U.S. P&C OPERATIONS: FROM A TURNAROUND TO A SUCCESS STORY

Capital Markets Day

New York, 20 July 2011
Why a capital markets’ day on the U.S. P&C Operations?

The U.S. reinsurance market is the biggest and most important worldwide – Offering good prospects for profitable growth

Since acquiring American Re-Insurance, Munich Re has significantly expanded its market position in the U.S. organically and via M&A …

… and intends to further grow in the U.S. with a clear bottom line focus covering the entire risk value chain leveraging existing strength

The U.S. Operations account for a substantial part of Munich Re’s P&C business and will become increasingly crucial in terms of value creation …

… as Munich Re goes from turnaround to success story in the U.S.

The U.S. market provides significant opportunities for Munich Re which we seize by consistently executing our strategy
### Munich Re (Group)

<table>
<thead>
<tr>
<th>Reinsurance</th>
<th>Munich Health</th>
<th>Primary insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Re of Canada, Global Clients, Lloyd's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Munich Reinsurance America, Inc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Global Clients/North America</th>
<th>Germany, Asia Pacific and Africa</th>
<th>Corporate Underwriting</th>
<th>Special and Financial Risks</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Re of Canada, Global Clients, Lloyd's</td>
<td>Germany, Middle East, Africa, Asia</td>
<td>Corporate Underwriting, Knowledge Networks</td>
<td>Aviation/space, credit/bonding, CIP, Agro etc.</td>
<td>Life reinsurance worldwide</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Europe/Latin America</th>
<th>Europe (except Germany), Latin America</th>
</tr>
</thead>
</table>

1. Listing for illustrative purposes only (incomplete).

### History of Munich Re U.S. P&C Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1906</td>
<td>American Re-Insurance Company changes name to Munich Reinsurance America, Inc.</td>
</tr>
<tr>
<td>1917</td>
<td>Munich Re concludes acquisition of the HSB Group (Founded 1866) from AIG.</td>
</tr>
<tr>
<td>2006</td>
<td>American Re-Insurance, the first U.S. reinsurer funded with American capital, is formed in Huntingdon, PA.</td>
</tr>
<tr>
<td>2009</td>
<td>Munich Re concludes acquisition of leading specialty U.S. primary insurer, American Modern (Founded 1965).</td>
</tr>
</tbody>
</table>

First major loss in the 20th century: the earthquake in San Francisco on 18 April 1906. Munich Re's liability: US$ 2.5m. Munich Re acts fast to settle losses on the spot.
Overview Munich Re

U.S. P&C Operations contribute significantly to Munich Re Group’s top-line ...

Reinsurance P&C – Gross premiums written¹

<table>
<thead>
<tr>
<th>€m</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,547</td>
<td>17%</td>
<td>14,551</td>
<td>14,224</td>
<td>14,739</td>
<td>14,987</td>
<td>15,701</td>
</tr>
<tr>
<td>83%</td>
<td>84%</td>
<td>86%</td>
<td>84%</td>
<td>78%</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

¹ IFRS consolidated figures. U.S. P&C = until 2007 Munich Re America only, from 2008 including American Modern, from 2009 including HSB.

Increasing importance of U.S. P&C Operations – Growth driver for the entire Group

In 2008 acquisition of American Modern, in 2009 acquisition of HSB

Strict cycle management within the reinsurance core business in the U.S. as well as in Munich Re’s overall reinsurance operations

Major growth attributable to property lines. Business mix shifts more and more to short tail lines

Overview Munich Re

… and bottom-line after turnaround at Munich Re America and M&A

Reinsurance P&C – Underwriting result¹

<table>
<thead>
<tr>
<th>€m</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>234</td>
<td>1,310–348</td>
<td>962</td>
<td>357</td>
<td>111</td>
<td>467</td>
<td>364–327</td>
</tr>
<tr>
<td>–1,841</td>
<td>–1,607</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ IFRS consolidated figures (rounding differences). U.S. P&C = until 2007 Munich Re America only, from 2008 including American Modern, from 2009 including HSB. Underwriting result = technical result without technical interest.

In years 2005, 2006 and 2008 U.S. P&C business affected by reserve strengthening, large NatCat losses and the financial market crisis

However, since 2005 the financial performance continued to recover significantly, proving increasing resilience of results

Highly successful year 2010 – U.S. P&C Operations counteract results of the Group, which were affected by severe NatCat claims outside U.S.

Years without significant NatCat impact show disciplined and solid underwriting of base business

Reinsurance and Specialty Insurance operations both generate positive underwriting results
Our strength – Well positioned for further profitable growth in U.S. P&C market

- Consistent steering of business models and full product range
- U.S. underwriting, reserving and risk management standards consistent with Munich Re Group’s corporate standards
- Specialty platform provides turn-key solution in niche primary markets – important growth driver

U.S. P&C: Stability in core reinsurance and growth driver specialty insurance
Balanced book in reinsurance and specialty insurance

Our strategy – Best business model for each risk segment along entire value chain and full product range

Munich Re U.S. P&C Operations ...
Munich Re's goal is to achieve the full potential of the U.S. property and casualty market. Over the course of the market cycle we aim for sustainable, profitable growth. We will increase profitability from direct and broker reinsurance as well as primary insurance by:

- Employing a client-centric approach to develop client strategies and reinsurance solutions that leverage Munich Re's expertise and risk appetite
- Developing closer broker relationships to support clients' needs
- Building a dominant presence in niche primary insurance segments

Clear commitment to risk-adequate pricing during all phases of the cycle

We learned our lesson: Tough decisions, clear strategic positioning, strong execution

<table>
<thead>
<tr>
<th>U.S. P&amp;C platform – the past</th>
<th>U.S. P&amp;C platform – the present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth sought in commoditized product space in the wrong phase of the market</td>
<td>Unified and integrated reinsurance and specialty insurance strategy (Launch U.S. Strategy – 2008)</td>
</tr>
<tr>
<td>Focus on long tail business</td>
<td>Shift to short tail business</td>
</tr>
<tr>
<td>Limited broker access</td>
<td>Client-centricity and dual channel approach</td>
</tr>
<tr>
<td>High cost ratio</td>
<td>Cost reduction program nearly completed (2009/2010)</td>
</tr>
<tr>
<td>Limited integration with Munich</td>
<td>Full alignment of underwriting, reserving and risk management standards</td>
</tr>
<tr>
<td>Specialty insurance not treated as a core business unit</td>
<td>Organizational realignment of Munich Re America (organizational umbrella for U.S. P&amp;C and Global Clients – 2008)</td>
</tr>
<tr>
<td>Reinsurance operations contribute sustainable bottom line results, growth engine specialty insurance operations</td>
<td></td>
</tr>
</tbody>
</table>
Our strategy – Reinsurance and insurance platforms provide a model enabling significant growth

We combine organic and acquisition driven growth

Our strategy – Market intelligence and operational excellence combined with selective M&A approach

Select attractive niches within industry segments
- Perform environmental analysis
- Share with internal stakeholders

Select niches where we have superior expertise and efficient distribution

Selective M&A with clear investment thesis
- Acquired AMIG and HSB and expanded PI capabilities to support future growth
- Build in valuable experience to be used for future M&A

M&A activities based on clear target niches

Enable organic growth and maximize operating synergies
- Implement business plans for all entities through 2015
- Maximize operating synergies between all niche players in the group in the U.S. P&C market
- Cost and capability sharing across different entities

Invest in growth areas on the basis of convincing business plans and possible synergies

Effective post-merger integration (PMI)
- Completed AMIG and HSB PMI
- Minimized business disruption (both target and Munich Re)
- Maximized synergies
- Gained valuable experience to be used for future acquisitions

Experienced in post-merger integration

Repeateable concept for organizational and strategic excellence

1. Select attractive niches within industry segments (2006/2007)
5. Leverage reinsurance and specialty insurance platforms (2010/2011)
Overview Munich Re

Robust platform to maximize synergy potential in U.S. specialty insurance and reinsurance

Leverage reinsurance and specialty insurance platforms

- Joint product development
- Cross-entity collaboration
- Back-office optimization (completed IT, HR)
- New niche entry

Active product pipeline, operational excellence and realization of synergy potential critical to sustainable growth

Key Takeaways

- Munich Re U.S. P&C Operations migrate from a turnaround story to a success story
  - Tony Kuczinski

- Well positioned to sustain profitable growth over the cycle and to extend our market position
  - Steve Levy

- Munich Re has a clear and focused strategy in the U.S. market
  - Pina Albo

- Strong momentum in specialty insurance growth to further create value to Munich Re Group
  - Tony Kuczinski
**Agenda**

- Executive Summary & Overview Munich Re  
  Peter Röder
- **Market & Strategic Overview**  
  Tony Kuczinski
- Financial Trends & Reserving  
  Steve Levy
- Reinsurance Business  
  Pina Albo
- Specialty Insurance Business  
  Tony Kuczinski
- Summary & Key Takeaways  
  Peter Röder

---

**Market & Strategic Overview – Turnaround Story**

Consequent portfolio steering of Munich Re America

**Gross premiums written**<sup>1</sup> – Munich Re America

<table>
<thead>
<tr>
<th>Year</th>
<th>Long Tail&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Casualty</th>
<th>Property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.7</td>
<td>0.3</td>
<td>0.1</td>
<td>4.1</td>
</tr>
<tr>
<td>2001</td>
<td>4.3</td>
<td>0.5</td>
<td>0.4</td>
<td>5.2</td>
</tr>
<tr>
<td>2002</td>
<td>5.0</td>
<td>0.6</td>
<td>1.4</td>
<td>7.0</td>
</tr>
<tr>
<td>2003</td>
<td>4.6</td>
<td>0.6</td>
<td>2.4</td>
<td>7.6</td>
</tr>
<tr>
<td>2004</td>
<td>4.2</td>
<td>0.7</td>
<td>2.1</td>
<td>7.0</td>
</tr>
<tr>
<td>2005</td>
<td>3.8</td>
<td>0.7</td>
<td>2.0</td>
<td>6.5</td>
</tr>
<tr>
<td>2006</td>
<td>3.6</td>
<td>0.7</td>
<td>1.7</td>
<td>5.0</td>
</tr>
<tr>
<td>2007</td>
<td>3.3</td>
<td>0.7</td>
<td>1.5</td>
<td>5.5</td>
</tr>
<tr>
<td>2008</td>
<td>3.4</td>
<td>0.7</td>
<td>1.3</td>
<td>5.4</td>
</tr>
<tr>
<td>2009</td>
<td>3.6</td>
<td>0.8</td>
<td>1.2</td>
<td>5.6</td>
</tr>
<tr>
<td>2010</td>
<td>3.7</td>
<td>0.5</td>
<td>1.0</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Significant change in portfolio since 2002, with positive impact on profitability:

- Full re-underwriting of portfolio starting in 2002
- Focus on business segments with strong underwriting expertise
- Shift in portfolio mix from casualty to property/short tail
- Steering measures:
  - Focus on underwriting profitability (bottom-line over top-line)
  - Strict NatCat and casualty budget control
  - Adherence to global underwriting guidelines

<sup>1</sup> IFRS figures (rounding differences).
<sup>2</sup> Long Tail: Casualty including workers compensation.
<sup>3</sup> Short Tail: Property and health.
Portfolio restructuring achieved turnaround of Munich Re America

Combined Ratio and Net Income

- Strong underwriting performance as indicated by accident year combined ratio

Macroeconomic assumptions – Outlook on growth and inflation

- GDP growth in 2011 somewhat lower than 2010, improving in 2012; outlook still contains significant uncertainties
- Economic recovery, while slow, will increase exposure base, gradually increasing premium levels. Will help Munich Re (U.S.) meet future growth targets
- Inflation heats up in 2011 from higher commodity prices, but returns to lower levels in 2012. U.S. debt burden remains longer-run concern
- Low inflation translates to lower loss and operating costs, and therefore lower combined ratios

Sources: Munich Re Economic Research, IMF, Consensus Economics.
Market & Strategic Overview – Business and U.S. Market Environment

Macroeconomic assumptions – Interest rate/investment yield environment

Long-term interest rates remain at historically low levels; expect only modest upward movements in near future

Anticipated low interest rates in short term will create investment challenges for Munich Re and rest of industry, especially as higher yielding bonds mature

While increases in stock market helped fuel capital gains in Q1 2011, equity markets remain uncertain for remainder of year

As investment earnings decline, greater burden is placed on operating results, creating upward pressure on pricing

---

Legislative/regulatory issues are monitored and managed

Potential legislative/regulatory changes

Congressional proposals for limitation of tax deductions applicable to reinsurance premiums paid to non-U.S. affiliates (Neal Bill, the Obama Proposal)

Reduction in collateralization requirements for foreign reinsurers

Congress introduced legislation that supports hazard mitigation and land use planning rather than moving toward increased government financing of risk

Determination whether certain insurers present systemic risk

Forced-placed business: Top 5 U.S. mortgage servicers, banking regulators and state attorneys general discussing mortgage servicing standards; may include standards for regulating lender insurance placements

Likely impact

Tax impact unless the final law excludes companies with parents domiciled in non-tax haven countries or countries with existing tax treaties

Possible increased competitiveness of offshore competitors; reduction of affiliate retrocession costs

Would help reduce losses from natural catastrophes over long term

Global topic; insurance companies, however, added stability during the financial crisis

New loan servicing rules or consent orders could cause lender clients to become more rate sensitive, and could also result in fewer placements of forced-placed insurance

Munich Re U.S. Operations monitors upcoming legislative/regulatory actions and participates in dialog; then actively manages risk and identifies opportunities
U.S. Insurance Market

- Highly competitive, mature market with approx. 2,700 individual P&C companies and US$ 477bn direct premiums written (2010)
- Specialty insurance approx. 20% of P&C market
- Alternative market mechanisms (risk retention groups, pools) about 8% of P&C market size

- Munich Re’s Specialty Insurance Division, with US$ 2.9bn premium (2010 GPW), ~3.0% market share in primary specialty market
- Munich Re America major presence in alternative market and MGA/PA space
- Large growth potential in specialty niche and alternative markets

U.S. Reinsurance Market

- Global market (Europe, U.S., Bermuda and London)
- Highly competitive, mature, consolidating market.
- Insurers retain more premium as capitalization improves or market hardens. 1,686 insurers cede US$ 52.1bn (2010) in freely available reinsurance premium to market
- In the past additional capital enters market (ILS, sidecars) to meet capacity needs/ as market hardens

- Munich Re (Group) has 4.9% market share with US$ 2.6bn premium
- In U.S., Munich Re market share relatively small compared to market share in other countries, providing profitable growth potential in U.S.
- Growing player in ILS market (4 U.S. cat bond deals in 2010/11)
- As market continues to consolidate, Munich Re will be a even more significant player
Factors influencing reinsurance supply and demand are shifting:
- Although global reins. capital base still solid (despite significant 1H NatCat losses) shareholders equity (supply factor) down in 2011 from 2010\(^2\)
- Drivers for potentially higher reins. demand include:
  - Significant primary insurers’ losses in H1 2011
  - Higher modeled NatCat exposure following RMS update
  - Market psyche (with NatCat full-year budgets often already exhausted after H1)
- U.S. insurers’ surplus also at high levels
- Underwriting losses and more modest investment returns will likely shrink insurer and reinsurer excess capital in 2011
- Demand for primary insurance likely to increase as economy grows

Impact of prior year reserve releases (increases) on reported calendar year results

Industry has relied on prior year redundancies to support calendar year earnings
- Balance sheet strength (supply) outstripping demand has combined with reserve releases to perpetuate soft market conditions
- As reserve redundancies are mostly exhausted, the industry is nearing a transition point

With reserve redundancies mostly exhausted, further pressure exerted on current year underwriting results. It is time for a market turn!
Price improvements have been experienced, although varying by segment.

- **Personal lines**: Recent single digit increases
- **Commercial lines**:
  - **Property**: Some pockets already turning upwards in 2011 (i.e. energy rates)
  - **Casualty/Other**: Slightly negative rates in 2011 with potential improvement beginning in 2012
- **Reinsurance**: Continued disciplined pricing by reinsurers; especially in areas experiencing heavy losses and cat-exposed segments, which benefit from increases following large events and modeling changes

**Factors that could lead to an accelerated improvement**
- Mega-catastrophe, or several very large catastrophes in close succession in the U.S.
- Significant improvement in economic factors that drive exposures
- Increased insurer capital requirements from modeling changes, reserve deficiencies and regulatory changes
- Growing pressure on reserve adequacy – margins mostly depleted

**Potential moderating factors**
- Opportunistic new capital entering the market
- Double-dip recession
- Increases in (re)insurer M&A activity, leading to reduced reinsurance demand and increased capacity

**Projected development of net premiums written**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums written³</td>
<td>Reinsurance</td>
<td>Commercial</td>
<td>Personal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>426</td>
<td>62</td>
<td>140</td>
<td>224</td>
<td>442</td>
<td>64</td>
<td>142</td>
</tr>
<tr>
<td>2011E</td>
<td>461</td>
<td>66</td>
<td>147</td>
<td>256</td>
<td>480</td>
<td>68</td>
<td>154</td>
</tr>
<tr>
<td>2012E</td>
<td>502</td>
<td>71</td>
<td>163</td>
<td>268</td>
<td>522</td>
<td>74</td>
<td>172</td>
</tr>
</tbody>
</table>

**Comments**
- Primary insurance is expected to grow by approx. 23% over the 2010–2015 time period
- Reinsurance growth is estimated at approx. 19% over the same period
- As market hardens, primary insurers typically retain more risk
- Factors offsetting increased retentions would be pressure on insurers’ capital requirements

³ Source: Highline data and internal projections.

Being in both the reinsurance and specialty primary markets will enable Munich Re to target increasing profitable business in these sectors.
Munich Re's goal is to achieve the full potential of the U.S. property and casualty market. Over the course of the market cycle we aim for sustainable, profitable growth. We will increase profitability from direct and broker reinsurance as well as primary insurance by:

- Employing a **client-centric approach** to develop client strategies and reinsurance solutions that leverage Munich Re's expertise and risk appetite.
- Developing **closer broker relationships** to support clients' needs.
- Building a dominant presence in **niche primary insurance segments**.

During all phases of the cycle we will stay fully committed to risk-adequate pricing.

### U.S. P&C Operations – Structure

**Munich Re – U.S. P&C Operations**

- **Reinsurance**
  - **Reinsurance Division**¹
    - Property and casualty reinsurance for U.S. insurers
- **U.S. Specialty Insurance**
  - **Specialty Markets**¹
    - Property and casualty insurance and reinsurance solutions and niche products for alternative market clients
  - **American Modern**
    - Personal lines primary specialty insurance:
      - Niche residential property
      - Recreational property
      - Niche products serving financial institutions
  - **Hartford Steam Boiler**
    - Specialized insurance and reinsurance solutions for niche products including market leading equipment breakdown

- Acquisition of American Modern and Hartford Steam Boiler builds out specialty primary insurance platform
- Advantages of structure:
  - Growth in primary insurance business will complement mature reinsurance market over long term
  - Diversification
  - Synergies
  - Ability to take advantage of market dislocations
  - Better management of potential market conflicts

¹ Reinsurance and Specialty Markets are divisions within Munich Reinsurance America, Inc.
Market & Strategic Overview – U.S. Strategy

U.S. P&C Operations – Portfolio mix

Gross premiums written\(^1\) per division

\(\text{\$bn} \)

\begin{array}{cccccccccccc}
\hline
\hline
\text{Healthcare and Other} & 3.7 & 4.3 & 5.0 & 4.6 & 4.2 & 3.8 & 3.8 & 3.6 & 4.4 & 5.0 & 0.9 \\
\text{Specialty Insurance} & 0.4 & 0.7 & 1.1 & 1.1 & 1.0 & 0.6 & 0.7 & 0.9 & 1.7 & 2.6 & 2.9 \\
\text{P&C Reinsurance} & 2.4 & 2.6 & 2.9 & 3.0 & 2.8 & 2.2 & 2.1 & 2.0 & 1.9 & 1.7 & 1.8 \\
\hline
\end{array}

Growing share of specialty business

\(^1\) IFRS figures (rounding differences).
\(^2\) From 2008 including American Modern, from 2009 including HSB.

Market & Strategic Overview – U.S. Strategy

Specialty Insurance niches – Presence in diversified market segments enhances ability to focus on growth areas

Comparison of 5Y-average GPW growth and Combined Ratio (years 2006–2010)

GPW Growth (CAGR 2006–2010) in %

\(\text{Net Combined Ratio 2006–2010 in \%}^1\)

\(1\) Fiscal (calendar) year figures for AMIG, HSB. Policy year figures (pricing basis, develop through Q1 2011) for Specialty Markets.

\(2\) Segment results reflect market definition of segment as opposed to internal organization view.
### Munich Re (U.S.) – Leveraging the whole value chain

<table>
<thead>
<tr>
<th>Personal Lines</th>
<th>Commercial Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDR(^1) Service Line</td>
<td>Data Compromise E&amp;O(^2) Employment Practice</td>
</tr>
<tr>
<td>Farm EB(^2) Homeowners EB(^2)</td>
<td>Liability Commercial EB(^2)</td>
</tr>
</tbody>
</table>

#### Specialty Property
- Specialty Vehicles
- Personal Umbrella

**Core P&C Business of Insurance Company or Agent**
- Comm. Umbrella
- Financial Institut.
- Public/Non-Profit
- Healthcare
- Habitational

#### Treaty Reinsurance
- Facultative Programs
- Facultative Certificates

**Leverage diverse distribution platforms to offer full suite of products**

#### Enabling our clients to grow their core business

1. IDR = Identity Recovery.
2. EB = Equipment Breakdown.
3. E\&O = Errors & Omissions.

### Munich Re Value Proposition

<table>
<thead>
<tr>
<th>Financial solidity</th>
<th>Supporting risk knowledge through international cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Know-how from primary insurance</td>
<td>Global technical expertise: underwriting, pricing, contracts, claims handling</td>
</tr>
</tbody>
</table>

#### Capacity
- Cross-disciplinary teams of experts
- Client-specific approach

#### Reliability
- Consulting services and underwriting tools for experts
- Centers of competence in a variety of disciplines

**With a combination of competitive advantages, financial strength and reputation, we see most business in the market. Execution is key.**
Significant change in portfolio since 2002 resulted in company turnaround, with positive impact on profitability

After successful turnaround was achieved, Munich Re was able to pursue profitable growth strategy in U.S. Market (U.S. Strategy)

With implementation of the U.S. Strategy, platform in place to achieve full potential in market

Economic recovery and industry financials indicate turn in market

With financial strength, technical expertise and focus on helping clients to succeed, Munich Re has strong value proposition

Munich Re well positioned to outperform in next hard market in both reinsurance and primary specialty spaces

Agenda

Executive Summary & Overview Munich Re
Peter Röder

Market & Strategic Overview
Tony Kuczinski

Financial Trends & Reserving
Steve Levy

Reinsurance Business
Pina Albo

Specialty Insurance Business
Tony Kuczinski

Summary & Key Takeaways
Peter Röder
Munich Re U.S. P&C Operations – Financial Highlights

Strong earnings based on underwriting discipline in a challenging market (I)

<table>
<thead>
<tr>
<th>MUNICH RE (U.S. P&amp;C OPERATIONS)</th>
<th>MUNICH RE (U.S. P&amp;C OPERATIONS)**</th>
<th>MUNICH RE (U.S. P&amp;C OPERATIONS)**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross premiums written</strong></td>
<td><strong>Underwriting result</strong></td>
<td><strong>After-tax profit</strong></td>
</tr>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Q1–4 2009</td>
<td>Q1–4 2009 150</td>
<td>Q1–4 2009 537</td>
</tr>
<tr>
<td>Q1–4 2010</td>
<td>Q1–4 2010 76</td>
<td>Q1–4 2010 664</td>
</tr>
</tbody>
</table>

All companies contributed to premium growth in 2010

Good results demonstrate successful turnaround

Munich Re U.S. P&C Operations – Financial Results

U.S. P&C Operations – Strong earnings based on underwriting discipline in a challenging market (II)

<table>
<thead>
<tr>
<th></th>
<th>Q1–4 2010</th>
<th>Q1–4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross premiums written</strong></td>
<td>5,555</td>
<td>5,042</td>
</tr>
<tr>
<td><strong>Net earned premiums</strong></td>
<td>4,528</td>
<td>4,144</td>
</tr>
<tr>
<td><strong>Net expenses for claims and benefits</strong></td>
<td>2,785</td>
<td>2,534</td>
</tr>
<tr>
<td><strong>Net operating expenses</strong></td>
<td>1,667</td>
<td>1,460</td>
</tr>
<tr>
<td><strong>Underwriting result</strong></td>
<td>76</td>
<td>150</td>
</tr>
<tr>
<td><strong>Investment result</strong></td>
<td>665</td>
<td>544</td>
</tr>
<tr>
<td><strong>After-tax profit</strong></td>
<td>664</td>
<td>537</td>
</tr>
<tr>
<td><strong>Combined ratio</strong></td>
<td>96.0%</td>
<td>91.4%</td>
</tr>
</tbody>
</table>

- Premium volume increased primarily driven by including HSB results for a full year and a number of surplus relief quota share transactions
- Underwriting result in 2010 impacted by A&E reserve strengthening at Munich Re America, partially offset by reserve releases from post-2001 period
- Significant increase in investment result in 2010 due to higher level of realized capital gains
- After-tax profit in 2010 exceeds strong prior year result

**Note:** Above figures are IFRS basis after group internal retrocession.
Munich Re U.S. P&C Operations – Financial Results

Munich Re America – Good results demonstrate successful turnaround

<table>
<thead>
<tr>
<th>$m</th>
<th>Q1–4 2010</th>
<th>Q1–4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>3,621</td>
<td>3,360</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>2,881</td>
<td>2,677</td>
</tr>
<tr>
<td>Net expenses for claims and benefits</td>
<td>2,105</td>
<td>1,882</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>908</td>
<td>795</td>
</tr>
<tr>
<td>Underwriting result (^1)</td>
<td>-132</td>
<td>0</td>
</tr>
<tr>
<td>Investment result</td>
<td>489</td>
<td>479</td>
</tr>
<tr>
<td>After-tax profit</td>
<td>277</td>
<td>315</td>
</tr>
<tr>
<td>Combined ratio (^2)</td>
<td>104.2%</td>
<td>93.7%</td>
</tr>
</tbody>
</table>

- Growth in premium volume mostly due to a number of surplus relief quota share transactions written in 2010
- Increases in claims and operating expenses largely driven by premium growth
- Decline in underwriting result reflects prior year development in 2010
- Stable investment result
- After-tax profit remains solid

\(^1\) Underwriting result includes interest expense on ceded funds held of $26m in 2010 and $121m in 2009.
\(^2\) Combined Ratio does not include other underwriting expenses such as premium taxes and interest expenses on ceded funds held.

Note: Above figures are IFRS basis after group internal retrocession.

Munich Re U.S. P&C Operations – Financial Results

Hartford Steam Boiler – Outstanding performance since becoming part of the Munich Re Group

<table>
<thead>
<tr>
<th>$m</th>
<th>Q1–4 2010</th>
<th>Q2–4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>851</td>
<td>652</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>816</td>
<td>611</td>
</tr>
<tr>
<td>Net expenses for claims and benefits</td>
<td>250</td>
<td>183</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>402</td>
<td>302</td>
</tr>
<tr>
<td>Underwriting result (^1)</td>
<td>164</td>
<td>126</td>
</tr>
<tr>
<td>Investment result</td>
<td>81</td>
<td>39</td>
</tr>
<tr>
<td>After-tax profit</td>
<td>245</td>
<td>167</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>80.0%</td>
<td>79.5%</td>
</tr>
</tbody>
</table>

- Year-over-year changes affected by including HSB results for a full year in 2010 compared to 9 months in 2009
- Results characterized by very low loss ratios but above average expense ratios reflecting business model
- Overall underwriting result is very strong as demonstrated by combined ratios of 80%
- Increase in investment result driven by realized capital gains in 2010 in contrast to losses in 2009
- Very good after-tax profit in both years

\(^1\) Underwriting result = Technical result without technical interest.
Note: Above figures are IFRS basis after group internal retrocession.
### American Modern – Continued and improving profitability

<table>
<thead>
<tr>
<th></th>
<th>Q1–4 2010</th>
<th>Q1–4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>1,253</td>
<td>1,214</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>831</td>
<td>856</td>
</tr>
<tr>
<td>Net expenses for claims and benefits</td>
<td>430</td>
<td>469</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>357</td>
<td>363</td>
</tr>
<tr>
<td>Underwriting result¹</td>
<td>44</td>
<td>23</td>
</tr>
<tr>
<td>Investment result</td>
<td>96</td>
<td>27</td>
</tr>
<tr>
<td>After-tax profit</td>
<td>142</td>
<td>55</td>
</tr>
<tr>
<td>Combined ratio²</td>
<td>88.2%</td>
<td>93.9%</td>
</tr>
</tbody>
</table>

¹ Underwriting result = Technical result without technical interest.
² Combined Ratio does not include other underwriting expenses, such as premium taxes.

Note: Above figures are IFRS basis after group internal retrocession.

- Increase in gross premiums written driven by the Residential Property segment and reflects rate increases and some new business
- Higher underwriting result also driven by Residential Property segment
- Higher investment result due to realized capital gains
- Increase in the after-tax profit driven by realized capital gains and higher technical result

### Strong first quarter result

<table>
<thead>
<tr>
<th></th>
<th>Q1 2011</th>
<th>Q1 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>1,500</td>
<td>1,342</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>1,145</td>
<td>1,119</td>
</tr>
<tr>
<td>Net expenses for claims and benefits</td>
<td>638</td>
<td>631</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>430</td>
<td>397</td>
</tr>
<tr>
<td>Underwriting result¹</td>
<td>77</td>
<td>91</td>
</tr>
<tr>
<td>Investment result</td>
<td>155</td>
<td>145</td>
</tr>
<tr>
<td>After-tax profit</td>
<td>243</td>
<td>236</td>
</tr>
<tr>
<td>Combined ratio²</td>
<td>89.6%</td>
<td>86.6%</td>
</tr>
</tbody>
</table>

¹ Underwriting result includes interest expense on ceded funds held of $16m in 2011 and $26m in 2010
² Combined Ratio does not include other underwriting expenses, such as premium taxes and interest expenses on ceded funds held.

Note: Above figures are IFRS basis after group internal retrocession.

- Growth in gross premiums written reflects increase in premium from an affiliate
- Moderate increase in earned premiums explains increase in claims expense
- Relatively small impact from Japan earthquake
- Underwriting result remains strong with the combined ratio below 90%
- Solid after-tax profit in both periods
- 2011 Q2 results (not shown here) impacted by natural catastrophes in the U.S.
Munich Re U.S. P&C Operations – Financial Highlights

Sound capital base maintained

<table>
<thead>
<tr>
<th>NAIC Risk Based Capital Ratio1</th>
<th>Best’s Capital Adequacy Ratio (BCAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>HSB</td>
<td>200%</td>
</tr>
<tr>
<td>AM</td>
<td>175%</td>
</tr>
<tr>
<td>MRAm</td>
<td></td>
</tr>
<tr>
<td>891</td>
<td>292</td>
</tr>
<tr>
<td>597</td>
<td>207</td>
</tr>
<tr>
<td>463</td>
<td>305</td>
</tr>
</tbody>
</table>

- NAIC Risk Based Capital Ratio is the principal regulatory capital measure in the U.S.
- The ratio for each company is significantly above the level of 200%, which is important from a regulatory perspective

Key capital measures demonstrate financial strength

- Best’s Capital Adequacy Ratio is the key capital measure for the A.M. Best rating agency
- The ratio for each company is above the level of 175% that A.M. Best associates with its highest rating

1. YE 2010 NAIC Risk Based Capital Ratios are for the lead companies on a standalone basis.

Munich Re U.S. P&C Operations – Investments

High quality investment portfolio

Investment portfolio at year-end 2010

<table>
<thead>
<tr>
<th>%</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common/preferred shares</td>
<td>0.8</td>
</tr>
<tr>
<td>Government Securities</td>
<td>30.1</td>
</tr>
<tr>
<td>Cash &amp; Short Term Investments</td>
<td>11.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$18.4bn</td>
</tr>
</tbody>
</table>

Fixed income securities S&P Ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>62.8%</td>
</tr>
<tr>
<td>AA</td>
<td>5.5%</td>
</tr>
<tr>
<td>A</td>
<td>15.3%</td>
</tr>
<tr>
<td>BBB</td>
<td>16.0%</td>
</tr>
<tr>
<td>BB and below</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Portfolio management

- Manage portfolio according to Munich Re Group standards: Steering of the investments strongly linked to the structure of the liabilities
- Effective duration of investment is 4 years equal to the estimated duration of liabilities
- Highly rated fixed maturity portfolio
- Assets managed by MEAG New York Corporation
Munich Re America – Reserves

MRAm actual versus expected comparison – Favorable loss emergence indicates strong reserve position

Comparison of incremental expected losses with actual losses reported by clients in CY 2010

By accident year (AY)¹

By line of business¹

Actual loss development in CY 2010 was consistently below actuarial expectations across all years and lines of business

¹ Excludes special liabilities and large losses.

---

Munich Re America – Asbestos and environmental survival ratios

Asbestos

<table>
<thead>
<tr>
<th>Years</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-strengthening ratio</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>Pre-strengthening ratio</td>
<td>7.1</td>
<td></td>
</tr>
</tbody>
</table>

Environmental

<table>
<thead>
<tr>
<th>Years</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-strengthening ratio</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Pre-strengthening ratio</td>
<td>5.1</td>
<td></td>
</tr>
</tbody>
</table>

- The survival ratios shown for both asbestos and environmental represent the year-end reserves divided by the three-year average of net payments.
- The survival ratio indicates an estimate of the number of years the current reserve level can support recent loss payout patterns.
- The three-year survival ratios shown here are gross of internal retrocessions.

2010 reserve actions support survival ratios

---
Prudent reserve position supports solid balance sheet

Indications of reserve review 2010
- Favorable for basic losses
- Need for additional asbestos and environmental reserves

Response to these indications in line with our prudent reserving approach

<table>
<thead>
<tr>
<th>AYs 2001 AND PRIOR</th>
<th>AYs 2002-2004</th>
<th>AYs 2005-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response to the claims emergence in asbestos and environmental: Reserve strengthening for accident years 2001 and prior</td>
<td>Release of reserves consistent with favorable indications from accident years 2002–2004</td>
<td>Cautious response to the favorable indications for the longer-tail lines in accident years 2005–2009</td>
</tr>
</tbody>
</table>

Further strengthening of confidence level to absorb potential future volatility – Reserve review leads to moderately positive run-off result for the Munich Re Group

Munich Re U.S. P&C Operations – Financial Summary
Solid financial results in a challenging environment

- Strong earnings in 2010 based on underwriting discipline
- Solid performance for each company
- Sound capital position according to key capital measures
- High quality investment portfolio consistent with Munich Re Group approach
- Prudent reserve position supports solid balance sheet
- U.S. Operations are financially strong with clear strategy

Well positioned to sustain profitable growth
Munich Re’s goal is to achieve the full potential of the U.S. property and casualty market. Over the course of the market cycle we aim for sustainable, profitable growth. We will increase profitability from direct and broker reinsurance as well as primary insurance by:

- **Employing a client-centric approach** to develop client strategies and reinsurance solutions that leverage Munich Re’s expertise and risk appetite.
- **Developing closer broker relationships** to support clients’ needs.
- **Building a dominant presence in niche primary insurance segments**.

**During all phases of the cycle we will stay fully committed to risk-adequate pricing.**
Advantages of the new U.S. Strategy – Client-centric approach/closer broker relationships

- Clients will be served with a clear and consistent approach by the client manager
- Single group risk appetite and price
- Partnership-oriented business development

Better at meeting end-clients’ complex risk-transfer needs
- Substantial improvements in responsiveness
- Consistency in product offering across Munich Re

Full group capacity and capabilities brought to bear

Reinsurance Business – Market Overview

Growing market on the horizon

- Market has been shrinking, but coming back. Ceding companies continue to increase retentions.
- Significant freely available reinsurance premium. Maximum penetration requires structured and systematic business development efforts on a dual channel distribution basis.

Non-life direct premiums written

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>499.1</td>
</tr>
<tr>
<td>2008</td>
<td>489.1</td>
</tr>
<tr>
<td>2009</td>
<td>475.1</td>
</tr>
<tr>
<td>2010</td>
<td>476.7</td>
</tr>
<tr>
<td>2011E</td>
<td>494.7</td>
</tr>
<tr>
<td>2012E</td>
<td>514.6</td>
</tr>
<tr>
<td>2013E</td>
<td>537.0</td>
</tr>
<tr>
<td>2014E</td>
<td>561.4</td>
</tr>
<tr>
<td>2015E</td>
<td>584.1</td>
</tr>
</tbody>
</table>

Reinsurance premium volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>55.2 64.7</td>
</tr>
<tr>
<td>2008</td>
<td>56.6 66.8</td>
</tr>
<tr>
<td>2009</td>
<td>54.8 65.2</td>
</tr>
<tr>
<td>2010</td>
<td>52.0 62.4</td>
</tr>
<tr>
<td>2011E</td>
<td>53.3 63.9</td>
</tr>
<tr>
<td>2012E</td>
<td>55.0 66.0</td>
</tr>
<tr>
<td>2013E</td>
<td>57.0 68.2</td>
</tr>
<tr>
<td>2014E</td>
<td>59.4 71.2</td>
</tr>
<tr>
<td>2015E</td>
<td>61.6 73.8</td>
</tr>
</tbody>
</table>

1 Source: Highline Data and internal projections.
2 2010 Direct and Ceded premium based on Highline data as of June 6, 2011.
3 Freely available reinsurance premium = ceded premium volume less retrocessions and mandatory pools (Schedule F, Part 3) based on companies that filed as of March 9, 2011.
Reinsurance Business – Market Overview

Clear client segmentation enables focused client management

Client segmentation (by freely available reinsurance premium ceded in 2010)\(^1\)

\[\text{\$bn} \]

<table>
<thead>
<tr>
<th>Category</th>
<th>Global (66)</th>
<th>Regional (1206)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Retention Groups and Other (186)</td>
<td>13.1 (25.2%)</td>
<td>22.5 (43.3%)</td>
</tr>
<tr>
<td>National (228)</td>
<td>15.5 (29.8%)</td>
<td></td>
</tr>
</tbody>
</table>

1,666 insurance clients holding $52 billion in freely available reinsurance premium

Insurers segmented by company size and market focus

Excellent client relationships in all lines of business

Broad product range results in outstanding diversification

\(^1\) Source: Highline Data based on companies that filed as of March 5, 2011.

\(^2\) Freely available reinsurance premium = ceded premium volume less retrocessions and mandatory pools (Schedule F, Part 3) based on companies that filed as of March 5, 2011.

Reinsurance Business – Market Overview

Dominant market share with growth potential\(^1\)

<table>
<thead>
<tr>
<th>Entity</th>
<th>Market share premiums as reported by U.S. cedants (2010 $m)(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other</td>
<td>27,508</td>
</tr>
<tr>
<td>Bermuda</td>
<td>8,983</td>
</tr>
<tr>
<td>Lloyds of London</td>
<td>3,621</td>
</tr>
<tr>
<td>Swiss Re Group</td>
<td>2,818</td>
</tr>
<tr>
<td>Munich Re (Group)(^3)</td>
<td>2,556</td>
</tr>
<tr>
<td>Hannover Re</td>
<td>1,528</td>
</tr>
<tr>
<td>Transatlantic</td>
<td>1,458</td>
</tr>
<tr>
<td>Everest Re (U.S.)</td>
<td>1,085</td>
</tr>
<tr>
<td>General Re</td>
<td>1,081</td>
</tr>
<tr>
<td>Partner Re Group</td>
<td>1,062</td>
</tr>
<tr>
<td>Odyssey Re</td>
<td>361</td>
</tr>
<tr>
<td>Total</td>
<td>52,061</td>
</tr>
</tbody>
</table>

1 Freely available reinsurance premium = ceded premium volume less retrocessions and mandatory pools (Schedule F, Part 3) based on companies that filed as of March 5, 2011.
2 Entity market share that has Bermuda domiciled subsidiary is included in the Bermuda category.
3 Munich Re (Group) total excludes American Modern and HSB.
Reinsurer discipline resulted in reductions in premiums written, reflecting appropriate handling of soft market and current economic conditions.

- Only one peer grew due to acquisition
- No new U.S. domestic reinsurers being formed
- Possible further consolidation

Property premium volume increases due to price increases and model changes.

- Casualty soft market drove rates down and, with it, premium writings
- Casualty currently stabilizing with potential rebound of rates on horizon
- Marine premium increases driven by catastrophe events and, in 2010, the Deepwater Horizon loss

Munich Re is an established and respected brand.

Ability to capitalize on turning market.
Solid underwriting results

Reinsurance Division combined ratio 2008–2010

1 Calendar year IFRS figures before group internal retrocession, excludes corporate retrocessions and business segments in run-off.

Reinsurance Business – Reinsurance Division

Focus on underwriting discipline and profitability (bottom line over top-line)
- Retain long-term profitable business with "core" clients
- Manage down shares that are acceptable but not meeting short term financial pricing targets
- Decline or non-renew poorer performing and "non-core" clients

Monitoring of price changes in the market place

Adherence to global underwriting guidelines

Line of Business Expert Group
- Pricing factors
- Rate levels
- Industry loss ratios

Strict NatCat and other budget control consistent with group policy

Focus on cycle management produces clear bottom-line results

Broad diversification covering all lines of business

Focus on cycle management produces clear bottom-line results
Client value proposition

Focus on client needs

Profound knowledge, capacity & security offered

Commitment to profitably grow market share both directly and through reinsurance brokers

Open and transparent communication with clients and brokers

Responsiveness in acknowledging communications, submissions and in presenting quotes

Client-centric approach creates profitable and sustainable business model

Value proposition optimized for each client type

Customers/markets

- Emerging and transforming
- Mutuals and regionals

- Mature and highly mature markets
- Global and super-regional companies

Value proposition

- Growth partner and risk know-how provider
- Value optimizer and complex risk taker

Key success factors

- Strong presence in key markets
- Risk-driven services (tools, seminars)
- Product development support

- Capital management know-how
- Complex risk appetite and expertise

Differentials

- Responsiveness and flexibility
- Stability and predictability
- High capacity

- Competitive price
- Top financial security

Basics

Facultative service and support

Key ingredients to maintaining market leadership: Custom-solutions, risk management expertise and market/client knowledge
Reinsurance Business – Strategy in Action

U.S. broker channel

**PAST:**
Broker acts primarily as intermediary. Match cedant risk placement needs with reinsurer risk appetite

**TODAY:**
Broker still acts as intermediary. Also provides consultation, risk analysis and many value-added services (actuarial, modeling)

**Leading brokers in U.S.**

<table>
<thead>
<tr>
<th>Broker</th>
<th>Broker market share¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aon Benfield</td>
<td>41%</td>
</tr>
<tr>
<td>Guy Carpenter &amp; Co. LLC.</td>
<td>25%</td>
</tr>
<tr>
<td>Willis</td>
<td>17%</td>
</tr>
<tr>
<td>Towers Watson</td>
<td>4%</td>
</tr>
</tbody>
</table>

**High barrier to entry in U.S. Market**
Through consolidation, the top three control 83% of the reinsurance brokerage market

**Why ceding companies choose the broker channel**

- Perception that brokers know the primary and reinsurance markets and can achieve better terms
- Availability of value-added services
- Capable of structuring layered covers with multiple reinsurers
- Working with clients to optimize their capital structure
- Perception of broker neutrality
- Syndicated placements spread clients’ exposure to reinsurance recoverables and reduce leverage any one market may have

**Munich Re with excellent broker relations**

¹ Based on 2009 revenue.

Reinsurance Business – Strategy in Action

**Broker vs. direct market share**

**Observations**

- Broker market share has been steadily growing over the past few years, however, the pace of growth has recently slowed
- In the U.S., there are essentially only 3 direct writers: Munich Re, Swiss Re, and General Re; Transatlantic has a small direct underwriting unit

**Net premiums written¹**

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct market share</th>
<th>Broker market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2001</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2002</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>2003</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>2004</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>2005</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>2006</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>2007</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>2008</td>
<td>75%</td>
<td>24%</td>
</tr>
<tr>
<td>2009</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>2010</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Implications**

- Dual channel strategy is necessary
- Being an exclusive direct writer or broker market writer will not provide the desired level of sustainability or access
- Growth and maintenance of broker relationships is critical to success
- Important to be a recognized and trusted partner

**Munich Re established as go-to broker market**

¹ Source: Reinsurance Association of America.
Reinsurance Business – Strategy in Action

Positive broker premium development 2006–2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct</th>
<th>Broker</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>28</td>
<td>72</td>
</tr>
<tr>
<td>2007</td>
<td>28</td>
<td>72</td>
</tr>
<tr>
<td>2008</td>
<td>33</td>
<td>67</td>
</tr>
<tr>
<td>2009</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>2010</td>
<td>43</td>
<td>57</td>
</tr>
</tbody>
</table>

U.S. Strategy directed shift in broker/direct split from 28/72 to 70/30 at height of next hard market

On track to achieve goal

Larger accounts are utilizing brokers in larger numbers

Reinsurance Business – Strategy in Action

Client-centric premium provider

External claim
NOT IF, BUT HOW

Global reach
One-stop solution for client needs

Local expertise
In-depth market knowledge capable of shaping and assisting client growth

Strategic solutions
Strategic support in M&A scenarios

Capital market solutions
Traditional and non-traditional competencies

Flexible approach
Providing start-up support

Cross unit collaboration
Product provision to expand client offerings. Broaden existing relationships
### Price increases realized for NatCat business in U.S. renewals June/July 2011

#### Market
- Still sufficient capacity available
- Slightly increasing demand for reinsurance capacity
- Price increases in NatCat, remaining business flat

#### Munich Re America portfolio up for renewal
- Premiums: ~$550m, ~1/3 of treaty business
- Mainly Casualty (~50%), Property (~40%)
- Important NatCat renewal: ~2/3 of total NatCat premium

#### Munich Re America NatCat portfolio
- NatCat prices in total approx. +10%, mainly driven by
  - Significant worldwide loss activity in first half of year (incl. U.S. tornados in April and May)
  - New version of RMS model
  - Price increases vary slightly across nationwide business
  - Terms and conditions mainly unchanged

#### Munich Re America Non-NatCat portfolio
- Despite limited growth due to strict underwriting discipline, Munich Re America sees a vast amount of opportunities due to its underwriting expertise and financial security
  - Casualty pricing remains flat with little change in terms and conditions; pricing environment stabilizing
  - Due to a market-wide showing of new and renewal business, Munich Re America maintains a very clear view on the state of the casualty market, from pricing to coverage offerings
  - Property Non-NatCat prices flat to increase in the low single digit range

### Reinsurance Business – Strategy in Action

#### Market leader with room to grow

- Capacity, security, responsiveness and technical expertise remain hallmarks of Munich Re’s value proposition
- Client-centric approach is additional value optimizer
- Client intimacy and custom-solutions are differentiators in current market
- Dual distribution channel maximizes market penetration
- Disciplined underwriting and focus on bottom line creates shareholder value
- Access to Munich Re Group talent and product range adds value to clients
- Collaboration with HSB and American Modern brings profitable growth opportunities

#### Well positioned to outperform the market
Primary insurance is a core element of Munich Re U.S. Strategy

Munich Re’s goal is to achieve the full potential of the U.S. property and casualty market. Over the course of the market cycle we aim for sustainable, profitable growth. We will increase profitability from direct and broker reinsurance as well as primary insurance by:

- Employing a **client-centric approach** to develop client strategies and reinsurance solutions that leverage Munich Re’s expertise and risk appetite
- Developing **closer broker relationships** to support clients’ needs
- Building a dominant presence in niche primary insurance segments

During all phases of the cycle we will stay fully committed to risk-adequate pricing
Primary insurance strategy is to focus on niche, specialty insurance business

**Munich Re U.S. strategy and rationale for growth in Specialty Insurance**

- Build a primary insurance platform with broad U.S. market reach
  - Bigger profit pool to tap
  - Cross sell for reinsurance clients
  - Diversification from reinsurance cycle

- Focus on selective attractive niches
  - Less exposed to cycle and exhibits better loss ratios
  - Strengthens Munich Re value proposition to customers vs. competing with those same customers
  - Fewer players

- Leverage existing know-how and strengths particularly relevant in specialty insurance segments
  - Underwriting expertise is a differentiator
  - Success comes from high quality versus strictly high volume

**Specialty Insurance Business – U.S. Strategy**

“Specialty insurance” makes up large and attractive portion of overall U.S. P&C market

**U.S. Specialty Insurance market – overview**

<table>
<thead>
<tr>
<th>U.S. P&amp;C market structure – DPW^4 2010</th>
<th>Definition of specialty insurance</th>
<th>Characteristics vs. standard market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$bn</strong></td>
<td>Non-standard risks falling outside the underwriting guidelines of standard market</td>
<td></td>
</tr>
<tr>
<td>Personal 243</td>
<td>Written on admitted and non-admitted (E&amp;S) paper</td>
<td>Growth rates above standard market, albeit with higher volatility</td>
</tr>
<tr>
<td>Commercial 234</td>
<td>Each specialty niche is a unique combination of product coverage, distribution, region, and client</td>
<td>Profitability generally more attractive, also due to less competition from the standard market</td>
</tr>
<tr>
<td>TOTAL $477bn</td>
<td></td>
<td>Migrating patterns between specialty and standard</td>
</tr>
<tr>
<td></td>
<td>Insurance cycle: standard market assumes more non-standard risks during soft cycle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product life cycle: new coverages start as specialty then move to standard as volume grows/perceived risk falls</td>
<td></td>
</tr>
</tbody>
</table>

---

^1 Note: “Specialty insurance” generally includes personal and commercial lines, although main share is commercial (e.g. 98% of E&S).
^2 E&S = Excess and Surplus Lines.
^3 Source: Highline Data; Specialty admitted size estimated by Munich Re.
^4 DPW = Direct Premiums Written.
Fragmented market with presence of large and specialty players – Competitors also expanding via acquisitions

**U.S. Specialty Insurance market playing field**

- **Large standard players**
  - e.g. Zurich, Chubb, Hartford, Travelers

- **Specialty players**
  - e.g. WR Berkley, Markel, QBE, Arch

**Large standard vs. Specialty players**

- Expanding specialty presence, including E&S
- Within specialty, often more focused on larger transactions (including large casualty deals)
- High dependency on NatCat capacity
- Offering entire portfolio solutions
- No regional specialization
- Are largely geared toward traditional mass distribution model

**Specialty players**

- Typically focused on specific regions, products, or industries
- Mainly non-owned distribution via wholesale brokers, agents and MGAs
- Also growing via acquisitions (e.g. QBE, RLI)

---

**Specialty Insurance Business – Specialty Insurance**

Munich Re has succeeded in building a strong Specialty Insurance business in the U.S.

**Munich Re Specialty Insurance Strategy**

- Build a primary insurance platform with broad U.S. market reach
- Focus on selective attractive niches
- Leverage existing know-how and strengths particularly relevant in specialty insurance segments

**Specialty Insurance – Development over time**

- **Specialty Markets**
  - Developed out of core reinsurance business by directly serving pools/captives etc.
- **American Modern**
  - Added key infrastructure elements and new lines of business for building specialty insurance platform
- **HSB**
  - Added engineering know-how and filled gaps in property product set
  - Natural expansion given risk management and know-how driven business model

**Organic development**

1988

**Acquisitions**

2008

**HSB**

2009
Munich Re U.S. Specialty Insurance has a broad market reach and is well positioned

**Significant Market Player**
- Top Specialty Lines Player – Combined Entities:
  - $2.9 billion GPW in 2010
  - ~$2.5 billion NPW in 2010

**Diversified Market Reach**
- Multi-faceted Distribution
  - Primary Insurers
  - MGAs or wholesale brokers
  - Financial Institutions
  - Retail agents
  - Direct to the risk or consumer

**Top Niche Leadership**
- Equipment Breakdown (EB)
- Alternative market risks/pools
- Insurance Programs
- Manufactured Homes
- Lender based protection

**U.S. SPECIALTY INSURANCE**

- American Modern
- HSB
- Specialty Markets

**Geographic Coverage**
- Licensed in 50 states
- Offices across the country
- Over 2,500 U.S. based employees

**Leading Competitive Positions**

**Well Established Infrastructure**

---

**Organic growth of Munich Re Specialty Insurance units has significantly outperformed primary P&C market**

**Munich Re Specialty Insurance units vs. Market – DPW development from 2005–2010**

<table>
<thead>
<tr>
<th>U.S. P&amp;C market</th>
<th>Munich Re Specialty Insurance units (entities stand-alone)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$bn</td>
<td>$bn</td>
</tr>
<tr>
<td>482</td>
<td>1.8</td>
</tr>
<tr>
<td>CAGR: -0.2%</td>
<td>CAGR: 12.7%</td>
</tr>
<tr>
<td>2005</td>
<td>2010</td>
</tr>
<tr>
<td>477</td>
<td>2.9</td>
</tr>
</tbody>
</table>

**Significant organic growth of Munich Re Specialty Insurance units despite stagnating market**

**Clearly outperformed the growing commercial property segment**

**Munich Re growth mainly driven by strong development of strategic alliance/client company business model**

---

1. DPW = Direct premiums written.
Source: Highline
Munich Re Specialty Insurance top ten amongst peer group

| Specialty Insurance Peer Group – GPW 2010
| $bn |
| Peer 1 | 6.4 |
| Peer 2 | 4.2 |
| Peer 3 | 4.0 |
| Peer 4 | 3.8 |
| Peer 5 | 3.5 |
| Munich Re Specialty | 2.9 |
| Peer 6 | 2.4 |
| Peer 7 | 1.7 |
| Peer 8 | 1.7 |
| Peer 9 | 1.4 |
| Peer 10 | 1.0 |

Strong organic growth of Munich Re Specialty entities moved us to No. 6 amongst comparable Specialty players.

At the same time, some competitors have also been expanding, both organically as well as via acquisitions.

Going forward, Munich Re’s goal is to be among the most profitable, leading specialty market insurers.

Munich Re is emerging as a leader in the specialty insurance program market, which will provide substantial growth opportunities.

U.S. Industry Overview – Alternative markets typically grow as traditional market hardens

Alternative market and insurance program space showing double digit growth even during soft cycle – pace of growth should increase as market turns.

Munich Re is a market leader in alternative market risks.

\[ \text{CAGR: 23.59\%} \]

Munich Re's U.S. Specialty Insurance entities active in distinct niches with varying "specialty" characteristics

**Characteristics of U.S. Specialty Insurance entities**
1. Specialty Markets
2. Hartford Steam Boiler
3. American Modern

**LoB**
- Specialty Commercial Lines
- Personal Lines

**Specialty Markets**
- Expertise in portfolio and large risk underwriting and claims
- Specialty Products leveraging Engineering Services and Expertise
- Insurance products for specialty risks/property types (e.g. recreational products and lender or forced place hazard)

**Niche**
- Alternative Market Risks
- Equipment Breakdown
- Residential Property
- Fee Engineering

**Specialty Commercial Lines**
- Insurance Programs
- Other Specialty Products
- Financial Institutions

We jointly focus on leveraging wholesale distribution channels together with our reinsurance business

**FULL SPECTRUM OF DISTRIBUTION CHANNELS IN PLACE TODAY**

<table>
<thead>
<tr>
<th>“Retail”</th>
<th>“Wholesale”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct to policyholder</td>
<td>Manufacturer/ Point of Sale</td>
</tr>
<tr>
<td>Pools</td>
<td>Retail agents/ brokers</td>
</tr>
<tr>
<td>Wholesale Broker</td>
<td>MGA</td>
</tr>
<tr>
<td>Bank/FI</td>
<td>Bank/FI</td>
</tr>
<tr>
<td>Insurance companies</td>
<td></td>
</tr>
</tbody>
</table>

**Full spectrum will continue – Priority focus to fully leverage**

<table>
<thead>
<tr>
<th>Wholesale broker</th>
</tr>
</thead>
<tbody>
<tr>
<td>A broker who acts as an intermediary between a retail agent and an insurer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managing General Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediary with authority to accept placements from (and often to appoint) retail agents on behalf of an insurer</td>
</tr>
<tr>
<td>Generally conduct UW and provide other services (e.g. policy issuance) on behalf of the insurers they represent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks and lenders offering platform for distributing Munich Re products as well as products protecting the financial institution (property only)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard or Excess Lines carriers who provide the ground up (net of insured deductible) coverage</td>
</tr>
<tr>
<td>Relevant primary insurers range in scope from small regionals, mutuals, to large multi-line carriers</td>
</tr>
</tbody>
</table>

**Rationale**
- Allow greater reach with less "touch" |
- Fully leverage existing relationships from traditional reinsurance |
- Provide greatest opportunity to sell Munich Re Group products |
- Bundling distribution access across these channels and thereby have ability to create scale even within niches
Munich Re U.S. Specialty Insurance strategy to leverage existing know-how and distribution

**2020 Vision**

**Top 5, most profitable player in U.S. Specialty Insurance market by 2020**

**Strategy**

Grow by leveraging existing know-how and distribution channels

- Customized solutions
  - Strong underwriting
  - Customized product(s)
  - Value added services

- Focus on wholesale distribution; select direct markets
  - Wholesale focus, e.g. insurers, banks, wholesale agents, MGAs
  - Select direct distribution in relevant markets (especially large tickets)

**Strategy**

Support our clients to further extend and differentiate their core business

---

Specialty Insurance Business – Specialty Insurance

**Specialty Markets Overview**

**History/Background**

- Responsibility for Alternative Market Risks and Insurance Programs
- Formed in 1988 to underwrite Alternative Market Risks
- Expanded scope in 1996 to include Insurance Programs

**Key Niche**

**Alternative Market Risks**

- Property & Casualty coverages (mostly excess placements) with heaviest focus on auto and professional/general liability

**Insurance Programs**

- Partner with Program Administrators (MGAs with extended capabilities)
- Strong presence in governmental, other non-profit, habitational programs

**Product Sampling**

- Property & Casualty coverages with heaviest focus on auto, property and professional/general liability
- Products customized to program

**Clients/Distribution**

- Partner with self-insurers, risk retention groups, pools, trusts, reciprocals, and captives
- Largely governmental, churches, schools/education and other non-profit risks

**Market Position**

- Market leader in pools
- New entrants are targeting this segment
- Government segment pressured by soft market and reduction in public spending

- Emerging as an Insurance Program market leader
- Other than top competitors, market is fragmented
Specialty Markets
Market approach

Unique selling proposition
- Insurance and reinsurance capabilities
- Multiple lines of business in package product offering
- Unbundled services model
- Business sourced from retail, wholesale and reinsurance brokers and direct
- Insurance program specific products
- Risk sharing by cession or sliding scale commission
- No competing agency network

Expertise in …
- Portfolio and large risk underwriting and claims
- Specialty niche
- Alternative markets
- Insurance programs
- Multi-line business

Growth projections

<table>
<thead>
<tr>
<th>2010 Actual</th>
<th>2015 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Alternative Market Risks</td>
<td>27</td>
</tr>
<tr>
<td>Insurance Programs</td>
<td>73</td>
</tr>
</tbody>
</table>

Growth expected in Insurance Programs segment

1 Based on IFRS gross premiums written.
Specialty Markets

Combined ratio development

- 2005–2009 reflects NatCat losses (including Katrina, Rita, Wilma, Ike and Gustav) and reserve development
- Further portfolio restructuring
- 2010 recognized favorable loss reserve development for past years
- On accident year basis, average 92% combined ratio over years 2004–2010

Based on IFRS figures before group internal retrocession. Industry data = Insurance Information Institute from A.M. Best and ISO data. 2008–2010 figures exclude mortgage and financial guaranty insurers and is on a statutory basis.

Specialty Markets

Outlook

Noteworthy Achievements
- “Speed to Market” process established to increase efficiency of implementing new insurance programs
- Completed filing of Specialty Markets products in two AMIG companies in order to provide appropriate rates for preferred and substandard risks (“rating tiers”)
- Implemented a large personal umbrella insurance program as a result of cross selling with American Modern sales force

Looking Ahead
- Capitalize on its strong alternative market position in pools with growth potential in commercial captive/risk retention group segments
- Insurance programs have significant growth potential in commercial and professional liability programs
Hartford Steam Boiler

Overview

History/Background
- Founded in 1866
- Acquired by Munich Re in 2009
- Complementing Munich Re’s traditional strength in engineering
- Delivering outstanding financial return on investment

Key Niche

Product Sampling
- Equipment Breakdown and bundled engineering (inspection services, loss prevention, risk assessment, and client tailored service plans)

Clients/Distribution
- Distribution: majority comes through reinsurance of primary insurers
- Clients in all segments of P&C: Personal, Commercial, Specialty/Alternative, Farm

Market Position
- Market leader in the U.S. and Canada; growing international presence
- Global engineering platform to deliver services

Equipment Breakdown

Other Specialty Products
- Data Compromise
- Employment Practices Liability
- Identity Recovery
- Reinsurance of primary insurers (both personal lines and commercial lines)

Fee Engineering
- Code certification (ASME1)
- Management consulting
- Loss prevention and risk management services
- Due diligence
- ~82% direct to customers
- Benchmark 80% of the world’s refined oil plants operating performance

1 ASME = American Society of Mechanical Engineers.

Specialty Insurance Business – Specialty Insurance

Hartford Steam Boiler

Business model

REINSURANCE ORIENTED
Client Company Model

INSPECTION SERVICES AND ENGINEERING CONSULTING

DIRECT BUSINESS MODEL

CLIENT COMPANY MODEL
Gross premiums written 2010: US$ 680m
- Insurance coverage and services fully integrated into Client Companies products
- Long-standing relationships with 15 of the 25 largest commercial insurers
- HSB acts as reinsurer with an intensive service component
- Rapid expansion of new strategic products1 to complement core business

INSPECTION SERVICES AND ENGINEERING CONSULTING Revenues 2010: US$ 172m
- Global presence of 1,200 engineers
- Provides critical contribution to HSB’s engineering knowledge base and experience, enhancing underwriting decisions and claims prevention

DIRECT BUSINESS MODEL
Gross premiums written 2010: US$ 121m
- Large network of independent agents: 4,000 in U.S., 4,000 in Canada and 1,000 in the UK
- Intellectual capital and best-in-class reputation supports long-standing customer relationship and high agent satisfaction

1 Equipment breakdown for homeowners and farm owners, identity recovery insurance, data compromise and employment practices liability, and miscellaneous professional liability.
Hartford Steam Boiler Growth projections

2010 Actual

- Other Specialty Insurance: 10%
- Domestic Specialty Insurance: 19%
- Domestic Commercial Equipment Breakdown: 71%

2015 Forecast

- Other Specialty Insurance: 15%
- Domestic Specialty Insurance: 22%
- Domestic Commercial Equipment Breakdown: 63%

Growth expected in specialty insurance and international market segments

1 Based on IFRS gross premiums written.

Specialty Insurance Business – Specialty Insurance

Hartford Steam Boiler Combined ratio development

Combined ratio 2005–2010

- HSB
- U.S. P&C Industry

- Strong profitability on a sustainable basis
- High-quality earnings driven by superior underwriting performance and claims management

Noteworthy Achievements

• HSB was selected to serve as Munich Re’s engineering loss control company worldwide as we extend Equipment Breakdown (EB) and property expertise and services
• 62% of HSB client companies have partnered on at least one strategic product
• HSB has established over 20 new client company partnerships in each of the last 3 years
• Employ over 450 certified National Board inspectors in North America, more than any other organization globally

Looking Ahead

• Maintain our leadership position in Equipment Breakdown, keeping product competitive and responsive to emerging equipment trends
• Cross-selling of Specialty Products to Equipment Breakdown-clients
• Roll out HSB’s specialized portfolio Equipment Breakdown product and business model internationally
• Monitor mega trends to capitalize on opportunities to leverage our capabilities and strengthen our brand as thought leader and solution provider
• Continued strong focus on underwriting discipline and excellence in execution

American Modern

Overview

History/Background
• Founded in 1938 as auto finance company, over 45 years as specialty insurer
• Acquired by Munich Re in 2008
• Focus on profitable, fast-growing U.S. specialty insurance segments
• Emphasis on short-tail, low-severity personal lines insurance

Key Niche

Residential Property
• Manufactured Homes
• Site-built Dwellings

Recreational Products
• Motorcycle
• Collector car
• Watercraft

Financial Institutions
• Lender placed property products
• Other income generating insurance products, such as Renters, Travel and Pet Health

Product Sampling

• Primarily personal lines
• Distribute through primary insurers, Wholesalers, Retail Agents/Brokers and Point of Sale

• Primarily personal lines
• Distribute through primary insurers, Wholesalers and Retail Agents Brokers

• Financial Institutions
• Distribute through agency channel and also bank owned insurance agencies

Clients/Distribution

• Niche focus with small market share – provides growth opportunity
• 7% market share in Manufactured Homes

• Niche focus with small market share, ample market opportunity

• Strong position (No. 3) in lender placed market
• Over 30 years experience with financial institutions

Market Position
American Modern
Well-diversified and broad distribution platform

Strategically matching distribution to product and marketplace opportunities

2010 premium split by distribution channel

<table>
<thead>
<tr>
<th>%</th>
<th>Specialty agents</th>
<th>Independent agents</th>
<th>General agents</th>
<th>Strategic alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PoS lender</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PoS manufacturers</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Distribution channels

- **Financial Institutions**
  Banks, loan servicers and credit unions where insurance is placed on behalf of financial institution to insure collateral. Utilize bank in house insurance agency to offer voluntary products to segmented customer cases.

- **Strategic Alliance**
  Provide specialty products to policyholders of standard, multi-line insurance carriers via strategic alliances with standard multi-line insurance companies

- **Agents (Specialty, Independent, General)**
  Personal lines products are marketed through specialty, general and independent agents

- **Point of sale – Manufacturers and dealers**
  Distribution of residential property insurance through manufactured housing dealers and vertically integrated manufacturers

- **Point of sale – Lender**
  Distribution of residential property insurance products through financial institutions that provide financing for those products

Growth projections

2010 Actual

<table>
<thead>
<tr>
<th>%</th>
<th>Other</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Recreational</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2015 Forecast

<table>
<thead>
<tr>
<th>%</th>
<th>Other</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Recreational</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth expected in all key segments

1 Based on IFRS gross premiums written (rounding differences).
Consistent levels of underwriting profitability – outperforming broader P&C industry

Elevated combined ratio in 2001–2003 was attributable to commercial liability line that was exited in 2001 and unfavorable performance of motorcycle book acquired in 2001

In 2008, Combined ratio was unfavorably impacted by higher weather and hurricane losses (consistent with industry). This primarily impacted Manufactured Housing Portfolio.

Consistent levels of underwriting profitability – outperforming broader P&C industry

Elevated combined ratio in 2001–2003 was attributable to commercial liability line that was exited in 2001 and unfavorable performance of motorcycle book acquired in 2001

In 2008, Combined ratio was unfavorably impacted by higher weather and hurricane losses (consistent with industry). This primarily impacted Manufactured Housing Portfolio.

Noteworthy Achievements

Continue to outperform P&C industry
CR and Premium growth (9.0% CAGR compared to ~flat) better than industry

Financial Institutions Division
2008-2010 average CR < 90%, Premium Annual Growth Rate of 20%

Execution of Strategic Alliance strategy
Premium +300% since acquisition to >$100m in 2010, average CR of 93%
American Modern currently partners with standard insurance carriers that account for 40% of personal lines market

Contributed to success of other Munich Re business units through distribution relationships and access to multi company structure

Looking Ahead

Pursue strategy to grow Strategic Alliances distribution channel by establishing new strategic alliances partnerships and expanding existing strategic alliances

Offer additional voluntary products in our Financial Institutions distribution channel

Anticipate low to mid single digit premium growth in the years ahead, which will be driven from consistent rate increases and growth strategies above

From a profit perspective, we anticipate combined ratios in the mid 90% range (absent abnormal weather patterns)
Munich Re’s U.S. Specialty Insurance platform carries all relevant capabilities for market success

**Our combined capabilities include**

<table>
<thead>
<tr>
<th>Clients/Distribution</th>
<th>Product/Solution</th>
<th>Underwriting/Know-how</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Broad customer base</td>
<td>- Admitted and non-admitted</td>
<td>- Niche market underwriting expertise</td>
<td>- A+ paper¹</td>
</tr>
<tr>
<td>- Broad, diversified distribution platform</td>
<td>- Portfolio and transactional</td>
<td>- Engineering expertise (incl. loss control engineering)</td>
<td>- Financial strength and capacity of Munich Re</td>
</tr>
</tbody>
</table>

**Examples**

- Working across companies to leverage the whole

<table>
<thead>
<tr>
<th>Cross Selling</th>
<th>Product Development</th>
<th>Support Function Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Segment Strategy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cross Selling**

- New American Modern Strategic Alliance with Reinsurance Division client
- Using Munich Re brand equity to access larger financial institutions and grow American Modern
- Referral to Specialty Markets from American Modern for personal umbrella program
- New distribution for American Modern P&C products with a large HSB producer
- New HSB business through introductions to Munich Re clients

**Product Development**

- Re-launched HSB EPL¹ product with expanded coverage options
- Launched Munich Re subsidiary’s Travel Insurance product at American Modern
- Cross-company tiered rating offers expanded eligibility for our insurance programs
- Cooperation across Munich Re around Data Compromise and other Cyber products
- Sharing best practices and product ideas

**Approximately $300 million in new business synergies across our units since 2009**

¹ EPL = Employment Practices Liability.
Munich Re U.S. value proposition

**Personal Lines**
- IDR\(^1\)
- Service Line
- Farm EB\(^2\)
- Homeowners EB\(^2\)

**Commercial Lines**
- Data Compromise
- Misc. E&O\(^3\)
- Employment Practice
- Liability
- Commercial EB\(^2\)

**Treaty Reinsurance**
- Comm. Umbrella
- Financial Inst.
- Healthcare

**Specialty Property**
- Specialty Vehicles
- Personal Umbrella

**Core P&C Business of Insurance Company or Agent**

**Short Term: Industry Segments with Quick Win Potential, e.g.**
- Auto clubs
- Farm bureaus
- Habitual

**Long Term: Industry Segments with Highest Munich Re Potential, e.g.**
- Financial Institutions
- Energy
- Healthcare

**HSB**
- Products to differentiate the core
- Leverage diverse distribution platforms to offer full suite of products

**American Modern & Specialty Markets**
- Niche focus that expands the core

Specialty Insurance Business – Specialty Insurance

**U.S. Specialty Insurance offers continued opportunity to strengthen Munich Re’s U.S. P&C presence**

- Product innovation – responses to emerging risk issues
- Cross platform collaboration (cross sell, bundling, etc.)
- Penetration/organic growth within current product set
- Partnering with Munich Re globally to expand international presence
- Leveraging U.S. Specialty Insurance and Munich Re scale and operational platform

**Well positioned to extend our market position**
Significant progress in achieving U.S. Strategy

- **Dual Channel Strategy**
  - Reinsurance Division (RD) increased broker channel business from 28% in 2006 to 43% in 2010

- **Client-Oriented**
  - New business wins: 18% of RD GPW (2008-2010) from profitable new business
  - Munich Re becomes major player in U.S. cat market
  - Achieved lower expense ratio enabling more competitive pricing: 14.2% in 2008 to 9.0% in 2011 (est.)

- **Niche Primary Insurance**
  - Purchase/integration of HSB and American Modern:
    - Achieved $37m in cost synergies (systems, back office support)
    - Produced approx. $300m in premium from new business synergies
    - Expanded wholesale network
    - Further rebalanced portfolio from long-tail to short-tail

- **From Turnaround Story to Success Story**: Achieved profitable results in difficult market environment, while reorienting company for future market growth
Long-term outlook – Seizing growth opportunities while strict bottom-line focus prevails

Outlook
- Achieve higher technical profitability through continued risk-adequate pricing, improved models and sharpened risk appetites
- Increase underwriting authority and streamline
- Continue to improve expense ratio through regionalization, improved processing, procurement and other initiatives
- On target to meet Munich Re U.S. Strategy goals of:
  - $6.5–7.0bn of gross premiums written by 2015 (or height of next hard market)
  - Normalized combined ratio of below 95%
- Outperform market

Summary and Key Takeaways

- Munich Reinsurance America migrates from a turnaround story to a success story
- Munich Re has a clear and focused mission, vision and strategy in the U.S. market
- Platform to be leveraged: Differentiating products, broad distribution, specialized risk expertise
- Leadership role in industry to extend our market position

NOT IF, BUT HOW
### Appendix

**Financial calendar**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 August 2011</td>
<td>Interim report as at 30 June 2011; Half-year press conference</td>
</tr>
<tr>
<td>11–13 September 2011</td>
<td>Les Rendez-Vous de Septembre, Monte Carlo</td>
</tr>
<tr>
<td>8 November 2011</td>
<td>Interim report as at 30 September 2011</td>
</tr>
<tr>
<td>13 March 2012</td>
<td>Balance sheet press conference for 2011 financial statements</td>
</tr>
<tr>
<td>14 March 2012</td>
<td>Analysts’ conference, London</td>
</tr>
<tr>
<td>26 April 2012</td>
<td>Annual General Meeting, Munich</td>
</tr>
</tbody>
</table>

---

**For information, please contact**

**INVESTOR RELATIONS TEAM**

<table>
<thead>
<tr>
<th>Name</th>
<th>Tel.:</th>
<th>E-mail:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian Becker-Hussong</td>
<td>+49 (89) 3891-3910</td>
<td><a href="mailto:cbecker-hussong@munichre.com">cbecker-hussong@munichre.com</a></td>
</tr>
<tr>
<td>Ralf Kleinschroth</td>
<td>+49 (89) 3891-4559</td>
<td><a href="mailto:rkleinschroth@munichre.com">rkleinschroth@munichre.com</a></td>
</tr>
<tr>
<td>Thorsten Dzuba</td>
<td>+49 (89) 3891-8030</td>
<td><a href="mailto:tdzuba@munichre.com">tdzuba@munichre.com</a></td>
</tr>
<tr>
<td>Christine Franziszi</td>
<td>+49 (89) 3891-3875</td>
<td><a href="mailto:cfranziszi@munichre.com">cfranziszi@munichre.com</a></td>
</tr>
<tr>
<td>Britta Hamberger</td>
<td>+49 (89) 3891-3504</td>
<td><a href="mailto:bhamberger@munichre.com">bhamberger@munichre.com</a></td>
</tr>
<tr>
<td>Andreas Silberhorn</td>
<td>+49 (89) 3891-3366</td>
<td><a href="mailto:asilberhorn@munichre.com">asilberhorn@munichre.com</a></td>
</tr>
</tbody>
</table>

Münchener Rückversicherungs-Gesellschaft | Investor & Rating Agency Relations | Königinstraße 107 | 80802 München, Germany
Fax: +49 (89) 3891-9888 | E-mail: IR@munichre.com | Internet: www.munichre.com
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 conform them to future events or developments.