



Munich Reinsurance Company
2023 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!

It's easy to lose sight of encouraging developments in times of crisis. I'd therefore like to begin with good news. And there is plenty to be happy about as regards Munich Re's 2022 financial year.

With a profit of €3.4bn, we surpassed our expectations last year. Our Group's financial robustness and the strength of our balance sheet withstood all the challenges that 2022 brought with it. Compared with just one year ago, more women now serve on our Board of Management, which has also become more international. What's more, Munich Re outshines the competition – as shown by our very pleasing total shareholder return, which consists of share price performance and dividend payments. When viewed over a period of several years, total shareholder return is a valid indicator of a company's success compared with that of the rest of the industry. In terms of total shareholder return, we rose to first place among the world's eight leading reinsurers and European primary insurers between 2019 and 2022.

Capital markets have confidence in Munich Re and appreciate our reliability. As in years past, dear shareholders, we once again plan to increase our payout to you. Subject to your approval, the dividend per share will increase to €11.60. Last but not least, we will launch a new share buy-back with a volume of €1bn.

Ladies and gentlemen,

contrary to what we had hoped, last year sadly did not offer the world any respite. While the coronavirus pandemic has become less frightening for many people, the war of attrition in Ukraine continues to drag on and wreak havoc.

Economic turbulence persists still today. Throughout 2022, capital markets were volatile. Energy prices reached dizzying heights. Inflation soared to the highest levels in decades. Central banks hiked interest rates at a record pace, which in turn hampered economic activity.

The Munich Re Group has felt the direct effects of the war in both insurance and investments. Munich Re shouldered €475m in war-related expenditure across various lines of business in 2022. We also posted write-downs on investments amounting to about €850m as a result of the war.

The indirect effects of the war were even more noticeable. The economic disruptions caused or aggravated by the war in Ukraine put pressure on our investments in particular. Falling stock markets resulted in impairment losses on equities and derivatives. Although we will over time gradually profit from the abrupt rise in interest rates, it too caused sudden impairment losses. Our investment result therefore did not meet our expectations.

In the insurance business, inflation has resulted in higher claims expenditure. Whenever we write new business, we fully factor in the effects of inflation. We boosted reserves in our insured portfolio by €1.3bn without impacting our result. The prudent and cautious reserving approach that we have followed for many years continues to pay off.

In addition to war and inflation, insurers once again had to cope with high natural catastrophes losses in 2022. For the second year in a row, insured losses exceeded €100bn. Such figures are becoming the new normal as the climate changes.

While the coronavirus pandemic appears to have transitioned to an endemic, it once again left its mark on our balance sheet in 2022. More specifically, we had to pay pandemic-related claims in life reinsurance totalling nearly €350m.

Dear shareholders,

all of that shines light on the sheer magnitude of challenges and the substantial financial burdens shouldered by our industry and by us, the industry leader.

Despite everything that happened in 2022, we still surpassed our profit target of €3.3bn by €100m. That makes us feel proud. What's more, our net result proves just how well we manage our portfolio and reflects how much potential there is for favourable factors to outweigh unfavourable ones. Last but not least, it validates anew just how important it is to maintain and consolidate a strong – and stable – presence in primary insurance in addition to traditional property-casualty reinsurance. Built on a rock-hard foundation, our Group is growing.

But genuine diversification benefits are realised in practice only if every field of business is fundamentally profitable and delivers results. That is the case at Munich Re. I'd now like to dive deeper into the performance of each field of business.

ERGO has been delivering results as reliably as clockwork since 2016. Its contribution to profits has risen year after year, sometimes substantially. ERGO significantly surpassed its profit target in 2022 with a result of around €830m, of which more than €600m constituted sustainable profitability. The remainder – approximately €200m – was attributable to a one-off effect. Key to this success was profitable growth of about 5% – across all segments and all regions.

I'd like to draw particular attention to the combined ratio of 90.6% in the Property-casualty Germany segment, making ERGO one of the best in its peer group. It also grew faster than the market average. Especially as regards business with commercial and industrial customers, ERGO sales grew considerably. More and more private customers are similarly purchasing insurance from ERGO. For example, there was great demand in late 2022 for motor insurance, as many policyholders switch insurers near the end of a calendar year. ERGO's new rates are truly competitive. Claims processing is now almost entirely automated, which both accelerates the handling of claims and boosts end-to-end transparency for policyholders. Customer satisfaction continues to improve.

ERGO Deutschland achieved pleasing growth in its other lines of business: life, travel and supplementary health insurance.

In international business, ERGO notched noteworthy growth in property-casualty business in Poland and the Baltic states, and in its health business in Belgium and Spain. There was also encouraging performance in Asian growth markets, with premium income rising considerably in India. ERGO also acquired a majority stake in a property-casualty insurer in Thailand, where we expect further growth.

ERGO is aiming high with an eye to the next few years. For one, ERGO wants to grow faster than the market in all key markets. By 2025, ERGO aims to become the leading digital insurer in Germany and in the core international markets. This will further enhance customer experience and process efficiency, thus paving the way to persistently better results and an even higher return on equity.

We planted the seeds for profitable business growth in reinsurance in recent years, and we are now harvesting the fruits of our labour. We are deliberately tapping into growth opportunities made possible by the ongoing hard market. Gross premium income rose to more than €48bn in 2022, after €41bn in 2021. Nearly all lines of property-casualty business contributed to this increase, as did life and health business in the United States and Asia in particular.

At €2.6bn, the contribution to profits by reinsurance almost exactly matched our original target of €2.7bn – despite natural catastrophe losses in property-casualty that were once again above average. The best example is Hurricane Ian, which was to blame for half of all insured natural catastrophe losses worldwide last year, namely €60bn. Munich Re bore responsibility for €1.6bn of that total.

Although market losses are on the up, the natural catastrophe line of business has been one of our most profitable lines for years now. Averaged out over the past five years, the losses precisely match our expectations. In other words, we have a firm grip on our business.

The same is true of our cyber business, at the intersection of remarkable business opportunities and tremendous loss potential. In our position as market leader, our approach to business growth is as prudent as it is resolute. We excel here thanks to our excellent understanding of cyber risks and our disciplined underwriting that minimises unwanted accumulation losses. In addition, Munich Re is eager and skilled when it comes to ensuring that new risks can be insured. Every single underwriting year has been profitable in our cyber business, which is essential. After all, as with natural catastrophes, cyber attack losses can be exceptionally high. A lot of good years are needed in order to finance the occasional bad year.

Moving on, I now wish to talk about the life and health segment. We had a spectacular year in 2022. Our result was more than twice as high as our target, with €918m surpassing by far our target of €400m. Thanks to lower COVID-19 losses, the fundamentally high profitability of our portfolio is more evident than ever. An important part of this encouraging big picture consists of record income from capital-relief treaties and cedant financing.

Risk Solutions, our specialty primary insurance business, also performed very well. Gross premium income rose by 35% to €9.7bn, with nearly 30% of all income deriving from the property-casualty reinsurance segment.

I spoke earlier about the challenging environment for our investment business. Our return on investment of 2.1% fell short of our 2022 target of 2.5%. But we did manage to generate a positive currency result of 0.3%. And our alternative investments fared well. Rising interest rates give cause for optimism, as they will have a positive impact in the long term. The yield on reinvestment amounted to 2.8%.

In short, Munich Re and all its fields of business performed well. We are outperforming our competitors in all key categories. With a solvency ratio of 260%, our capital position is stronger than ever. What's more, our return on equity is now already at the level envisaged for the year 2025, as specified in our Ambition 2025 programme – with regard to the Munich Re Group as a whole and to both reinsurance and ERGO individually.

We remain a reliable and popular partner to our customers and clients, as well as a dependable and appealing employer for our staff. And for you, dear shareholders, Munich Re continues to be a valuable investment.

I am proud of our team and everything we have accomplished together thus far!

Thanks to the past two successful financial years, we are firmly on track to achieve the five-year targets set out in our Ambition 2025. If we keep up the great work, by 2025 Munich Re will be more resilient, efficient, competitive and attractive to capital markets than ever before. The 41,000 staff members in our Group are doing everything they can to transform our vision into reality. They all have my heartfelt gratitude!

Dear shareholders,

we fare very well in a comparison with the best peers in our industry. Our cautious and modest business acumen shields us. But the driver that has propelled us most past competitors has been diversification. As part of Ambition 2025, we pledged to diversify even further.

We therefore are continuing to expand our business that exhibits a stable earnings profile, namely ERGO, life reinsurance and Risk Solutions. The significance of this commitment is made clear by the establishment of a new Board division, Global Specialty Insurance, which is overseen by Michael Kerner and is home to substantial parts of our Risk Solutions business. This new structure fosters synergies in underwriting, claims management, marketing and sales. In this way, we will deliberately boost our performance once more and exploit growth opportunities, particularly in the United States and in the London market.

In addition, we expect the property-casualty market to continue to harden – thus fostering sustained profitable growth in our core business of reinsurance, where renewals have been promising. We deliberately expanded non-proportional property business in particular on account of attractive rates, especially with regard to natural catastrophe covers. While some competitors struggled, our risk appetite and our capacity remain high. Our clients appreciate this and paid rates higher by 2.3% at the January renewals – even after inflation and claims trends had been fully factored in. In other words, we are truly increasing margins. We have also further enhanced the quality of our portfolio thanks to improved terms and conditions, higher retentions for our clients, and distinct pricing of covered perils. The smaller-scale renewals at 1 April likewise turned out very favourable for us. We will go into detail here in mid-May when we communicate our Q1 figures.

For this reason and others, our outlook for this year is positive. We intend to generate a net result of €4.0bn in 2023.

Dear shareholders,

as you know our Ambition 2025 also defines non-financial targets. I am pleased to say that we have made encouraging progress here as well.

We aim to increase the percentage of women in management positions to 40% throughout the Munich Re Group by 2025. This figure was already at 38.5% at the end of 2022, up from slightly over 35% in 2021.

We are also pursuing ambitious climate targets. In all lines of business, we are striving for net-zero carbon emissions no later than 2050. We have specified straightforward interim targets, in accordance with which we will gradually and verifiably reduce our emissions over the course of five-year periods.

The decarbonisation of our investment and insurance portfolios proceeded briskly in 2022, as in the past. As for our investment activities, our greenhouse gas emissions were 46% lower than in 2019, the base year for our Ambition 2025. In our primary insurance and reinsurance business, we have reduced emissions compared to baseline values by as much as 40% in, for example, property business regarding oil and natural gas production.

In order to avoid antitrust risks – and for this reason only – we recently withdrew from the Net-Zero Insurance Alliance. Naturally, we nevertheless remain fully committed to meeting our environmental targets.

I would like to take this opportunity to more closely examine the big picture. The world can make decisive progress in tackling climate change only if it invests much more in the transition away from fossil energy consumption towards a largely renewable energy supply. Indeed, spending here needs to be tripled, at a minimum, between now and 2030. Each and every country absolutely must decide which net-zero energy infrastructures it will set up – and how quickly. All governments must take action here! Although establishing such infrastructures will undoubtedly be extremely challenging, nobody else can accomplish this.

In addition to creating energy infrastructures, governments might also need to lead the way by financing alternative forms of energy production. This is particularly important given that the private sector would be overwhelmed by the immense investment sums and the very long pay-back periods.

Although there are many declarations of intent, there are hardly any complete – let alone binding – road maps for specific countries. Meanwhile, the blame game continues unabated. Finger-pointing can only create losers. No one will benefit as long as greenhouse gas emissions continue to rise worldwide.

When I speak about government leadership, I mean that elected officials must take charge and be responsible for their countries' energy supplies going forward. They must also assume responsibility for the pace, the costs, and specific steps in the transition to sustainable energy.

I am convinced that private commitments alone, without government leadership, will not be enough to meet the net-zero target by 2050. But government leadership can transform the vision into reality, while ensuring that the private sector and individuals more quickly modify their behaviour.

Assuming that does happen, I ask myself, what is the purpose of increasingly substantial sustainability reporting necessitated by the continual development of increasingly extensive standards? Sustainability reporting now incurs dozens of millions of euros in additional expenditure every year for companies the size of Munich Re. Why am I emphasising this aspect? Because fighting the climate crisis will, even in the best-case scenario, cost a tremendous amount of money. Resources should not be wasted on excessive reporting. Time, effort, and money should be spent not on reporting about a familiar problem, but on solving it.

I wish to thank you for listening to me talk about these matters as well as everything else today. Above all, I want to wrap up by expressing my gratitude to you, our shareholders, for trusting us and supporting us. We hope that we can continue to count on your loyalty.

Thank you for your attention.

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All the facts and figures for the 2022 financial year can be found in our Group Annual Report. More at www.munichre.com/annual-report-2022

Dates

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
Annual General Meeting

17 May 2023
Quarterly Statement as at 31 March 2023

10 August 2023
Half-Year Financial Report as at 30 June 2023

8 November 2023
Quarterly Statement as at 30 September 2023

2024

27 February 2024
Balance sheet media conference for 2023 consolidated financial statements (preliminary figures)

14 March 2024
Publication of the Group Annual Report 2023

25 April 2024
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8 May 2024
Quarterly Statement as at 31 March 2024

8 August 2024
Half-Year Financial Report as at 30 June 2024

7 November 2024
Quarterly Statement as at 30 September 2024

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