Munich Reinsurance Company
Annual General Meeting 2024
Report of the Chair of the Board of Management
Joachim Wenning

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2024 Annual General Meeting

Report of the Chair of the Board of Management, Joachim Wenning
25 April 2024

Speech manuscript, released in advance on 17 April 2024.
Check against delivery.

My dear shareholders,
My dear colleagues, both current and former,

Welcome to Munich Re's Annual General Meeting!

I'm delighted to see you all back here in person this year, and I'll admit that another reason I'm so happy is that I have so much good news to share with you.

This past financial year was an exceptional year for Munich Re. Thanks to our net result of €4.6bn, we beat our annual profit target for the third consecutive time – this time by a wide margin. Our balance sheet and capital position remain very strong.

Your company is in excellent economic shape, which you profit from as shareholders. Allow me to reinforce my point with a few statistics.

— Our share price topped €400 for the first time ever in 2023, and has recently even been considerably higher. Our market capitalisation amounts to approximately €60bn.

— Your total shareholder return, which comprises income from share price increases and dividends, has been rising steadily. Munich Re has created more value for shareholders in the 2020s than any of our direct competitors.

— For the 2023 financial year, we're proposing to you today a dividend of €15 per share. That's a year-on-year increase of nearly 30%.

— And between now and the 2025 AGM, we will also be buying back shares worth €1.5bn – that's half a billion more than in previous years. In fact, we've returned almost €23bn of capital to our shareholders over the past ten years.

And because we're earning a good deal more than in the past, this is reflected in the dividends we pay out. I'd like to add that our ratings and solvency ratios remain among the very best in the industry.

My dear shareholders,

Our business succeeds because it's built on broad and solid foundations. All Group segments are fundamentally healthy and, as in previous years, their contributions to the 2023 net result either met or surpassed their targets. I'd now like to summarise the performance of each field of business.

I'll start with primary insurance. ERGO generated a profit of about €720m last year, in turn surpassing its result target and once again demonstrating sustained profitability. ERGO's success can basically be explained by three factors. First, ERGO has been performing well in Germany and enjoying significant growth abroad – both in core markets and in growth markets. Second, it exercises discipline when underwriting risks and is very cost-conscious in the management of its operations. Third, ERGO's digitalisation of its processes is ensuring fast, straightforward and quality sales operations and customer service.

ERGO was particularly successful last year in its international operations, where insurance revenue rose substantially. The greatest increases in revenue were generated in property-casualty business in Poland as well as health business in both Belgium and Spain. In addition, ERGO has paved the way towards bolstering its competitive advantage in several markets. In China, for instance, it acquired a majority stake in a life-insurance joint venture last year. Furthermore, ERGO is now one of Thailand's eight major property-casualty insurers. And in Norway, ERGO has become the sole owner of a health insurance provider.

ERGO had a good year in Germany as well. The property-casualty segment, which achieved a combined ratio of 88.9%, is in great shape. In new life insurance business, ERGO grew faster than the market average. There has likewise been strong demand for supplementary health insurance policies and travel insurance cover.

Let's now turn our attention to the reinsurance business field, by which we mean traditional property-casualty reinsurance business, property-casualty specialty business, and life and health reinsurance business. Insurance revenue in this field rose to about €38bn, driven by organic growth particularly in natural disaster business and specialty insurance. Reinsurance as a whole contributed nearly €3.9bn to the Group's 2023 net result. Let me put this straight: these figures are spectacular.

The property-casualty segment generated €2.4bn, which was weighed down by high natural disaster losses, as in previous years. Despite a relatively low-impact hurricane season, numerous severe convective storms in North America and Europe in particular caused unprecedented losses.

On that note, I'd like to briefly mention that people are very concerned about climate change and its repercussions. However, there is a large disconnect between their concern and their willingness to invest in preventive measures designed to avoid losses. Policymakers, businesses and the general public all need to focus more on prevention.

By the way, preventive measures play a similarly key role when it comes to cyber risks. As a market leader in this area, we've demonstrated a worldwide commitment for years to prevention, effective risk solutions, and a sustainable cyber insurance market. The only business we forgo involves the greatest systemic cyber risks, such as the failure of critical infrastructure or cyber war losses. We do so with good reason, as the costs of such catastrophic events would far exceed the collective equity of the entire sector. Governments need to be involved in the management of cyber risks with such devastating potential. But so far, legitimate talks on designing and implementing a governmental backstop to address such circumstances are only happening in the United States. For the sake of enhancing our economic resilience, Germany and the rest of Europe need to be having the same dialogue.

Coming back to our performance in the reinsurance field of business, specifically in the life and health segment, let me say this: we had a phenomenal year. The total technical result exceeded €1.4bn, surpassing our target of one billion by far. The lion's share of this success is attributable to our high-performing core business: the assumption of biometric risks. We're especially pleased with the steadily growing contribution to the result made by reinsurance solutions that provide financing and capital relief for our cedants. In fact, the full appeal and significance of the life and health segment in our portfolio is only now becoming clear, after years of extraordinary losses due to the recent pandemic and other events.

Global Specialty Insurance, our newest division, has likewise made very pleasing progress. Insurance revenue here rose by 10% to €8bn in 2023, while the combined ratio fell by a good seven percentage points to about 85%. Provided that market conditions remain good, we're aiming to generate €10bn in insurance revenue next year and gradually minimise our earnings volatility.

Our investments benefited from the rallying capital markets late last year, with the return on investment improving from 2.1% to 2.5%. It could have been even higher. But we instead deliberately realised losses on the disposal of fixed-interest securities in order to benefit more quickly from higher interest rates upon reinvestment. This enables us to boost future earnings. The reinvestment yield rose from 2.8% in 2022 to 4.5% in 2023.

In short, we met or outperformed every one of our ambitious targets in 2023. The credit for this achievement goes to our 43,000 staff members worldwide. They're the people behind our corporate success. It's all thanks to their hard work, their devotion, their intellect, and their sense of responsibility towards Munich Re, day in, day out. I extend my heartfelt gratitude to all of you. Thank you so much.

My dear shareholders,

When it comes to our corporate performance, last year was hardly a statistical anomaly. On the contrary, 2023 was the latest pinnacle in a winning streak of good years. We have surpassed our annual profit guidance without exception since we launched our five-year Ambition 2025 strategy programme.

As you know, our target for 2025 is a return on equity of 14–16%. Well, this figure already stood at 15.7% in 2023. When we kicked off Ambition 2025, we pledged that earnings per share and the dividend would increase by an average of at least 5% annually. Looking back at the past three financial years, earnings per share have in fact risen by about 20% on average each year, and the dividend by a good 15%. And as I've already mentioned, our solvency ratio remains excellent.

We've also made significant progress on the non-financial targets set out in Ambition 2025. For example, we aim to increase our worldwide percentage of women in management positions to 40% by 2025. We reached 39.5% at the end of last year. In addition, we're striving for incremental decarbonisation of our investment and insurance portfolio. We've already met or outperformed all the carbon-reduction targets we had defined for 2025.

We're confident that the favourable market environment for property-casualty reinsurers will continue throughout 2024. The renewals at 1 January were positive for us. We managed to continue the previous year's very high level of profitability and further enhance the quality of our portfolio. What's more, we don't anticipate this trend to weaken during this year's remaining renewal rounds.

Indeed, we're anticipating a profit of €5.0bn in 2024. The Group's insurance revenue is expected to total €59bn and the return on investment should surpass 2.8%.

That's our forecast, at any rate. Of course we're not immune to external factors that could wreak havoc on our plans. After all, we're in the business of assuming peak risks that can materialise any day in the form of extreme natural disasters, for example. Exceptionally high major-loss expenditure would weigh down our net result.

Because macroeconomic turbulence triggered by political conflicts is even harder to foresee, it could pose a threat of even greater magnitude. Geopolitical tensions have mounted significantly in recent years. War in Ukraine. Conflict in the Middle East. Disputes between the United States and China. Any one of these situations has the potential to intensify and escalate beyond its current boundaries, in turn unleashing massive humanitarian and economic consequences. We really do live in a perilous world.

Although we can't influence how the regional conflicts in this world will play out, what we can do at Munich Re is make sure that our business is built on solid foundations. Our best protection against external shocks lies in a diversified business portfolio, disciplined underwriting and efficient management. That is our focus today and will be tomorrow as well.

My dear shareholders,

Geopolitical concerns are not our only worries. An alarming new era is dawning in Germany and the rest of Europe from a purely economic perspective as well.

The demographic shift in the next 25 years will be tremendous. Over this period, the number of people in employment in Germany will shrink by 11 million from its current figure of 43 million. According to estimates by the ifo Institute, up to 2 million people who don't currently work could be brought into employment to ease this shortfall. Migration will have to cover the rest. Personally, I find it hard to imagine that we'll manage to bridge more than half the workforce gap here in Germany, certainly not through political means anyway. If that is the case, we'd be left with a shortfall equivalent to more than 10% of the current workforce.

What if people in Germany simply worked longer hours and retired later? Would that help solve the problem? Of course it would. Not only would it help, it would also be absolutely necessary – and urgent. But the reality of the situation is the other way around. Over the last 60 years, the average number of hours worked per employee per year in Germany has fallen from 2,200 to around 1,300. Businesses and employees have always been able to compensate for this reduction with increasing levels of automation and better education. But if you look at China, people there still work almost twice as much as they do in Germany. And in the US around 30% more. France and Italy are also ahead of Germany in terms of how much they work.

Germany would be better off if people did work more. But that won't happen because we have de facto full employment, and the financial incentives to work, or work more, are insufficient. That is also why there is hardly any growth. But what else is there to finance major undertakings such as the green transformation, renewing outdated infrastructure, restoring European defence capabilities, or digitalising the economy and public administration?

To make matters worse, energy prices in Germany, especially compared with the US and China, are higher, bureaucracy is excessive, authorisation processes are painstaking, we pay higher corporate taxes … I could go on.

Germany's competitive strength is suffering! Growth is sluggish at best. Industrial production hasn't grown in a decade. The energy-intensive sector has seen a 20% slump in the past two years. Investment flows out of Germany have risen sharply recently against those coming into the country from abroad. If this trend continues, companies will be forced to give up their value-creation activities in Germany or relocate to other countries.

What Germany needs is to implement a comprehensive turnaround programme, with better investment and work incentives. This involves having the courage to make unpopular decisions. It also involves reprioritising the federal budget and, if necessary, expanding it – even if that means temporarily increasing new government borrowing. The last political reform project of this kind was Agenda 2010 – that was more than 20 years ago. What Germany needs now is an Agenda 2030, 2035 or 2040 – a drastic shakeup plan from which it will emerge revived and stronger.

I wish to thank you, my dear shareholders, for your interest in and commitment to these topics. And for your sustained trust in Munich Re, of course.

I look forward to our dialogue over the course of today's AGM, and wish you all the very best.

Many thanks!

Imprint

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Dates

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

14 March 2024
Publication of the 2023 Annual Reports

25 April 2024
Annual General Meeting

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

2025
26 February 2025
Balance sheet media conference for 2024 consolidated financial statements (preliminary figures)

19 March 2025
Publication of the 2024 Annual Reports

30 April 2025
Annual General Meeting

8 May 2025
Quarterly Statement as at 31 March 2025

8 August 2025
Half-Year Financial Report as at 30 June 2025

11 November 2025
Quarterly Statement as at 30 September 2025

All the facts and figures for the 2023 financial year can be found in our Group Annual Report. More at www.munichre.com/annual-report-2023

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