



Solvency II disclosure 2019

18 March 2020



Sound capitalisation – High economic earnings overcompensating SCR increase



	Economic earnings €7.4bn								
EOF	€36.0bn	0.5	5.9	2.8	-1.3	-	€43.9bn	-2.4	€41.5bn
SCR	€14.7bn	-0.1	1.1	2.2	-0.3	-	€17.5bn	-	€17.5bn
SII capital generation		0.7	4.8	0.6	-1.0	-	€5.1bn	-2.4	€2.7bn

1 Opening adjustments incl. volatility adjustment at selected entities, M&A, model changes. 2 Operating impact and market variances pre-tax.
3 Change in non-available own fund items. 4 Foreseeable dividend for 2019 (€1.4bn), foreseeable share buy-back in 2020/21 (€1.0bn).

Comments on EOF and SCR roll-forward

Munich Re Group 2019

EOF €41.5bn –
Increase of €5.5bn;
thereof economic
earnings €7.4bn

- **Opening adjustments (€0.5bn)** include effects from volatility adjustment and model changes at ERGO.
- **Operating impact (€5.9bn)** includes €1.8bn of expected excess return on in-force business based on “real-world” assumptions and benefits from positive operating variances across all business units. Reserve releases for prior years in P-C Reinsurance compensate for adverse major loss experience affecting new business contribution. Aggregate positive experience variances at L/H Reinsurance offset negative impact from review of assumptions in Australia. ERGO operating variances are very positive, including positive claims experience, cost reduction and increased surplus funds.
- **Market variances (€2.8bn)** reflect positive economic earnings contribution above expected excess return based on “real-world” assumptions. Favourable credit and equity markets, weaker euro and positive contribution from real estate and infrastructure investments exceed negative impact from lower interest rates and inflation.
- **Other, including tax (–€1.3bn)** mainly consists of taxes on positive operating impact and market variances, which are presented pre-tax. Taxes are above expectation in line with positive operating and market variance
- **Capital management (–€2.4bn)** includes foreseeable dividend of €1.4bn for 2019 to be paid out in 2020 and €1.0bn share buy-back programme 2020/21.

SCR €17.5bn –
Increase of €2.8bn

- **Opening adjustments (–€0.1bn):** Volatility adjustment and various minor model changes
- **Operating impact (€1.1bn):** Mainly business growth and lower interest rates
- **Market variances (€2.2bn):** Declining interest rates
- **Other incl. taxes (–€0.2bn):** Risk mitigating effect of taxes on operating and market impact, and other items

Outlook 2020

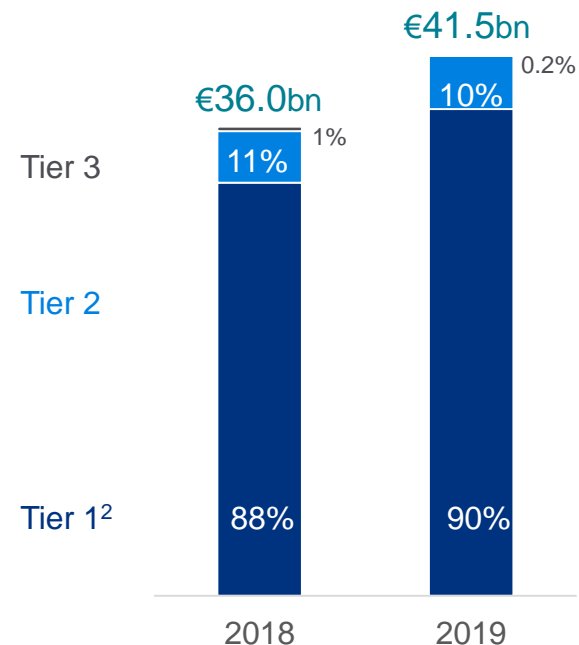
- **Economic earnings >€2.8bn** based on the assumption of stable environment and capital markets, normal major losses and unchanged modelling parameters

Breakdown of SCR and EOF

SCR by risk category

€bn	Group			RI	ERGO	Div.
	2018	2019	Delta	2019	2019	2019
Property-casualty	7.6	8.8	+1.2	8.8	0.4	-0.4
Life and Health	5.3	6.4	+1.1	5.5	1.2	-0.4
Market	9.2	10.1	+0.9	6.3	6.0	-2.2
Credit	3.2	4.2	+1.0	2.5	1.9	-0.2
Operational risk	1.1	1.1	+0.0	0.7	0.6	-0.2
Other ¹	0.7	0.7	+0.0	0.4	0.2	
Simple sum	27.0	31.2	+4.2	24.2	10.3	-3.3
Diversification	-9.9	-10.7	-0.8	-8.8	-1.2	
Tax	-2.4	-3.0	-0.5	-2.8	-0.8	
Total SCR	14.7	17.5	+2.8	12.6	8.3	-3.4

EOF by tiering



Profit and loss attribution – Positive operating impact across all business units

2019 €bn	Reinsurance L/H	Reinsurance P-C	ERGO L/H Germany	ERGO P-C Germany	ERGO International	Munich Re Group
Operating impact	1.9	1.5	1.8	0.3	0.5	5.9
New business contribution	1.3	-1.2	0.2	0.2	0.3	0.8
Expected inforce contribution	0.6	1.2	0.4	0.1	0.1	2.4
Operating variances in-force business	0.1	1.7	1.5	0.2	0.1	3.5
Debt costs	-0.1	-0.1	-0.1	0.0	0.0	-0.2
Other, including holding costs	-0.1	-0.1	-0.2	-0.2	0.0	-0.5
Market variances	1.2	2.3	-0.3	0.2	-0.5	2.8
Other, including tax	-0.4	0.0	-0.5	-0.3	-0.1	-1.3
Other, non-operating and non-market changes	0.2	0.3	-0.1	-0.1	-0.1	0.2
Tax	-0.6	-0.3	-0.4	-0.2	0.0	-1.5
Economic earnings	2.7	3.8	0.9	0.2	-0.2	7.4

Munich Re (Group) – Economic earnings

€bn	2019	2018
Operating impact	5.9	3.2
New business contribution	0.8	0.1
Expected in-force contribution	2.4	2.0
Operating variances inforce business	3.5	1.6
Debt costs	-0.2	-0.2
Other, including holding costs	-0.5	-0.4
Market variances	2.8	-0.2
Other, including tax	-1.3	-1.1
Other, non-operating and non-market changes	0.2	-0.5
Tax	-1.5	-0.6
Economic earnings	7.4	1.9

Operating impact

- New business contribution improved throughout the Group
- Positive operating variances in-force business in all business units

New business contribution

- Strong new business in L/H Reinsurance, even exceeding high previous-year amount
- P-C Reinsurance impacted by above-average major losses and structurally by prudency margin; improved vs. prior year
- Positive new business contribution at ERGO, higher than 2018

Operating variances inforce business

- In L/H Reinsurance positive experience variances in major markets overcompensate negative impact from review of assumptions in Australia
- High reserve releases for basic losses in P-C Reinsurance
- At ERGO, overall net effect of all operating variances substantially improved compared to previous year's effects

Reinsurance Life and Health – Economic earnings

€bn	2019	2018
Operating impact	1.9	1.3
New business contribution	1.3	1.1
Expected in-force contribution	0.6	0.6
Operating variances inforce business	0.1	-0.3
Debt costs	-0.1	0.0
Other, including holding costs	-0.1	0.0
Market variances	1.2	0.3
Other, including tax	-0.4	-0.5
Other, non-operating and non-market changes	0.2	-0.1
Tax	-0.6	-0.5
Economic earnings	2.7	1.0

Operating impact

- Exceptionally strong new business contribution
- Expected in-force contribution on previous year's level
- Slightly positive operating variances in-force business

New business contribution

- New business exceeding expectations, even higher than last year's already very strong level
- Ongoing very strong contribution from North America and Asia
- Financially-motivated reinsurance: again a successful year
- Significant contributions also from other large transactions

Operating variances inforce business

- Positive experience variances
- Negative impact from review of assumptions in Australia

Reinsurance Property-Casualty – Economic earnings

€bn	2019	2018
Operating impact	1.5	1.2
New business contribution	-1.2	-1.5
Expected in-force contribution	1.2	1.1
Operating variances inforce business	1.7	1.8
Debt costs	-0.1	-0.1
Other, including holding costs	-0.1	-0.1
Market variances	2.3	0.2
Other, including tax	0.0	0.0
Other, non-operating and non-market changes	0.3	0.0
Tax	-0.3	0.0
Economic earnings	3.8	1.4

Operating impact

- Favourable development overall

New business contribution

- Increase compared to previous year mainly driven by rate increases and better quality of growing portfolio
- New business contribution in 2019 negatively impacted by
 - Outliers above expectation relating to new business, due to high nat cat losses especially in Japan
 - Prudency margin (approx. -€0.8bn; 4% of NEP) on the level of 2018 due to continued reserving discipline along with top-line growth

Operating variances in-force business

- High reserve releases in 2019 overall, mainly for basic losses

ERGO – Economic earnings

€bn	2019	2018
Operating impact	2.5	0.7
New business contribution	0.7	0.5
Expected in-force contribution	0.5	0.4
Operating variances inforce business	1.7	0.1
Debt costs	-0.1	-0.1
Other, including holding costs	-0.4	-0.3
Market variances	-0.7	-0.7
Other, including tax	-0.9	-0.6
Other, non-operating and non-market changes	-0.3	-0.4
Tax	-0.6	-0.1
Economic earnings	1.0	-0.5

Operating impact

- Overall favourable development compared to 2018

New business contribution

- Profitable new business in P-C Germany and International
- Increased new business contribution in German health business

Operating variances inforce business

- Strong portfolio performance in L/H and P-C Germany
- Improved claims and cost assumptions for German health business

Market variances

- Negative market variances resulting from a further decrease in risk-free interest rates, partially compensated for by equity and real estate gains