



Munich Reinsurance Company
2022 Annual General Meeting
Report of the Chair of the Board of Management
Joachim Wenning

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Check against delivery.*

**Dear Shareholders,
Dear Colleagues, both current and former,**

Welcome to Munich Re's Annual General Meeting!

I will be talking today about this past financial year and our plans for the future. But if I may, I would first like to say some words about the most important topic of recent weeks.

Compared to the suffering of people in Ukraine over the past two months since the Russian invasion, everything else seems to pale by comparison. We feel devastated by the images from Ukraine that we see day after day.

Many believed until recently that war in Europe was a relic of a dark past. But the bitter reality of war returned to Europe when the Russian military attacked Ukraine. This war of aggression violates international law – and we denounce it in the strongest possible terms.

Although our Company does not have any branches or offices in Ukraine, some of our colleagues are Ukrainian citizens. We want to offer our heartfelt sympathy to them during this crisis.

In addition, we wish to express our full solidarity with people in Ukraine and their families. Millions of people have fled to other countries – many of them women and children who need our help. Colleagues around the globe have kicked off dozens of initiatives, donating time, money, and material aid. What's more, Munich Re has been donating to reputable charities in Germany and elsewhere. And we are helping make sure that displaced people have accommodations, receive care and support, and are integrated into German society. We have earmarked as much as €3.5m in financial aid for refugees, many of whom are now in Poland.

Beyond providing humanitarian aid for Ukrainians, pressure must be exerted on the Kremlin to end its war of aggression. We therefore expressly support the sanctions initiated by Western governments, despite being fully aware of the tremendous resulting strain on our national economies.

To this end, we are taking responsibility in our own industry, by not renewing any agreements in Russia or Belarus. In addition, Munich Re has suspended all new business in both countries. We are handling our investments in the region in the same way. Exceptions will be made here only if a change would harm people or companies in need of protection.

I will address the war's overall impact on our business a bit later.

Dear Shareholders,

There is only so much our industry can do to help people affected by war. But we can strive to prevent everyday risks from jeopardising people's livelihood and companies' survival. That is what we do, after all.

If we are to live up to our responsibilities, we need to stay competitive and strong. Our business performance serves as the foundation for all we accomplish on behalf of both the Company and society as a whole. With this in mind, we presented our Ambition 2025 in December 2020. This targeted strategy is enhancing the growth drivers in our proven business strategies. For example, we are investing in data and digital transformation. And we are blazing trails when it comes to offering extensive flexibility in the working world of tomorrow. We are also delivering a consistently excellent return on equity, ranging between 12 and 14%.

Munich Re kicked off Ambition 2025 last year. A key benchmark for our business performance is our annual result. After announcing a target profit of €2.8bn for 2021, we generated €2.9bn. This initial milestone is boosting our momentum towards achieving our Ambition 2025. Our return on equity amounted to 12.6%. In addition, the goal was for our earnings per share in 2021 to maintain the momentum of our normalised result in 2020. We did in fact manage to boost earnings per share by 4.7%. Indeed, we expect this metric to increase annually by at least 5% on average between now and 2025.

Our capital position remains very strong. Even after factoring in our dividend payout and share buy-back, our solvency ratio is 222% – which is even slightly above the optimum range.

We want you, as Munich Re shareholders, to benefit from our solid business performance. As you know, our dividend policy has been one of our standout features for decades. We want to annually increase our dividend by at least 5% on average between now and 2025. As for the 2021 dividend, we have outdone ourselves. Today, we are proposing to you an increased dividend of €11 per share. That is 12.2% more than just a year ago. And the share buy-back that has already been approved will further boost your return on investment.

As you can see, Munich Re delivers on its promises. Our strategy is proving effective. Our clients trust us and rely on us. Last but not least, our 39,000 staff members around the world work hard every day to sustain our prosperity. I am especially grateful to our Munich Re workforce. All of you, my esteemed colleagues, are the pillars of our success!

Dear Shareholders,

The pleasing results of 2021 were by no means a foregone conclusion. After all, last year posed various challenges for our industry, including losses from natural catastrophes and the ongoing coronavirus pandemic in particular.

Natural catastrophes caused nearly €250bn in worldwide losses last year, of which about €105bn were insured. And €3.1bn of that fell to Munich Re in reinsurance.

In short, 2021 was one of the costliest years ever. The extreme flash flooding in Germany and other European countries alone resulted in losses of €46bn, of which €11bn were insured. It was the costliest natural catastrophe to date – not just in Germany, but in the whole of Europe. What's more, it was only one of last year's many severe weather events, which are becoming more frequent and more severe due to climate change.

In 2021, the pandemic also caused increasing claims expenses. Munich Re was particularly affected in its life and health reinsurance business, where claims expenses totalled about €800m.

In this regard, our risk portfolio, our range of business lines, and our risk management once again proved their worth in 2021. All fields of business showed strong operational performance, in turn supporting the performance of our Group.

ERGO, our primary insurance entity, exceeded expectations and contributed €600m to the result. Its focused business expansion and strict cost discipline certainly paid off. ERGO also made key structural improvements, such as replacing legacy systems with a modern IT infrastructure. The ongoing digital transformation of its processes further boosted customer satisfaction, with the speedy handling of claims filed after the flooding in July being just one example.

ERGO continues to grow profitably, with overall premium income across all lines rising by 3.7% in 2021. In the property-casualty Germany segment, a successful renewal round in motor insurance and the rising demand for commercial/industrial business played key roles in spurring premium growth. On a global scale, there were two key drivers of growth: a strong showing in property-casualty business in Poland and Austria, as well as high demand for health products in Spain and Belgium. As expected, growth was more moderate in the ERGO Life and Health Germany segment, as a result of the deliberate reduction of the traditional life insurance portfolio. By contrast, customers are showing great interest in our new investment-type products – where new business grew by 42%.

Our reinsurance business continues to benefit from the market cycle. With a return on equity of 13.5%, this field of business is highly profitable. Rate increases in property-casualty reinsurance played a pivotal role here. Our renewals in 2021 generated premium growth of 11.7% and prices rose by 2.3%. The renewal results for January 2022 make it clear that this trend will continue this year. We are exploiting positive market conditions to foster organic growth. And we are consolidating our position as market leader in business fields like cyber, while cautiously limiting liability per incident, client, and policy. As always, we exercise great discipline when underwriting risks. As mentioned before, our life and health segment was impacted by high COVID-19 losses in 2021. Adjusted for these losses, the big picture is altogether pleasing and the future looks promising.

Our Risk Solutions business likewise performed very well last year in its markets, where products, underwriting, and sales are highly specialised. Nearly all sectional markets are in the United States, where our premium income rose by 18%. At the same time, the combined ratio decreased by 4%. In short, Risk Solutions is reporting considerable growth and increasing earnings power, which is a truly outstanding combination.

Dear Shareholders,

People understandably assess our Group based on non-financial indicators as well. Of our own accord, we pledged in our Ambition 2025 to focus even more on environmental, social and governance targets. Please allow me to briefly outline the progress we have made in this regard.

We are utterly committed, for instance, to increasing the percentage of women in management positions. More specifically, our target is 40% by 2025. We apply our diversity requirements whenever a position in senior management needs to be filled – anywhere in the Munich Re Group – and the Board of Management makes the decision. In addition, selection committees and lists of candidates featuring a diverse range of people have become common practice, which is proving effective. Last year, the percentage of women managers rose from 35% to about 38% Group-wide.

We are also committed to acting responsibly for the sake of society, which is exemplified by our dedication to greater climate protection. We are making good progress in realising our climate strategy. In 2021, we reduced the CO₂ emissions from our investment portfolio by about 31% compared with 2019, the base year for Ambition 2025. We will have to wait a year to estimate the impact on our core business. In addition, we managed to reduce our own operational emissions by approximately 25% per employee between 2019 and 2021.

But we are not merely discontinuing certain types of business. We are also pursuing customised insurance covers to facilitate new climate-friendly solutions. In this way, we are making a significant contribution towards the insurability of the risks involved in generating renewable energies. Our Green Tech Solutions unit has underwritten risks in over 1,000 projects worldwide with generation capacity totalling about 42 gigawatts. By way of comparison: this corresponds to more than two-thirds of the capacity of all photovoltaic systems installed in Germany. By assuming guarantee and availability risks, we are helping the renewable energy sector to expand.

Dear Shareholders,

We are taking the next steps, now in 2022, towards meeting our ambitious targets. We have set a profit target of €3.3bn for 2022 and Group premium income is expected to increase to about €61bn this year. And I am sure that is not the full extent of our potential.

For one thing, we are well on track to bolstering our earnings trajectory by diversifying and thus stabilising it. Our combination of primary insurance and reinsurance under one roof distinguishes us from the competition. And we want to capitalise even more on our competitive edge going forward.

It was not so long ago that our Group's performance was determined largely by property-casualty reinsurance, which was itself highly susceptible to the market cycle. This meant that we had no choice but to tolerate considerable fluctuations in our consolidated result.

That has changed. ERGO, Risk Solutions, and our life and health reinsurance segment will reliably make key contributions to our consolidated profit as part of our Ambition 2025 strategy. Combined with lower volatility, we are putting our Group's consolidated result on more stable footing. We can offer more capacities in a hard market, but then scale down considerably in a soft market.

Given the latest developments, allow me to say a few words on the consequences of the war in Ukraine for Munich Re.

First of all: Munich Re only does a negligible amount of insurance business in Ukraine, Belarus and Russia. We have – as previously mentioned – suspended all new business in Russia and Belarus. Moreover, in classic property insurance – the line with the greatest potential exposure – war is a standard exclusion. And not just in the regions currently affected, but worldwide. Consequently, we will not be affected in this regard and will be able to easily absorb the direct effects on our business.

That being said, we do offer limited cover for the direct and indirect impacts of war in certain special lines. These include in particular aerospace, transport and credit, as well as political risks. In many cases, it cannot yet be determined to what extent cover applies.

In comparison to our overall portfolio, Munich Re's investment exposure in the three above-mentioned countries is relatively low. At the moment, the effect on Munich Re's earnings resulting from changes in the value of our investments is manageable. However, I cannot guarantee that no negative consequences will emerge in the future. After all, the longer the war drags on and the sanctions on Russia and Belarus are maintained, the greater the political and economic upheavals in Europe and elsewhere will become.

Dear Shareholders,

Moscow's war of aggression in Ukraine represents a threat to peace in Europe. In addition, Europe finds itself caught up in an increasing rivalry of systems between the USA and China. And an escalation in one of the world's regional trouble spots could have significant global repercussions.

Against this backdrop, only a strong Europe – as a guarantor of freedom, democracy and prosperity – can endure. Accordingly, making Europe more competitive must become a central political priority. Europe's interests can be better represented from a position of strength.

When, as we have seen for years, the complete political integration of Europe falters, Europe should at least focus on those topics for which a joint European response is better than any national one. These include: firstly, the targeted migration and essential integration of hardworking individuals who are committed to working in and for Europe; secondly, promoting digitalisation for the benefit of the people, state and economy. In addition, a transformation from fossil to renewable energies. And fourthly and lastly – now more than ever – defence.

Although insurance cannot resolve geopolitical conflicts, our industry certainly can do its part to protect both the safety and livelihood of people and the resilience of companies on a day-to-day basis. When we cover risks, we also foster development, innovation, and progress in our society.

Thank you for the trust you have placed in our Company. We greatly appreciate your loyalty to Munich Re.

Thank you.

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All the facts and figures for the 2021 financial year can be found in our Group Annual Report. More at www.munichre.com/annual-report-2021

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

2023

23 February 2023
Balance sheet media conference for 2022 consolidated financial statements (preliminary figures)

16 March 2023
Publication of the Group Annual Report 2022

5 May 2023
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