

Munich Reinsurance Company  
**2021 Annual General Meeting**  
Report of the Chairman of the Board of Management,  
Joachim Wenning – 28 April 2021

# Report

# 2021

# Key figures (IFRS)<sup>1,2</sup>

## Munich Re at a glance

		2020	2019	2018	2017	2016
Gross premiums written	€m	54,890	51,457	49,064	49,115	48,851
Net earned premiums	€m	51,223	48,280	45,735	47,164	47,118
Net expenses for claims and benefits	€m	-43,077	-39,685	-35,116	-41,645	-38,498
Net operating expenses	€m	-12,815	-13,056	-12,587	-12,186	-12,295
Operating result	€m	1,986	3,430	3,725	1,241	4,025
Taxes on income	€m	-269	-483	-576	298	-760
Consolidated result	€m	1,211	2,707	2,275	392	2,581
Attributable to non-controlling interests	€m	0	-17	-34	17	1
Earnings per share	€	8.63	18.97	15.53	2.44	16.13
Return on equity (RoE) <sup>3</sup>	%	5.3	11.7	8.4	1.3	8.1
Return on investments (RoI)	%	3.0	3.2	2.8	3.2	3.2
Dividend per share <sup>4</sup>	€	9.80	9.80	9.25	8.60	8.60
Dividend payout <sup>4</sup>	€m	1,373	1,373	1,335	1,286	1,333
Share price at 31 December	€	242.80	263.00	190.55	180.75	179.65
Munich Reinsurance Company's market capitalisation at 31 December	€bn	34.0	38.0	28.5	28.0	28.9
Carrying amount per share	€	213.38	215.32	180.86	185.19	200.86
Investments	€m	232,950	228,764	216,852	217,562	221,752
Insurance-related investments	€m	11,033	9,163	8,424	9,664	9,558
Equity	€m	29,994	30,576	26,500	28,198	31,785
Off-balance-sheet unrealised gains and losses <sup>5</sup>	€m	21,298	19,913	16,067	14,980	17,276
Net technical provisions	€m	221,480	217,941	208,270	205,754	202,240
Balance sheet total	€m	297,946	287,553	270,168	265,722	267,805
Staff at 31 December		39,642	39,662	41,410	42,410	43,428

## Reinsurance

		2020	2019	2018	2017	2016
Gross premiums written	€m	37,321	33,807	31,286	31,569	31,463
Investments (incl. insurance-related investments)	€m	94,631	92,429	85,605	85,804	91,928
Net technical provisions	€m	78,190	77,166	72,407	68,109	67,067
Major losses (net)	€m	-4,689	-3,124	-2,152	-4,314	-1,542
Natural catastrophe losses	€m	-906	-2,053	-1,256	-3,678	-929
Combined ratio property-casualty	%	105.6	100.2	99.4	114.1	95.7
Investment result	€m	3,193	3,318	2,543	2,760	2,275
Consolidated result	€m	694	2,268	1,864	120	2,540
Thereof: Reinsurance - Life and Health	€m	123	706	729	596	515
Thereof: Reinsurance - Property-casualty	€m	571	1,562	1,135	-476	2,025
Return on equity (RoE)	%	4.1	13.3			

## ERGO

		2020	2019	2018	2017	2016
Gross premiums written	€m	17,569	17,650	17,778	17,546	17,388
Investments (incl. insurance-related investments)	€m	149,352	145,497	139,671	141,422	139,383
Net technical provisions	€m	143,290	140,776	135,863	137,645	135,173
Combined ratio property-casualty Germany	%	92.4	92.3	96.0	97.5	97.0
Combined ratio International	%	92.7	94.3	94.6	95.3	98.0
Investment result	€m	4,206	4,504	3,983	4,851	5,291
Consolidated result	€m	517	440	412	273	41
Thereof: Life and Health Germany	€m	130	187	264	175	114
Thereof: Property-casualty Germany	€m	157	148	45	57	-72
Thereof: International	€m	230	105	103	40	-1
Return on equity (RoE)	%	8.8	7.4			

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

2 Previous year's figures adjusted owing to IAS 1. For details, please see the section "Recognition and measurement - Changes in accounting policies and other adjustments" in the Notes to the consolidated financial statements.

3 We have changed the calculation of RoE and adjusted the previous year's figure accordingly. Further information on this indicator can be found in the combined management report under Tools of corporate management and strategic financial objectives, and in the Notes to the consolidated financial statements, in the section entitled Segment reporting, Notes on determining the return on equity (RoE). Comparability with the years up to and including 2018 is limited.

4 Subject to approval by the Annual General Meeting.

5 Including those apportionable to minority interests and policyholders.

6 With the publication of our Ambition 2025 in December 2020, RoE has now become a target figure for our fields of business. Further information can be found in the combined management report under Tools of corporate management and strategic financial objectives, and in the Notes to the consolidated financial statements, in the section entitled Segment reporting, Notes on determining the return on equity (RoE). We do not report this indicator for the years up to and including 2018.

*Munich Reinsurance Company  
2021 Annual General Meeting  
Report of the Chairman of the Board of Management, Joachim Wenning  
28 April 2021*

*Check against delivery*

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

Welcome to Munich Re's Annual General Meeting!

This is the second time our AGM is being held in an entirely digital format. Under normal circumstances, we would be meeting today at the International Congress Center Munich, which is currently home to a vaccination centre. Thousands of people are being vaccinated against COVID-19 there every day.

That tells us three things. First, the pandemic will unfortunately be affecting our lives for some time to come. Second, there is hope. And third, Germany can be proud of the inventive minds who developed vaccines. It is entrepreneurship at its best.

The pandemic has demanded a lot of us. Last year, the Munich Re Group incurred COVID-19 losses of nearly €3.5bn. We expect there will be about €600m in pandemic-related losses in 2021. We are thus playing a key role in mitigating the financial impact of the coronavirus crisis.

Despite the burden of COVID-19, we generated a profit of €1.2bn in the past financial year. And we can propose to you today a stable dividend of €9.80 per share.

Although our profit for 2020 naturally falls considerably short of the target we set before the emergence of COVID-19, it cannot be taken for granted that a company can make a profit in a year with such extraordinary losses.

We are proud of this feat, and of our 40,000 colleagues around the world. My dear colleagues, you have set great examples during this crisis and kept our Group on track.

**Dear Shareholders,**

Resilience is a key attribute of good insurers, yet it cannot be scaled up indefinitely. The boundaries of resilience end where the boundaries of insurability end.

As a systemic risk, the risk of a pandemic lies fundamentally beyond these boundaries – making it impossible to insure a pandemic in its totality. That is why we must find new ways of protecting our national economies against the next pandemic.

Governments and the private sector should pool their expertise and capabilities, and then jointly develop forward-looking solutions.

Last year, Munich Re and other insurers proposed a public-private partnership between governments and insurers. In simple terms, the model would work as follows: Insurers provide a minimum level of protection against pandemic risks within a framework of state-backed risk pools. In this way, the insurers create incentives for small and medium-sized enterprises in particular to implement in-house measures. Governments are then liable for losses that exceed the insured amount. Such a solution should be based on predefined criteria and standardised terms. This would save valuable time in an emergency and make an immediate impact.

On behalf of everybody, I urge all of us to create such a strategy and put it into practice soon after conquering this pandemic.

I wish to add that we can apply this idea elsewhere: a public-private model could also address other systemic risks. I am thinking of cyber attacks on systemically important networks or critical infrastructures, for example. A targeted virus attack can cripple computer systems worldwide in mere minutes, resulting in tremendous economic losses. Just as a pandemic is uninsurable by conventional means, the private sector cannot insure such a digital blackout.

At the same time, providing cover for cyber risks remains one of Munich Re's top priorities. It is possible to limit cyber risks that do not accumulate or are at most slightly systemic, making it possible to insure them. As in the past, there are considerable market opportunities here. In fact, we recently announced a trailblazing partnership with Google and Allianz that focuses on cloud risks. This demonstrates that we are a pioneer in the cutting-edge market for cyber risks. Our partnership with Google and Allianz will help us gain an even better understanding of cyber risks and refine our simulation models of them.

We aim to continually expand the boundaries of insurability, and that includes cyber risks. But we always exercise due caution so as to not overstep these boundaries.

#### Dear Shareholders,

As 2020 ended, we simultaneously concluded three projects: the three-year Munich Re Group Ambition, the three-year reinsurance strategy and the five-year ERGO Strategy Programme. In recent years, we have made Munich Re more profitable, more digital and leaner. I would now like to provide some details, starting with profitability.

Adjusted for one-off effects and major losses, our operating earnings have risen considerably over the past three years – from just over €2bn in 2017 to an adjusted €2.8bn last year. This fundamental trend is unaffected by the impact of COVID-19 on our financial statements for 2020.

As for digital transformation, we intelligently use data and digital technologies. For instance, we have automated and honed our products and services. Investing in them boosts our core business, and allows us to tap into new business opportunities and new markets. This, in turn, further enhances our good positioning over the competition. We are also in excellent shape thanks to our broad portfolio of digital initiatives, partnerships and shareholdings – which ensures that we will continue to profit from trends in digital transformation.

There are automated platforms for underwriting, for example, and insurance policies for the performance of algorithms. Last year, we formed Internet of Things partnerships with Porsche and Trumpf. And then there is our share in Next Insurance, a digital start-up. I could mention others in our portfolio, with more to come.

As for reduced complexity, we are now keenly focused on the market and our customers. We have clearly streamlined our organisation and generated additional business momentum. Moreover, we have made substantial structural, process and organisational changes at ERGO and in reinsurance. We seek to concentrate on our top priority: business performance.

The implementation of the strategic priorities I mentioned before have proved effective across the entire Group. I would like to particularly emphasise the development of ERGO, our primary insurer. Just five years ago, ERGO was in need of restructuring. ERGO in Germany has since invested resolutely in the modernisation of its operations and sales. In international business, the focus was on profitability, growth and market leadership. In this way, ERGO has rebuilt its competitiveness and earnings power on a solid new foundation. ERGO is now adding value for our Group, and it will create more value through future growth. ERGO has turned itself around and is back on a path to success.

In reinsurance, we have generated fresh momentum in new business and consolidated our top position in many markets – despite the challenging impact of low interest rates and above-average costs arising from major losses. The slowly improving rates in property-casualty business started playing a role only recently. In other words, our success is based on neither luck nor coincidence. It is instead the outcome of raising the bar higher, putting resolute plans into practice, and applying hands-on discipline.

After completing three strategy programmes at the end of 2020, we now look ahead to the next five years. In December 2020, we presented our even more aspiring Munich Re Group Ambition 2025.

In the framework of our new medium-term targets, we are relying on the proven strategies for reinsurance, ERGO and investments. And we are enhancing the strategic components that drive organic growth, as we anticipate good business prospects in the years to come.

But what does that mean in practice for each field of business?

ERGO will boost its profitability for a long time to come, which means that strict cost discipline and efficient processes are essential. In addition, ERGO will prioritise expanding its business outside of Germany. The spotlight here is on India, China, and other growth markets.

Systematically exploiting promising business models, including the hybrid customer model in Germany, will play a pivotal role. These measures will be supported by the expansion of a uniform and state-of-the-art IT architecture for sales. ERGO is striving for profitable growth, propelled by combined ratios that will keep improving and by premium income increasing by 2.5% annually.

In the property-casualty reinsurance segment, we expect the market to continue hardening and prices to rise. In the important renewals as at 1 January 2021, we were able to expand the volume of business written by 10.9%. And the prices for reinsurance cover rose by 2.4%. In short, we are doing more business on better terms. Munich Re will exploit these favourable conditions to grow organically and consolidate our presence in selected markets. We will continue to excel here thanks to our underwriting expertise.

Signs also point to expansion for the Risk Solutions business, where we expect especially robust growth thanks to our strong client base and an exceptional portfolio of products. More specifically, premiums in property-casualty business are set to increase from €24.6bn today to about €31.5bn in 2025. The share of business attributable to Risk Solutions is expected to gradually rise from 25 to 30%. In life and health, we see ongoing good opportunities to grow, particularly in North America and Asia. We will likewise profit from additional offerings in financial markets operations and in longevity business. In the life and health segment, we expect annual premium growth of about 4%, with premium income totalling about €15bn in 2025.

We are pursuing sustained improvements in our return on investment by MEAG specialising in certain classes of investments, and by outsourcing. In this way, we will partially offset the repercussions of low interest rates on investment returns.

I wish to add that our risk appetite for investments has not changed.

The strategy I have outlined will propel Munich Re to higher revenue by 2025. We expect the return on equity to rise to between 12 and 14%, both for reinsurance and for ERGO. This puts Munich Re in the top group, ahead of most peers. Our financial strength in terms of the solvency ratio is poised to remain in the optimum range of 175-220%. But our Ambition 2025 is not limited to meeting financial targets alone. We have also defined ambitious ESG targets.

Worldwide, natural disasters in 2020 produced losses of US\$ 210bn, which is once again considerably more than the long-term average. Climate change is real, and it makes weather-related natural disasters more likely – not to mention more frequent and more extreme in many regions.

We have been drawing attention to climate change for 50 years, while calling for climate protection.

Governments around the world have thus far not managed to agree on a joint climate policy. It is now incumbent on market and thought leaders to serve as role models and persuade as many as possible to likewise set good examples. That is why, as part of our Ambition 2025, we established truly bold and specific climate protection targets that are based on science. What's more, our targets are compatible with the Paris Agreement on climate change. They are specific, binding, and measurable. Our targets apply to our investments, our insurance business and our own operations from 2021 to 2050.

We will proceed step by step, gradually and verifiably reducing our emissions over the course of five-year periods. For instance, we will shrink our carbon footprint with regard to directly insuring coal business by 35% in the next five years – and by another 35% in the five years after that. In fact, we will phase out coal completely by 2040, from both our direct insurance business and our investments. And Munich Re will have net-zero greenhouse gas emissions by 2050. At the same time, we are facilitating the transition from fossil fuels to renewable energies.

We provide cover that allows photovoltaic manufacturers to offer 25-year performance guarantees. And we handle warranties worth millions for general contractors that construct offshore wind farms. In addition, we foster the boom in electric mobility by insuring manufacturers' performance guarantees for electric powertrains and batteries. In this way, we help drive forward new technologies for the low-carbon economy of tomorrow. Our primary objective is to help promote progress so as to benefit humanity.

We are a global company operating in a world that is changing. In the face of increasing challenges, close collaboration is indispensable: between governments; between governments and businesses; and between governments, businesses, and the general public.

We must join forces to surmount challenges that would overwhelm a single government or company. To solve such problems, we must work together.

We also have to become better at dealing with systemic risks, as I have already mentioned. A second challenge concerns technology and big data. Both can benefit humanity and ultimately will. But we must make sure that the right people harness technology and big data in the right ways, while ensuring they do not fall into the wrong hands.

In the twenty-first century, progress is digital. Everybody knows that digital innovations will be adopted, sooner or later, to transform as many businesses, services and processes as possible. So what is the point of proverbial shackles in Europe? Digital progress in Europe is being hindered by excessive government regulation of data, which means that the United States and China will continue to reap the benefits of digital transformation. What's more, EU data restrictions do not protect Europeans from any drawbacks.

To this end, we need an organisational framework in Europe that allows people to responsibly tap into opportunities. This is Europe's only path to becoming both less dependent on others and more competitive. In this way, the EU can also forge digital progress on its own terms – for the benefit of all Europeans.

Europe must remain an economically strong and assertive partner on the global stage. A strong Europe rests on the foundation of liberty, resolve and excellence – three virtues that enable progress and a promising future for young people. We also need Europe to be sturdy if we are to achieve greater solidarity in society. This is especially true of up-and-coming generations. The Europe I am speaking of would be a magnet for people who are motivated to get things done. EU governments need to act along these lines – instead of perpetuating an ultra-expansionary monetary policy, sliding down a slippery slope to a transfer union, and tolerating excessive federalism ending in deadlocks.

**Dear Shareholders,**

Our total shareholder return from 2018 to 2020 was outstanding compared with the leading eight global reinsurers and European primary insurers. We hope and believe that, by realising our Ambition 2025, we can continue to outperform the competition.

What does this mean for you? Continued earnings growth will translate into higher earnings per share, which are set to increase annually by at least 5% on average by 2025.

Similarly, the dividend per share is to likewise rise by at least 5% on average – or even more and thus at a somewhat higher rate than in recent years. It is also expected that the dividend per share will at least remain the same following years with an unusually high claims burden, as we experienced in 2020.

We anticipate a profit of €2.8bn in 2021. That would lift us back up to our level prior to the pandemic and its burdens, allowing us to start out strong as we work on our ambitious targets.

Now more than ever, 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. I look forward to seeing you next year!

# Imprint

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## 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](http://www.munichre.com).

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## Service for private investors

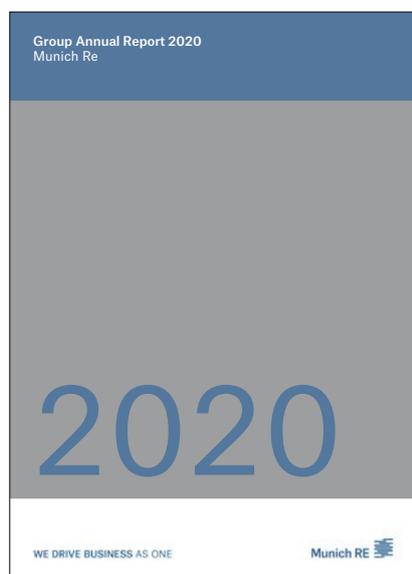
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All the facts and figures for the 2020 financial year can be found in our Group Annual Report. More at [www.munichre.com/annualreport2020](http://www.munichre.com/annualreport2020)

## 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

## Important dates 2022

23 February 2022  
Balance sheet media conference for 2021 consolidated financial statements (preliminary figures)

17 March 2022  
Publication of the Group Annual Report 2021

28 April 2022  
Annual General Meeting

10 May 2022  
Quarterly Statement as at 31 March 2022

9 August 2022  
Half-Year Financial Report as at 30 June 2022

8 November 2022  
Quarterly Statement as at 30 September 2022