Munich RE

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Press release

Munich Re posts profit of €3.2bn for 2012 and raises dividend to €7.00

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Munich Re's preliminary figures show a profit of €3.2bn for 2012 (previous year: €0.71bn). The profit for the fourth quarter of 2012 totalled €0.48bn (0.63bn). Shareholders are to participate in last year's success through a higher dividend: subject to approval by the Supervisory Board and the Annual General Meeting, the dividend will rise to €7.00 (6.25) per share.

CFO Jörg Schneider summed up the preliminary figures: "This very pleasing profit is founded on our rigorous risk management, disciplined underwriting policy and the realisation of profitable business opportunities. Our core business in insurance and reinsurance is healthy, while the claims burden from major losses was slightly below average. We also achieved a good investment result. 2012 thus brought good progress, allowing us to further strengthen our capital resources." Schneider continued: "We want our shareholders to benefit from the Group's performance: the substantially increased dividend of €7.00 per share is further confirmation of our attractive and stable dividend policy." Only the Group's smallest business field, Munich Health, performed below expectations owing to losses in US primary insurance business at Windsor Health Group (WHG) and to the resultant write-downs.

In 2012, the Group posted an operating result of €5.4bn (1.2bn). Due mainly to the high profit for the year, Group equity increased by around €4.1bn to €27.4bn (31 December 2011: €23.3bn). The return on risk-adjusted capital (RORAC), which serves as the core target for the Group as a whole, developed favourably at 13.2% (3.2%), whilst the return on equity (RoE) amounted to 12.6% (3.3%). Gross premiums written by the Group in the financial year 2012 rose significantly by over 5% to €52.0bn (49.5bn).

At €213.8bn (224.5bn at market values), total investments at 31 December 2012 increased compared with the year-end 2011 figure of €201.7bn. The Group's investment result rose considerably by 24.9% to €8.4bn (6.8bn). This result represents a return of 3.9% in relation to the average market value of the portfolio.

In its primary insurance business, Munich Re showed a profit of €0.25bn (0.16bn) based on preliminary figures. A loss of €0.09bn (0.07bn) was posted in the fourth quarter of 2012 owing to the restructuring expenses accounted for in that quarter in connection with the sales reorganisation programme at ERGO; these adversely affected the result by around €130m. The operating result grew by 54.3% to €0.9bn. Gross premiums written in the financial year 2012 fell by 2.1% to €17.1bn (17.4bn). The combined ratio in property-casualty insurance was 98.7% (99.1%) for the year as a whole. In international business it improved appreciably, and in German business it was partly influenced by a number of random major losses for which intra-Group reinsurance is consolidated out in the segment view. In the fourth quarter, the combined ratio was 104.0% (101.5%).

Based on preliminary figures, the ERGO Insurance Group's consolidated financial statements showed a profit of €0.29bn (0.35bn). Without the burden of restructuring expenses, ERGO would have reached its target for the year of approximately €400m.

The reinsurance segment contributed €3.1bn (0.5bn) to the consolidated result, with the operating result up by €3.9bn to €4.3bn. Compared with the previous year, premium income grew by over 8% to €28.2bn (26.0bn), 6.8 percentage points of which were due to currency translation effects. The combined ratio in property-casualty reinsurance was 91.0% (113.8%) of net earned premiums for the year as a whole and 83.2% (101.8%) for the fourth quarter. As a consequence of Munich Re's customary review of reserves, the combined ratio for the full year includes around €0.90bn (0.60bn in the fourth quarter) from the reduction of claims provisions for prior years, which is equivalent to around 5.5 percentage points. This development mainly involves the years 2005–2009 and property, marine and aviation business. Over the year as a whole, the safety margin in the reserves rose slightly nonetheless.

Natural catastrophe losses amounted to around €1.3bn (4.5bn) for the entire year, and man-made losses to €0.5bn. The year's biggest loss event was Hurricane Sandy, causing insured losses in the range of US$ 25bn (not taking national flood insurance into consideration) and costing Munich Re around €800m net before tax.

Business activities on the international healthcare market, combined under the Munich Health brand, posted a loss of €0.09bn (the previous year's profit was 0.04bn) in 2012. The operating result fell by 32.1% to €0.11bn. The loss for the year was chiefly attributable to losses of €86m in US Medicare business at Windsor Health Group (WHG) and to the resulting burdens from write-downs of €166m for impairments of goodwill and other intangible assets of several Munich Health subsidiaries. In the meantime, Munich Health has taken extensive and fundamental measures at WHG to significantly improve the result situation. Given the difficult situation at WHG, however, a further loss for Munich Health in 2013 cannot currently be ruled out, although this would most likely be considerably smaller. Munich Health's premium income climbed markedly by over 12% to €6.7bn (6.0bn). Its combined ratio for 2012 came to 100.2% (99.5%). WHG aside, Munich Health's business developed very positively.

Renewals of reinsurance treaties in the property-casualty segment at 1 January 2013

Despite the unrelentingly competitive environment, Munich Re is satisfied with the results of the renewals. Prices, terms and conditions stayed largely stable overall.

Torsten Jeworrek, Munich Re’s Reinsurance CEO: “Demand for reinsurance cover remains relatively constant, and sufficient capacity is available. In a still-challenging economic environment, a consistent underwriting policy and active cycle and portfolio management are vital for the profitability of our portfolio.”

At 1 January 2013, slightly more than half of our non-life reinsurance business was up for renewal, which corresponds to a premium volume of around €9.2bn. Of this, 10% (€916m) was not renewed because it no longer met profitability requirements. By contrast, new business with a volume of approximately €880m was acquired. Altogether, the volume of business written at 1 January decreased slightly – by 1.5% to over €9bn. The price level, which gives an indication of the potential profitability of the business, rose marginally by 0.5%.

“In the forthcoming renewals in 2013, we will continue to provide our clients with significant capacity if the relevant business offers appropriate earnings opportunities. Munich Re’s added value for its clients becomes particularly apparent when their needs go beyond standardised capacity and call for know-how and tailored solutions”, Jeworrek emphasised.

The next renewals at 1 April 2013 (mainly Japan and Korea) and 1 July 2013 (chiefly parts of the US market, Australia and Latin America) will involve a greater proportion of natural catastrophe business than the January renewals. Munich Re expects the trend towards largely stable prices, terms and conditions to continue, unless there are any exceptional loss events.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. Munich Re creates value for clients, shareholders and staff alike. In the financial year 2011, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €0.71bn on premium income of around €50bn. It operates in all lines of insurance, with around 47,000 employees throughout the world. With premium income of around €27bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2011, ERGO posted premium income of €20bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €202bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Disclaimer
This press release 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.

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At a glance:

- Munich Re posts profit of €3.2bn and raises dividend to €7.00.
- CFO Jörg Schneider: “We want our shareholders to benefit from the Group’s performance: the substantially increased dividend of €7.00 per share is further confirmation of our attractive and stable dividend policy.”

Preliminary key figures (IFRS) for the Group for 2012
(in €bn unless otherwise indicated)

	2012	2011	Change	
			Absolute	%
Gross premiums written	52.0	49.5	2.5	5.1
Investment result	8.4	6.8	1.6	24.9
Operating result	5.4	1.2	4.2	353.4
Consolidated profit	3.2	0.71	2.5	351.0
Thereof attributable to				
Munich Reinsurance Company equity holders	3.2	0.70	2.5	355.1
minority interests	0.02	0.01	0.01	60.0
	31.12.2012	31.12.2011		
Investments	213.8	201.7	12.1	6.0
Equity	27.4	23.3	4.1	17.6

REINSURANCE	**2012**	2011	Change	
			Absolute	%
Gross premiums written	28.2	26.0	2.2	8.2
Combined ratio in %	91.0	113.8	-22.8	
Operating result	4.3	0.4	3.9	>1,000.0
Result	3.1	0.5	2.6	507.6

PRIMARY INSURANCE	**2012**	2011	Change	
			Absolute	%
Gross premiums written	17.1	17.4	-0.4	-2.1
Combined ratio in %	98.7	99.1	-0.4	
Operating result	0.9	0.6	0.3	54.3
Result	0.25	0.16	0.1	59.4

MUNICH HEALTH	**2012**	2011	Change	
			Absolute	%
Gross premiums written	6.7	6.0	0.7	12.3
Combined ratio in %	100.2	99.5	0.7	
Operating result	0.11	0.16	-0.05	-32.1
Result	-0.09	0.04	-0.13	-

Preliminary key figures (IFRS) for the Group in the fourth quarter of 2012*(in €bn unless otherwise indicated)

	4th quarter 2012	4th quarter 2011	Change Absolute	Change %
Gross premiums written	12.9	12.4	0.5	4.5
Investment result	2.2	1.9	0.3	11.5
Operating result	1.6	0.8	0.8	107.2
Consolidated profit	0.48	0.63	-0.15	-23.9
Thereof attributable to				
Munich Reinsurance Company equity holders	0.48	0.63	-0.15	-23.9
minority interests	0.004	0.005	-0.001	-20.0

REINSURANCE	**4th quarter 2012**	4th quarter 2011	Change Absolute	Change %
Gross premiums written	7.0	6.4	0.6	8.5
Combined ratio in %	83.2	101.8	-18.6	
Operating result	1.4	0.8	0.6	88.2
Result	0.73	0.67	0.06	8.3

PRIMARY INSURANCE	**4th quarter 2012**	4th quarter 2011	Change Absolute	Change %
Gross premiums written	4.3	4.4	-0.1	-2.5
Combined ratio in %	104.0	101.5	2.5	
Operating result	0.23	-0.04	0.3	-
Result	-0.09	-0.07	-0.02	-26.5

MUNICH HEALTH	**4th quarter 2012**	4th quarter 2011	Change Absolute	Change %
Gross premiums written	1.7	1.6	0.1	7.3
Combined ratio in %	102.9	100.4	2.5	
Operating result	-0.02	0.05	-0.07	-
Result	-0.16	0.02	-0.18	-