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Renewal 2004

19 February 2004

Highlights of a successful renewal

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- Renewal at 1/1/2004: higher prices and improved conditions for Munich Re – for the third time in succession
- Rate increases averaging nearly 5% on renewed business
- Further improvement in terms and conditions driven by risk limitations and exclusions

Conditions for sustainable profitability set

Further increase in prices

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- Munich Re met profitability targets in all lines of business and regions
- Consolidation of property rates at a technically adequate level
- Casualty rates show further increase

Adequate prices in the entire Munich Re portfolio through selective underwriting

Terms and conditions: Focus for Munich Re

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- Consistent application of restrictive terrorism clauses
- Further implementation of event limits
- Exclusion and limitation of epidemics in high-risk areas
- Reduced exposure in business interruption covers
- Underwriting of large industrial risks increasingly on a facultative basis

Risk profile of our portfolio was further improved:
Positive impact will be sustainable

Changes in premium

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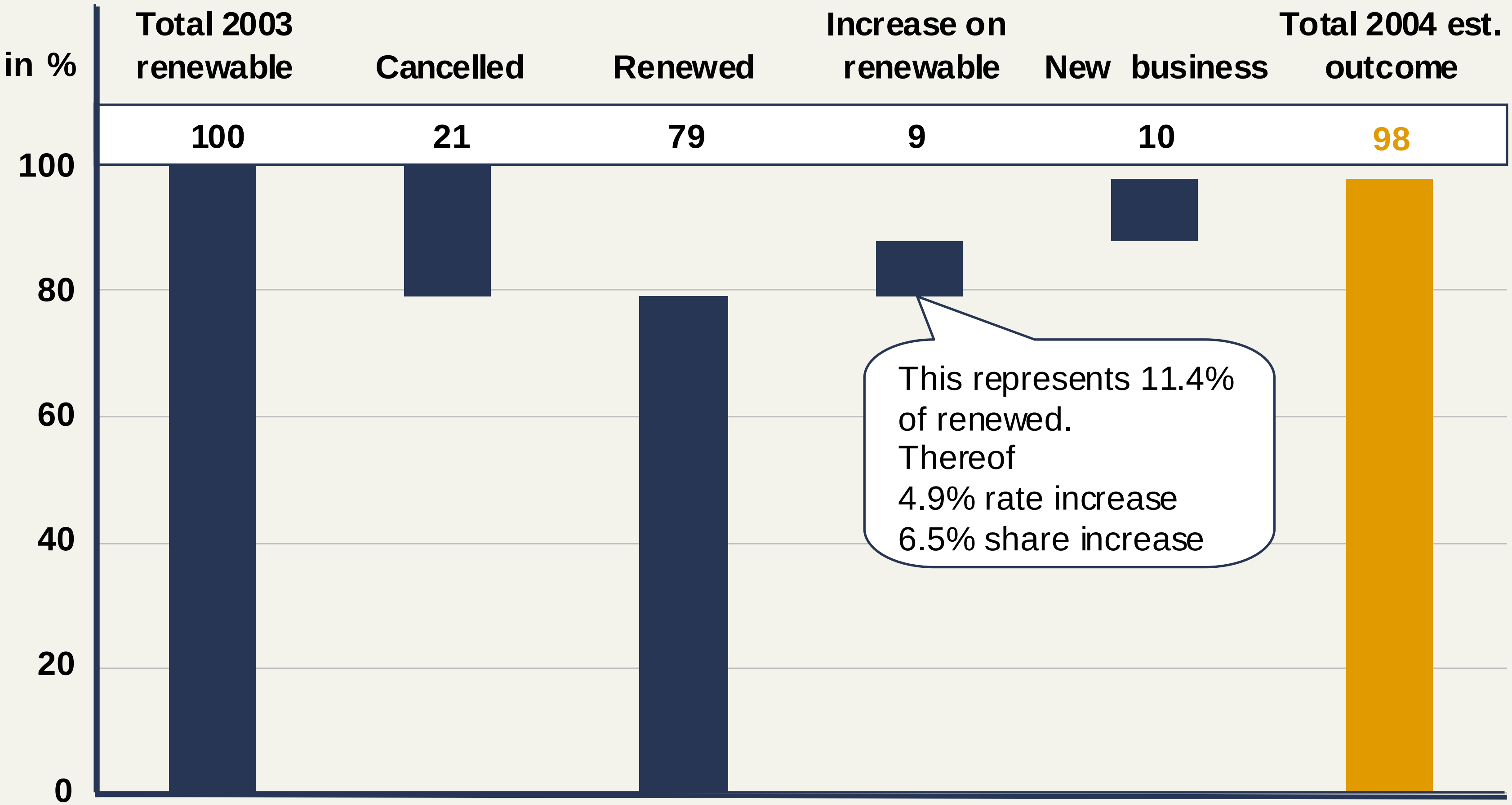


All numbers on 2004 renewals contain estimates

Pricing

- Rates consolidating at technically adequate level
- The favourable loss experience over the last two years is causing pressure with cedants trying for lower rates
- Rates for natural catastrophe covers are starting to decrease

Terms and conditions

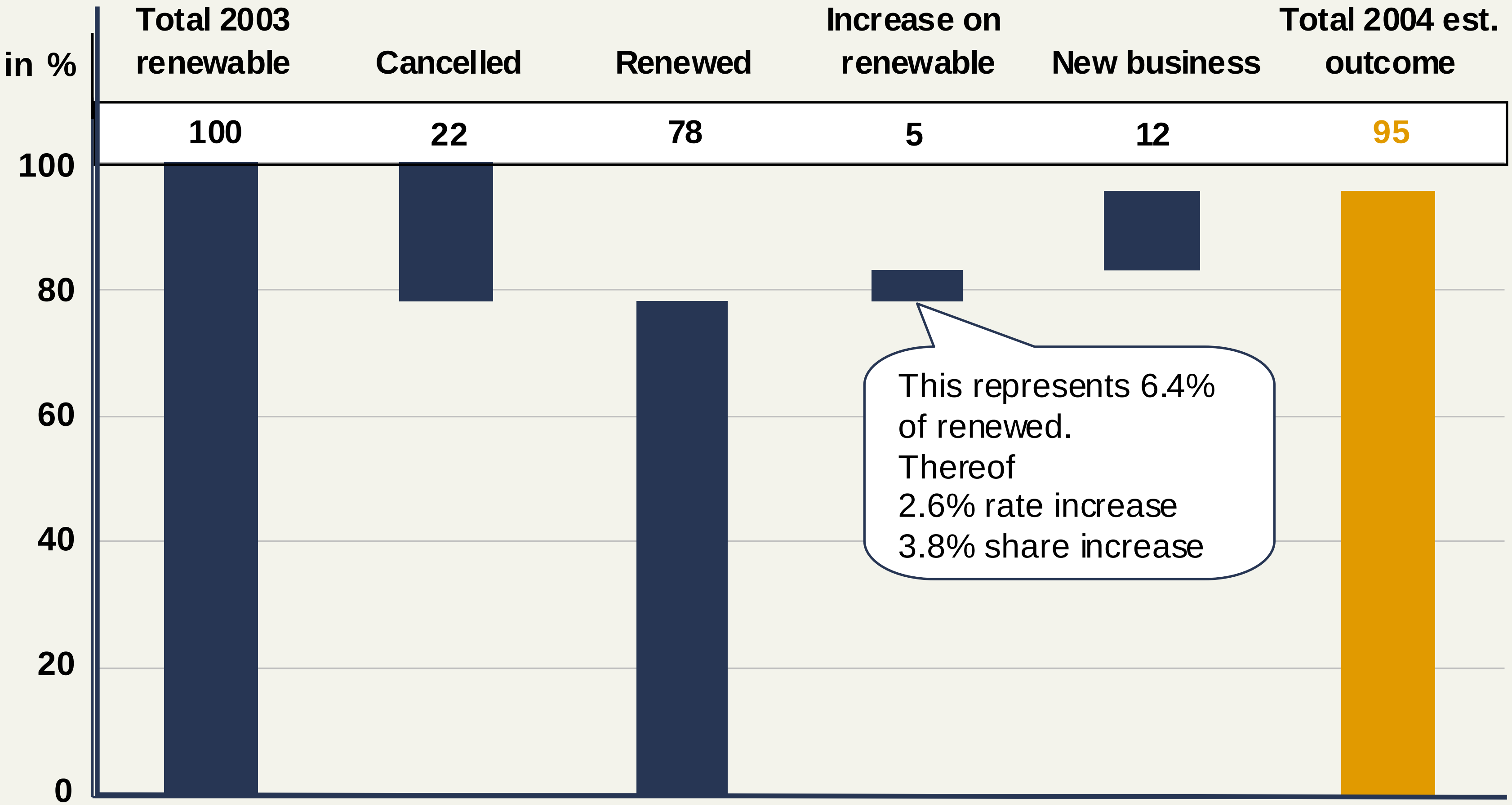
– Further introduction of limitations in the reinsurance of natural catastrophes

– Continuation of our restrictive terrorism insurance concept

– Reduction of exposure in business interruption covers

– More precise exclusion clauses (e.g. Nuclear Causes Exclusion Clause)

Property
Changes in premium



All numbers on 2004 renewals contain estimates

Pricing

– Overall price improvement particularly in large industrial risk and special lines D&O (directors' and officers'), E&O (errors and omissions)

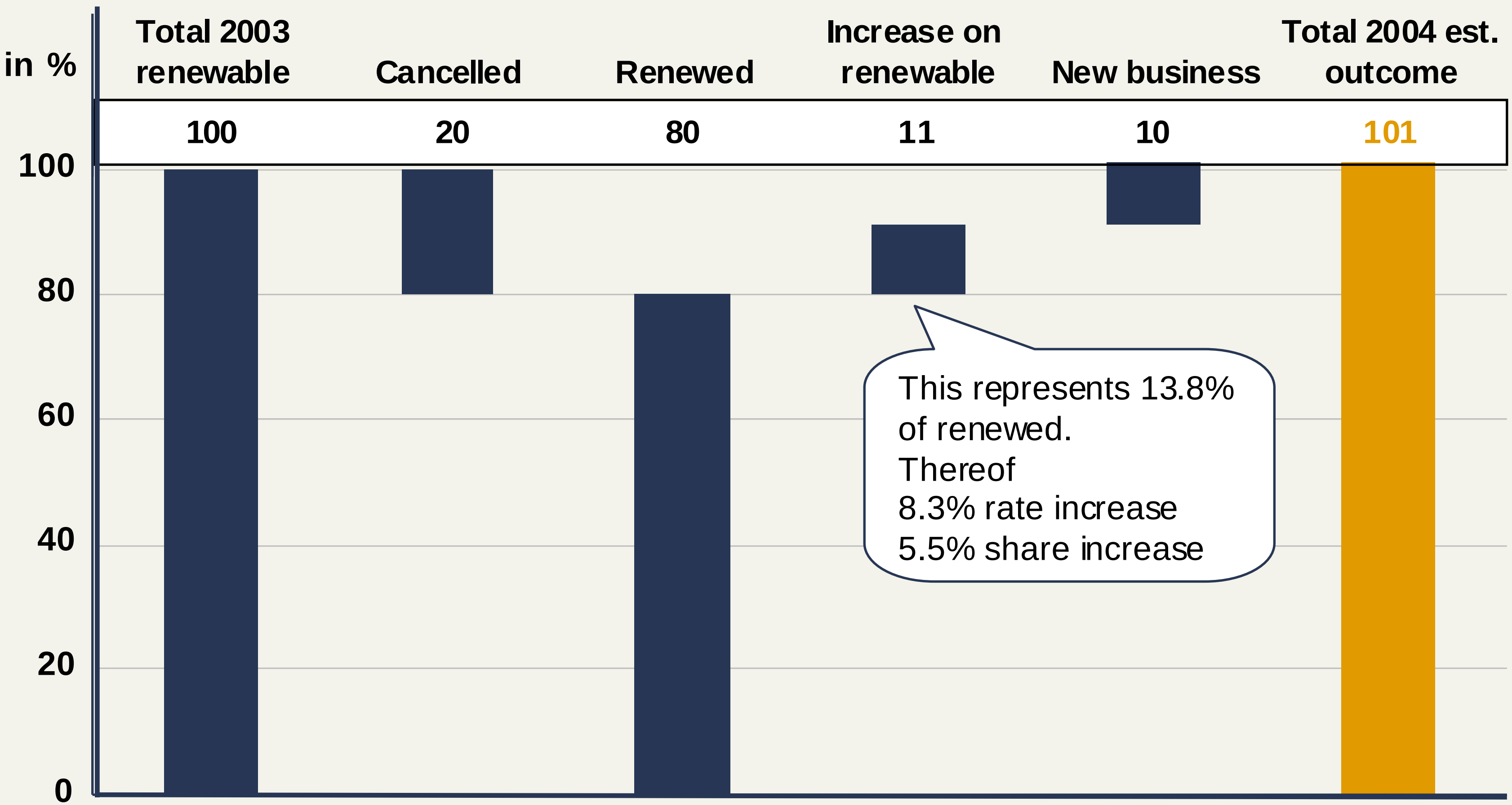
– Proportional reinsurance benefited from favourable situation in primary insurance

– Increase of non-proportional reinsurance rates has slowed down

Terms and conditions

– Increased transparency of risks
– Clearer definitions of the scope of cover
– Tighter exclusions
– Reduced treaty limits
– Reduction of exposures, e.g. in unlimited covers in motor liability

Casualty
Changes in premium



All numbers on 2004 renewals contain estimates

Pricing

- Rate level generally risk-adequate
- Further rate improvements in most classes (direct business)

Terms and conditions

- Implementation of various risk-limiting clauses: MR has leading role in implementation of new RACE Clause (Radioactive Contamination Exclusion Clause)

Marine
Changes in premium

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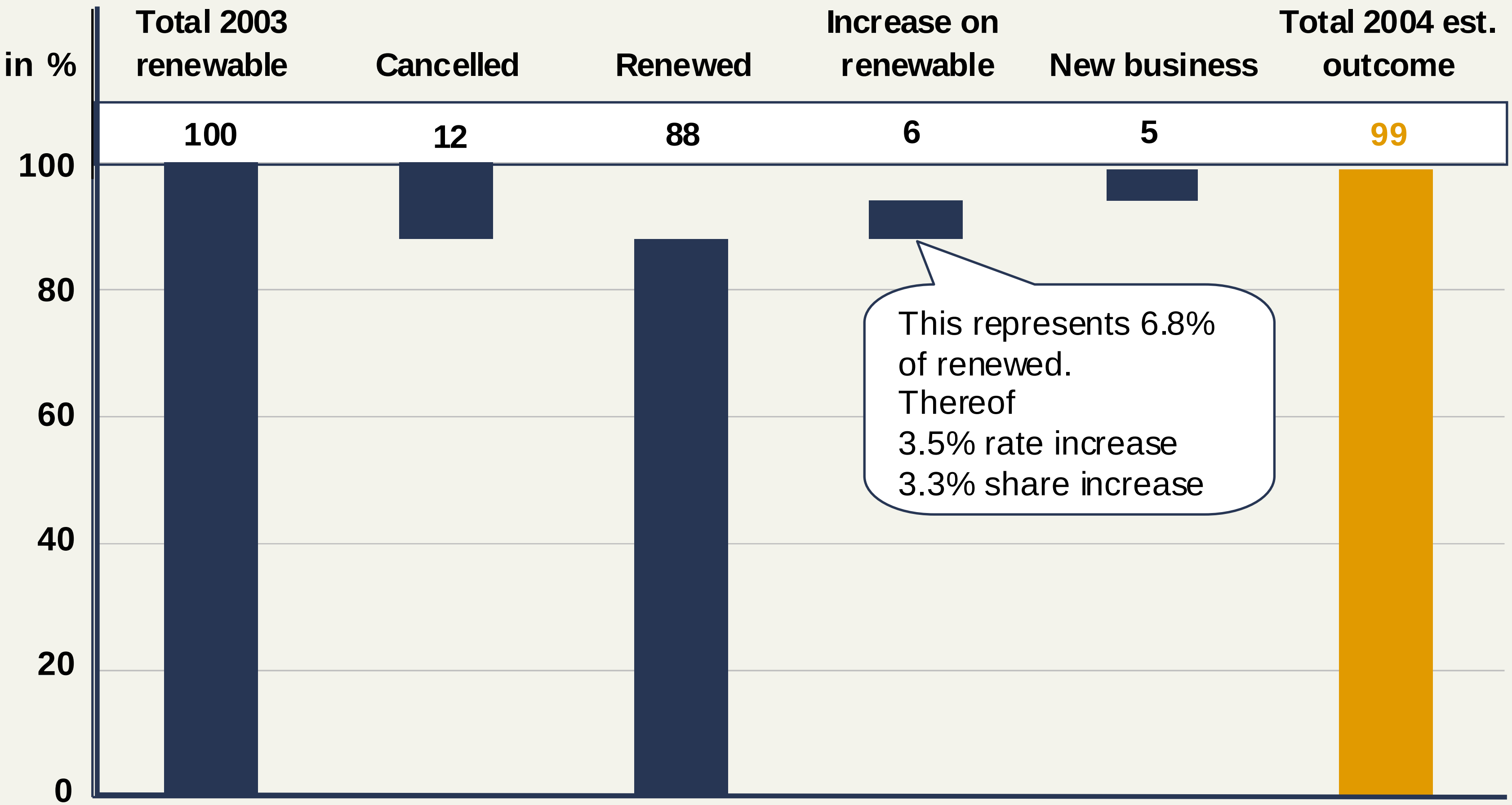

All numbers on 2004 renewals contain estimates

Outlook:
Expected continuation of a stable market

Why?

- Capital position of the industry is adequate but not excessive
- Investment returns do not compensate for poor underwriting results
- Rating agencies' pressure on the industry continues
- Improved price transparency and cycle management
- Demand for reinsurance cover remains high
- Primary insurers aim for stable earnings
- Lessons learned among many industry players

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Application of IAS 32 and IAS 39 (rev. 2003)

February 2004

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Adoption and first application of IAS 32 and IAS 39 (rev. 2003)

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The adopted IAS 32/IAS 39 (rev. 2003) …

IAS 32: Financial Instruments: Disclosure and Presentation
IAS 39: Financial Instruments: Recognition and Measurement

01.01.2001	20.06.2002	14.10.2002	17.12.2003	01.01.2005
Effective date of IAS 39 (rev. 2000)	Publication of an Exposure Draft on IAS 32 and IAS 39	End of public comment period	Adoption of revised IAS 32 and IAS 39	Effective date of IAS 32 and IAS 39 (rev. 2003)

… grant the option to apply the revised standards already in 2003.

Standardized application

01.01.2004	31.12.2004 and 31.12.2005
Opening balance of retained earnings and comparative amounts to be adjusted	Results from the application of the new standards to be recognized in profit and loss

Early application

01.01.2002	31.12.2002 and 31.12.2003
Opening balance of retained earnings and comparative amounts to be adjusted	Results from the application of the new standards to be recognized in profit and loss

Major changes included in IAS 32 and IAS 39 (rev. 2003)

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IAS 32 (rev. 2000) vs. IAS 32 (rev. 2003)

The carrying amounts of financial instruments exposed to interest rate risk may be presented grouped by those that are contracted to mature or be repriced in the following periods after the balance sheet date: …

IAS 32 (rev. 2000)	IAS 32 (rev. 2003)
…	…
(i) in one year or less;	(i) in one year or less;
(ii) in more than one year but not more than five years;	(ii) in more than one year but not more than two years;
(iii) in more than five years.	(iii) in more two years but not more than three years;
	(iv) in more than three years but not more than four years;
	(v) in more than four years but not more than five years;
	(vi) in more than five years.

IAS 39 (rev. 2000) vs. IAS 39 (rev. 2003)

Impairment of an available-for-sale equity instrument …

IAS 39 (rev. 2000)	IAS 39 (rev. 2003)
… due to a significant (20%) **and** prolonged (6 months) decline in the fair value below its cost.	… due to a significant (20%) **or** prolonged (6 months) decline in the fair value below its cost. (IAS 39.61)

Impairment losses of an available-for-sale equity instrument …

IAS 39 (rev. 2000)	IAS 39 (rev. 2003)
… recognized in profit or loss **shall** be reversed through profit or loss.	… recognized in profit or loss **shall not** be reversed through profit or loss. (IAS 39.69)

Gains and losses of an available-for-sale equity instrument …

IAS 39 (rev. 2000)	IAS 39 (rev. 2003)
… **can either** be recognized in profit or loss **or** directly in equity through the statement of changes in equity.	… **shall** be recognized directly in equity through the statement of changes in equity. (IAS 39.55)

Disclaimer

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The information given here, in particular the “Outlook” section, refers to statements relating expressly and implicitly to the future and contains words such as “expect”, “believe”, “assume”, “targets” and other similar expressions. Such forward-looking statements are based on current expectations, estimates, forecasts and prognoses concerning the development of the market as well as management estimates and assumptions. Such forward-looking statements are no guarantee that events or results will actually materialise in the future and are subject to risks, uncertainties, assumptions and other factors that could lead to actual events or results deviating substantially from those anticipated in these forward-looking statements. Other factors include in particular catastrophes that could lead to extraordinary loss burdens as well as considerable price changes on the capital market, namely share price changes which may have an impact on the financial situation of the Munich Re Group.