

Munich Reinsurance Company
2020 Annual General Meeting
Report of the Chairman of the Board of Management,
Joachim Wenning – 29 April 2020

Report

2020

Key figures (IFRS)¹

Munich Re at a glance

		2019	2018	2017	2016	2015
Gross premiums written	€m	51,457	49,064	49,115	48,851	50,374
Net earned premiums	€m	48,280	45,735	47,164	47,118	48,309
Net expenses for claims and benefits	€m	-39,685	-35,116	-41,645	-38,498	-38,731
Net operating expenses	€m	-13,249	-12,587	-12,186	-12,295	-12,367
Operating result	€m	4,004	3,725	1,241	4,025	4,819
Taxes on income	€m	-483	-576	298	-760	-476
Consolidated result	€m	2,707	2,275	392	2,581	3,122
Attributable to non-controlling interests	€m	-17	-34	17	1	15
Earnings per share	€	18.97	15.53	2.44	16.13	18.73
Return on equity (RoE)	%	9.2	8.4	1.3	8.1	10.0
Return on investments (Rol)	%	3.2	2.8	3.2	3.2	3.2
Dividend per share ²	€	9.80	9.25	8.60	8.60	8.25
Dividend payout ²	€m	1,374	1,335	1,286	1,333	1,329
Share price at 31 December	€	263.00	190.55	180.75	179.65	184.55
Munich Reinsurance Company's market capitalisation at 31 December	€bn	38.0	28.5	28.0	28.9	30.8
Carrying amount per share	€	215.32	180.86	185.19	200.86	188.40
Investments	€m	228,764	216,852	217,562	221,752	217,587
Insurance-related investments	€m	9,163	8,424	9,664	9,558	9,163
Equity	€m	30,576	26,500	28,198	31,785	30,966
Off-balance-sheet unrealised gains and losses ³	€m	19,913	16,067	14,980	17,276	15,958
Net technical provisions	€m	217,941	208,270	205,754	202,240	198,455
Balance sheet total	€m	287,553	270,168	265,722	267,805	268,868
Staff at 31 December		39,662	41,410	42,410	43,428	43,554

Reinsurance

		2019	2018	2017	2016	2015
Gross premiums written	€m	33,807	31,286	31,569	31,463	
Investments (incl. insurance-related investments)	€m	92,429	85,605	85,804	91,928	
Net technical provisions	€m	77,166	72,407	68,109	67,067	
Major losses (net)	€m	-3,124	-2,152	-4,314	-1,542	-1,046
Natural catastrophe losses	€m	-2,053	-1,256	-3,678	-929	-149
Combined ratio property-casualty	%	101.0	99.4	114.1	95.7	89.7
Investment result	€m	3,233	2,543	2,760	2,275	
Consolidated result	€m	2,268	1,864	120	2,540	
Thereof: Reinsurance - Life and Health	€m	706	729	596	515	
Thereof: Reinsurance - Property-casualty	€m	1,562	1,135	-476	2,025	2,915

ERGO

		2019	2018	2017	2016	2015
Gross premiums written	€m	17,650	17,778	17,546	17,388	
Investments (incl. insurance-related investments)	€m	145,497	139,671	141,422	139,383	
Net technical provisions	€m	140,776	135,863	137,645	135,173	
Combined ratio property-casualty Germany	%	92.3	96.0	97.5	97.0	97.9
Combined ratio International	%	94.3	94.6	95.3	98.0	
Investment result	€m	4,504	3,983	4,851	5,291	
Consolidated result	€m	440	412	273	41	
Thereof: Life and Health Germany	€m	187	264	175	114	-329
Thereof: Property-casualty Germany	€m	148	45	57	-72	214
Thereof: International	€m	105	103	40	-1	

¹ You will find this information as a downloadable Excel file in the financial supplement under www.munichre.com/results-reports.

² Subject to approval by the Annual General Meeting.

³ Including those apportionable to minority interests and policyholders.

*Munich Reinsurance Company
2020 Annual General Meeting
Report of the Chairman of the Board of Management, Joachim Wenning
29 April 2020*

Check against delivery

**Dear Shareholders,
Dear present and former colleagues,**

Welcome to Munich Re's Annual General Meeting!

In its purely digital form, this Annual General Meeting is further indicative that the coronavirus is influencing our lives considerably, and in remarkable ways.

Whilst we are optimistic for the future, we first look upon current developments with concern. Our sympathy goes especially to all people and families directly affected, and our great respect and thanks to the many working in healthcare as well as to those selflessly ensuring that our daily needs are met.

At Munich Re, we have of course also been impacted by the effects of the coronavirus.

In concrete terms, the weakness of the capital markets in recent weeks has been challenging. On top of this come claims payments, for example in connection with event cancellation and travel insurance, as well as the ongoing global debate on whether or not business interruption insurance covers pandemics.

Here, and in other classes of business such as life and health insurance, further losses are to be anticipated, which for the year as a whole – together with major losses outside the coronavirus complex, for instance natural catastrophe losses – will likely exceed our large loss expectations. From today's perspective, we thus no longer believe that we can attain our original profit guidance of €2.8bn for 2020. At the same time and pending further notice, we are postponing the implementation of the share buy-back programme we had announced, until we have greater knowledge of the actual burdens arising from the coronavirus and of any capital requirements for potentially promising organic or inorganic business opportunities. For us, this is a mark of good and responsible corporate governance.

Moreover, COVID-19 has also radically changed everyday working life across our entire Group: tens of thousands of staff members are working from home at Munich Re, ERGO, MEAG, American Modern, HSB and at many other Group companies.

They are operating in difficult conditions with all kinds of challenges, servicing our clients as comprehensively as possible at the present time whilst scrutinising all claims reported.

My thanks thus of course go out to our clients and partners for their professional cooperation and for their trust. And most explicitly to our more than 39,000 staff members, who are doing an excellent job right now.

It is on behalf of the whole Board of Management that I express these thanks to our staff, and I am convinced that you too, dear Shareholders, particularly appreciate their outstanding efforts in these times.

And although we cannot yet foresee the exact effects of the coronavirus at this time, one thing is certain: our Group is in a strong economic position. The probable short- and long-term costs of the pandemic are substantial. But for Munich Re, these will stay financially well manageable.

To state it clearly: Munich Re's capitalisation remains very solid. With our strong balance sheet, we remain a reliable partner to our clients. We are furthermore confident of emerging relatively stronger from the coronavirus crisis and of being able to avail of the opportunities likely to arise.

Dear Shareholders,

We are currently seeing a global discussion – also in Europe – of whether insurers are liable for the pandemic-related costs of businesses and private individuals even if these have been explicitly or implicitly excluded in their policies. It should be noted that the (broad) exclusion of systemic risks such as pandemics is virtually imperative in responsible risk policy, ensuring that going forward, we will always be able to uphold our financial commitments to millions of clients, and not endanger this by overstressing ourselves financially.

Reliability is a virtue Munich Re holds very highly. And there are things which we too must be able to rely upon, including the rule of law. Retroactive intervention in contracts is incompatible with the principles of the rule of law, and would severely damage the foundations of insurance and hence its benefits to progress and growth. We are relying on governments not to call these fundamental principles into question.

Back to the 2019 financial year. Our strategic focus is working: firstly, we are driving digital transformation; secondly, we are reducing complexity; and thirdly, we earned more in the last year. And beyond this, we are continuing to optimise our investments.

Firstly: We are becoming more digital, faster, and more flexible. We are tapping into new digital access to insurance markets. Since 2016 we have been working very closely with the start-up Next Insurance, which offers digital insurance solutions for small and medium-sized enterprises in the US market and addresses a high-margin market segment with premium volume totalling US\$ 140bn. We will soon own approximately one third of the company.

By continuing targeted investment in data analytics and artificial intelligence, we are expanding our core competences in risk assessment. ERGO has automated numerous processes and increased the number of robotics applications. As a result, the average processing time of applications in the life segment has been halved.

Aside from this, we are opening up new fields of business via the Internet of Things.

This digital transformation is helping us consolidate our existing business, broaden Munich Re's profit base and bolster our competitive position.

Secondly: We are operating more efficiently, managing a growing business with fewer resources. ERGO has successfully sold a number of smaller (national) companies in order to sharpen its focus on relevant core markets. In reinsurance, we have bundled facultative reinsurance units and direct industry business in a single global unit. By lowering costs, we are opening up additional scope for investing in digitalisation and new areas of business.

Thirdly: We have earned more. Munich Re generated a profit of €2.7bn in 2019. We thus increased our results once again, and exceeded our profit target of €2.5bn.

ERGO came in over its profit guidance – the result of rigorous implementation of the Strategy Programme. In reinsurance, we have posted substantial business and earnings growth. Here too, we surpassed our target. Key in this have been favourable investments and the high quality of our reinsurance portfolio, which more than made up for high natural catastrophe losses in the second half of the year and reserve strengthening in some areas. We have restructured our investment process within the Group with the aim of further improving the risk-return profile of our investment portfolio.

Munich Re remains an attractive investment, our Total Shareholder Return this last year again ranking among the best in an industry comparison.

This also includes the systematic integration of sustainability aspects into our value creation. We recently joined the Net-Zero Asset Owner Alliance, and have undertaken to make our investments climate-neutral by 2050. Led by the United Nations, institutional investors with assets under management totalling over US\$ 4tn have come together, seeking to make investments climate-neutral by 2050 and thus to meet the target of the Paris Climate Agreement to limit global warming to 1.5°C. Through our membership, we have enhanced our climate strategy and taken on social responsibility.

Dear Shareholders,

We are today proposing to you an increased dividend of €9.80 per share. During in-depth discussion with BaFin, Munich Re succeeded in demonstrating its high risk-bearing capacity, even in the event of extreme losses. BaFin did not express any reservations against this dividend payment. In view of our strong capitalisation, we can well afford this dividend.

As you can see, Munich Re can be relied upon – today and tomorrow – as an attractive investment for our shareholders, a competent partner for our clients and a responsible employer for our staff members.

I would like to thank you for your trust, also on behalf of the Board of Management and all our colleagues. We greatly appreciate your loyalty to Munich Re.

Please stay healthy!

Imprint

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Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

www.twitter.com/munichre
www.munichre.com/facebook

Responsible for content

Financial and Regulatory Reporting

The official German original of this report is also available from the Company. In addition, you can find our annual report and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including the United States, Munich Reinsurance Company holds the status of an unauthorised reinsurer. Policies are underwritten by Munich Reinsurance Company or its affiliated insurance and reinsurance subsidiaries. Certain coverages are not available in all jurisdictions.

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Service

Service for private investors

Alexander Rappl
Tel.: +49 89 3891-2255
Fax: +49 89 3891-4515
shareholder@munichre.com

Service for investors and analysts

Christian Becker-Hussong
Tel.: +49 89 3891-3910
Fax: +49 89 3891-9888
ir@munichre.com

Service for media

Dr. Jörg Allgäuer
Tel.: +49 89 3891-8202
Fax: +49 89 3891-3599
presse@munichre.com



All the facts and figures for the 2019 financial year can be found in our Group Annual Report. More at www.munichre.com/annualreport2019

Important dates 2020

28 February 2020
Balance sheet media conference for 2019 consolidated financial statements (preliminary figures)

18 March 2020
Publication of the Group Annual Report 2019

29 April 2020
Annual General Meeting

7 May 2020
Quarterly Statement as at 31 March 2020

6 August 2020
Half-Year Financial Report as at 30 June 2020

5 November 2020
Quarterly Statement as at 30 September 2020

Important dates 2021

25 February 2021
Balance sheet media conference for 2020 consolidated financial statements (preliminary figures)

17 March 2021
Publication of the Group Annual Report 2020

28 April 2021
Annual General Meeting

6 May 2021
Quarterly Statement as at 31 March 2021

10 August 2021
Half-Year Financial Report as at 30 June 2021

9 November 2021
Quarterly Statement as at 30 September 2021