Munich RE

Munich, 05/11/2009

Press release

Munich Re posts €1.8bn profit for the first nine months of 2009

Contact
Media Relations Munich,
Johanna Weber
Tel.: +49 (89) 3891-2695
Fax: +49 (89) 3891-7 2695
jweber@munichre.com

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstraße 107
80802 München
Germany
Letters: 80791 München

www.munichre.com

In the third quarter, Munich Re achieved a consolidated profit of €651m (same period last year: €2m). The profit for the first nine months of the year amounted to €1.8bn (1.4bn). Munich Re expects a Group profit of between €2.2bn and €2.5bn for 2009 – at least €700m more than in 2008.

"We have continued to gear our operations resolutely to profitability and are once again presenting good results. Our shareholders are glad to rely on this continuity from Munich Re", said CFO Jörg Schneider. "If the rest of the financial year 2009 goes so well, we may even reach our ambitious RORAC target of 15% after tax."

The investment result for the first three quarters of 2009 was resilient, rising to €5.8bn or by 47.5% compared with the previous year. This represents a return on investment of 4.3%. Schneider particularly singled out the increase in shareholders' equity to €22.8bn (30 June 2009: €21.3bn).

The share buy-back programme announced at the beginning of October is well on track. By the end of October 2009, shares with a total value of around €176m had been repurchased; the target is €1bn by the next Annual General Meeting on 28 April 2010. Munich Re is using this instrument to return unneeded capital to shareholders: since November 2006, Munich Re has carried out share buy-backs with a total volume of €4bn, including €1bn in 2006/2007. As part of its Changing Gear programme in May 2007, it had announced share buy-backs of more than €5bn. Of this amount, share buy-backs totalling €3bn have already been completed: €2bn in 2007/2008 and €1bn in 2008/2009.

Summary of the figures for the first nine months

The Group recorded a good operating result of €3,318m (2,654m) for the period from January to September, €1,211m of this in the third quarter. Shareholders' equity increased to €22.8bn or 7.3% since the beginning of year. The annualised return on risk-adjusted capital after tax (RORAC) for the first three quarters amounted to 14.0% and the annualised return on equity (RoE) to 11.0%. Gross premiums written rose by 10.4% to €31.0bn (28.1bn). If exchange rates had remained the same, premium volume would have increased by 9.9% compared with the same period last year.

Since May, Munich Re has been offering its healthcare-related products to clients and partners outside Germany (for reinsurance also in Germany) under the Munich Health brand. In its third field of business, Munich Re thus combines its global expertise from primary insurance and reinsurance, plus related services. Owing to its still relatively small volume, this field of business is not yet accounted for separately but is shown partly in the segment reinsurance life and health, and partly in health primary insurance.

Primary insurance: Nine-month result of €95m
Primary insurance had returned to the profit zone in the second quarter, and this positive trend continued. The operating result for the first nine months of 2009 totalled €506m (825m), of which €226m (240m) derived from the third quarter. The consolidated result amounted to €95m (374m) up to September and €89m (44m) for the third quarter.

For the first three quarters of 2009, the combined ratio in the property-casualty insurance segment (including legal expenses insurance) amounted to 94.2% (90.0%). In the third quarter, too, its level was very good at 93.3% (88.6%).

ERGO CEO Torsten Oletzky stated: "Given the difficult parameters, I am satisfied with the result. We can continue to build on our good underwriting in property-casualty, while the strains from the capital markets are easing."

Total premium income across all lines showed growth of 5.8% from January to September, amounting to €14.2bn (13.4bn), with €4.5bn (4.2bn) in the third quarter. As in the first two quarters of the year, ERGO again grew mainly in international business. On the other hand, changes in exchange rates, particularly of the Polish zloty and the Turkish lira, had an adverse impact on premium volume.

In the life segment, total premium income rose to €5.7bn (5.0bn) since January, the third quarter accounting for €1.8bn (1.6bn). German business showed an increase of 1.3%, whilst premium in international business grew by 81.2% to €473m (261m) in the third quarter. This includes the premium written by Bank Austria Creditanstalt Versicherung AG (BACAV), which has been consolidated in Munich Re's financial statements since the fourth quarter of 2008. Total premium income in Germany amounted to €4.24bn (4.18bn). New business in Germany was up 12.1%, partly because ERGO succeeded in acquiring considerably more single-premium business through bancassurance, broker and direct selling channels. There was a marked decrease in regular premiums compared with last year, mainly because at the start of 2008 new business had enjoyed a major boost as a consequence of the fourth and last subsidisation stage for Riester policies. The annual premium equivalent (APE = regular premium income plus 10% of single-premium volume) was therefore 21.0% down on last year.

In the primary health insurance segment, premium income climbed by 3.7% to €4.6bn (4.4bn) in the first nine months of 2009, with the third quarter contributing €1.5bn (1.4bn). Up by 1.9% to €3.73bn (3.65bn) in Germany, it showed a rise of 12.0% to €850m (759m) in international business, mainly due to the commencement of business by hospital operator Marina Salud, which began providing healthcare for the Denia region in Spain in 2009.

In the property-casualty insurance segment, ERGO posted premium income totalling €3.98bn (4.01bn) in the first nine months of the year. International business showed a decrease of 2.5% to €1.50bn (1.54bn), owing to falling exchange rates. German business grew slightly, with premium since the start of the year climbing by 0.6% to €2,486m (2,471m), and the period from July to September 2009 accounting for €703m (693m).

Reinsurance: Strong quarterly profit of €562m
Reinsurance business performed very satisfactorily in the first three quarters of 2009 and particularly in the third quarter. Thanks to below-average claims costs for major losses and a good investment result of €2,891m (2,978m), Munich Re recorded an operating result of €2,995m (2,775m), an increase of 7.9%, with €991m coming from the third quarter. Reinsurance contributed €1,861m (1,980m) to the Group's overall profit, €562m of this (–€41m) in the third quarter. In the first nine months of last year, the investment result and the profit had included ERGO's intra-Group dividend payment of €947m.

The combined ratio was 96.3% (100.1%) for the first three quarters and 93.4% (101.2%) for the third quarter, with natural catastrophes accounting for 2.5 (7.8) percentage points in the period from January to September and 0.8 (10.0) percentage points between July and September. Claims costs for natural catastrophe losses were low at only €27m (335m). This was partly due to the fact that claims estimates for natural hazard events that had occurred in previous quarters were revised downwards, enabling provisions to be released in the third quarter. On the other hand, losses caused by natural hazard events in the third quarter were relatively moderate, amounting to just under €100m for Munich Re, three-quarters of which was attributable to Windstorm Xystus in central Europe. Claims in credit and surety reinsurance business for the first nine months of the year totalled €343m.

Premium income grew by 15.5% in the first nine months year on year and totalled €18.7bn (16.2bn), of which €6.5bn (5.5bn) was attributable to the third quarter. Adjusted to eliminate the effects of changes in exchange rates, premium grew by 13.2% in the first three quarters and by 17.7% in the third quarter.

With effect from 1 April, Munich Re's consolidated financial statements include its new acquisition, the Hartford Steam Boiler Group (HSB Group), which contributed gross premium income of €320m.

The treaty renewals in property-casualty reinsurance at 1 July 2009 (mainly in the USA, Australia and Latin America, plus some global clients) went satisfactorily, with a price increase of 4.4%. For the renewals at 1 January 2010, Munich Re anticipates that prices for capital-intensive natural catastrophe business will stabilise at a high level, or even rise further. In most other segments and markets, price levels will probably move sideways. Further price increases are likely to occur in credit and surety business and in the area of aviation risks.

Torsten Jeworrek, Munich Re's Reinsurance CEO, stressed: "This September in Monte Carlo, we presented our sharpened value proposition. Traditional reinsurance is our core business and will remain so. At the same time, we aim to expand our client base and make even better use of our risk expertise to tap profitable new business segments." In order to make the spectrum of Munich Re’s business model clearer to external observers, all of the reinsurance units will in future appear under the uniform brand of Munich Re.

Investments: Good result of €5.8bn for the first nine months
Owing to the expansion of insurance business and foreign currency gains, total investments at 30 September 2009 compared with year-end 2008 increased by €6.9bn or 4.0% to €181.9bn.

For the period January to September 2009, the Group’s investment result showed a year-on-year improvement of 47.5% to €5.8bn (3.9bn). Annualised, the result represents a return of 4.3% in relation to the average market value of the portfolio. The equity-backing ratio increased slightly to 2.1% as at 30 September 2009 (31 December 2008: 1.7%), based on the Group’s total investments at market value, including hedging instruments.

The running yield from dividends, interest and rental income amounted to 4.2% (4.7%) annualised, based on the average market value of the portfolio. Gains on losses from disposals in the period from January to September were slightly down at €1,071m (1,142m). Like the second quarter, the third quarter showed a year-on-year improvement in this figure, with an increase to €432m (266m). Gains on disposals resulted from expired or closed derivatives and the sale of shares already hedged prior to the financial crisis. Further capital gains totalling around €107m were generated by reducing Munich Re' s stake in the Admiral Group from 15.1% to 10.2%. Overall, the Group thus achieved a net result of €525m (1,048m) between January and September on the disposal of non-fixed-interest securities categorised as "available for sale" and of derivatives with non-fixed-interest underlying business.

The net balance of write-ups and write-downs in the first nine months of the financial year came to –€835m (–2,334m), of which –€168m (–1,166m) was assignable to the third quarter. In the previous year, Munich Re had to absorb substantial write-downs on its equity portfolio. Furthermore, write-downs on fixed-interest securities and loans fell by €79m to €141m. Last year, the Group made relatively high write-downs on Lehman Brothers securities in the wake of their insolvency. There was an opposite effect from the higher write-downs of €344m (same period last year: write-ups of €59m) the Group had to make in the first nine months of the year on swaptions – derivatives used by the life primary insurers to protect themselves against reinvestment risks in low-interest-rate phases.

The revaluation of the whole portfolio of fixed-interest securities categorised as "available for sale" resulted in write-downs of €131m (101m) in the period from January to September. In the first nine months, the Group made write-downs of approximately €50m on its structured-credit portfolio, with mortgage-backed securities and collateralised debt obligations being particularly affected. To take account of the risk of non-payment on participation certificates, dormant holdings and similar banking-sector equity instruments, write-downs of around €70m were made on such instruments between January and September.

The overall balance of write-ups and write-downs plus net gains on disposals amounted to €236m in the first three quarters, compared with –€1,192m in the same period last year.

The Group's asset manager is MEAG MUNICH ERGO AssetManagement GmbH. In addition to Group investments, MEAG had segregated and retail funds totalling €7.7bn (7.3bn) under management as at 30 September 2009.

Outlook for 2009: Result of €2.2–2.5bn envisaged
For the current financial year 2009, Munich Re expects gross premiums written in its primary insurance and reinsurance business (total consolidated premium) to be between €40bn and €42bn. If exchange rates remain stable, the Group anticipates that its gross premium volume in the reinsurance segment will range between €24bn and €25bn. Munich Re had revised this figure significantly upwards in previous quarters after the Group’s conclusion of large-volume quota share treaties in the life and health reinsurance segment. In primary insurance, gross premiums written of between €17bn and €17.5bn are expected.

For property-casualty reinsurance, Munich Re reckons with a combined ratio of around 97% of net earned premiums over the market cycle as a whole, based on an expected average major-loss burden of 6.5% from natural catastrophes. After the 96.3% achieved in the first three quarters, Munich Re is aiming for another combined ratio of 97% for the financial year 2009. In the first nine months of 2009, the burden from natural catastrophes was moderate at only 2.5%; in October only a few major losses occurred. But the tropical cyclone season is not yet over, and winter storms could still cause substantial losses in November and December, especially in northern Europe. In addition, man-made losses have been higher than expected. In primary insurance, the 2009 goal is another combined ratio within the long-term target of 95%.

The situation on the capital markets has brightened markedly over the past few months, with market volatility decreasing of late. If there are no sharp setbacks in prices on the capital markets and if major losses, particularly in credit and surety business, remain within the expected range, Munich Re is confident of being able to achieve a consolidated result of between €2.2bn and €2.5bn for the financial year 2009.

Munich Re has systematically switched from equities into fixed-interest securities. It therefore expects a return on investment (RoI) of a good 4% for 2009. CFO Schneider stressed: "For the coming years, in a low-interest rate environment, we project lower investment results with a return distinctly below 4%."

Munich Re's main aim continues to be a solid return on a well-balanced, not too risky investment portfolio. Schneider explained: "We are not prepared to compensate losses in income owing to low risk-free interest by taking on higher investment risks." The overall result should therefore tend to be lower with less pronounced fluctuations than in years in which we had a large portfolio of equities with correspondingly high risks and achieved substantial income on the disposal of investments. "We are adhering to our objective of 15% RORAC after tax over the cycle", said Schneider. "But in an environment marked by low interest rates, it will be considerably more difficult to achieve." Schneider summed up: "So we will continue to act prudently. In the financial crisis, we showed our dependability, thereby building a strong platform. From this base, we will be able to exploit all the market opportunities in the primary insurance and reinsurance."

Note for the editorial staff:
For further questions please contact

Media Relations Munich, Johanna Weber
Tel.: +49 (89) 3891-2695

Media Relations USA, Terese Rosenthal
Tel.: +1 609 243 4339

Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2008, the Group – which pursues an integrated business model consisting of insurance and reinsurance – achieved a profit of €1.5bn on premium income of around €38bn. It operates in all lines of insurance, with around 44,000 employees throughout the world. With premium income of around €22bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients seek solutions for complex risks, Munich Re is a much sought-after risk carrier. The primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance. and 40 million clients in over 30 countries place their trust in the services and security it provides. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €175bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Munich, 05/11/2009

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstraße 107
80802 München
Germany

At a glance:

- Profit of €1.8bn for the first nine months of 2009
- CFO Schneider: "We are once again presenting good results."
- Primary insurance: €95m profit for January to September 2009
- Reinsurance: Combined ratio for third quarter at a very good level of 93.4%

Key figures (IFRS) for the Group in the first nine months of 2009*
(in €m unless otherwise indicated)

	Q1–Q3 2009	Q1–Q3 2008	Change Absolute	Change %
Gross premiums written	**31,048**	28,123	2,925	10.4
Net earned premiums	**29,112**	26,097	3,015	11.6
Net expenses for claims and benefits	**24,371**	20,974	3,397	16.2
Technical result	**1,870**	2,132	-262	-12.3
Investment result	**5,788**	3,923	1,865	47.5
Thereof realised gains	**3,145**	3,944	-799	-20.3
realised losses	**2,074**	2,802	-728	-26.0
Non-technical result	**1,448**	522	926	177.4
Operating result	**3,318**	2,654	664	25.0
Finance costs	**231**	272	-41	-15.1
Taxes on income	**1,014**	739	275	37.2
Consolidated profit	**1,789**	1,407	382	27.1
Thereof attributable to				
Munich Reinsurance Company equity holders	**1,766**	1,370	396	28.9
minority interests	**23**	37	-14	-37.8
	30.9.2009	31.12.2008**		
Investments	**181,898**	174,977	6,921	4.0
Equity	**22,807**	21,249	1,558	7.3
Employees	**47,462**	44,209	3,253	7.4

REINSURANCE***	**Q1–Q3 2009**	Q1–Q3 2008	Change Absolute	Change %
Gross premiums written	**18,730**	16,217	2,513	15.5
Thereof life and health	**7,014**	5,183	1,831	35.3
property-casualty	**11,716**	11,034	682	6.2
Combined ratio in %	**96.3**	100.1	-3.8	
Technical result	**1,262**	1,169	93	8.0
Non-technical result	**1,733**	1,606	127	7.9
Operating result	**2,995**	2,775	220	7.9
Result	**1,861**	1,980	-119	-6.0

PRIMARY INSURANCE***	**Q1–Q3 2009**	Q1–Q3 2008	Change Absolute	Change %
Gross premiums written	**12,983**	12,706	277	2.2
Combined ratio in %	**94.2**	90.0	4.2	
Technical result	**655**	1,105	-450	-40.7
Non-technical result	**-149**	-280	131	46.8
Operating result	**506**	825	-319	-38.7
Result	**95**	374	-279	-74.6

SHARES	**Q1–Q3 2009**	Q1–Q3 2008	Change	
Earnings per share in €	**9.05**	6.76	2.29	33.9

* Previous year's figures adjusted owing to first-time application of IFRS 8.
** Adjusted pursuant to IFRS 3.62.
*** Before elimination of intra-Group transactions across segments.

Key figures (IFRS) for the Group in the third quarter of 2009*
(in €m unless otherwise indicated)

	3rd quarter 2009	3rd quarter 2008	Change Absolute	Change %
Gross premiums written	**10,355**	9,270	1,085	11.7
Net earned premiums	**9,983**	8,857	1,126	12.7
Net expenses for claims and benefits	**8,357**	6,956	1,401	20.1
Technical result	**852**	816	36	4.4
Investment result	**2,236**	662	1,574	237.8
Thereof realised gains	**844**	1,351	-507	-37.5
realised losses	**412**	1,085	-673	-62.0
Non-technical result	**359**	-443	802	-
Operating result	**1,211**	373	838	224.7
Finance costs	**73**	91	-18	-19.8
Taxes on income	**446**	152	294	193.4
Consolidated profit	**651**	2	649	>1,000.0
Thereof attributable to				
Munich Reinsurance Company equity holders	**644**	-3	647	-
minority interests	**7**	5	2	40.0
	30.9.2009	31.12.2008**		
Investments	**181,898**	174,977	6,921	4.0
Equity	**22,807**	21,249	1,558	7.3
Employees	**47,462**	44,209	3,253	7.4

REINSURANCE* **	3rd quarter 2009	3rd quarter 2008	Change Absolute	Change %
Gross premiums written	**6,485**	5,477	1,008	18.4
Thereof life and health	**2,647**	1,794	853	47.5
property-casualty	**3,838**	3,683	155	4.2
Combined ratio in %	**93.4**	101.2	-7.8	
Technical result	**649**	345	304	88.1
Non-technical result	**342**	-198	540	-
Operating result	**991**	147	844	574.1
Result	**562**	-41	603	-

PRIMARY INSURANCE* **	3rd quarter 2009	3rd quarter 2008	Change Absolute	Change %
Gross premiums written	**4,088**	4,038	50	1.2
Combined ratio in %	**93.3**	88.6	4.7	
Technical result	**146**	514	-368	-71.6
Non-technical result	**80**	-274	354	-
Operating result	**226**	240	-14	-5.8
Result	**89**	44	45	102.3

SHARES	3rd quarter 2009	3rd quarter 2008	Change	
Earnings per share in €	**3.30**	-0.02	3.32	-

* Previous year's figures adjusted owing to first-time application of IFRS 8.
** Adjusted pursuant to IFRS 3.62.
*** Before elimination of intra-Group transactions across segments.