

Munich Re surpasses profit target three years in a row

- Net result of €4.6bn outperforms initial guidance by €600m
- Significant dividend increase: Subject to approval by the Annual General Meeting, the dividend will increase to €15 per share
- New share buy-back with an increased volume of €1.5bn to be completed by 2025 Annual General Meeting
- Outlook: Net result for 2024 expected to rise to €5bn
- Sufficient insurance capacity for extreme weather and cyber risks / Governmental involvement essential regarding prevention and extreme risks



“2023 was another successful year for Munich Re. We beat our annual profit target for the third consecutive time and delivered a strong performance across all business segments. Thanks to a broadly diversified business portfolio, Munich Re is well placed and fully on track to meet the targets specified in its Ambition 2025 strategy programme. With the exception of systemic risks – such as cyber and pandemic – our appetite for covering existential risks for people and enterprises is far from exhausted.”

Joachim Wenning, Chair of the Board of Management



“All KPIs are near or even better than the Ambition 2025 targets at the end of 2023. Our financial strength makes it possible for our shareholders to participate in our success through a substantially higher dividend. They’ll also benefit from a new share buy-back that will likewise be substantially higher. And we remain ambitious, as we seek to boost our annual profit to €5bn this year.”

Christoph Jurecka, CFO

Summary of the figures for the 2023 financial year

Munich Re has been preparing and communicating financial data since January 2023 in accordance with two new financial reporting standards: IFRS 9 and IFRS 17.¹

In the 2023 financial year, Munich Re posted a profit of €4,597m (5,309m)² – slightly higher even than the revised profit target of €4.5bn announced in October 2023, up from the initial figure of €4.0bn. The net result in Q4 2023 amounted to €1,004m (1,141m). Insurance revenue from insurance contracts issued rose year on year to €57,884m (55,385m). This was due in particular to organic growth both in the property-casualty reinsurance segment and at ERGO; conversely, currency translation effects negatively impacted insurance revenue.

In the 2023 financial year, Munich Re's return on equity (RoE) amounted to 15.7% (20.2%). Earnings per share totalled €33.88 (38.12). The Board of Management proposes to pay shareholders a dividend of €15 per share for the 2023 financial year. This would constitute a year-on-year increase of 29.3%. The solvency ratio – less the proposed dividend, as usual – stood at around 267% at the end of the year, likewise at a very high level (31 December 2022: 260%).

The total technical result in the 2023 financial year rose to €7,545m (7,070m); the investment result increased to €5,374m (2,983m). Owing mainly to currency losses against the Japanese yen and the US dollar, the currency result fell considerably to –€292m (1,067m). Conversely, high currency gains were generated in 2022 – chiefly against the US dollar. The operating result fell to €5,702m (6,812m). Munich Re's effective tax rate in the reporting year decreased to 16.9% (20.0%) thanks to several positive one-off effects. Equity was higher at the reporting date (€29,772m) than at the start of the year (€27,245m).

Reinsurance: Result of €3,876m

The reinsurance field of business contributed €3,876m (4,737m) to the net result in the 2023 financial year, of which €926m (1,123m) was in Q4. Insurance revenue from insurance contracts issued rose to €37,786m (36,489m). The total technical result increased to €5,402m (5,264m); the operating result fell to €4,738m (5,923m), chiefly due to the negative currency result.

Life and health reinsurance generated a total technical result of €1,433m (1,041m) in 2023, thus meeting the adjusted target of €1.4bn. The net result in life and health

¹ The 2022 comparative figures for insurance business are based on the new IFRS 17 regime. But the 2022 figures for financial instruments are predominantly still based on IAS 39, the standard applicable up to 31 December 2022. For that reason, they are only comparable to a limited extent with the figures for the 2023 financial year disclosed in accordance with IFRS 9. However, transition effects were anticipated in some cases – particularly with respect to the classification overlay approach applied to business with direct participation features in ERGO life and health insurance.

² The previous year's result, adjusted to conform with the new accounting standards, was very high on account of overall very positive interest-rate and discount effects against a backdrop of rapidly rising interest rates.

reinsurance increased to €1,428m (1,314m). Insurance revenue from insurance contracts issued declined to €10,725m (11,164m) due to currency translation effects.

The property-casualty reinsurance segment posted a net result of €2,448m (3,423m) in 2023. Insurance revenue from insurance contracts issued rose to €27,061m (25,325m). The combined ratio was 85.2% (83.2%) of net insurance revenue; the normalised combined ratio was 86.5%.

Major-loss expenditure³ totalled €3,278m (3,741m) in the reporting year, of which €873m (525m) was in Q4. The previous year's figure had been impacted by Hurricane Ian in particular. These figures include gains and losses from the run-off of major losses from previous years. Major-loss expenditure corresponded to 12.6% (15.4%) of net insurance revenue and was thus below the expected value of 14% in the financial year and in Q4 (13.0%). Man-made major losses amounted to €943m (1,623m). Major losses from natural catastrophes rose to €2,335m (2,118m). The major loss figures above take account of the effects from discounting and risk adjustment. The largest individual loss for Munich Re in 2023 was the earthquake in Turkey, with a nominal value of around €0.7bn; in Q4, it was Hurricane Otis in Mexico with losses of €453m.

More frequent extreme weather calls for more insurance cover

The rising incidence of extreme weather resulting in high losses continues. Munich Re will keep offering sufficient insurance capacity for such risks, with an eye to sustained growth in this market. The private insurance industry supplies enough global capacity in principle to cover the rising risks associated with extreme weather. But prices for cover must be appropriate in order to create incentives for better preventative measures. Superior prevention can substantially reduce the losses caused by extreme weather events, in turn easing the financial burden on society. And governments can certainly exert a positive influence on insurability and the price for insurance cover by way of state-mandated preventative measures.

Backstop for major systemic cyber risks

Government involvement is also necessary in the area of cyber risks. The management of cyber risks is of paramount importance in a digital world. Despite the global market for cyber insurance tripling in size in the past five years alone, a tremendous gap in coverage remains regarding cyber risks. In its role as global market leader, Munich Re is always investing in expertise and accumulation modelling – and will continue providing sustainable capacity for insurable cyber risks. However, the private sector cannot provide cover for the greatest systemic cyber risks, such as the failure of critical infrastructure or cyber war. But a potential solution to this complex problem is a

³ The figures are only comparable to a limited extent with the same period last year, as the major-loss threshold was raised to €30m with effect from 1 January 2023 (previous years: €10m).

governmental backstop – a precautionary measure of last resort. Policymakers in Germany and Europe as a whole should discuss such a backstop; a dialogue on this is already underway in the United States.

Renewals as at 1 January 2024

In the reinsurance renewals as at 1 January 2024, Munich Re increased the volume of business written to €15.7bn (+3.5%). Thanks to our close relationships with clients and our expertise, we tapped into attractive business opportunities in nearly all regions and classes of business. These involved the expansion of existing client relationships as well as new business. At the same time, we were willing to discontinue business that no longer met our expectations with regard to prices or terms and conditions. It was possible to maintain the high quality of our portfolio thanks to stable or improved contractual terms and conditions.

Around two-thirds of non-life reinsurance treaty business was renewed – with a focus on Europe, the USA and global business.

Price development was stable overall, and for the most part more than compensated for the higher loss estimates in some areas, which were primarily attributable to inflation and other loss trends. Primary insurance prices also increased in many markets, with Munich Re benefiting as regards proportional reinsurance contracts. Overall, the high price level of Munich Re's portfolio was practically unchanged following an increase of just 0.3%. This figure is, as always, risk-adjusted. In other words, price increases are offset if they are associated with increased risk and, consequently, elevated loss expectations. Despite market pressure increasing slightly, Munich Re expects the environment to remain positive in the upcoming April and July renewal rounds.

ERGO: Result of €721m

Munich Re's ERGO field of business posted a 2023 net result of €721m (572m), of which €78m (18m) was in Q4. ERGO thus achieved its profit target of approximately €0.7bn. Insurance revenue from insurance contracts issued rose appreciably to €20,098m (18,896m), in turn meeting the target revised upwards in Q3.

The ERGO International segment clearly increased its net result to €286m (92m) thanks to very profitable growth and substantially improved underwriting performance. This increase was chiefly due to health business in Belgium and Spain as well as property-casualty business in Poland. In the previous year, the segment's net result had been impacted by one-off effects.

The ERGO Property-casualty Germany segment also posted a higher net result, amounting to €252m (173m). The segment's impressive net result was underpinned by good operational performance, lower year-on-year major losses and a very good investment result.

ERGO Life and Health Germany generated a net result of €183m (307m). Lower income from the release of the contractual service margin in both life insurance and long-term health business was partly offset by an increase in the insurance service result from short-term health and travel business.

The total technical result for the field of business rose considerably in 2023 to €2,144m (1,805m); the operating result was €963m (889m). The Property-casualty Germany and International segments both managed to improve their combined ratios, thus meeting their targets for the financial year. The combined ratio was 88.9% (90.3%) at Property-casualty Germany and 90.1% (95.5%) at ERGO International.

Investments: Investment result of €5,374m

Munich Re's investment result increased to €5,374m (2,983m) in 2023. Regular income from investments increased to €6,950m (6,358m), primarily attributable to higher interest rates. The balance from write-ups and write-downs was –€194m (–2,811m), with the balance from gains and losses on the disposal of investments coming to –€588m (3,755m). The change in fair value amounted to –€65m (–3,649m). Whereas Munich Re profited from high interest rates in 2023, the previous year had been impacted by substantial interest-rate hikes.

Overall, the 2023 investment result represents a return of 2.5% on the average market value of the portfolio. The running yield was 3.2% and the year-end yield on reinvestment was 4.5%. As at 31 December 2023, the equity-backing ratio including equity-linked derivatives amounted to 3.7% (31 December 2022: 2.0%). The carrying amount of the investment portfolio as at 31 December 2023 was €218,462m (207,965m).

Outlook: New profit target substantially higher than 2023 target

Munich Re is aiming to generate a net result of €5bn in 2024. We expect the Group's insurance revenue to total €59bn and the return on investment to improve markedly, surpassing 2.8%.

Munich Re anticipates that its reinsurance field of business will increase its insurance revenue to €39bn and its contribution to the net result to €4.2bn in 2024. In a market environment poised to remain favourable, Munich Re will leverage its position of strength to grow once again and generate even more profits. The combined ratio for property-casualty reinsurance is expected to improve to 82%. In life and health reinsurance, Munich Re projects a slightly improved total technical result of €1.45bn in 2024.

The ERGO field of business is expected to generate insurance revenue of €20bn in 2024, perpetuating its strong performance of recent years with a higher profit

contribution of €0.8bn. A combined ratio of 87% is expected in the ERGO Property-casualty Germany segment, and around 90% at ERGO International.

All figures have been rounded. As usual, this projection is subject to increased uncertainties stemming from geopolitical and macroeconomic developments, to major losses remaining within normal bounds, and to the income statement not being impacted by severe fluctuations in the currency or capital markets, significant changes in the tax environment, or other one-off effects.

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Munich Re

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The group consists of the reinsurance and ERGO business segments, as well as the asset management company MEAG. Munich Re is globally active and operates in all lines of the insurance business. Since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its sound financial position. Munich Re leverages its strengths to promote its clients' business interests and technological progress. Moreover, Munich Re develops covers for new risks such as rocket launches, renewable energies, cyber risks and artificial intelligence. In the 2023 financial year, Munich Re generated insurance revenue of €57.9bn and a net result of €4.6bn. The Munich Re Group employed about 43,000 people worldwide as at 31 December 2023.

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