



Quarterly statement as at 30 September 2020

5 November 2020

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Quarterly statement as at 30 September 2020





Munich Re posts a decent Q3 result considering high major losses

Munich Re

Net result

€199m (€999m)

Reinsurance result of €63m impacted by COVID-19 related claims and other major losses – strong ERGO result of €136m

Return on investment¹

2.7% (2.8%)

Reinsurance: 3.7% – benefited from disposal gains
ERGO: 2.1% – impacted by equity impairments and derivative losses

Shareholders' equity

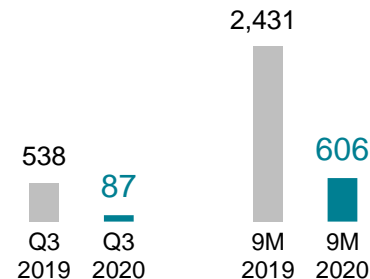
€29.6bn (–3.1% vs. 31.12.)

Return on equity¹: 3.6% (5.9%)
Solvency II ratio: 216%

Q3 2020 (9M 2020)

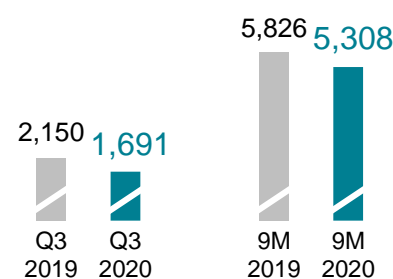
Technical result

€m



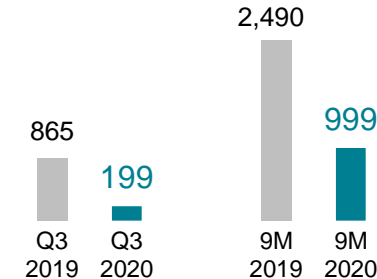
Investment result

€m



Net result

€m



Reinsurance

Life and Health: Technical result incl. fee income: €56m (€160m) – Negative COVID-19 impact of ~€100m in Q3 – net result of €86m (€153m)

Property-casualty: 112.2% (106.1%) – Major-loss ratio: 26.7% (21.0%); Reserve releases²: –4.0% (–4.0%) – net result of –€23m (€446m)

ERGO

L&H Germany: RoI: 2.2% (2.6%) – net result of €31m (€99m)

Property-casualty Germany: C/R: 90.9% (92.2%) – net result of €48m (€120m)

International: C/R: 92.5% (92.6%) – net result of €57m (€162m)

Capital position

Equity

			€m
Equity 31.12.2019	30,576		
Consolidated result	999		199
Changes			
Dividend	-1,373		0
Unrealised gains/losses	1,158		372
Exchange rates	-931		-651
Share buy-backs	-359		0
Other	-429		-45
Equity 30.9.2020	29,641		-125

Unrealised gains/losses

Fixed-interest securities

9M: €1,885m Q3: €306m

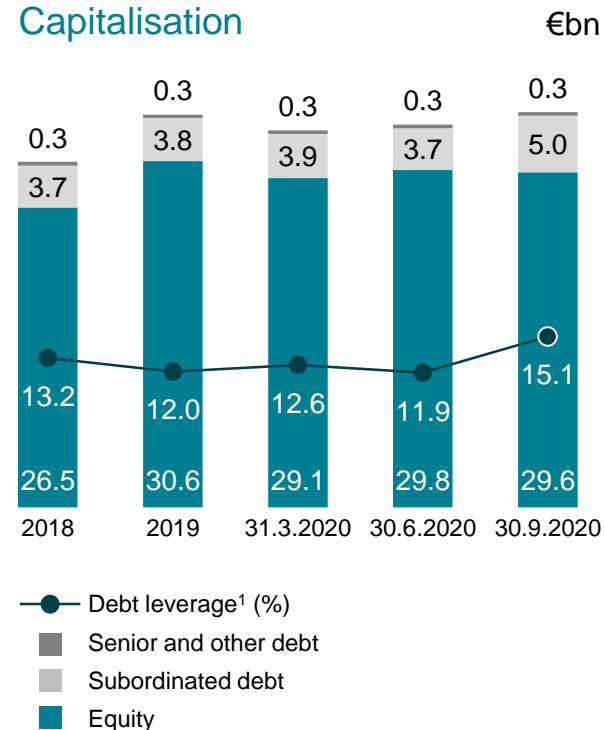
Non-fixed-interest securities

9M: -€743m Q3: €62m

Exchange rates

Devaluation of various currencies,
mainly USD

Capitalisation



1 Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

Investment portfolio

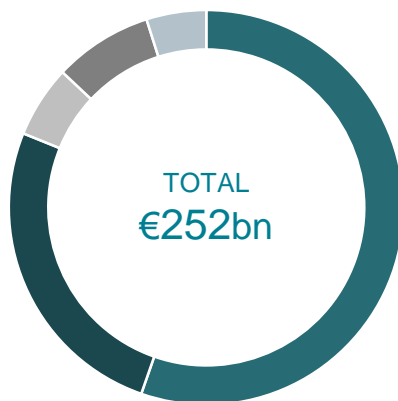
Investment portfolio¹

Land and buildings
4.9 (4.7)

Miscellaneous²
8.1 (8.1)

Shares, equity funds and
participating interests³
5.9 (7.1)

Loans
25.8 (26.1)



Fixed-interest securities
55.4 (53.9)

%

Portfolio management in Q3

- Investments in longer term US and Australian government bonds as well as short-term bank bonds and ABS at the expense of covered bonds
- Slight expansion of equity exposure despite disposal of strategic equity investments
- Ongoing increase of infrastructure and private equity investments
- Drop in reinvestment yield to 1.3%




Investment result

€m	Q3 2020	Return ¹	9M 2020	Return ¹	9M 2019	Return ¹
Regular income	1,536	2.4%	4,801	2.6%	5,133	2.8%
Write-ups/write-downs	–265	–0.4%	–1,832	–1.0%	–285	–0.2%
Disposal gains/losses	644	1.0%	2,210	1.2%	1,671	0.9%
Derivatives ²	–65	–0.1%	629	0.3%	–208	–0.1%
Other income/expenses	–159	–0.3%	–500	–0.3%	–485	–0.3%
Investment result	1,691	2.7%	5,308	2.8%	5,826	3.2%
Total return		3.8%		4.4%		12.1%

3-month reinvestment yield	Q3 2020	Write-ups/ write-downs	Disposal gains/losses	Derivatives	9M 2020	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q3 2020 1.3%	Fixed income	–7	321	26	Fixed income	–22	1,358	605
	Equities	–207	318	–103	Equities	–1,671	551	78
Q2 2020 1.6%	Commodities/Inflation	–2	0	22	Commodities/Inflation	39	0	38
Q1 2020 1.9%	Other	–50	5	–10	Other	–178	301	–91

2

Gross premiums written €m

9M 2019		13,373
Foreign exchange		-28
Divestments/investments		-103
Organic change		3
9M 2020		13,245

- **L&H Germany¹** (–€194m): Positive development in Health and growth through new products in Life overcompensated by ordinary attrition of back book and COVID-19 effects in Travel
- **P-C Germany¹** (+€138m): Organic growth in almost all business lines, mainly driven by fire/property, liability, motor and other insurance
- **International** (–€73m): Stable premium development adjusting for portfolio streamlining and run-down in Belgium (Life)

Major result drivers

	9M 2020	9M 2019	▲	Q3 2020	Q3 2019	▲
Technical result	757	656	101	476	258	218
Non-technical result	-69	-107	38	-179	-104	-75
thereof investment result	2,835	3,388	-552	807	1,156	-350
Other	-307	-210	-97	-162	-35	-126
Net result	381	339	42	136	119	17

Technical result

Q3: Development driven by

- **L&H Germany** (+€225m): Dependency between technical and investment result leading to high intra-year volatility related to COVID-19
- **P-C Germany** (+€11m): Strong operative performance, low NatCat losses overcompensating minor additional COVID-19 impact
- **International** (–€18m): Ongoing good operational performance in P-C and Health, reduced attritional claims and lower large losses

Investment result

- 9M: Higher impairments in volatile capital market environment due to COVID-19, partly compensated by hedging and realisations
- Q3: Higher impairments and lower derivatives result; prior year impacted by disposal gains due to portfolio streamlining; Return on investment of 2.1%

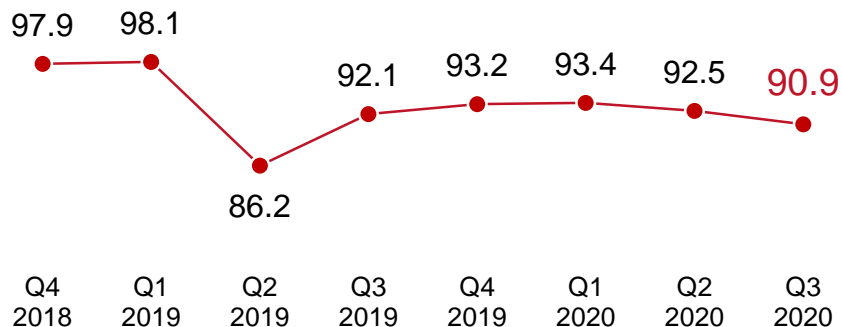
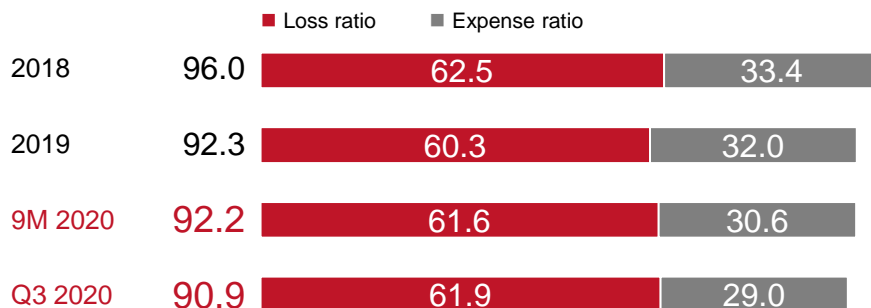
Other

- Q3: Lower FX result in Life and Health Germany

ERGO Property-casualty Germany

Combined ratio

%



Gross premiums written in 9M 2020 (9M 2019)

€m

Other

259 (224)

Motor

617 (593)

Marine

182 (165)

Legal protection

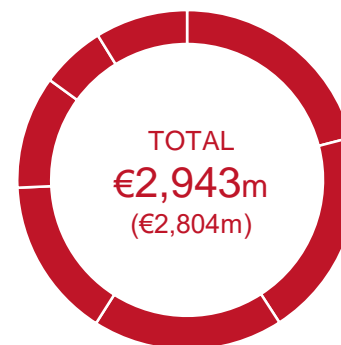
316 (318)

Personal accident

449 (458)

Liability

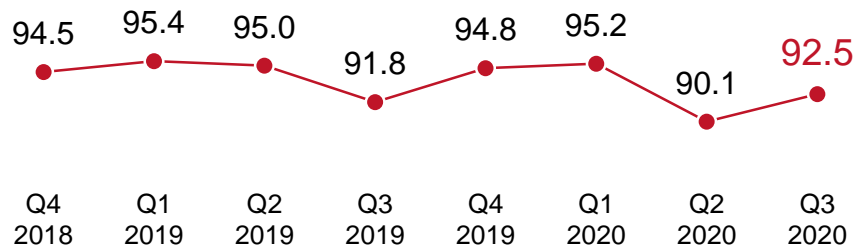
534 (505)



Fire/property

585 (542)

Combined ratio



% Gross premiums written in 9M 2020 (9M 2019)

Property-casualty

1,985 (2,087)

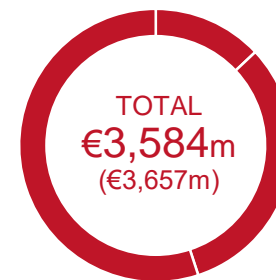
€m

Life

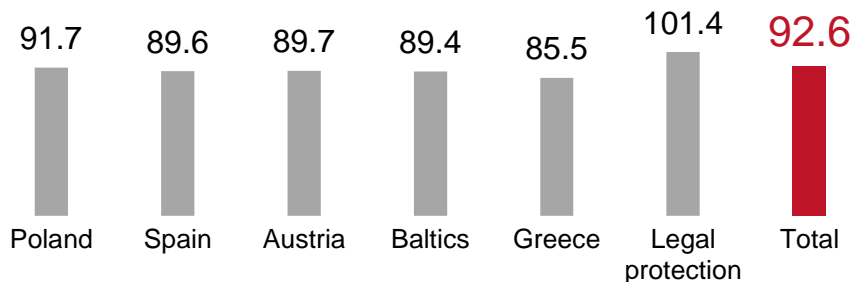
470 (507)

Health

1,129 (1,062)



9M 2020



P-C

thereof:

9M 2020	9M 2019
1,056	1,080

Poland

1,056 1,080

Legal protection

497 476

Greece

180 173

Baltics

145 144

Austria

79 74

Life

thereof:

9M 2020	9M 2019
247	266

Austria

247 266

Belgium

106 114

Health

thereof:

9M 2020	9M 2019
660	615

Spain

660 615

Belgium

469 448

3

Reinsurance – Life and Health

Gross premiums written	€m
9M 2019	8,625
Foreign exchange	–33
Divestments/investments	0
Organic change	946
9M 2020	9,538

- Organic growth mainly in Asia and Europe, but also some growth across North America
- Asia: Several new transactions and increases of shares/volumes under existing treaties
- Europe: Positive impact from longevity transactions concluded in Q2

Major result drivers

	9M 2020	9M 2019	▲	Q3 2020	Q3 2019	▲
Technical result	31	322	–291	10	194	–184
Non-technical result	207	369	–162	110	103	7
thereof investment result	639	866	–227	239	279	–40
Other	–85	–75	–10	–34	–15	–19
Net result	153	617	–464	86	282	–196

Technical result incl. fee income of €56m (€160m)

- COVID-19-related claims of ~€100m in Q2 and again in Q3, dominated by US mortality
- In North America: non-COVID-19-related claims higher than expected and some impact from lower interest rates on claims reserves ...
- ... largely offset by strong results in Europe and Asia as well as better-than-expected performance in Australia
- Ongoing pleasing fee income

Investment result

- 9M/Q3: Disposal gains on fixed income investments from ordinary portfolio turnover clearly exceed write-downs on equities from H1
- Q3: Positive one-off effect from disposal of strategic equity investments
- Q3: Return on investment: 3.2%

Other

- FX result of –€5m in 9M (9M 2019: €83m), thereof –€19m in Q3 (Q3 2019: €41m)

Reinsurance – Property-casualty

Gross premiums written	€m
9M 2019	16,920
Foreign exchange	–17
Divestments/investments	0
Organic change	1,576
9M 2020	18,479

- Organic growth across almost all lines driven by business expansion and rate increases in traditional reinsurance ...
- ... as well as in our Risk Solutions portfolio

Major result drivers

	9M 2020	9M 2019	▲	Q3 2020	Q3 2019	▲
Technical result	–182	1,453	–1,635	–399	87	–486
Non-technical result	762	341	421	334	306	28
thereof investment result	1,834	1,572	261	646	715	–69
Other	–115	–259	144	42	71	–29
Net result	466	1,535	–1,069	–23	464	–486

Technical result

- COVID-19-related claims of ~€2.1bn in 9M (thereof ~€0.7bn in Q3), contingency business accounts for the largest share
- Expense ratio improved due to cost reductions and premium growth
- Underlying performance remains very strong – normalised combined ratio at ~97% in Q3 and 9M

Investment result

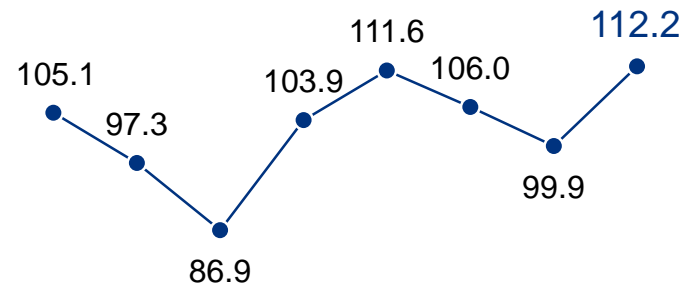
- 9M: Gains on fixed-income/ real estate disposals and derivatives clearly exceed write-downs on equities
- Q3: Disposal gains on fixed income and strategic equity investments
- Q3: Return on investment: 3.9%

Other

- FX result of €170m in 9M (9M 2019: €251m), thereof –€20m in Q3 (Q3 2019: €137m)

Reinsurance – Property-casualty

Combined ratio



Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020

		Basic losses	Major losses	Expense ratio
2018	99.4	53.6	11.6	34.2
2019	100.2	51.4	15.2	33.6
9M 2020	106.1	54.8	21.0	30.3
Q3 2020	112.2	55.6	26.7	29.9

	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
9M 2020	21.0	5.1	15.9	–4.0	97.0
Q3 2020	26.7	8.3	18.4	–4.0	97.0
Ø Annual expectation	~12.0	~8.0	~4.0	~–4.0	

¹ Basic losses prior years, already adjusted for directly corresponding sliding-scale and profit-commission effects.

² Based on reserve releases of 4%-pts. Normalised combined ratio reflects a one-off shift between commissions and non-technical result of €29m in Q3 2020 (corresponding to –0.5%-pts. in Q3 and –0.2%-pts. in 9M).

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Group

Gross premiums written
~€54bn

Net result
withdrawn

Return on investment¹
~3%

ERGO

Gross premiums written¹
~17.5bn

Net result¹
~€530m

Combined ratio
P-C Germany¹
~92%

International¹
~94%

Reinsurance

Gross premiums written
~€36bn

Net result
withdrawn

Combined ratio
Property-casualty
withdrawn

Technical result, incl. fee income
Life and Health
withdrawn

This presentation 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. Obvious fluctuations in the incidence of major losses as well as pronounced volatility of the capital markets and exchange rates – as well as the special features of IFRS accounting make an accurate forecast of results impossible. Moreover, there is considerable uncertainty regarding the further development of the coronavirus pandemic. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments. **Figures from Q1 2019 onwards are restated reflecting the new cost-allocation method.**