassurance cooperation extended (10 years)
- **Spain** Health: Operational improvement leading to higher profit
- **Belgium** Health: Premium growth<sup>2</sup> (+7%), product portfolio de-risking started

## Capture opportunities in dedicated growth markets

- Positive development in major growth markets despite adverse currency effects
- **India:** Good premium growth<sup>2</sup> (+14%)
- **China:** Significant premium increase<sup>2</sup> (+45%)

## Execute international optimisation

- Progress in defined portfolio optimisation: Sale of 13 entities<sup>1</sup>
- Implementation of cost optimisation programme: Planned savings of ~€80m (gross, run rate) until 2020, efficiency measures on track

# Reinsurance



# Good 2018 performance

## PROPERTY-CASUALTY

### NET RESULT

**€1,135m** (–€476m)

Sound underlying profitability despite higher frequency of smaller and medium-sized losses

### COMBINED RATIO

**99.4%** (114.1%)

Close to original full-year target – underlying combined ratio ~99%

### RESERVE RELEASES<sup>1</sup>

**4.6%** (5.2%)

Absolute amount of reserve releases largely unchanged – confidence level preserved



## LIFE AND HEALTH

### NET RESULT

**€729m** (€596m)

Improvement in line with technical result and high investment result

### TECHNICAL RESULT INCL. FEE INCOME

**€584m** (€428m)

Significantly above guidance due to favourable claims experience and pleasing new business development

### NEW BUSINESS CONTRIBUTION

**€1.1bn** (€1.1bn)

Again attractive level – driven by strong traditional business in NA and Asia as well as FinMoRe

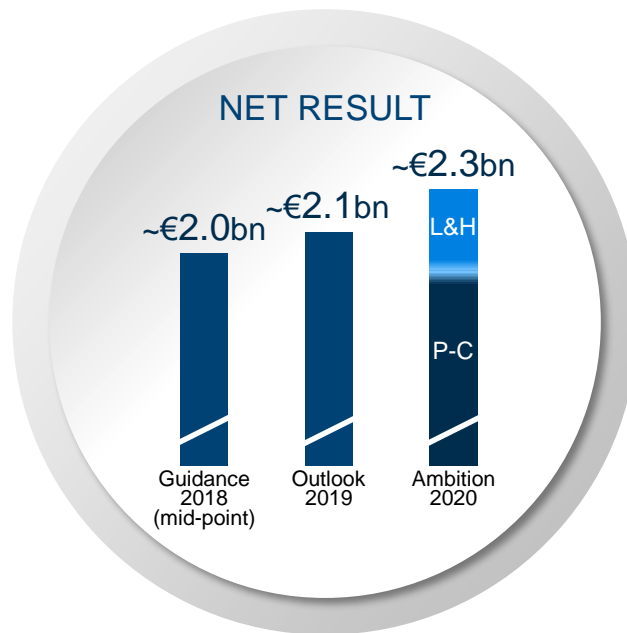
# Reinsurance business delivers on 2020 ambition

## PROPERTY-CASUALTY

### Execution of growth strategy

- Profitable growth strategy gaining traction
- Portfolio mix can affect combined ratio without profitability implications
- Net result not only driven by pure technical result, but also by risk-free interest rates and non-technical income items
- Cost management to support combined ratio in 2019 and 2020

## REINSURANCE



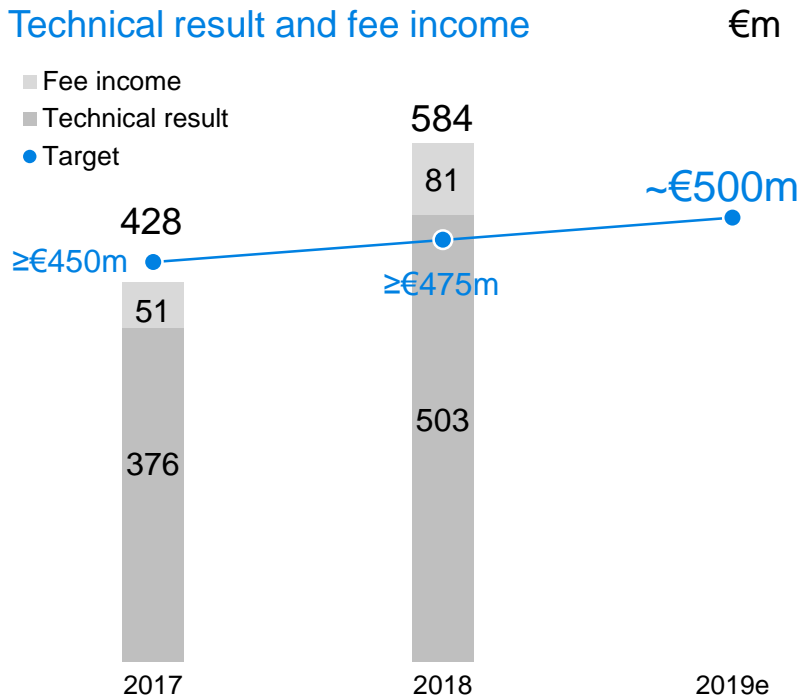
## LIFE AND HEALTH

### Growing result contributes to Group ambition

- Continuous earnings growth from vital new business proposition
- Active portfolio management may lead to short-term volatility while being accretive to earnings in the longer term

# Sustainable new business proposition and active portfolio management foster earnings growth

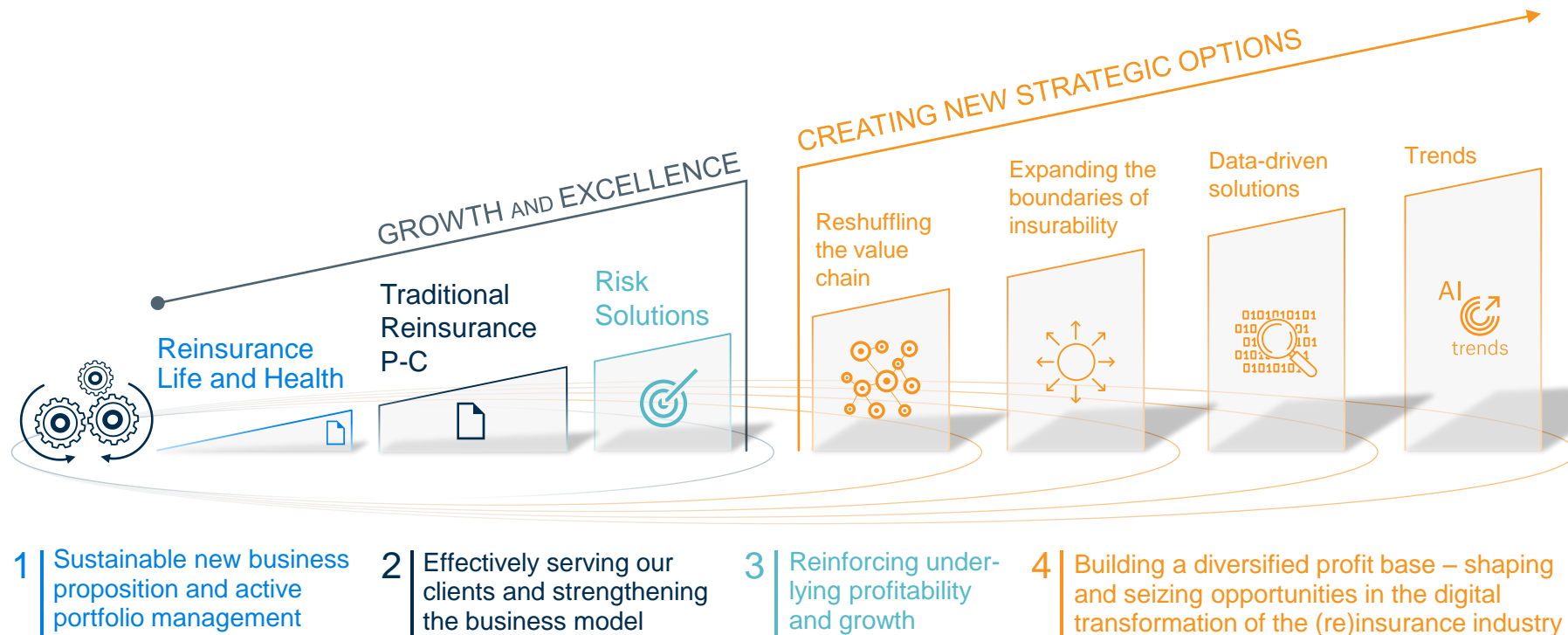
## Technical result and fee income



## Steady earnings growth

- Strong footprint in traditional reinsurance as the core of new business generation
- Established initiatives (FinMoRe, Asia, asset protection, longevity) contributing to growth
- New reinsurance products and risk-related services
- Active portfolio management improving earnings stability and reducing strain from underperforming business
- Guidance 2019 assumes claims in the range of expectation and no major one-offs from in-force management

# Munich Re is well positioned to profitably grow its core business fields and drive innovation in the industry



## 2 | Strategic initiatives are delivering

### BUSINESS GROWTH



#### Top position in core mature markets

- ✓ Expansion in currently under-represented segments/markets
- ✓ Stronger focus on US regional business
- ✓ Selective expansion of cat XL business

#### Smart growth in core emerging markets

- ✓ Focus on Asia, Latin America and Africa
- ✓ Expansion of specialty business, e.g. agro, marine, credit/mortgage
- ✓ Public-sector development – closing the protection gap

#### Capital management solutions

- ✓ Expanding global footprint
- ✓ Diversifying portfolio

### BUSINESS EXCELLENCE



#### Living client centricity

- ✓ Regional centers successfully implemented
- ✓ ADVANCE<sup>1</sup> with strong response

#### First-class underwriting and risk management

- ✓ Invest in in-house cyber expertise and technology partnerships

#### Efficient and agile processes

- ✓ Complexity and cost reduction
- ✓ Digitalisation of selective processes and functions
- ✓ Global IT transformation

<sup>1</sup> Renewed top-talent programme for clients.



# 4 | We focus on tangible business impact – Innovative and more disruptive offerings are gaining traction

## MUNICH RE STRATEGIC ADVANTAGES

Domain expertise in underwriting, claims, risk management

Efficient access to new solutions

Global presence

Financial strength

Strong brand and reputation

No IT legacy

*Details on next slides*

### Reshuffling the value chain



- Digital cooperation models (e.g. Digital Partners, SaveUp)
- IoT applications and services (via HSB/relayr)

### Expanding the boundaries of insurability



- Cyber (re)insurance: GWP 2018 US\$ 473m, low loss ratios, stringent accumulation control
- Cyber embedded service solutions and growing cooperation network, e.g. DXC Technology
- Insurance of AI technology

### Data-driven solutions



- Digitally augmented underwriting/claims solutions for our cedants (e.g. Realytix, Improvex, Non-Life Analytics Platform)

### Investments in technology and people



- Cutting-edge AI cooperations (e.g. DFKI<sup>1</sup> membership)
- Global analytics organisation and infrastructure in place
- Data science community >200 FTEs

### Strategic investments in partnerships



- >€130m invested<sup>2</sup> in >20 companies (e.g. Team 8) focusing on InsurTech, IoT, data analytics and AI
- Focus on joint value creation

## 4 | Internet of Things – Developing insurance, finance and technology solutions

### SME

Loss prevention via sensor deployment

Direct (HSB) or white-labelling for insurers

### MID to LARGE

Insurance and financial solutions

End-to-end IoT implementations

Direct (HSB/relayr)

### LARGE INDUSTRIAL

Financial asset and risk management

Direct/via industry partners

We bring the technology

- Acquisition of **meshify**
- Turnkey IoT solutions in place<sup>1</sup>
- Ongoing commercialisation

Partners bring the technology

- Acquisition of relayr.

- Partnerships with leading IoT industrials



**BOSCH**

**MHP**  
A PORSCHE COMPANY

**KUKA**

<sup>1</sup> Applications monitored include water detection, freeze loss, perishable goods, mould and more.

This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments.