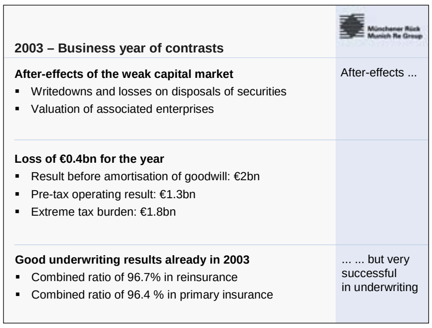
Dr. Nikolaus von Bomhard
Chairman of the Board of Management

Ladies and gentlemen,

On 1 January I took over from Dr. Schinzler as Chairman of Munich Re's Board of Management.

This is therefore my first Annual General Meeting since assuming office, and in my new capacity I would like to bid you, our shareholders, a warm welcome. I include in this greeting all those shareholders who are following Munich Re's AGM via the internet and availing themselves of the opportunity to cast their votes electronically.



Ladies and gentlemen,
Let us start by looking at the past business year. The loss we showed for 2003 draws a line under a series of difficult years. It may sound paradoxical given an annual deficit of €434m, but we had a good – in reinsurance, even an exceptionally good – business year. This becomes clearer when the figures are analysed in more detail.

2003 was a year of transition, marked by strong contrasts. We still suffered from the after-effects of the long-standing bear market. After reaching a low in March 2003, the stock markets proceeded to perform quite well over the further course of the year, but this improvement was not yet reflected in our financial statements for 2003. They showed considerable writedowns and losses on disposals – the tail-end effect of falling share prices in the previous years. Additionally, our financial statements contained above-average writedowns on goodwill.

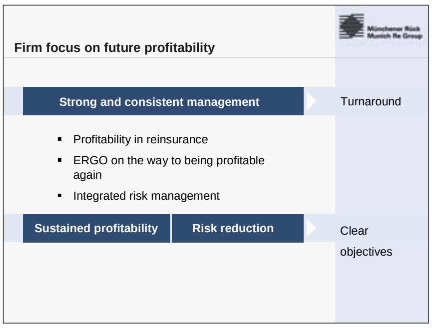
What ultimately pushed us well into the red, however, was the exorbitant tax burden. It was the result of an unfortunate combination of regulations that did not allow us to recognise for tax purposes the losses we suffered from the steep drops in share prices, including those of our major shareholdings: we could not offset these losses against the excellent results of our underwriting business. Our pre-tax operating result of over €1.3bn contrasted with an unprecedented tax burden of nearly €1.8bn, representing a – patently absurd – tax rate of 135%.

Looking to the future, however, the important point is how we performed in our underwriting business. Here we can be very satisfied with a Group result of over €2bn before amortisation of goodwill and tax.

The combined ratio of 96.7% in non-life reinsurance amounts to our best result for many years, or more precisely for at least 30 years (we did not go back any further in our comparison of figures). This achievement shows that the consistent, risk-based underwriting policy to which we have committed ourselves is paying off. In life reinsurance, too, we more than met our target, so that reinsurance closed with a positive segment result of over €1.6bn after tax.

In property-casualty primary insurance, things also look very good, with a combined ratio of 96.4%. This segment has long been especially successful, particularly in ERGO's case, with the combined ratio remaining well below 100% for a considerable number of years. The German life insurers in our Group have yet to reach their target, but we are working on improvements. More about that later, however. Altogether, our primary insurance segment closed with a loss of almost €1.1bn.

One of our most important objectives in the past business year was to strengthen our capital base. After the placement of our two subordinated bonds and our capital increase, we consider this objective to have been met. Our shareholders' equity rose from €13.9bn on 31 December 2002 to €18.9bn one year later. I would like to thank you, ladies and gentlemen, for your support in the capital increase. In exercising virtually 100% of your subscription rights, you gave us an overwhelming expression of confidence, which represents a great obligation for us. We intend to do all we can to justify your trust.



Ladies and gentlemen,
The turnaround in results has begun. At the end of the past business year, our efforts started to bear fruit. So we are already well on the way, but there is still much to be done. I wish to stress, however, that we are not talking about a fundamental change in strategy here. What is involved is hard, often unspectacular work. Our sleeves are rolled up and will remain so.

For me, for us on the Board of Management, and for all staff in the Munich Re Group, the most important objective is now to create sustained profitability for the future. There are three main thrusts to our activities in this direction:

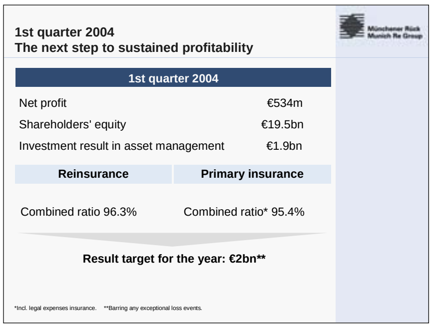
Firstly, we aim to safeguard and, if possible, build on our regained profitability in reinsurance business.

Secondly, we aim to make our primary insurance business segment – whose results are mainly shaped by ERGO – profitable again.

And thirdly, we aim to optimise our return for shareholders through consistent integrated risk management. In concrete terms, this means reducing balance sheet risks by further improving the fine-tuning of our investments to reflect the structure of our underwriting liabilities.

These three main thrusts of action will determine our work programme in the next few years. Should you now ask where the buzzword "rating" fits in here, I can give you the following answer: if we are successful in the three areas I have mentioned, an improvement in our rating will not be long in coming.

Ladies and gentlemen,
We have set our sights correspondingly high for the current business year. Our primary objective is to strengthen our sustained earnings power, and so we have given ourselves very ambitious targets in the various business segments. If we succeed in these, we will achieve our very demanding Group result target of €2bn after tax. In insurance business, of course, surprises in the form of catastrophes and other large losses can never be ruled out; that is why the aforementioned €2bn is a target and not a forecast. But we are confident of getting there.



The results for the first quarter of 2004 reinforce our confidence. Naturally, quarterly reports in our line of business always have to be interpreted with a certain amount of caution, especially when the major part of the year still lies ahead of us. Nevertheless, the figures we will publish in detail next week look, for the most part, good to excellent.

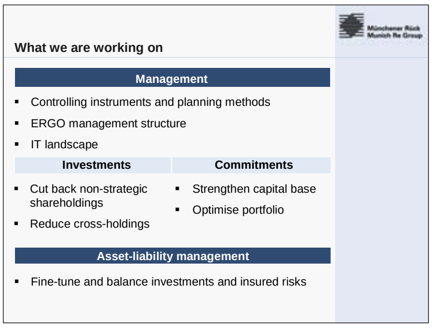
At €534m, the net profit is completely within our – very ambitious – target corridor, as is the combined ratio of 96.3% in non-life reinsurance, which is thus even better than our figure for the business year 2003. The primary insurers' combined ratio of 95.4% shows the usual positive picture.

Premium development has varied. Altogether, we recorded a decrease of 4.3% for the Group as a whole, with a fall of 1.4% for primary insurance and 5.4% for reinsurance. In our reinsurance segment, we achieved very pleasing growth in life and health, whilst premium income in property-casualty business showed a marked decline. The premium reduction in reinsurance business is substantially due to changes in exchange rates; adjusted to eliminate these, it amounts to only 0.7%. But we are still not satisfied and will be looking into the reasons in more detail.

In primary insurance, premium development is precisely the reverse: a premium decrease in life business, which is not unexpected given the high growth rates of the past years, the reduction of the minimum guarantee rate and also the political debate about the taxation of endowment insurance, contrasts with growth in property-casualty insurance.

Our investment result has returned to normal with a profit of €1.9bn. And finally our shareholders' equity has risen to a pleasing €19.5bn.

As you see, we have begun to deliver.



We intend to continue in this vein.

To give you an idea of what we are working on in the various business segments of our Group and where we stand on our path to the sustained profitability I have mentioned, I would like to give you a few examples with a glimpse into our “workshop”.

In all segments, we are continuing to strive hard to improve and refine our planning and controlling tools. Over the past few years we have undertaken and achieved a great deal here. For three years now, for example, we have been managing our reinsurance business in a new structure based on a risk model which we have developed internally and which is very advanced for our industry. The compensation system for our executives is based directly on this corporate management system and creates the appropriate incentives. We do not intend to rest on our laurels, however, For the quality of our business management largely determines the quality of our business results.

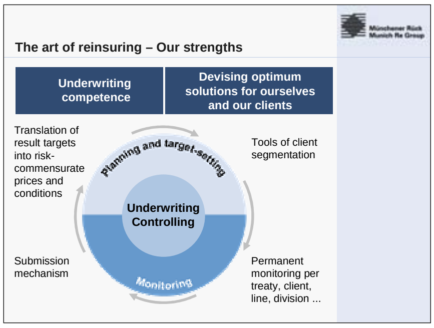
This also applies to the effectiveness of our information technology. Both at ERGO and in our reinsurance group, we are conducting major projects aimed at standardising our core administration systems in the subgroups and enhancing them in line with the very latest state of the art. We expect these standardised processes and the increased transparency of our business to give us an appreciable competitive edge.

We have already made good progress in reducing our non-strategic shareholdings at both the primary insurers and reinsurers; the same applies to cutting back our “strategic” (from a historical perspective) cross-holding with Allianz. Last year, we also significantly diminished the concentration risk from our shareholdings in the German financial services sector. Here I would like to mention in particular the disposal of our stake in Hypo Real Estate Holding and the sale of our subscription rights from HypoVereinsbank’s capital increase. The reduction of our non-strategic shareholdings is not yet complete, however, and is being determinedly pursued with due consideration for the effect on the stock market. As far as benefits for our business are concerned, the aim is to release the risk capital tied up in such investments for other operative activities.

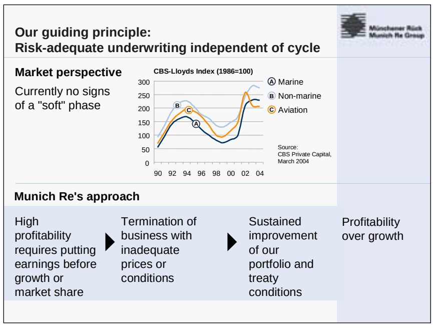
This is part of the aforementioned process of integrated risk management, which is designed first and foremost to attune the structure of our balance sheet on the assets side more closely to our insurance portfolio. The technical buzzword here is “asset-liability management”. Although the basic idea of gearing investments to liabilities from insurance business is clear at first glance, its realisation is complex and a real challenge for underwriters, actuaries, investment specialists and, last but not least, senior management. Integrated risk management will be one of Munich Re’s most important “building sites” over the next few years.

The optimisation of our portfolio involves not only our investments but also the risks assumed by us in our underwriting business. We are working on these in both reinsurance and primary insurance. In reinsurance, we made visible progress in this area last year, mainly due to the fact that we strictly implemented risk-commensurate targets in prices and conditions when assuming risks and terminated business if we were in doubt.

In reinsurance, as I have said, we are already very successful again with this approach. Our success is based on two strengths:
our technical competence in underwriting, i.e. in the assessment and assumption of risks in reinsurance;
the way we deal with our clients, i.e. taking them seriously and meeting their reinsurance needs with mutually beneficial solutions.
This is what I would call the “art of reinsuring”, an art that must be founded on outstanding technical skills: fixing financial goals in the form of result targets, translating these into targets for prices and conditions, providing cover and services to clients, constantly monitoring performance, and finally deciding on any changes that need to be made to certain targets. All these steps are integrated in a closed cycle.



This mechanism has functioned so well – particularly in the last year – because we have adhered strictly to the maxims of risk-commensurate prices and conditions in our underwriting. We want to continue with this approach even when confronted with a so-called “soft” market phase in the cycle again. There are no indications of a change in the cycle at present: market discipline continues to be high and the available reinsurance capacity is appropriate but not excessive, so we can still speak of a positive market environment. We are determined that if the market environment does deteriorate, we will not be influenced by the ostensible requirements of the cycle but will be guided solely by the profitability of our business. Admittedly this does mean that in future our premium income may fluctuate more strongly than hitherto.



In saying this, I want to avoid creating a potentially false impression: at the moment we are talking a great deal about risk-commensurate underwriting independent of the cycle, but little about growth. This accords with our guideline that profitability takes precedence over growth. Nevertheless, we are not losing sight of growth. The need for it is obvious: we must also ensure that our reinsurance business grows profitability if we want to secure our path to a sustained profitable future.

Currently, we have steady growth and excellent profitability in life and health reinsurance; in non-life reinsurance we are very satisfied with the profitability but not with the premium growth.

In life and health business, we see further encouraging trends and excellent business opportunities for reinsurance. That is why we are investing in these lines of business, not being afraid to depart from well-trodden paths in the process.

Thus in health reinsurance we are now more or less alone in some markets: our main competitors have largely withdrawn from this business, whereas we write health reinsurance as a profitable segment with good growth prospects that we are successfully expanding. But you have to know what you are doing in this line and cannot merely write health reinsurance on the side or as a door-opener for other business. Here in particular it is crucial, with a technically sound and quality-oriented business concept, to selectively target markets and risks, to closely monitor and control business development and to practise active risk management that also extends well into the primary insurance area.

In life reinsurance, we are taking advantage of the opportunities that present themselves worldwide for further profitable growth. It fits in very well with our activities here that for the first time in a long while premiums are rising again in important life reinsurance markets. Especially in the so-called “developed” markets, we are witnessing a greater demand for insurance-cum-savings products that safeguard income in the case of illness, disability and retirement. Demand is being fuelled by the gradual ageing of society and the restructuring of pension and social security systems, which are frequently no longer financeable. As reinsurers, we can offer efficient and tailor-made solutions in many areas and are therefore in an outstanding market position.

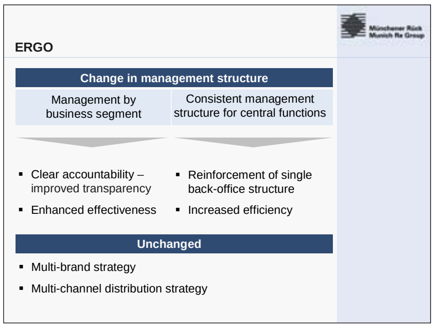
In the other areas of reinsurance – i.e. property-casualty business – we also want to exploit new growth potential. We rule out any watering down of our profitability targets, so that it is not all that easy to provide significant impulses for growth. One step to achieving this is the management of innovations, where we have been adopting a new approach recently. We have created innovation teams whose members will network Company-wide to develop new business opportunities and models in close contact with our operative business. A certain amount of patience will definitely be required before these activities have any significant visible impact in terms of euros and cents. But we are determined to tap new sources of earnings in this way.

A word on American Re. We still consider it the right strategy to have a strong presence as a reinsurer in the world’s largest insurance market. We have changed a great deal at American Re over the last two years. As the satisfying results for 2003 showed, our measures have been successful. American Re has become profitable again, and we want to make sure it stays that way.

The greatest challenge on this path is US liability business, which makes up a substantial part of our portfolio and can therefore have a major impact on the result. As newspaper readers, you will be familiar with reports on the exceptionally high damages that are frequently awarded by US courts. We should not succumb to the illusion that we can alter the American legal and liability systems as such, even if some aspects are starting to change in our favour. Rather, we will ourselves explore all the options for suitable measures in our sphere of influence to successfully shape this important business segment for American Re.

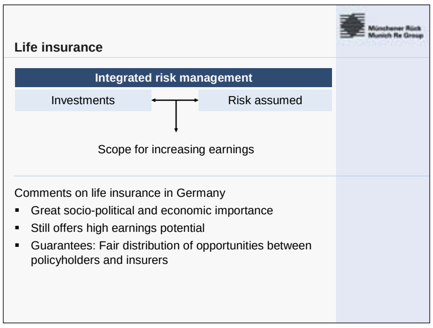
Let me now turn to primary insurance, which means ERGO, given its weight in the primary insurance group. Of course, the Karlsruher Group and the Europäische Group are equally important to Munich Re in its capacity as major shareholder. But what happens at ERGO, because of its size as the second-largest German insurance group, has substantial repercussions for our Group result. The year 2003 provided ample proof of this. That is why the development of the ERGO companies also has top priority for me from the Group point of view.

A significant step for the future has been taken with ERGO's decision this April to change its management structure. This new structure rests on two pillars: Firstly, the consistent management of the Group by business segment – that is life, health and composite insurance – instead of by company unit or by brand as hitherto.
Secondly, the uniform Group-wide management of central functions. As management holding company, ERGO is now also responsible for standard client service, organisational design and development, information technology, various general services and human resources. This change confirms and reinforces ERGO's single back-office strategy.
In operative business, the new structure provides for extensive Group-wide responsibility of the relevant Board members for the respective business segments. In other words, accountability for segment results is concentrated Group-wide in a few people and made transparent. This move reduces complexity, facilitates the determination of strategy, streamlines coordination procedures and avoids multiple developments – for example, in the product area; thus, altogether, we are strengthening efficiency across segments. In a nutshell, the structural change is an important stage in ERGO's return to profitability.



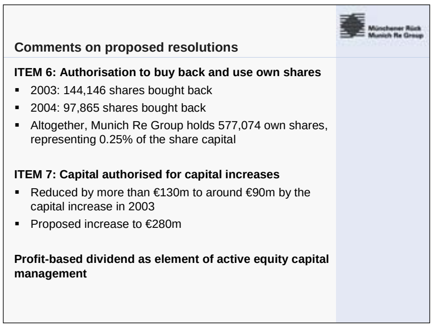
The individual brands in the ERGO Group remain unaffected and its successful multi-channel distribution strategy will be retained. After all, ERGO has done very well in developing new marketing channels in the last few years. Its exclusive cooperation with HypoVereinsbank now generates 20% of all ERGO's new life business in Germany and earned premium income of more than €400m in 2003.

We are also pleased with the collaboration between ERGO and the KarstadtQuelle Group. Besides the satisfactory development of the insurance business itself, this collaboration gives ERGO access to additional credit card business, and KarstadtQuelle is now the most important issuer of MasterCards in Germany.



Life insurance is a topic that also comes under the key concept of “risk management”, which I have referred to several times. German life insurance has a high earnings potential – otherwise we would not write it in the Munich Re Group. Nevertheless, after the experience of the last few years, we need to make various adjustments in order to ensure sustained profitability in this line of business. Of central importance is the fine-tuning of investments to the risks assumed, for we still require too much risk capital to cover mismatches between assets and insurance risks. If we can improve this relationship and tailor our business policy and pricing more exactly to the guarantees we give life policyholders, we will create clear scope for increasing earnings. However, owing to the size of our portfolio, the effect of such measures will not be felt overnight.

A central and fairly obvious lesson from the capital market weakness and low returns of recent years is that it is simply not on for life insurers to pay out more to their clients than they themselves earn. There must therefore be a fair distribution of opportunities between insurers and policyholders. Furthermore, the political parameters must be right. Owing to the guarantees it provides, life insurance is a unique product, which has enormous socio-political and economic importance. This product must not be damaged. I thus fervently hope that the current debate about the future tax treatment of endowment insurance is soon concluded in a way that recognises the significance of this product in providing for old age, and ends the current uncertainty among clients.



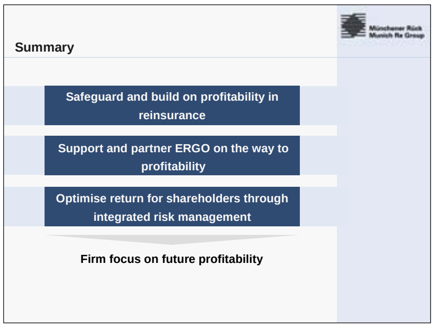
Ladies and gentlemen,
Before I finish, I would like to comment briefly on two items of the agenda which you will be called to vote on afterwards. You will find the agenda among the documents you received today at the entrance to the meeting.

Firstly, agenda item 6: “Authorisation to buy back and use own shares”.
The authorisation granted last year will expire in December, so we are asking you to renew it today. Munich Re and the other companies in our Group have used the old authorisation exclusively for safeguarding stock appreciation rights granted to the Board of Management and senior executives. As regards the total number of own shares purchased in 2003, may I refer you to page 181 of the Munich Re Group annual report. Subsequent to this, further own shares were bought back this spring with a transaction value of €8.9m; more details can be seen on the slide. Altogether, 577,074 Munich Re shares are in the possession of companies in the Munich Re Group, representing only 0.25% of the share capital.

Except for very small technical adjustments, the new authorisation to be voted on follows the old one. Its main purpose is again to safeguard stock appreciation rights that are granted.

Agenda item 7 involves the replenishing of the capital authorised for capital increases, which was partially utilised in the rights issue of November 2003, reducing it by more than €130m to only just over €90m. So that Munich Re can continue to have this flexible instrument available in future, we propose that the capital authorised for capital increases be topped up again to an amount of €280m. I ask you to approve the motion for this agenda item as well.

In view of the dividend proposed for 2003, I would like to draw your attention to a change we intend to make. More active equity capital management – which, incidentally, is another element of integrated risk management – will result in our dividend policy becoming more flexible in future. Up to now, the dividend proposals made to the AGM have been geared towards continuity. We have continued to pay dividends in bad years, whilst in good years we have not always increased them in relation to results. We consider that such an approach is no longer appropriate. We will therefore be moving away from a policy of unchanged dividends virtually regardless of results; rather, our intention is for the dividend to reflect much more strongly the result of the respective business year and our capital requirements. Given our commitment to the cause of sustained profitability, this – I believe – is good news for you.



Let me sum up:
We intend to make the Munich Re Group profitable on a sustained basis. In concrete terms, this means the following:
We aim to safeguard and, if possible, build on our regained earnings power in reinsurance.
We aim to support and partner ERGO on its return to profitability.
We aim to optimise our return for shareholders through active integrated risk management.

In this mission, we – and you – can count on the exceptional dedication of all Munich Re staff. Also on behalf of all my colleagues on the Board of Management, I would like to take this opportunity to thank each individual staff member most cordially – and here I naturally include the staff of the primary insurance group as well – for all their hard work and commitment.

Finally, a personal word: As I see it, my appointment as Chairman of Munich Re's Board of Management entails above all a major obligation towards you, our shareholders. Together with my colleagues on the Board of Management, I intend to fulfil this obligation and meet your justified expectations. This means nothing less than clearly getting back on track in terms of earnings and increasing the value of your Munich Re shares.

I now look forward to your questions.
Thank you very much.

(Check against delivery)