Munich Re generates profit of €3,763m in H1 2024

- Q2 net result of €1,623m; annual guidance unchanged at €5.0bn
- Combined ratio in property-casualty reinsurance remains below 80% (Q2: 79.6%); total technical result of €617m in Q2 for life and health reinsurance demonstrates sustained strength
- ERGO contributes €284m to Q2 net result; H1 result surpasses €500m
- July renewals emphasise profitability and portfolio optimisation: price increase of 0.6% and volume decrease of 5.4%

"Thanks to a profit of nearly €3.8bn in the first half-year, Munich Re has performed well once again. What's more, we've never earned more in the first six months of any year. This result demonstrates our operational strength in reinsurance and primary insurance – both of which delivered better-than-expected profits. Encouraging July renewals plus the continued high yield on reinvestment add up to an optimistic outlook for the rest of 2024. Although our profit target for 2024 remains unchanged at €5.0bn, our impressive half-year result does make it more likely that we can achieve or even outperform our full-year guidance."

Joachim Wenning, Chair of the Board of Management

Summary of Q2 figures

Munich Re generated a net result of €1,623m (1,154m) in the second quarter of 2024 and €3,763m (2,425m) in the first six months of the year. Insurance revenue from insurance contracts issued rose year on year in Q2 to €14,953m (14,175m); the H1 figure increased to €30,014m (28,448m). This development in Q2 was primarily due to organic growth in both reinsurance segments; the total technical result in Q2 amounted to €2,521m (2,159m). Owing mainly to currency losses against the Japanese yen and the Mexican peso, the currency result fell to –€70m (44m). The operating result was €2,211m (1,573m) and the effective tax rate came to 24.9% (24.6%).

Equity was higher at the reporting date (€30,695m) than at the start of the year (€29,772m). Munich Re's solvency ratio[1] increased to 287% (31 December 2023: 267%), thus remaining above the optimal range of 175–220%.

The annualised return on equity (RoE)[2] amounted to 20.3% (15.8%) in Q2, with RoE in H1 up to 24.3% (17.0%).

Reinsurance: Result of €1,339m

The reinsurance field of business contributed €1,339m (904m) to the Group's net result in Q2; the H1 result was €3,227m (1,955m). Insurance revenue from insurance contracts issued rose to €9,875m (9,300m) in Q2. The total technical result increased to €1,989m (1,560m) and the operating result climbed to €1,847m (1,222m).

Life and health reinsurance generated a very strong total technical result of €617m (325m) in Q2. The contribution to the result from the release of the contractual service margin was in line with expectations. Significant growth in new business more than offset the amount released. The net result in the reinsurance segment increased to €553m (326m). Insurance revenue from insurance contracts issued came to €2,961m (2,606m).

Property-casualty reinsurance generated a Q2 result of €786m (578m); insurance revenue from insurance contracts issued rose to €6,914m (6,695m). The combined ratio was 79.6% (80.5%) of net insurance revenue in Q2 and 77.5% (83.5%) in H1. In short, the combined ratio continues to outperform the full-year expectation of 82%. The normalised combined ratio was 80.5% in Q2.

Major losses of over €30m each totalled €957m (600m) in Q2. These figures include gains and losses from the run-off of major losses from previous years. Major-loss expenditure in Q2 corresponded to 14.4% (9.3%) of net insurance revenue, only slightly higher than the average expected value of 14%. Major-loss expenditure in H1 was below the expected value, at 12.2%. Man-made major losses decreased to €110m (155m), while major losses from natural catastrophes increased to €846m (445m). The major-loss figures above take account of the effects from discounting and risk adjustment. The costliest natural catastrophe for Munich Re in Q2 was the flooding in

[1] Does not include transitional measures and no deduction of dividends for the financial year 2024 to be paid in 2025.
[2] Previous year's figures adjusted due to changes in "Retained earnings" and "Other reserves".

southern Germany, with nominal losses in reinsurance of €0.2bn and ERGO posting losses of €44m.

In Q2, reserves of €332m (322m) were released for basic losses from prior years; this figure corresponded to 5.0% (5.0%) of net insurance revenue. As in the past, Munich Re aims to set the amount of provisions for newly emerging claims at the top end of the estimation range, so that risks are adequately taken into account and profits from the release of a portion of these reserves are possible following positive claims development.

In the reinsurance renewals as at 1 July 2024, the volume of business decreased slightly to €3.5bn (–5.4%), as Munich Re selectively opted to not renew or write business that did not meet expectations with respect to prices, terms and conditions. The primary focus of the July renewals was business in North America, South America, Australia, and with global clients.

Price development was stable overall in the sectional markets, with different trends dependent upon claims experience, future loss expectations and the situation in each individual market. Prices for reinsurance cover rose considerably in some markets, including Latin America and Australia. These price increases were sufficient overall to offset elevated loss expectations owing to inflation or other developing trends.

Overall, prices across the Munich Re portfolio increased slightly in the July renewals (+0.6%). 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. Particularly in light of higher inflation, Munich Re was deliberately cautious in calculating future loss expectations.

For the next round of renewals in January, Munich Re expects that the market environment will remain favourable and offer attractive business opportunities.

ERGO: Result of €284m

Munich Re generated a result of €284m (250m) in its ERGO field of business in Q2 and €535m (470m) in H1. Insurance revenue from insurance contracts issued in Q2 rose year on year to €5,078m (4,875m); the H1 figure increased to €10,282m (9,916m).

The result at ERGO International was up, at €146m (116m) in Q2. This very positive trend was underpinned by a good total technical result in international property-casualty business – particularly in Poland, Greece and the Baltic states. International life and health business made yet another substantial contribution to the total technical result, boosted in part by a one-off effect in the investment result relating to the full acquisition of Storebrand Helseforsikring AS, a Norwegian health insurer.

ERGO Life and Health Germany generated a result of €119m (72m) in Q2, principally driven by the amounts – in line with expectations – released from the contractual service margin in long-term life and health business. Short-term health and travel insurance business also contributed to this segment's result, which was also aided by positive one-off tax effects, the above-mentioned full acquisition of Storebrand Helseforsikring AS, and temporarily lower project costs.

The ERGO Property-casualty Germany segment contributed €19m (62m) to the Q2 result. On account of flooding in southern Germany in late May and early June, claims expenditure for major losses was higher than expected – but offset somewhat by lower man-made major losses. Operational performance in the first half-year met expectations, despite motor business being under prolonged pressure. The segment's result was also impacted by realised losses on fixed-interest securities and a higher effective tax rate.

ERGO's total technical result in Q2 totalled €532m (599m) and the operating result rose to €364m (350m). The Q2 combined ratio for the Property-casualty Germany segment was 88.4% (88.1%), nearly the same year on year. The combined ratio in the first half-year was 86.4% (84.7%); the H1 2023 figure was improved by exceptionally low major-loss expenditure. In the ERGO International segment, the combined ratio amounted to 91.7% (88.1%) in Q2 owing in part to higher claims expenses for Spanish health, Austrian property-casualty and international legal-protection business. The H1 combined ratio decreased to 90.6% (91.6%).

Investments: Investment result of €1,470m

Munich Re's investment result increased to €1,470m (596m) in Q2; regular income from investments amounted to €2,281m (1,763m). The balance from write-ups and write-downs was –€62m (–11m), with the balance from gains and losses on the disposal of investments coming to –€145m (–396m). The change in fair value amounted to –€393m (–610m). The higher investment result compared to Q2 2023 was primarily attributable to higher regular income. Sustained high interest rates and continual reinvestments with higher interest rates have proved lucrative. Moreover, realised losses on the disposal of fixed-interest securities were lower year on year in Q2. There was likewise an improvement in the result from fair value changes, largely owing to an improved result from derivatives.

Overall, the Q2 investment result represents a return of 2.6% on the average market value of the portfolio. The running yield was 4.0% and the yield on reinvestment was

4.7%. As at 30 June 2024, the equity-backing ratio including equity-linked derivatives amounted to 2.9% (31 December 2023: 3.7%). The carrying amount of the investment portfolio as at 30 June 2024 was €221,459m (218,462m).

Outlook for 2024: Annual guidance unchanged at €5bn

Buoyed by a successful first half-year, Munich Re anticipates encouraging business opportunities in H2 2024 as well – perennial uncertainty regarding exchange rates, capital market developments, and further major-loss experience notwithstanding. The 2024 targets thus remain the same as communicated in Munich Re's Group Annual Report 2023 and in the quarterly statement Q1/2024. In other words, Munich Re is still aiming for a net result of €5.0bn for the 2024 financial year. The impressive half-year result increases the likelihood of meeting or even surpassing the full-year target.

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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