S&P Global Ratings

RatingsDirect®

Munich Reinsurance Co.

Primary Credit Analyst:
Johannes Bender, Frankfurt + 49 693 399 9196; johannes.bender@spglobal.com

Secondary Contact:
Jean Paul Huby Klein, Frankfurt + 49 693 399 9198; jeanpaul.hubyklein@spglobal.com

Table Of Contents

Munich Reinsurance Co.

Anchor	aa-	+	Modifiers	1	=	SACP	aa		

Business Risk	Very Strong
Competitive position	Excellent
IICRA	Intermediate
Financial Risk	**Strong**
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral

Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	1

+

Support	0
Group support	0
Government support	0

=

AA/Stable/--

Financial strength rating

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
A leading position in the global property/casualty (P/C) and life reinsurance markets with a well-recognized brand name.	Exposure to natural catastrophe risks, bringing volatility to capital and earnings, in line with peers.
Earnings supported by superior diversification across regions and products to peers, including sound earnings from its primary insurance operations.	
A strong track record of maintaining healthy capital adequacy under regulatory requirements and at least above the 99.95% confidence level based on S&P Global Ratings' capital model, backed by well-defined risk-management practices and strong reserve adequacy.	

Munich Re's earnings diversification compares well with that of peers and benefits from sound technical performance in all its major divisions. Compared with most reinsurance peers, the Munich Re group benefits from higher diversification and lower dependence on cyclical businesses such as short-tail property/casualty (P/C) reinsurance since Munich Re benefits from sound technical performance in all its major divisions. These are P/C reinsurance, life reinsurance, global specialty insurance, and retail primary insurance (through Ergo). Given that its life reinsurance and primary insurance business is less cyclical and less exposed to catastrophes, we anticipate that Munich Re would be more able to withstand large natural catastrophes or a softening P/C reinsurance market than its peers. The recent announced acquisition of NEXT Insurance in our view bears the potential to further increase earnings potential from Ergo with NEXT Insurance focusing on small to medium enterprises in the US. For 2025, we assume consistent earnings contributions in a "normalized" natural catastrophe environment in which about 50% of net profits are generated outside P/C reinsurance.

Our base case indicates that its strong and well-diversified earnings will remain in line with 'AA' rated peers such as Allianz, Zurich, and Chubb for the next two years. Based on International Financial Reporting Standard 17 (IFRS 17) in 2024, the group reported net income of €5.7 billion and a return on equity (ROE) of 18.2%. Its consolidated combined (loss and expense) ratio of 84.4% in 2024 included consolidated results for Ergo Germany, its P/C reinsurance unit, and Ergo International. We consider Munich Re well placed to post net income of €5.5 billion-€6.0 billion, ROE above 16%, and a consolidated combined ratio of 84%-87% in 2025-2026. In our base-case scenario, we forecast that about 16-17 percentage points of the P/C reinsurance business's combined ratio will stem from natural catastrophe and large losses caused by human activity. At the same time, we expect about 6 percentage points to come from positive run-off results from loss reserves in the previous year. The California wildfires in January 2025 will affect Munich Re's natural catastrophe budget in the remaining quarters of 2025, but we believe at this point that the base case is still achievable, although the headroom after the wildfires in the large loss budget is smaller than in prior years.

Capital management remains conservative and robust. We anticipate that the group will maintain very strong capital and earnings in 2025 and 2026, supported by capital adequacy comfortably above the 99.95% confidence level according to the S&P Global Ratings' capital model and a conservative approach to reserves. We also expect the group's sound earnings to enable it to finance its growth, as well as capital repatriation via dividends and share buybacks. Munich Re's Solvency II ratio remained high, at 287%, at year-end 2024, which compares well with peers. We anticipate that the group's conservative balance sheet and strong reserving will enable it to cope well with challenges, such as social inflation and capital market volatility.

The very strong business risk profile and strong assessment of the financial risk profile leads to a split anchor of 'aa-'and 'a+'. We maintain the higher anchor of 'aa-' to reflect the group's market leading position as a global market leader in global reinsurance and diverse business operations in primary markets, as well as very strong reserving. We also apply a one-notch +1 comparable rating analysis uplift to the standalone credit profile (SACP) leading to an overall rating of 'AA'.

Outlook: Stable

The stable outlook indicates that, in our view, the group is likely to preserve its excellent competitive position and conservative capital management over the next two years, supported by its strong and diversified earnings profile.

Downside scenario

We could lower the ratings within the next 12-24 months if the group appears likely to perform below our expectations or 'AA' rated peers for a prolonged time, or if its risk-based capital adequacy declines and is forecast to remain below the 99.95% confidence level for a similar period. This could occur if Munich Re incurs materially higher investment charges or suffers significant and unexpected losses from large natural catastrophes.

Upside scenario

An upgrade is very unlikely over the next 24 months, given the potential for Munich Re's earnings profile to be more volatile than those of higher rated peers.

Key Assumptions

- Heightened U.S. policy uncertainty, mainly related to tariffs, is dominating the global macro narrative.
- We expect growth of 1.9% in GDP in the U.S. and 0.9% in the eurozone in 2025.
- We forecast the 10-year benchmark U.S. Treasury rate, will likely be 4.2% in 2025 before gradually reducing to 3.6%-3.67 in 2027-2028.
- For the eurozone we expect a 10-year government bond yield of 3.2% in 2025-2028.
- The global reinsurance industry earned its cost of capital in 2023 and 2024, and we expect it to do so in 2025.
- Despite signs of moderation in property pricing, we think overall conditions are still favorable, and we expect the reinsurance industry will continue to post strong results.

Key Metrics

Table 1

Munich Reinsurance Co.--Key forecast ratios					
	IFRS 17	**IFRS 17**	**IFRS 17**	**IFRS 17**	**IFRS 17**
	2026F	**20025F**	**2024A**	**2023A**	**2022A**
Insurance Revenue	62,000-65,000	62,000-65,000	60,828.0	57,883.0	55,382.0
EBITDA	N/A	N/A	8,212.0	6,595.0	9,516.0
Net income (attributable to shareholders)	5,500-6,000	5,500-6,000	5,670.0	4,597.0	5,308.0
S&P Global Ratings capital adequacy (%)	at least 99.95	at least 99.95	at least 99.99	at least 99.99	AA
Return on shareholder's equity (%)	16-18	16-18	18.1	16.1	39.0
EBITDA fixed-charge coverage (x)	>30	>30	39.7	39.3	53.2
Financial leverage inlcuding pension deficit as debt (%)	<30	<30	20.1	18.3	19.5
PC : Net combined ratio (%)*	84-87	84-87	84.4	86.3	85.5
Return on revenue (%)	10-12	10-12	11.7	10.0	15.1
Return on assets (excluding investment gains/losses) (%)	N/A	N/A	3.0	2.5	7.2

*consolidated combined ratio including all segments. A--Actual, F--Forecast. IFRS--International financial reporting standards. N/A--Not applicable.

Business Risk Profile: Very Strong

Munich Re's competitive advantage stems from its excellent franchise and market-leading positions in the global P/C and life reinsurance markets. Its recognized brand, presence, and expertise in the global reinsurance market are also key differentiating factors that are difficult to replicate. Munich Re benefits from a well-diversified portfolio across all regions and segments, sound positions in the German life and P/C primary insurance markets, and a leading position in German health insurance. The group also has primary insurance operations in other European markets and Asia. The primary insurance business has been a strong earnings contributor for Munich Re, stabilizing net results compared with those of reinsurance peers. Moreover, Munich Re has built a sizable position in global specialty insurance via different units offering a wide range of services, such as commercial business and cyber, thereby providing additional diversification benefits.

In our opinion, the life reinsurance business has low industry risk, owing to its positive underlying earnings in the absence of pandemic-related losses and high barriers to potential new entrants. However, volatility is higher in the P/C reinsurance business due to exposure to natural catastrophes. Moreover, the German primary life insurance industry remains exposed to asset-liability risks from long life insurance contracts with guarantees, while the German primary health insurance sector faces some political risks.

Munich Re's global presence in its various business lines and its unique diversification by line of business compared with most of its reinsurance peers make it less vulnerable to adverse developments in individual markets and single lines of business. In recent years, earnings among the group's P/C reinsurance, life reinsurance, and primary insurance businesses are well diversified, with an increasingly balanced earnings mix. Overall, earnings remain exposed to volatility from P/C reinsurance, but the group has built a track record of improving the relative earnings contribution from less volatile lines of business such as primary insurance, life reinsurance, and global specialty insurance.

Financial Risk Profile: Strong

In our view, Munich Re's financial risk profile remains conservative. We anticipate that the group will maintain very strong capital and earnings in 2025, supported by capital adequacy comfortably above the 99.95% confidence level and a conservative approach to reserves. We also expect the group's sound earnings to enable it to finance its growth, as well as capital repatriation via dividends and share buybacks.

Munich Re's investment exposure remains conservative with about 70% at year-end 2024 of the total portfolio invested in highly rated fixed income securities, limited listed equity exposure of about 4% and about 17% in alternative investments including real estate, private equity, and private debt.

Munich Re's Solvency II ratio remained high, at 287% in 2024, which compares well with peers. We anticipate that the group's conservative balance sheet and strong reserving will enable it to cope well with challenges, such as social inflation and capital market volatility. That said, we consider that Munich Re's exposure to large tail risks, such as natural catastrophes, could lead to some capital and earnings volatility. These risks are partially offset by the group's extremely diversified portfolio, strong risk controls, and cautious reserving practices, in our view.

Munich Re can access the capital markets as a publicly listed company and has a track record of debt issuances. We think Munich Re's ability to raise additional funding, if required, and its low financial leverage compared with that of peers will remain strong benefits. We expect the group's financial leverage to be below 30% and its fixed-charge coverage ratio to remain above 30x over the next two years.

Other Key Credit Considerations

Governance

We think the management team has a consistent and successful track record of strategic planning, strong execution, and transparent, demanding, and sophisticated financial management. Munich Re also has a strong track record of meeting its financial and strategic targets. The group's well-established governance framework remains a key strength. Its risk culture, controls, models, emerging, strategic risk management, and capital model support the assessment. Munich Re is a complex, global, and diversified group operating in many regions and across diverse lines of business. We do not expect the group to experience losses beyond its risk tolerance over our two-year outlook horizon. The group's economic capital model is robust and fully integrated, which it uses to steer business decisions.

Liquidity

We expect Munich Re's liquidity will remain exceptional over the next two years. The group has ample liquidity sources available, mainly premium income and a highly liquid asset portfolio. Moreover, in our view there are no refinancing issues.

Comparable ratings analysis

We apply a one-notch comparable rating analysis uplift to the stand-alone credit profile (SACP). This reflects our view that Munich Re has demonstrated its ability to leverage its market leading position in global P/C reinsurance in the current favorable market environment, while Munich Re's other lines of business--in particular its primary insurance operations ERGO, life reinsurance and specialty P/C insurance--continue to be significant earnings contributors making the group more resilient than peers. In our view, Munich Re's strong and well-diversified earnings are in line with 'AA' rated peers such as Allianz, Zurich, or Chubb.

Group support

The ratings on ERGO Group AG (A+/Stable/--) and Munich Re America Corp. (A/Stable/--) reflect these companies' group status as intermediate non-operating holding companies. The lower rating on Munich Re America Corp. reflects our view of greater structural subordination within insurance groups in the U.S. compared with those outside the U.S.

Environmental, social, and governance

The group's exposure to environmental and social risks is consistent with that of the global insurance industry and broadly in line with global reinsurance peers. However, we consider the group's exposure to losses from extreme weather a source of potentially material capital and earnings volatility. Nevertheless, Munich Re has built a strong capital buffer to safeguard its business against adverse market developments, including high catastrophe losses like those seen in recent years, and by diversifying its portfolio across various business lines and regions.

Munich Re's climate research is helping to raise awareness about the implications of climate change. Climate change can increase the amount of extreme weather events, elevating claims. However, the group's option to reprice its catastrophe contracts annually should mitigate the potential increase in claims from natural catastrophes, in part due to climate change. Given Munich Re's strong risk management and modeling capabilities, we think the group is unlikely to experience losses greater than its risk tolerance.

Through its life reinsurance and its primary life insurance business, Munich Re is exposed to social factors such as changes in demographic trends. Greater longevity and other mortality trends can increase insurance liabilities. However, this is a common problem for life insurers and reinsurers. We anticipate that Munich Re's diversification in its global book of business and the variety of life insurance products it offers will mitigate risks.

Accounting considerations

Munich Re reports its consolidated financial statements under IFRS. Munich Re started to report under IFRS 17 and9 from Jan. 1, 2023.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

This article does not constitute a rating action

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	**Strong**	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	**aa-/a+**	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of April 30, 2025)*

Operating Company Covered By This Report	
Munich Reinsurance Co.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Junior Subordinated	A+

Ratings Detail (As Of April 30, 2025)*(cont.)	
Related Entities	
American Alternative Insurance Corp.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
ERGO Group AG	
Issuer Credit Rating	
Local Currency	A+/Stable/--
ERGO Versicherung AG	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Great Lakes Insurance SE	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Great Lakes Insurance SE (Australia Branch)	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Great Lakes Insurance UK Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Munich American Reassurance Co.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Munich Re America Corp.	
Issuer Credit Rating	
Local Currency	A/Stable/--
Senior Unsecured	A
Munich Reins America Inc.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--

Ratings Detail (As Of April 30, 2025)*(cont.)	
Munich Reinsurance Co. of Australasia Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Munich Reinsurance Co. of Canada	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Munich Re of Bermuda, Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Munich Re of Malta PLC	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Munich Re Trading LLC	
Issuer Credit Rating	
Local Currency	AA-/Stable/--
New Reinsurance Co. Ltd	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Princeton Excess & Surplus Lines Insurance Co.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Temple Insurance Co.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
Domicile	Germany

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.