

Munich Re Group

Dresdner Kleinwort 11th German Investment Seminar New York

Torsten Oletzky, CEO ERGO Group
Primary Insurance in the Munich Re Group

14 January 2009

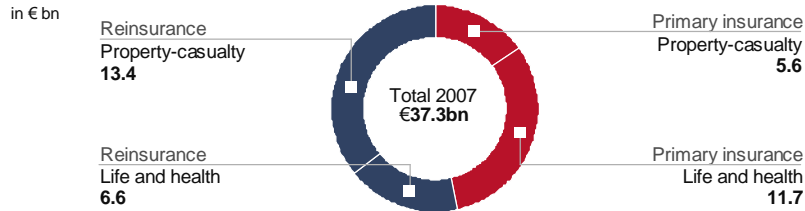


Münchener Rück
Munich Re Group



Successful business model
A leading global insurer

Munich Re Group – Premium breakdown by segment (consolidated)



Reinsurance

- Leading expertise worldwide for 128 years
- Full range of products: from traditional reinsurance to alternative risk financing
- Diversification as key success factor

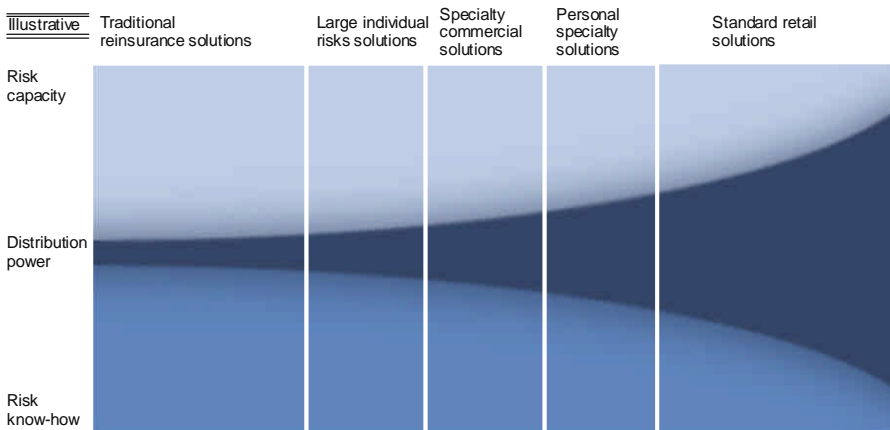
Primary insurance

- Germany-based with growing importance in selected European markets
- Multi-brand – single back office approach
- Focused on personal lines business

Integrated Health approach

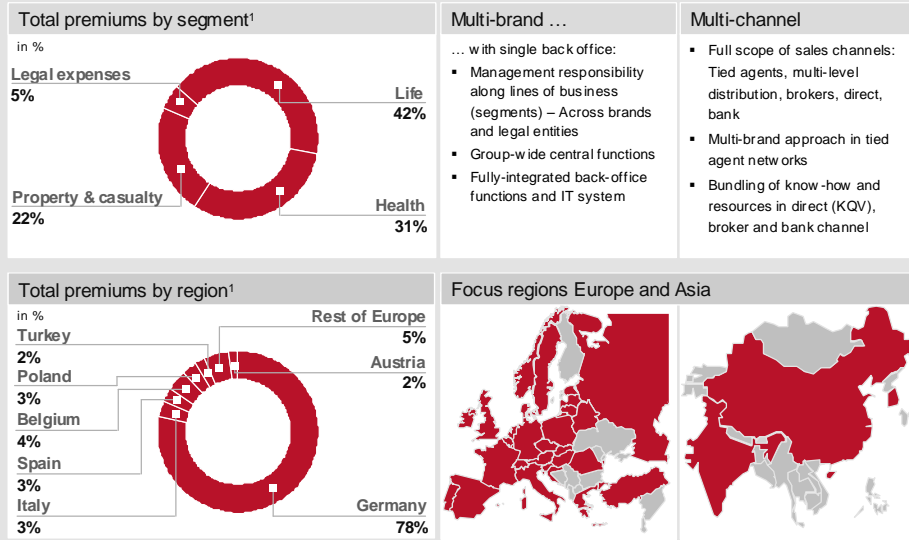
- Munich Re Group as leading specialised health risk carrier with global scope
- Flexible combination of business model and products as unique selling proposition

Active along the full value chain of risk
Providing best business model for each risk segment



Boundaries between reinsurance and primary insurance increasingly blurred

ERGO at a glance
One of the major insurance groups in Europe



¹ Basis 2007

ERGO's Targets for 2012
The agenda for the coming years



¹ Vs. 2006

Strengthen ERGO's sales organisations
Sales growth in focus

Target 2012

**Turn around trend of market share losses in all segments;
New business to increase by 50% until 2012**

2008: Measures taken ...

- Implement revised German insurance contract law
- Roll-out of common electronic platform for sales staff has started (project EASY)
- Bundle broker sales forces

... and business environment

- German insurance contract law made sales process more complicated
- New business not much affected by financial market crisis yet

2009: Measures to be taken ...

- Set up bancassurance competence centre
- Enhance direct sales activities
- Increase productivity of tied agents sales force

... and expected business environment

- Financial market crisis leads to economic downturn
- Bancassurance in Germany and Eastern Europe to be impacted
- Trusted tied agent advisors should fare better

Realign ERGO strategy in life
Multiple measures taken to increase company value

Target 2012

Increase IFRS net profit from German life business by 75%

5 initiatives in Life

- Enhance target group orientation in product policy
- Simplify and harmonise processes and systems
- Focus on transparency and customer orientation
- Increase the proportion of investment-type products
- Increase premium income from corporate pensions

Financial market crisis impacts on the industry

- | | |
|------------|--|
| Short term | <ul style="list-style-type: none"> ▪ Direct impacts on investment result and profit participation ▪ Uncertainty among clients – Reluctance to make major investment decisions |
| Long term | <ul style="list-style-type: none"> ▪ Continued tendency to save ▪ Increased demand for guarantee products <ul style="list-style-type: none"> ▪ Traditional life and annuity insurance ▪ Innovative guarantee forms (e.g. variable annuities with thorough hedging) ▪ Less competition from fund and certificate industry |

Enhance ERGO Operations Model
Ambitious cost targets for German business

Ambitious cost-savings targets¹ 2010

Life administration expense ratio
2.9% (-0.6%-pts.)

Health administration expense ratio
2.8% (-0.5%-pts.)

Property-Casualty expense ratio²
30.5% (-1.3%-pts.)

Total cost savings of €180m

**Reduction in personnel
(1,800 FTEs)**

Concrete measures

- Transfer of simple transactions from 2nd level to 1st level
- Centralising the recording and processing of applications
- Optimising the use of electronic document management
- Central management of in-house sales staff
- Combining functions across distribution channels and brands
- Functional organisation and combining of tasks in Human Resources
- Optimising spans of control
- Numerous other individual measures

¹ Vs. 2006, German business, German GAAP. Admin. expense ratio in life and health, operating expense ratio in P-C.

² Incl. legal expenses.

Fully implement value- and risk-based management (VBM)
Top down approach to enable consistent bottom-up steering

ERGO level

- All key risk/return figures available to ensure VBM for all segments
- ERGO top management incentives based on economic earnings
- Planning and forecasting systems based on VBM

Segment level

Lines of Business

- Detailed VBM analysis in progress
- Granularity of data and models continuously enhanced

Individual processes / sales units

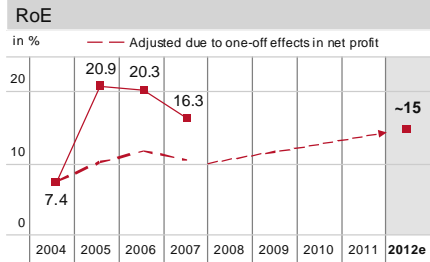
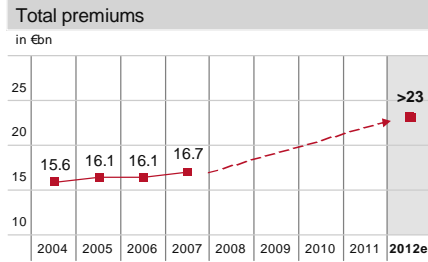
- To enable bottom-up steering based on economic earnings and risk capital, we are in the process of setting up
 - Decisions in key business processes based on risk/return figures
 - VBM based sales force steering

Fully integrated into Munich Re Group risk management framework

ERGO's Targets for 2012

Strong commitment to create value

Ambitious targets for 2012 ...



... and a lot of progress has been made in 2008

| | | |
|--|--|---|
| Bundling of broker channel | Acquisition of remaining shares in direct insurer KarstadtQuelle | Payout of €1 billion dividend improves capital structure |
| Lots of initiatives regarding internationalisation of ERGO | Detailing cost saving measures; agreement with workers' council | However: 2008 figures impacted by financial market crisis |

Figures excluding international health.

Primary insurance beyond the retail focussed business

Low cyclical of attractive niche markets

Primary business within reinsurance segment



Munich Re expanding in specialty business



Specialty business creates value

| | |
|--|--|
| Relatively low exposure to cycle of traditional P-C reinsurance | Attractive niche not directly competing with mass market primary insurance players |
| Exhibits low loss ratios due to good risk selection and active claims prevention | Recent acquisitions fit in well with Munich Re's culture of technical underwriting |

Unique risk competence creates new business opportunities

Hartford Steam Boiler (HSB) acquisition
Ideal strategic fit – Significant value creation

Strategic rationale

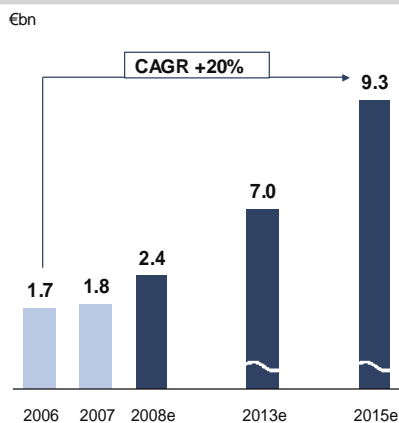
| | |
|---|---|
| Consistent with US market strategy | <ul style="list-style-type: none"> US market strategy is an integral part of our Changing Gear growth initiatives HSB's risk management approach and product know-how closely related to Munich Re's reinsurance business |
| Expanding in specialty business | <ul style="list-style-type: none"> Specialty business is a natural evolution of our business model HSB has a unique business model providing highly specialised products and services (esp. coverage for equipment breakdown, all risk property, contract works, inspection services and engineering consulting) |
| Strong position in attractive segment | <ul style="list-style-type: none"> Market leader in the US and Canada; growing international presence Significant barriers to entry |
| Track record of outstanding financial performance | <ul style="list-style-type: none"> Strong profitability on a sustainable basis (21.6% average return on policyholders surplus since 2003) contributing to sound capital¹ High-quality earnings driven by superior underwriting performance and claims management (73.8% average combined ratio since 2003)¹ |

HSB natural extension of our US market strategy to build a dominant position in specialty business and deliver growth and healthy underwriting results

¹ Based on consolidated statutory financial statements.

International Health
Leveraging our combined health experience

GWP 2006–2015e



Our strengths

Flexible combination of business model and products as a unique selling proposition

Outstanding knowledge and experience in health insurance and reinsurance

2007 and 2008 achievements provide solid basis for sustainable growth

Going forward, we will focus our efforts on

successfully implementing ongoing initiatives

identifying additional growth opportunities

Average premium and profit growth >20% p.a. until 2015

Examples
International Health Primary Insurance Activities

| | Sterling Life (US) | DKV Salute (Italy) |
|---------------------|--|--|
| Company Profile | <ul style="list-style-type: none"> 2007 revenues: 795.3m USD, net profit: 16.5m USD (closing of acquisition 1 April 08) Approx. 155,000 members Licensed in 49 US states and District of Columbia | <ul style="list-style-type: none"> 2007 revenues: 8.9m USD (Greenfield set up mid of 2007) |
| Business Model | <ul style="list-style-type: none"> Providing various short-tail products to Senior (65+) and Mature (50+) US citizens Major product lines: <ul style="list-style-type: none"> Medicare Advantage Medicare Supplement Complementary product lines <ul style="list-style-type: none"> Long term care Critical illness | <ul style="list-style-type: none"> Providing the full scope of health insurance products Major product lines: <ul style="list-style-type: none"> Full comprehensive medical insurance Dental plan Set-up of DKV Salute to enlarge existing "combined account" business model (service and reinsurance) to create an integrated health insurance specialist |
| Strategic Rationale | <ul style="list-style-type: none"> Acquisition of a leading provider of health benefits with a strong brand Solid platform for future growth of Sterling's business as well as match for Munich Re's existing health business in the US | <ul style="list-style-type: none"> Italian PHI offers attracting opportunities currently untapped due to lack of focus and health specialisation from current competitors |

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Summary
Munich Re well positioned for profitable growth

Value-adding integrated business model ...

- Munich Re covers full chain of risks ...
- ... actively diversifying its business in the **one** growing and converging global market for insurance risks
- Primary and specialty insurance business to be further strengthened...
- ... increasingly contributing to Munich Re Group's future profitable growth

... based on excellent financial strength

- Diversification and sophisticated ALM are cornerstones of our strategy
- Superior risk management provides maximum capacity with outstanding security
- Efficient capital and cycle management are key to our future success
- Current market developments provide unique opportunities

Mid-term targets

AIM TO ACHIEVE
>€18 EPS in 2010

CLEAR COMMITMENT TO RoRaC TARGET
At least 15% over the cycle

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Backup



Backup

ERGO Group
Segment results (full year)



| €m | 2007 | Δ in % | 2006 | Δ in % | 2005 |
|-----------------------------|--------|--------|--------|--------|--------|
| Total premiums | | | | | |
| Group | 17,385 | 3.6% | 16,778 | 0.6% | 16,671 |
| Life | 7,313 | -0.5% | 7,352 | -2.1% | 7,509 |
| Health | 5,317 | 4.2% | 5,102 | 4.3% | 4,892 |
| P&C | 3,864 | 11.2% | 3,474 | 1.0% | 3,442 |
| Legal expenses | 908 | 4.4% | 870 | 2.2% | 851 |
| Germany | 13,604 | 0.8% | 13,501 | -0.2% | 13,527 |
| International | 3,780 | 15.4% | 3,277 | 4.2% | 3,144 |
| Operating results | | | | | |
| Group | 1,062 | -3.9% | 1,105 | -2.6% | 1,135 |
| Life | 431 | 52.1% | 284 | 7.6% | 264 |
| Health | 180 | -9.3% | 198 | -22.2% | 254 |
| P&C | 524 | -14.0% | 610 | 26.6% | 481 |
| Legal expenses | 119 | -11.1% | 134 | 47.4% | 91 |
| Germany | 831 | 2.7% | 809 | -19.4% | 1,004 |
| International | 231 | -22.1% | 296 | 125.0% | 132 |
| Consolidated results | | | | | |
| Group | 781 | -12.2% | 889 | 13.1% | 786 |
| Life | 240 | 11.3% | 216 | 16.6% | 185 |
| Health | 130 | 29.0% | 101 | -49.7% | 200 |
| P&C | 496 | -19.4% | 616 | 60.3% | 384 |
| Legal expenses | 116 | -8.6% | 127 | 58.1% | 80 |
| Germany | 604 | -8.1% | 657 | -5.4% | 694 |
| International | 177 | -23.7% | 232 | 153.6% | 92 |

¹ Not fully consolidated

Backup

ERGO Group
Segment results (half year)



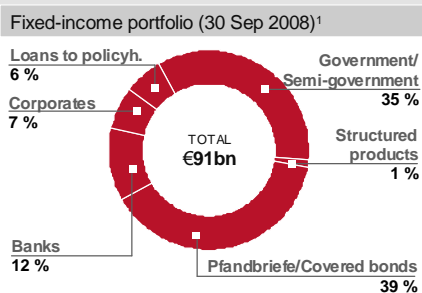
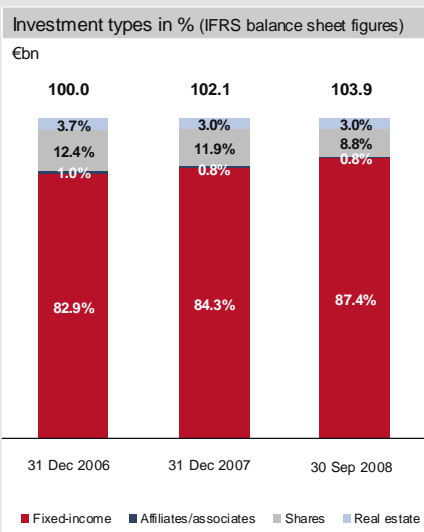
| €m | Q1-2 2008 | Δ in % | Q1-2 2007 |
|-----------------------------|--------------|---------------|--------------|
| Total premiums | | | |
| Group | 8,971 | 3.5% | 8,665 |
| Life | 3,443 | 2.1% | 3,374 |
| Health | 2,757 | 2.6% | 2,686 |
| P&C | 2,305 | 7.4% | 2,146 |
| Legal expenses | 477 | 1.8% | 469 |
| Germany | 6,921 | 1.1% | 6,844 |
| International | 2,049 | 12.5% | 1,822 |
| Operating results | | | |
| Group | 478 | -21.3% | 607 |
| Life | 191 | 33.5% | 143 |
| Health | 54 | -28.7% | 76 |
| P&C | 281 | -8.9% | 309 |
| Legal expenses | 45 | -29.9% | 64 |
| Germany | 332 | -32.4% | 491 |
| International | 146 | 25.4% | 116 |
| Consolidated results | | | |
| Group | 269 | -33.2% | 403 |
| Life | 94 | 28.6% | 73 |
| Health | 26 | -33.3% | 39 |
| P&C | 211 | -10.7% | 236 |
| Legal expenses | 31 | -33.2% | 46 |
| Germany | 153 | -52.5% | 322 |
| International | 116 | 44.3% | 80 |

¹ Not fully consolidated

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Backup – ERGO Group

Investments
Conservative investment policy – risks well under control



Expected investment result in 2008

- Investment result 2008 clearly lower than 2007
- Regular income over last year's, balance from disposals and write-downs/-ups negative
- Write-downs compensated to an extent by hedging measures
- Virtually no subprime exposure or write-downs on structured products

¹ Incl. loans, parts of other securities and cash positions. Economic view – not fully comparable with IFRS figures; recently acquired companies proportionally allocated.

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Key figures of Life
Return to growth path

| Ranking by market share in 2007 | | |
|---------------------------------|--------------|------------|
| Gross premiums written | €m | % |
| 1 Allianz | 13,575 | 14.9 |
| 2 AMB Generali | 9,096 | 10.0 |
| 3 ERGO | 5,959 | 6.6 |
| 4 Talanx | 5,201 | 5.7 |
| 5 AXA | 3,987 | 4.4 |
| 6 R+V | 3,933 | 4.3 |
| 7 Zurich | 3,575 | 3.9 |
| 8 Debeka | 2,894 | 3.2 |
| 9 Württembergische | 2,329 | 2.6 |
| 10 Nürnberger | 2,031 | 2.2 |
| ⋮ | | |
| German market | 90,857 | 100.0 |

Our targets

NEW BUSINESS
Share of unit-linked and investment-type products
30% by 2010

GERMAN LIFE BUSINESS
Increase German IFRS net profit
75% by 2012

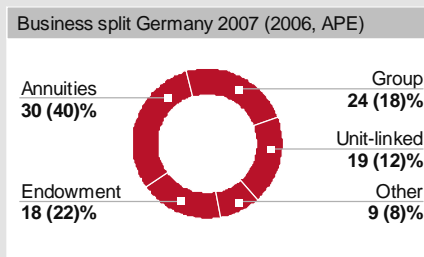
NEW BUSINESS MARGIN
VANB/PVNB
3.0% by 2010

TREASURY APPROACH
Increase profitability and safeguard shareholders against risk from business in force

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Key figures of Life
New business 2007

| Total business | | | | |
|----------------|--------------|----------------|-----------------|------------------|
| €m | Total | Single premium | Regular premium | APE ¹ |
| 2006 | 1,825 | 1,208 | 617 | 737 |
| 2007 | 1,894 | 1,282 | 611 | 740 |
| Δ | 3.8% | 6.1% | -0.8% | 0.3% |



| Thereof Germany | | | | |
|-----------------|--------------|----------------|-----------------|------------------|
| €m | Total | Single premium | Regular premium | APE ¹ |
| 2006 | 1,536 | 1,035 | 501 | 605 |
| 2007 | 1,615 | 1,148 | 467 | 582 |
| Δ | 5.2% | 10.9% | -6.7% | -3.7% |

| Thereof international | | | | |
|-----------------------|--------------|----------------|-----------------|------------------|
| €m | Total | Single premium | Regular premium | APE ¹ |
| 2006 | 289 | 174 | 115 | 133 |
| 2007 | 279 | 135 | 144 | 157 |
| Δ | -3.6% | -22.4% | 24.7% | 18.5% |

¹ Annual premium equivalent

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Key figures of Health
Strong market position

Market shares in Germany 2007: Comprehensive in %

| | | |
|----------------------|----------------|--------------|
| 1. Debeka | 15.6 | |
| 2. ERGO | 14.2 | GWP: €3,417m |
| 3. Allianz | 10.8 | |
| 4. AXA | 7.6 | |
| 5. Signal Iduna | 6.6 | |
| Other 32 comp. | 45.3 | |
| Market volume | €24.1bn | |

Market shares in Germany 2007: Supplementary in %

| | | |
|----------------------|---------------|--------------|
| 1. ERGO | 21.6 | GWP: €1,023m |
| 2. Allianz | 10.5 | |
| 3. Signal Iduna | 8.6 | |
| 4. Debeka | 7.2 | |
| 5. CONSAL | 6.9 | |
| Other 32 comp. | 45.1 | |
| Market volume | €4.7bn | |

Keys to success

- Strong brand DKV
 - Market leader in European health market
 - DKV again elected best health insurance company by German brokers
- Broad product portfolio
 - Comprehensive insurance coverage of all types
 - Wide spectrum of health services
 - Supplemented by care components
 - Unique selling proposition "Think healthcare!"
- Multi-channel distribution

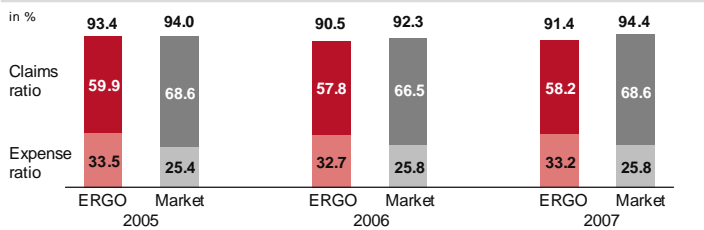
Growth factors in marketing

- Co-operation with statutory health insurers
- Co-operation with Zurich, Gerling, HVB, Deutsche Bank
- Advertising for specific target groups, direct marketing including call centre (KarstadtQuelle Versicherungen)
- Creation and utilisation of new cross- and up-selling potentials
- Tapping of new marketing channels (e.g. affinity channels)

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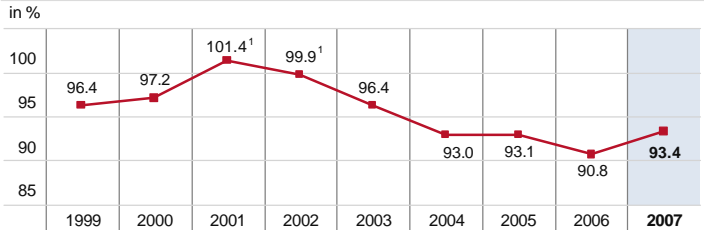
Key figures of Property – Casualty
Excellent combined ratios

Combined ratio ERGO vs. market (German GAAP)



- Trade-off: Higher expense ratios than market due to different business and sales channel mix
- More than compensated for by lower claims ratios

Combined ratios primary insurance segment



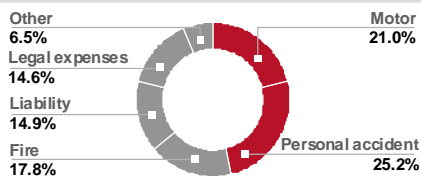
¹ Mainly due to German flood losses and acquisitions in Italy and Eastern Europe.

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Key figures of Property – Casualty

Attractive business mix focusing on personal lines

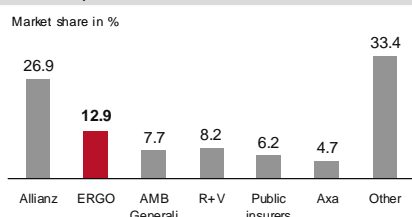
ERGO 2007 – Gross premiums written



German market 2007 – Gross premiums written



German personal accident market 2007



Key considerations personal accident

- Demands active sales process
- Portfolio with high degree of stability
- Low capital requirements

¹ Includes pure risk policies as well as policies with premium refunds; ERGO's (Allianz's) share of pure risk policies: 90.3% (36.1%).
Sources: Annual reports 2007, GDV year-end statistics (status 08/2008).

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