



DÉJÀ VU – LESSONS FROM THE CRISIS

Bank of America Merrill Lynch
Banking & Insurance CEO Conference

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Munich RE 

Overview – Retrospective achievements

Insurance industry has been confronted with major challenges in the past – Munich Re's reliability is paying off



Major achievements: Prudent execution ...

Volatile macroeconomic environment

- Managing insurance risks as main source of value creation
- Continuous de-risking of investment portfolio

Demanding reinsurance cycle

- Strict bottom-line orientation
- Diversification across all dimensions
- Partially detaching from the cycle

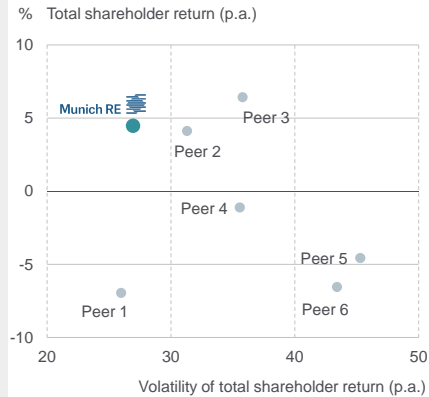
Limited growth opportunities

- Organic: Profitable growth e.g. in life and health reinsurance
- M&A: Expanding profitable niche business in p-c

Changing regulatory environment

- Establishing centralised enterprise risk management
- Economic steering based on internal capital model

... placing Munich Re well amongst peers¹



Successful navigation through turbulent years reflected in relatively sound and stable shareholder returns

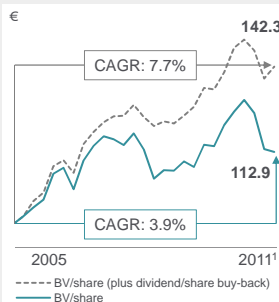
¹ Annualised total shareholder return defined as price performance plus dividend yield over the period 1.1.2005–27.9.2011; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

Overview – Retrospective achievements

Capital strength enabling business expansion and strong dividend payment capacity ...

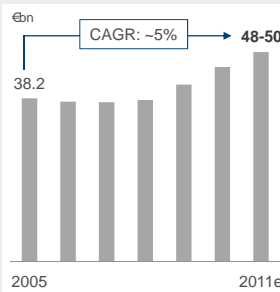


Book value per share



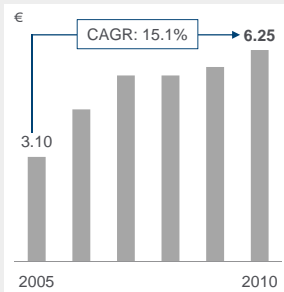
Strong capitalisation and financial solidity the result of prudent execution and deeply embedded risk management ...

Gross written premiums



... allowing us to seize growth opportunities during the years of the financial crisis ...

Dividend per share



... and building the foundation for reliable capital repatriation (including share buy-backs) to our shareholders

... in turn profitable growth facilitating earnings and capital resilience

¹ As at 30.06.2011

Overview – Prospective challenges

The challenges of the past still remain on the insurance industry's agenda

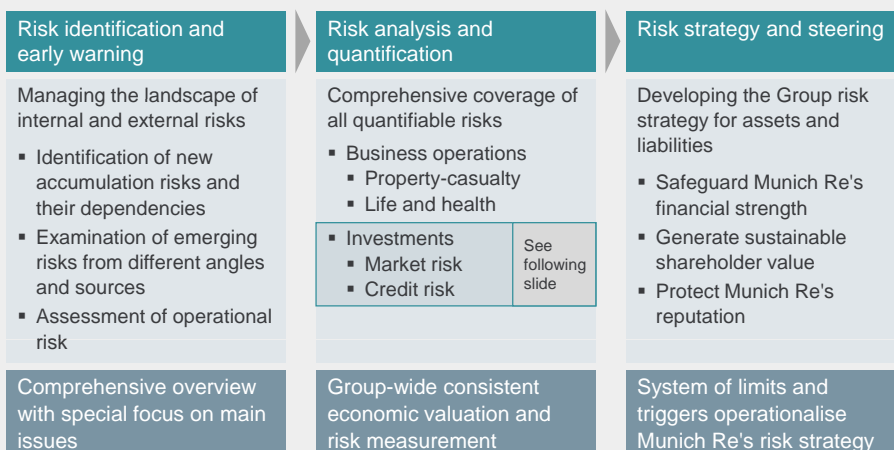


Future industry challenges	Munich Re's strategic focus
1 Volatile macroeconomic environment	<ul style="list-style-type: none"> Mitigating the impact of lower for longer interest rates Managing sovereign credit risk Navigating through an economic slowdown
2 Demanding reinsurance cycle	<ul style="list-style-type: none"> Positioning for improving prospects in reinsurance markets Efficiency in traditional business while further expanding know-how-intensive solutions Increasing importance of life reinsurance
3 Limited growth opportunities	<ul style="list-style-type: none"> Innovative concepts in reinsurance business Integration of primary insurance and reinsurance, facilitating growth International expansion of primary insurance operations
4 Changing regulatory framework	<ul style="list-style-type: none"> Dealing with the impact of Solvency II on Munich Re Seizing business opportunities within new solvency regime

Munich Re well-positioned – Maintaining proven corporate strategy and turning lessons learned from past challenges into future value

1 Volatile macroeconomic environment – Risk management

Enterprise risk management deeply entrenched in Munich Re's DNA ...



Enterprise risk management is fully integrated into Munich Re's corporate strategy and daily business

1 Volatile macroeconomic environment – Disciplined asset-liability management

... reflected in the management of our investment portfolio



Investment topics	Risk management impulses	Investment strategy
<p>Considering a variety of possible capital market scenarios</p>	<ul style="list-style-type: none"> Assessing sensitivity of global macroeconomic drivers on the asset and liability side Market risk: "Lower for longer" yields the main challenge for primary life business and profitability in reinsurance Credit risk: Sovereign risk limits require continued portfolio diversification <p>Holistic risk assessment with strict setting of risk limits</p>	<ul style="list-style-type: none"> Duration management: Keeping the asset-liability-mismatch tight Diversification of government bond portfolio with focus on peripherals Swaption programme in primary life Expansion of inflation-linked bonds Investments in renewable energies <p>Good track record of solid returns within tight risk framework</p>

Broad diversification remains paramount to be prepared for all kinds of capital market scenarios – We do not take any bets

1 Volatile macroeconomic environment – Seizing tactical market opportunities

Seizing tactical market opportunities within well-defined risk framework



Investment portfolio ¹	Tactical decisions in 2011																
	<ul style="list-style-type: none"> Halving the net equity position to approx. 2% – Prepared for re-entry when expedient Cautious shift from government into corporate and covered bonds – Increased credit spreads providing opportunities Balancing risk-reward between weaker peripheral sovereigns and safe havens (especially Germany and USA) <ul style="list-style-type: none"> Further reductions mainly in Italy Keeping overweight in German Bunds 																
<p>Portfolio duration⁴</p> <table border="1"> <thead> <tr> <th></th> <th>Assets</th> <th>Liabilities</th> <th>Net DV01 (€m)</th> </tr> </thead> <tbody> <tr> <td>Reinsurance</td> <td>5.6</td> <td>5.6</td> <td>-7.2</td> </tr> <tr> <td>Primary insurance</td> <td>6.6</td> <td>7.9</td> <td>13.7</td> </tr> <tr> <td>Munich Re (Group)</td> <td>6.2</td> <td>7.2</td> <td>6.5</td> </tr> </tbody> </table>		Assets	Liabilities	Net DV01 (€m)	Reinsurance	5.6	5.6	-7.2	Primary insurance	6.6	7.9	13.7	Munich Re (Group)	6.2	7.2	6.5	
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¹ Fair values as at 30.6.2011 (31.12.2010). ² Deposits retained on assumed reinsurance, investments for unit-linked life, deposits with banks, investment funds (bond, property), held for trading derivatives with non-fixed-interest underlying and tangible assets in renewable energies. ³ Net of hedges: 3.5% (4.4%). ⁴ As at 30.6.2011. Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size.

1 Volatile macro economic environment – Stable (re-)insurance business

Limited impact of economic cycle on core non-life and health business – Countervailing effects in life



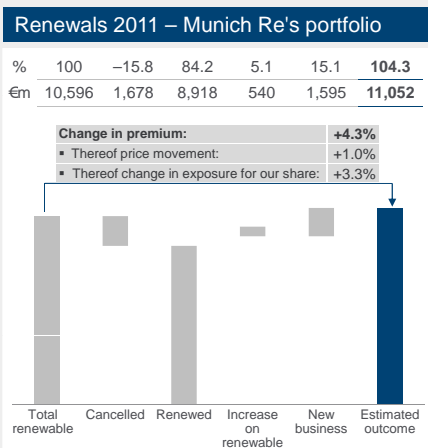
Non-life	Property (esp. fire) <ul style="list-style-type: none"> Relatively low impact on premium and claims, e.g. in fire segment Nat cat business hardly correlated with GDP 	Casualty (esp. credit, D&O, PI) <ul style="list-style-type: none"> Potential increase of loss frequency Credit might face increased claims due to higher default rates
	Robust technical profits	Closer monitoring required for lines with higher vulnerability
Life and health	Health <ul style="list-style-type: none"> Stable existing portfolio as purchase of health insurance remains priority, but potential increase in claims Product mix change in new business 	Life <ul style="list-style-type: none"> Reduced new business, especially products with investment component Higher lapse rates, more suicide and disability claims
	Impact dependent on duration and severity of recession	Potentially more client demand for solvency relief (life reinsurance)

Lower Sensitivity to negative changes in macroeconomic environment Higher

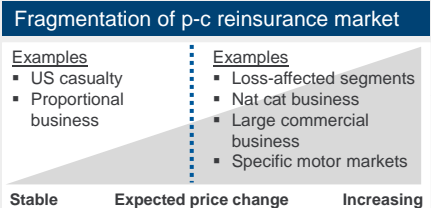
Uncertain economic prospects providing challenges and opportunities – Munich Re well-set to perform in any market environment

2 Demanding reinsurance cycle – Improving prospects in reinsurance markets

Renewals 2011 – First evidence of improved prospects



- Factors putting upward pressure on pricing**
- Prolonged low-interest rate environment** – Quite likely scenario
 - Reserve releases drying out** – Redundancies largely exhausted
 - Introduction of RMS11** – Impact to become increasingly visible
 - Reduced capacity** – Result of large losses, but still artificially inflated industry capital



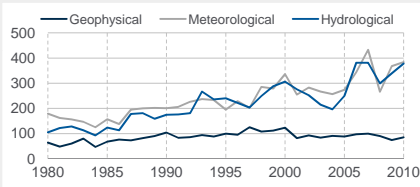
Munich Re actively managing the reinsurance cycle – Overall improving prospects with differing characteristics depending on business line and area

2 Demanding reinsurance cycle – Traditional business – Example: Natural catastrophes

Munich Re committed to providing strong capacity for client-specific solutions in traditional business ...



Despite upward-trending nat cat events¹ ...



Reasons for globally increasing losses

- Increasing population
- Higher standard of living
- Higher insurance density
- Extremely exposed regions
- Higher vulnerability to natural hazards
- Climate change

Absorbing these trends with rising premiums proportional to risk

Problematic if risk models are not adequately adapted

... sustaining a high level of profitability²



Munich Re's success factors

- High underwriting sophistication
- Disciplined cycle management
- Models capturing all conceivable scenarios and providing the basis for risk-adequate pricing
- Diversification benefits: Globally balanced portfolio combining scenarios with largely uncorrelated exposures

Traditional business requires active management and sophisticated models to ensure sustainable profitability

¹ Number of natural catastrophe events worldwide from 1980 to 2010. Source: Munich Re.

² Internal analysis from 2001 until 2010.

2 Demanding reinsurance cycle – Know-how-intensive business

... while leveraging underwriting expertise and customer proximity in other know-how-intensive business



Premium positioning – Munich Re's competitive advantage

Growth and know-how partner

- Assisting clients in expanding and optimising operations globally – with capacity and expertise
- Development of individual risk transfer solutions for strategic partners
- Unique support of key clients' ambitious growth path that only a leading reinsurer can provide

Value optimiser

- Enterprise risk trends trigger new challenges for the industry
- Capital modelling experience facilitating development of tailor-made solutions
- Strong capital base a competitive edge under Solvency II, with reinsurer's rating as the decisive factor

Complex risk taker

- Technical expertise allows to insure complex risks today and tomorrow
- Commitment to provide substantial capacity based on modelling expertise and diversification
- Development of innovative covers globally (e.g. sudden oil spill cover)

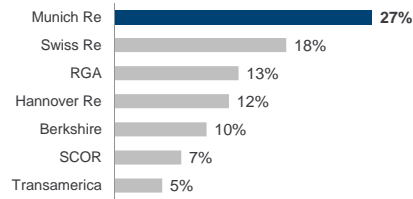
Strategic business expansion in premium segment – Leveraging Munich Re's competitive advantage as client-centric solution provider

2 Demanding reinsurance cycle – Life reinsurance

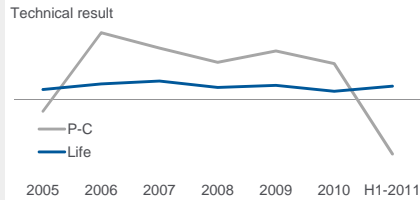
Life reinsurance – Stabilising component with growing importance within reinsurance segment



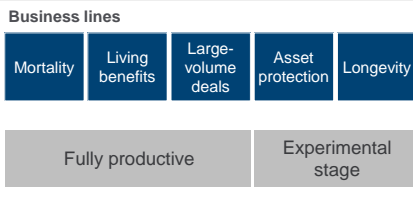
Global market leader (market share)¹



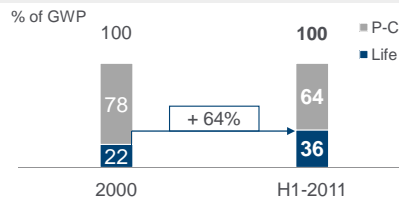
Life smoothing volatile P-C earnings



Strategic focus on biometric risk



Increasing share within reins. segment



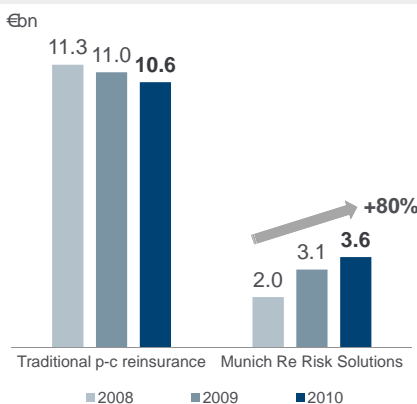
¹ Global life and health market share. Estimates based on 2010 net earned premiums as reported in company reports. Source: Munich Re Economic Research.

3 Limited growth opportunities – Specialty business

Expansion of know-how-driven specialty business – Distinct niches with varying "specialty" characteristics



Leveraging expertise in specialty business¹



Munich Re Risk Solutions

Specialty business

- Relatively low exposure to the cycle of traditional p-c reinsurance
- Attractive niches not directly competing with mass market primary insurance players
- Driven by risk know-how rather than distribution

Munich Re's market position

- Strong organic growth – No. 6 in USA amongst comparable specialty players with the ambition to become one of the top 5, most profitable, specialty market insurers
- Leading market position also in other regions

Profitable growth with limited cycle impact – Leveraging existing know-how and distribution channels


¹ Net earned premium. Management view, not comparable with IFRS reporting. Munich Re Risk Solutions includes specialised B2B primary insurance solutions out of reinsurance, e.g. Midland, Hartford Steam Boiler, Watkins, Global Aerospace Underwriting Managers, MSP, Roanoke, Corporate Insurance Partner.

3 Limited growth opportunities – Innovative concepts – Example: Renewable energies

Climate change – Leveraging underwriting and investment expertise in renewable energies



Munich Re risk assessment



- Research of natural hazards and climate change impacts
- World's largest database of natural hazards
- Extensive underwriting expertise

Business opportunities

Gross written premiums
€bn

50

Current status

300 – 500 p.a.

Ambition

Growing demand for innovative risk transfer solutions enriched by asset management impulses

- Fits well into Munich Re's climate strategy
- Largely independent of business cycle
- Attractive growth market
- Innovative solutions for complex new risks

Asset management

Investment volume
€bn

0.5

Current status

2.5

Ambition

Significant expansion of renewable energy investments making use of extensive underwriting expertise

- Long-term, predictable cash-flow streams
- Largely independent of economic cycles
- Attractive yield in low-interest environment
- Providing portfolio diversification benefits

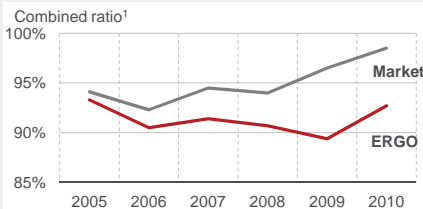
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3 Limited growth opportunities – Primary insurance

While consolidating German business ...

P-C Germany – Strong performance

Combined ratio¹



2005 2006 2007 2008 2009 2010

■ ERGO ■ Market

% Personal accident: 25 (ERGO), 12 (Market); Motor: 20 (ERGO), 33 (Market); Fire: 19 (ERGO), 24 (Market); Liability: 15 (ERGO), 14 (Market); Legal protection: 14 (ERGO), 6 (Market); Other: 7 (ERGO), 11 (Market)

Attractive business mix² generating strong and stable earnings

Portfolio with high degree of stability and low capital requirements

Life – Difficult market conditions

Burdening factors	Impact
<ul style="list-style-type: none"> "Lower for longer" yields Industry highly competitive and still not fully committed to economic steering 	<ul style="list-style-type: none"> Hedging mitigating impact of low yields on back book Development of new product generation Further improving cost efficiency

Health – Stable earnings contributor

- Capturing growth prospects in supplementary health insurance – innovative products and additional distribution channels
- Changing political climate providing challenges and opportunities

Safeguard sustainability of the business model and resume stronger growth

¹ Combined ratio (local GAAP, excluding travel insurance). Sources: Annual reports 2010, GDV year-end statistics.
² Split of gross written premiums ERGO vs. German market as at 2010.

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3 Limited growth opportunities – Primary insurance

... pursuing international expansion with focus on improving profitability



On track in Poland ...

- Combined ratio significantly improved in 2011 vs. 2010: 100.6% (111.5%) as at 30 June
- Lower nat cat losses in 2011 vs. 2010
- On track to return to combined ratios below 100%
- Significant player in the Polish market ranking among top 3

Outlook promising, even though Polish motor market still not back to sound technical level

... while Turkey remains a challenge

- Turnaround initiated in 2010:
 - Rate increases and new tariff in motor
 - Significant reduction of motor share
 - Improvement of claims management
 - Higher operational efficiency
- Success of measures expected to become visible in figures starting in second half of 2011

Counteractive measures to bear fruit in an ongoing difficult motor market

Positive developments in Asia

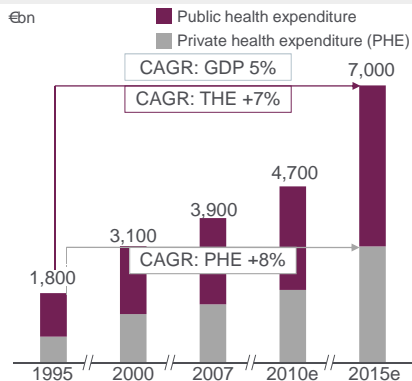
- Promising non-life activities of HDFC ERGO in India – Among top 10 in the market (top 5 among private insurers), outperformance of the market in terms of profitability
- Establishment of life insurance joint venture in China – Licensing process started

3 Limited growth opportunities – Munich Health

Well on track – Munich Health segment with long-term potential



Growth of THE¹ exceeding GDP – Private health expenditures growing even more



Successful portfolio management allowing participation in future market growth

- Disposal of unprofitable Italian unit
- Reorientation of US business in line with new political landscape (including acquisition of Windsor Health)
- Efficiency improvement in European primary insurance entities
- Further expansion in the Middle East

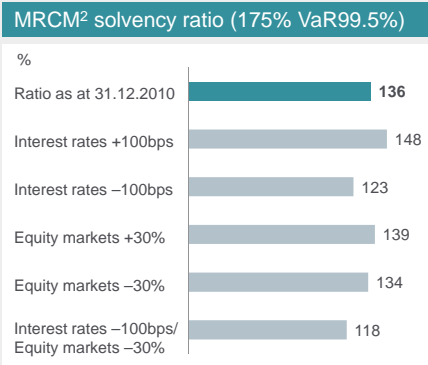
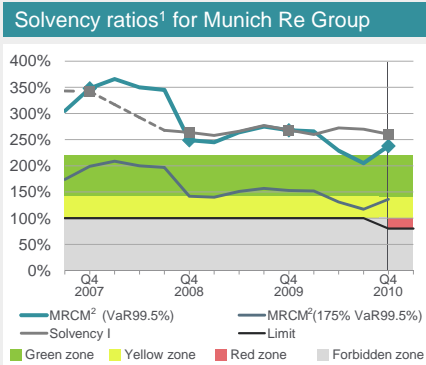
- Munich Health well-prepared to profitably grow the business ...
- ... participating in attractive market prospects

Global health markets will continue to grow above GDP – Munich Health to generate sustainable earnings

¹ Total health expenditure = sum of public and private health expenditure. Source: WHO, Global Insight, Munich Health research. Numbers based on GDP forecast – Changes from external shocks, e.g. sovereign debt crisis, to be expected.

4 Regulatory changes – Impact on business steering

Strict economic steering to effectively manage higher volatility of coverage ratios as a result of Solvency II



Key observations

Volatility of solvency ratio successfully managed on the basis of Munich Re's strict economic steering

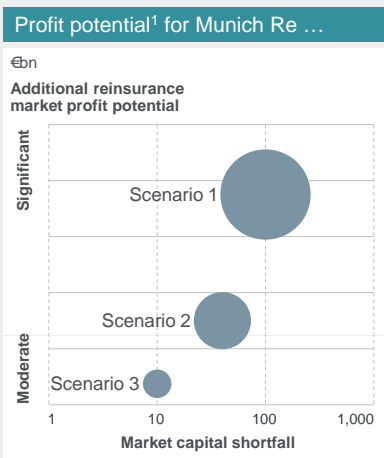
Trigger and limit system provides effective risk framework to promptly react to volatile market development

Munich Re's economic solvency ratio resilient to major capital market movements

¹ Solvency ratio defined as available financial resources (AFR) over capital requirement.
² Munich Re capital model (MRCM) based on 175% of VaR99.5%.

4 Regulatory changes – Business opportunities

Seizing business opportunities within Solvency II



... dependent on final specifications

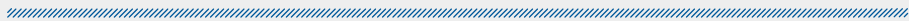
Scenario 1	Scenario 2	Scenario 3
<p>High shortfall</p> <ul style="list-style-type: none"> Negative market environment Large events depleting own funds Realistic economic assumptions 	<p>Realistic shortfall</p> <ul style="list-style-type: none"> Improving market environment On average, realistic risk calibration Optimistic economic assumptions 	<p>Low shortfall</p> <ul style="list-style-type: none"> Positive market environment Optimistic assumptions on valuation and (esp. insurance) risk calibration Enhanced use of risk dampeners
<p>High incentive for reinsurance</p> <ul style="list-style-type: none"> Insurance risks driver of SCR Insur. risks too conservatively calibrated 	<p>Adequate incentive for reinsurance</p> <ul style="list-style-type: none"> Economic impact of reinsurance adequately reflected 	<p>Low incentive for reinsurance</p> <ul style="list-style-type: none"> Insurance risks not driver of SCR Attractive alternative risk transfer solutions
<p>Transitional period Short</p>	<p>Transitional period Appropriate</p>	<p>Transitional period Long</p>

Positive business impact expected from Solvency II – Extent dependent on final specifications

¹ Bubble size reflects estimated additional profit for Munich Re.

Key takeaways

**Munich Re's integrated business model –
Crisis-proven and aligned to sustainable value generation**



Key takeaways

Munich Re remains predictable and reliable
Corporate strategy has proved beneficial – Persistency in pursuing our strategy going forward

Resilience in the crisis
Core insurance business with limited correlation to economic cycle and capital markets

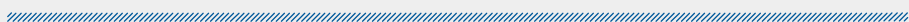
Value-adding integrated business model
Portfolio of complementary profiles – Balancing consolidation measures and growth initiatives

Financial strength
Providing flexibility as regards participation in market opportunities

Dividend policy
Capital strength maintained – Strong dividend capacity despite large claims burden in 2011

Appendix

Financial calendar



FINANCIAL CALENDAR

8 November 2011	Interim report as at 30 September 2011
13 March 2012	Balance sheet press conference for 2011 financial statements
14 March 2012	Analysts' conference, London
26 April 2012	Annual General Meeting, Munich
8 May 2012	Interim report as at 31 March 2012

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