

**SFCR 2024**

Solvency and Financial Condition Report  
Munich Re Group

2024

<b>Executive summary</b>	<b>2</b>
<b>A Business and performance</b>	<b>4</b>
A1 Business	4
A2 Underwriting performance	8
A3 Investment performance	13
A4 Performance of other activities	15
A5 Any other information	15
<b>B System of governance</b>	<b>17</b>
B1 General information on the system of governance	17
B2 Fit and proper requirements	25
B3 Risk management system including the own risk and solvency assessment (ORSA)	28
B4 Internal control system	31
B5 Internal audit function	33
B6 Actuarial function	34
B7 Outsourcing	35
B8 Any other information	36
<b>C Risk profile</b>	<b>38</b>
C1 Underwriting risk	40
C2 Market risk	43
C3 Credit risk	46
C4 Liquidity risk	47
C5 Operational risk	48
C6 Other material risks	48
C7 Other risks	49
<b>D Valuation for solvency purposes</b>	<b>52</b>
D1 Assets	52
D2 Technical provisions	64
D3 Other liabilities	72
D4 Alternative methods for valuation	77
D5 Any other information	77
<b>E Capital management</b>	<b>79</b>
E1 Own funds	79
E2 Solvency capital requirement and minimum capital requirement	86
E3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement	87
E4 Differences between the standard formula and any internal model used	88
E5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement	91
E6 Any other information	91
<b>Annex</b>	<b>92</b>
Templates in accordance with Commission Implementing Regulation (EU) 2023/895 of 4 April 2023	93

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

## Executive summary

Part		Page
A – Business and performance	The business activities in our reinsurance and ERGO fields of business are broken down into material lines and regions. The Group's total technical result was significantly above the level of the previous year, owing primarily to organic growth in both reinsurance segments. The Group's investment result increased markedly in the reporting year. Munich Re benefited from higher regular income, which was particularly attributable to sustained high interest rates and a consequently stable reinvestment yield. Upward trends in equity markets and the resultant fair-value changes likewise boosted the investment result.	4-15
B – System of governance	The Munich Re Group has an effective system of governance that is adequate for the nature, scale and complexity of the risks inherent in its business. The remuneration system meets the relevant company and supervisory law requirements. The professional qualification, knowledge, experience and fitness of the holders of key functions within the Group are evaluated by means of self-assessment. The risk management system, including the own risk and solvency assessment (ORSA), is closely integrated into Group-wide planning, risk strategy and decision-making processes. Processes that are subject to material risks are reviewed on a regular basis as part of the internal control system. The outsourcing of operational activities and functions is monitored.	17-36
C – Risk profile	We use an internal model to quantify the solvency capital requirements (SCR) of the Munich Re Group. At Group level, the SCR increased by 5.2% year on year – from €18.0bn to €18.9bn. The increase was driven primarily by the appreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a higher euro amount. The increase in the SCR was accelerated by a moderate expansion of exposures in the investment portfolio and positive capital market trends. By contrast, the decline in natural hazard exposures in the reinsurance business and a lower credit risk exposure helped to reduce risk. We use appropriate limit and early-warning systems to manage risks and limit risk concentrations. Risk is mitigated by means of reinsurance and retrocession, and through the transfer of risk to the capital markets.	38-50
D – Valuation for solvency purposes	We describe material differences in measurement between the solvency balance sheet and financial reporting in accordance with IFRS Accounting Standards for individual balance sheet items under assets, technical provisions and other liabilities, and explain the underlying methods and main assumptions in detail. The differences in measurement are mainly attributable to the fact that the solvency balance sheet is fully based on fair value, whilst IFRS Accounting Standards use a mixed measurement model based on fair value and amortised cost accounting. Four insurance undertakings may apply a transitional deduction on technical provisions, and six primary insurance undertakings may apply the volatility adjustment.	52-77
E – Capital management	We pursue active capital management, which ensures that our capitalisation is needs-based and risk-commensurate. Our total eligible own funds (EOF) were €54.5bn as at 31 December 2024. This figure takes into account the dividend of €2.6bn proposed by the Board of Management for the 2024 financial year. Purchases not yet made under the share buy-back programme for 2024/2025 at the reporting date in the amount of €0.4bn were also taken into account. Munich Re's SCR, totalling €18.9bn, is equivalent to a solvency ratio of 289%. The solvency ratio shown includes transitional measures under Solvency II. Excluding transitional measures, the solvency ratio was 287%.	79-91

Due to rounding, there may be minor deviations in totals and percentages in this report.



# A Business and performance

## A1 Business

### General information

The Munich Re Group's ultimate parent entity is Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company Joint-Stock Company in Munich), Königinstrasse 107, 80802 München. Munich Reinsurance Company is a joint-stock company (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (AktG). Its registered seat is Munich, Germany. In addition to its function as a reinsurer, the parent also fulfils the function of holding company for the Group.

Munich Reinsurance Company has three governing bodies: the Annual General Meeting, the Board of Management, and the Supervisory Board. Further details about the governing bodies can be found in section B 1 "Administrative, management or supervisory bodies (AMSBs)".

Owing to our international corporate structure, we are subject to a raft of national and international legal systems, standards and corporate governance regulations. Within the Group, our own Code of Conduct binds our management and staff members to engage in ethically and legally impeccable conduct in alignment with the principles of the UN Global Compact. Further information can be found at [www.munichre.com/cg-en](http://www.munichre.com/cg-en).

The external auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Flughafenstrasse 61, 70629 Stuttgart) duly audited the Group financial statements, the combined management report and the annual financial statements of Munich Reinsurance Company as at 31 December 2024, and issued them with an unqualified auditor's opinion.

The supervision of Munich Re is conducted by the

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)  
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### Legal structure

Munich Re is one of the world's leading risk carriers and provides both insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. Almost all reinsurance units operate under the uniform brand of Munich Re. ERGO is active in nearly all lines of life, health and property-casualty insurance. The majority of Munich Re's investments are managed by MEAG, which also offers its expertise to private and institutional investors outside the Group. For up-to-date information about Munich Re, visit [www.munichre.com](http://www.munichre.com).

The reinsurance companies of the Group operate globally and in virtually all classes of business. Munich Re offers a full range of products, from traditional reinsurance to innovative solutions for risk assumption. Our companies conduct their business from their respective headquarters and via a large number of branches, subsidiaries and affiliated companies. Additionally, the reinsurance group includes specialty primary insurers, whose business requires special competence in finding appropriate solutions.

In ERGO, we combine Munich Re's primary insurance activities. Some 65% of ERGO's insurance revenue derives from Germany, and 35% from international business – mainly from central and eastern European countries. ERGO also operates in Asian markets, particularly in India, China, and Thailand.

Munich Reinsurance Company and ERGO Group AG are under unified control within the meaning of the German Stock Corporation Act (AktG). The relevant statutory regulations, control agreements and Group directives govern the distribution of responsibilities and competences for key decisions between Group management and ERGO. Control and profit-transfer agreements are in place with many Group companies, especially between ERGO Group AG and its subsidiaries.

Effective 1 January 2025, our specialty primary insurance business within reinsurance, which had been bundled in a dedicated Global Specialty Insurance (GSI) division since 2023, was transferred to a separate GSI segment within the reinsurance field of business.

## Material lines of business and region

### Reinsurance

Our reinsurance group transacts life, health and property-casualty reinsurance business. Moreover, it includes primary specialty insurance activities that are handled by the reinsurance organisation, and business from managing general agents.

As reinsurers, we write our business in direct collaboration with primary insurers, via brokers and within the framework of strategic partnerships. In addition to traditional reinsurance business, we further operate as a primary insurer, participating in insurance pools, public-private partnerships and business in specialist niche segments. We furthermore offer our clients a wide range of special products as well as customised insurance solutions and services, which we manage from within our reinsurance organisation. Our clients thus have direct access to the expertise, innovative strength and capacity of a leading global risk carrier. Thanks to our capital management know-how, we are in demand as a partner for products geared to our clients' balance-sheet, solvency and rating-capital requirements, as well as their risk models.

We bundle our life and health reinsurance business worldwide in the life and health reinsurance segment. This is split into three divisions organised by geographical area, as well as an additional global division (Markets) that offers specialised solutions for hedging capital market risks. This segment focuses on traditional reinsurance solutions primarily geared to the transfer of insurance risks, mortality risk accounting for the largest share of this. Moreover, we are active in the market for living benefits products. These include insurance products for occupational disability, long-term care, and critical illness. We also provide capacity for longevity risks.

In addition, we support our customers with a wide range of services along large stretches of the value chain. These include the development of new insurance products as well as digital and automated solutions for risk assessment and claims handling.

Our Markets division pairs our global expertise with a range of services for capital market risks, which are often a component of savings, investment and pension products. We provide our clients with comprehensive advice on product design while offering hedging for embedded options and guarantees linked to capital markets. Our own exposure is transferred back to the capital markets.

In order to ensure proximity to our clients, we are represented in many markets with local subsidiaries and branches. We service the extremely important North American market via our Canadian branch and our subsidiary in the US. In Europe, we have operations in Germany, the United Kingdom, Switzerland, Spain, Italy and Malta. We also operate subsidiaries in Australia, Brazil and South Africa (the latter's business was transferred to a newly founded South African branch of Munich

Reinsurance Company as of 1 January 2025), and have branches in various Asian and South American markets.

Four other divisions conduct property-casualty reinsurance and specialty primary insurance, respectively. The Global Clients and North America division handles our accounts with major international insurance groups, globally operating Lloyd's syndicates and Bermuda companies. It also pools our reinsurance know-how in the North American market for property-casualty business – in particular that of our Munich Reinsurance America Inc. subsidiary domiciled there – and for global large-risk business, which is pooled in our Facultative & Corporate unit.

Our Europe and Latin America division is responsible for property-casualty business with our clients from Europe, Latin America and the Caribbean. Business units – for example, in London, Madrid, Paris and Milan – afford us market proximity and regional competence. In the Latin American markets, our Brazilian subsidiary Munich Re do Brasil Resseguradora S.A. (which is headquartered in São Paulo) and our representative offices in Bogotá and Mexico City help to ensure client proximity. Our Europe and Latin America division also includes the credit business – where Munich Re operates as a reinsurer and primary insurer – and New Reinsurance Company Ltd., which is domiciled in Zurich.

The Asia Pacific and Africa division conducts property-casualty reinsurance business with our clients in Africa, Asia, Australia, New Zealand and the Pacific Islands. Branches in Mumbai, Beijing, Hong Kong, Seoul, Singapore, Sydney and Tokyo, along with representative offices in Bangkok, Taipei and Dubai, allow us to take full advantage of opportunities in the rapidly growing Asia-Pacific insurance market. In the African market, we were represented prior to 2025 by a subsidiary in Johannesburg; effective 1 January 2025, its business was transferred to a newly founded South African branch of Munich Reinsurance Company. These units and other representative offices guarantee our competitiveness in these key markets.

The Global Specialty Insurance (GSI) division comprises worldwide specialty property-casualty business along with special-lines business, such as professional liability, marine, cyber, aviation and space. HSB and American Modern – two large subsidiaries domiciled in the USA and operating in the field of specialised insurance activities – are allocated to this division, as are Munich Re Specialty – North America (MRS-NA), and Munich Re Specialty – Global Markets (MRS-GM). The GSI units specialise in products for which – like in reinsurance – expert risk understanding as well as insightful claims handling are paramount. American Modern offers specialty personal lines products in the USA. MRS-NA offers various specialty commercial insurance products in the North American market. HSB is a leading global provider of products that depend on expertise in engineering, loss control and risk management. MRS-GM,

in turn, through use of the Munich Re Syndicate and other subsidiaries, is a leading global provider of marine insurance and insurance solutions for the aviation industry. Effective 1 January 2025, the activities of the GSI division were transferred to a separate segment within the reinsurance field of business.

## ERGO

Munich Re's second pillar is primary insurance business. ERGO Deutschland AG manages German business under the ERGO Group AG umbrella, with ERGO International AG responsible for international business. ERGO Technology & Services Management AG has a transnational mandate as a global technology and service provider for ERGO as a whole. It is also responsible for digitalisation activities, Group marketing, and global sales partnerships within ERGO Group AG.

ERGO offers products in all the main classes of insurance: life insurance, health insurance, and in nearly all lines of property-casualty insurance, as well as travel insurance and legal protection insurance. With these products – in combination with the provision of assistance, other services and individual consultancy – ERGO covers the needs of retail and corporate clients. ERGO serves some 31 million mostly retail customers in over 20 countries, with the focus on Europe and Asia.

In Germany, the focus is on sustainable and profitable growth. ERGO Versicherung AG is one of the largest providers of property-casualty insurance across nearly all classes of business, offering a wide range of products for retail, commercial and industrial clients. ERGO Vorsorge Lebensversicherung AG is ERGO's life insurer for capital-market-linked and biometric products. It offers solutions for all three types of old-age provision, mainly based on innovative and flexible unit-linked insurance products. ERGO Lebensversicherung AG and Victoria Lebensversicherung AG are concentrating on running off their traditional life insurance portfolios. DKV Deutsche Krankenversicherung AG offers a comprehensive portfolio in the healthcare sector: comprehensive private health insurance, products designed to supplement statutory health cover, and company health insurance. ERGO Krankenversicherung AG focuses on products that supplement statutory health insurance, especially supplementary dental plans. ERGO Reiseversicherung AG is one of the leading travel insurers in Germany and Europe as a whole.

ERGO International AG coordinates and manages ERGO's international operations. The focus is on sustainable profitable and organic growth in European core markets and on expanding market positions in selected Asian countries. In the reporting year, this strategy allowed ERGO International AG to maintain its good positions on the individual markets.

ERGO International AG also signed an agreement with Gjensidige Forsikring ASA at the end of July to acquire the latter's Lithuanian subsidiary ADB Gjensidige – including the branches in Estonia and Latvia. ERGO can thus enhance its market position in all three Baltic states. In April 2024, ERGO International AG acquired Storebrand ASA's shares in the Norwegian health insurance joint venture Storebrand Helseforsikring AS, making ERGO International AG the company's sole owner. Storebrand Helseforsikring AS was renamed ERGO Forsikring AS in October.

The Indian joint venture HDFC ERGO General Insurance Company Ltd. focused on optimising its underwriting and restructuring its portfolio in 2024. In China, ERGO holds a 65% majority stake in the Chinese life insurance joint venture ERGO China Life Insurance Co., Ltd. As for the Chinese property insurance market, ERGO holds an interest in Taishan Property & Casualty Insurance Co., Ltd. In Thailand, ERGO concentrated in 2024 once again on the property insurance market, which is not only the largest in Southeast Asia but also shows significant growth potential. In this market, ERGO Insurance Thailand Public Co. Ltd. achieved good premium growth last year and managed to improve its market position; it is now one of the country's ten largest property insurers.

ERGO Technology & Services Management AG is a dedicated arm of ERGO Group AG in charge of providing digital platforms, solutions and services. It has a global remit and supports ERGO in designing optimum insurance products and fostering the most effective customer channels. It consists of ITERGO GmbH in Germany, ERGO Technology & Services S.A. in Poland, and ERGO Technology & Services Private Limited in India. Since early 2024, a newly created Board member division within ERGO Group AG has been responsible for ERGO's digital transformation, which includes the coordination of technologies – such as bots, artificial intelligence, voicebots, process mining and virtual reality. The new division also oversees the embedded insurance business. Since the beginning of 2024, ERGO Deutschland AG has been responsible for controlling the operative business of the digital insurer nexible Versicherung AG, ERGO Reiseversicherung AG and the ERGO Mobility Solutions division, for which ERGO Digital Ventures AG was previously responsible.

We made changes to the segmentation within the ERGO field of business at the start of 2025. In future, we will be reporting largely at the level of ERGO Germany and ERGO International, and will continue to publish selected metrics for ERGO Life and Health Germany and ERGO Property-casualty Germany.

## Qualifying holdings in Munich Reinsurance Company

As at 31 December 2024, no shareholdings exceeded 10% of the voting rights.

## Related undertakings

Related undertakings in the scope of the Group included in our solvency balance sheet can be found in the S.32.01.22 "Undertakings in the scope of the Group" template in the annex to this report.

### Intra-Group transactions

The main material intra-Group transactions of the reporting year were cash-pool transactions. Further new significant intra-Group transactions in the financial year involved the redemption and reissue of an intra-Group loan provided to Munich Reinsurance Company, a Group company's purchase of a bond issued by another Group company, the dissolution of a company including intra-Group transfer of its capital, an intra-Group real estate transaction, and derivative transactions between Munich Reinsurance Company and a Group company.

Munich Re pools cash for the purposes of financial management, pooling excess liquidity of the participating Group units in a centralised account at MEAG Cash Management GmbH. The funds are pooled for the purposes of optimising returns on investment, while taking account of the individual investment terms stipulated by the participants. Short-term liquidity from the cash pool is also available to participating undertakings. In the reporting year, BaFin was notified of five particularly significant cash-pool transactions.

As a rule, the networking of the undertakings in our Group results in further intra-Group business relationships. Intra-Group transactions resulted from areas such as financing, reinsurance contracts, service offsetting, cost-sharing- and guarantee agreements. Regular reporting to the supervisory authority takes place by means of quantitative reporting templates provided under Solvency II. In accordance with Section 274(3) of the Insurance Supervision Act (VAG), the supervisory authority is notified immediately of particularly significant transactions.

## Significant business events

The year under review was heavily influenced by major losses from natural catastrophes. The loss burden from these events totalled €2,644m. The largest natural catastrophe losses occurred in the United States. The two largest individual losses were Hurricane Helene (anticipated claims costs of around €0.5bn) and Hurricane Milton (approximately €0.4bn).

## Determination of consolidated data (significant differences between IFRS and Solvency II)

As a general rule, under IFRS all subsidiaries over which the parent company can exercise control are fully consolidated in the IFRS consolidated financial statements, irrespective of the business they conduct. Under Solvency II, however, the nature of the business plays a role when determining which subsidiaries are included in the Group solvency balance sheet. Here, only those subsidiary undertakings that are insurance and reinsurance undertakings, insurance holding companies, mixed financial holding companies, special purpose vehicles and ancillary services undertakings are fully consolidated. Alternative investment funds and undertakings for the collective investment in transferable securities (UCITS<sup>1</sup>) over which control can be exercised are fully consolidated in the IFRS balance sheet. In accordance with the Solvency II rules, we only recognise these types of undertaking at fair value in the Group solvency balance sheet. Under IFRS, joint ventures and associates are accounted for using the equity method. As a general rule, joint ventures are included in the solvency balance sheet in accordance with the principle of proportional consolidation of data. Currently, Munich Re does not include any proportionately consolidated undertakings in the solvency balance sheet. We recognise undertakings for which we hold at least 20% of the voting rights as associates in our IFRS consolidated financial statements. In the solvency balance sheet, undertakings for which we own a 20% or greater share of the capital or voting rights are categorised as participating interests. For the most part, they are accounted for using the adjusted equity method. Where the share in capital is not equal to that of the voting rights, there are reporting differences between the balance sheets produced under Solvency II and IFRS.

Further information on the determination of consolidated data under Solvency II can be found in section D 1 "Holdings in related undertakings, including participations", and in section E 1 "Consolidation methods for own funds".

<sup>1</sup> These are investment funds in statutorily defined types of securities and other financial instruments.



## A2 Underwriting performance

The premiums and results shown below refer to the figures in our Group annual report in accordance with IFRS as at 31 December 2024.

### Group underwriting performance

Munich Re generated a total technical result of €8,918m (7,545m) in the reporting year, driven largely by the considerable increase (of 5.1%) in insurance revenue from insurance contracts issued to €60,830m (57,884m), which was due in particular to organic growth in both reinsurance segments. The largest individual loss for Munich Re in 2024 was Hurricane Helene with anticipated claims expenditure of around €0.5bn.

In the property-casualty reinsurance segment, the total technical result was significantly up on the previous year's figure at €4,830m (3,968m), largely thanks to revenue growth. The total technical result for life and health reinsurance rose to €2,104m (1,433m), thus exceeding expectations for the reporting year. This increase was driven by both robust growth in new large-volume transactions in North America and the very pleasing rise in the result from insurance-related financial instruments. The total technical result in the ERGO field of business fell to €1,985m (2,144m). The decrease was primarily attributable to the ERGO Life and Health Germany segment. In the ERGO Property-casualty Germany and ERGO International segments, the total technical result was down only slightly on the previous year.

### Reinsurance

#### Reinsurance – Life and health

We write the majority of our business in non-euro currencies (around 95%). Exchange-rate fluctuations can therefore have a significant impact on the development of insurance revenue. In the reporting year, exchange rates had a negligible impact on revenue development. After adjustments to reflect exchange rates, our insurance revenue increased by 9.6% year on year. The increase is mainly attributable to our business in North America and the United Kingdom, and was driven by the execution of large-volume transactions and the ongoing expansion of our longevity business.

The growth in our financially motivated reinsurance, on the other hand, is not reflected in the insurance revenue, as the majority of contracts are presented under insurance-related financial instruments.

Based on insurance revenue, around 55% of our reinsurance business was written in North America, with the US accounting for approximately 40% and thus ranking before Canada. Some further 25% of our insurance revenue stemmed from Europe, with approximately 20% generated in the United Kingdom and Ireland. Another significant share of around 15% came from Asia and the MENA (Middle East, North Africa) region. Australia and New

Zealand contributed around 5% to our insurance revenue. We are also well positioned in Africa and Latin America, but due to the small size of the markets their share of our global business is small.

In the US, insurance revenue increased to about €4.9bn (4.0bn), with the writing of several large treaties supporting this significant growth. The insurance service result showed encouraging development as well, with claims expenditure in the portfolio proving to be lower than we expected overall. We also achieved a further increase in the result from insurance-related financial instruments. In Canada, our insurance revenue was largely unchanged at €1.3bn (1.3bn). We remain very satisfied with our portfolio development and the profitability of the business. The total technical result was within the expected range.

Insurance revenue was up in Europe, rising to €2.9bn (2.6bn), with €2.6bn (2.2bn) stemming from the United Kingdom and Ireland. Our longevity business continued to expand very pleasingly, boosting insurance revenue. The total technical result was within the expected range.

In Asia/MENA, our insurance revenue decreased to €1.8bn (2.0bn). By contrast, the total technical result outstripped our expectations, boosted in particular by the result from insurance-related financial instruments.

The insurance revenue generated by our business activities in Australia and New Zealand fell to €507m (578m), as we continued to take a very selective approach to writing new business. The total technical result was positive, reflecting the benefits of the rehabilitation measures we have taken in recent years.

The total technical result improved significantly year on year, slightly exceeding our guidance for the reporting year, which we revised upward after Q3. It comprises the insurance service result and the result from insurance-related financial instruments. The insurance service result is substantially driven by the release of the contractual service margin and the risk adjustment for non-financial risk.

New business developed very favourably and made a positive contribution to the result. This included, in particular, large-volume transactions in North America concluded before the turn of 2023/2024 and in the first quarter of this year. Overall, claims development in the portfolio was better than expected, which also benefited the result. This included mortality business in the US. Improved terms and conditions for a number of existing contracts also had a positive impact. By contrast, the annual review of our underwriting assumptions and subsequent adjustment of our reserves had a modest negative effect on the insurance service result overall.

Financially motivated reinsurance that does not transfer significant insurance risk is the main contributor to the

result from insurance-related financial instruments. The result from this portfolio developed very favourably, with contracts largely performing as expected. The result presented here is influenced by changing economic parameters, in particular exchange rates. These had a positive effect in the reporting year.

### Reinsurance – Property-casualty

Our insurance revenue in property-casualty reinsurance was up 4.5% on the previous year, although changes in exchange rates had a negative impact on revenue development. 15% of the portfolio was written in euros and 85% in foreign currencies, of which about 57 percentage points was in US dollars and around 8 percentage points in pounds sterling. If exchange rates had remained unchanged, insurance revenue would have risen by 4.8% year on year.

The substantial increase in insurance revenue was due to an expansion of business across almost all lines and regions. The main drivers were the expansion of existing and acquisition of new business with selected clients – particularly in our specialty primary insurance units in North America. We realised growth in reinsurance business with natural hazard exposure in Europe, South America and Asia in particular.

Prices at the reinsurance contract renewals in 2024 developed positively overall, and for the most part more than compensated for the significantly higher loss estimates in some areas – owing especially to inflation and other loss trends. Risk-adjusted prices rose slightly, especially in regions affected by natural catastrophes. Primary insurance prices also climbed in many markets. Overall, price gains were evident around the world to varying degrees. For Munich Re, risk-adjusted prices for the 2024 renewals increased by approximately 0.2%.

Quality continues to play an important role in the selection of reinsurers. This makes it possible for financially solid reinsurers to position themselves as reliable long-term partners. Overall, we are adhering to our clearly profit-oriented underwriting policy.

In terms of insurance revenue, around 45% of our global property-casualty reinsurance business was written in North America. We generated about 35% of our revenue in Europe, of which approximately 15% was in the United Kingdom. Further substantial contributions were made by Asia and Australia/New Zealand (about 15%), as well as Africa and Latin America (approximately 5%).

Prices in the US reinsurance market remained stable, at a good level. Major losses from natural catastrophes were within our anticipated range, despite storm events such as Hurricanes Beryl, Debby, Helene and Milton; experts had indeed predicted an especially active 2024 hurricane season.

In the year under review, insurance revenue for US reinsurance business increased thanks to the positive

market environment. In addition, we carried out portfolio optimisation measures including selective portfolio restructuring and quota share reductions, particularly in third-party liability and cyber business.

In Canada, we are represented by the Munich Reinsurance Company of Canada and Temple Insurance Company. By virtue of the positive market environment, insurance revenue rose further to €567m (551m). Lower year on year, the result was substantially impacted by expenditure for natural catastrophes – including a hailstorm in Calgary, Hurricane Debby, and wildfires in the Canadian province of Alberta.

Insurance revenue in the United Kingdom and in continental Europe dropped year on year to €9,787m (10,277m) on account of portfolio optimisations. We managed to generate growth through the acquisition of profitable new business and the targeted development of business with existing clients – particularly in France, Italy and Spain. Thanks to a favourable environment, it was possible to post high growth rates – especially through business involving natural hazards – in nearly all markets.

At our Swiss subsidiary, New Re, property-casualty reinsurance revenue amounted to €1,319m (1,316m).

Insurance revenue in Australia and New Zealand was down slightly to €1,412m (1,431m) due to currency translation effects. Adjusted for exchange rates, revenue remained largely unchanged.

Business in Japan, which is strongly focused on natural hazard risks, was on a par with the previous year, with insurance revenue amounting to €516m (519m); when adjusted for exchange rates, revenue was higher.

As in previous years, insurance revenue in China grew particularly in core proportional business – amounting to €712m (676m) overall.

We discontinued business in India's agricultural sector that did not meet our profitability requirements. As a result, insurance revenue declined slightly to €588m (626m).

In the Caribbean, Central America and South America, we still provide high capacity for the coverage of risks from natural hazards, in particular windstorms and earthquakes. The elevated demand due to major losses from natural catastrophes (hurricanes, floods, earthquakes and wildfires) in recent years remained at a high level in the year under review. We took advantage of this situation to further optimise our portfolio. More specifically, we grew the already high insurance revenue volume attained in recent years to €1,268m (1,153m) and achieved a further margin improvement through targeted rate increases.

The result in agricultural insurance showed encouraging development; we discontinued some business in South America, India and other markets by means of more restrictive underwriting.

Buoyed by a market that remained positive, insurance revenue in marine reinsurance grew by around 7% to €575m (539m)<sup>2</sup>. The fundamentally positive result was impacted by claims expenditure attributable to the collapse of the Francis Scott Key Bridge in Baltimore.

At €847m (801m)<sup>2</sup>, revenue from credit and bond reinsurance saw significant year-on-year growth. Whilst traditional credit business generated a slight rise, this growth was once again largely attributable to profitable new business in specialty and niche segments.

Insurance revenue in aviation and space reinsurance showed a slightly positive development at €222m (218m)<sup>2</sup>. The profitability of the business improved on the previous year, as indicated by the higher result.

The market environment in direct industrial insurance continued to be attractive in the year under review. Renewals in the market were characterised by selective expansion and targeted reductions alike, resulting in lower revenue of €1,674m (1,721m). While the result was down on the previous year, it remained positive.

Our Capital Partners division offers clients a broad range of structured individual reinsurance and capital market products, as well as parametric and derivative solutions to hedge against weather and other risks. These solutions also cover the agricultural sector. We also use this division's services for our own purposes in order to buy retrocession cover on the basis of our defined risk strategy.

Insurance revenue generated by the Global Specialty Insurance (GSI) division increased to €8,781m (7,961m). In terms of business development, GSI benefited from its successful business expansion and higher rates. Expenditure for major losses adversely impacted the results – primarily attributable to Hurricanes Helene and Milton, but also to yet another year of high losses caused by other storms in the United States. Both aviation and space as well as marine were impacted by man-made major losses. New business and higher rates helped to boost insurance revenue at American Modern to €2,199m (1,817m). However, the result fell short of expectations on account of Hurricane Helene and wildfires in New Mexico. Insurance revenue at Hartford Steam Boiler (HSB) was up slightly to €1,367m (1,336m), despite somewhat reducing its exposure to cyber risks. The HSB result waxed once again, far exceeding expectations. The subsidiaries under the Munich Re Speciality – North America (MRS-NA) umbrella grew their insurance revenue to €2,904m (2,664m) thanks to growth in several products and generally good market conditions. MRS-NA's result was negatively affected by high major claims attributable to the active hurricane season and other storm losses, and by a prudent reaction to the latest developments in the US third-party liability market. Munich Re Specialty – Global Markets (MRS-GM) similarly profited from the ongoing

favourable market situation, increasing its insurance revenue to €2,310m (2,143m). MRS-GM's result was lower year on year due to major claims expenditure in aviation and space, and owing to major claims in marine from the collapse of the Francis Scott Key Bridge.

The total technical result in property-casualty reinsurance improved year on year. This was due in particular to the substantial rise in insurance revenue. Adjusted for commissions, Munich Re's customary review of its provisions resulted in a reduction in the basic claims provisions for prior years of €1,351m for the full year, which is equivalent to 5.0 percentage points of the combined ratio. This positive development extended to almost all lines in our portfolio. The safety margin in the provisions remained stable year on year.

Major losses – in excess of €30m each – totalled €3,885m (3,278m) after retrocession and before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 14.3% (12.6%) of net insurance revenue. Expenditure was slightly higher than in the previous year and roughly in line with our major-loss expectation of 14% of net insurance revenue.

Man-made major losses totalling €1,241m (943m) were up from the previous year, with increased expenditure here attributable in part to the collapse of the Francis Scott Key Bridge in Baltimore after a ship hit the bridge. Expenditure for man-made major losses was equivalent to 4.6% (3.6%) of net insurance revenue. The number of losses above our major-loss threshold was comparable to the previous year.

Major losses from natural catastrophes totalled €2,644m (2,335m), equivalent to 9.8% (9.0%) of net insurance revenue. The largest natural catastrophe losses of the year happened in North America – with Hurricane Helene in the southeastern United States leading to Munich Re's largest single claims event in 2024, at a nominal amount of approximately €0.5bn. In addition, there were numerous flood, thunderstorm and storm events, particularly in North America, the Caribbean and Europe.

<sup>2</sup> In the previous year, figures for specialty lines included contributions made by GSI, which are no longer included in this reporting year. The previous year's figures have been adjusted accordingly.

## ERGO

### ERGO Life and Health Germany

The Digital Ventures unit was transferred to the Health Germany division within the ERGO Life and Health Germany segment at the beginning of 2024. We will therefore report from this year only on the Life Germany and Health Germany divisions within this segment. With regard to insurance revenue, the Life Germany division accounted for approximately 28% and the Health Germany division for about 72%.

This segment's insurance revenue in the 2024 financial year rose compared to the previous year due to positive development in the Health Germany division, primarily thanks to short-term and long-term health business. Conversely, insurance revenue in the Life Germany division was lower – particularly due to a lower release of the contractual service margin in line with expectations.

The total technical result was down on the previous year for the ERGO Life and Health Germany segment, primarily on account of the lower release of the contractual service margin and the lower result from both short-term health business and travel insurance. Our total technical result also includes the result from intra-Group interest-rate reinsurance, which is offset in the net financial result. This interest-rate reinsurance negatively impacted the total technical result year on year.

Insurance revenue in the past financial year was down slightly, at €2,873m (2,898m) – largely on account of a lower release of the contractual service margin in line with expectations. The total technical result in the past financial year amounted to €425m (505m), lower than in the previous year. This year-on-year decrease was mainly driven by lower income from the release of the contractual service margin and the negative impact of the above-mentioned interest-rate reinsurance.

In the Health Germany division, which includes travel insurance business, insurance revenue rose substantially year on year by 18.0% to €7,216m (6,118m), with increases in both long-term and short-term health business. Moreover, the transfer of the Digital Ventures unit to the Health Germany division helped to increase insurance revenue. The total technical result amounted to €474m (448m), with the rise resulting from the incorporation of Digital Ventures in this division. When adjusted for this transfer of unit, the total technical result was down year on year due primarily to higher-than-expected claims expenditure in short-term travel and health business.

### ERGO Property-casualty Germany

In terms of insurance revenue, the ERGO Property-casualty Germany segment's main lines of business are fire and property insurance, accounting for approximately 28%; motor insurance (around 19%); and third-party liability insurance (about 19%).

Insurance revenue rose year on year due to growth in fire and property insurance (17.6%), in motor insurance (10.6%) and in other classes of business (2.6%). We experienced a decline in insurance revenue of 2.6% in legal protection insurance; revenue fell by 6.5% in third-party liability, by 10.1% in personal accident and by 10.3% in marine.

The total technical result was similar to the previous year's high level. Good operational performance in the reporting year nearly offset the increase in expenditure for man-made major losses. Although the total technical result in the year under review was impacted by claims inflation in motor insurance, the profitability of this line of business did improve year on year.

**ERGO International**

With regard to the segment's insurance revenue, property-casualty accounted for approximately 63%, health for about 30% and life for around 7%. The largest markets are Poland (accounting for approximately 38% of insurance revenue), Spain (approx. 17%) and Belgium (approx. 17%).

The increase in insurance revenue was primarily attributable to strong growth in Poland and Thailand, improvements in health business in Spain and the allocation of Europaeiske Rejseforsikring A/S to the ERGO International segment. Adjusted for the addition and disposal of companies outside Germany and for positive currency translation effects, insurance revenue in the segment rose by 8.3% compared with 2023.

In international property-casualty business, insurance revenue rose by 8.8% to €3,795m (3,487m). We generated significantly higher revenue in Poland and Thailand in particular.

Compared with the previous year, insurance revenue in international health business increased by 8.1% to €1,824m (1,687m); this was primarily attributable to the growth of our Spanish health insurer and the allocation of Europaeiske Rejseforsikring A/S to this segment.

Insurance revenue in international life insurance amounted to €426m (444m) for a year-on-year decrease of 4.1%. While revenue was higher in Poland and Austria, it was lower in Belgium and the Baltic states.

The total technical result was good on the whole, though slightly down on the previous year. There were positive developments in Thailand, Greece and in Belgian health business – but also lower contributions to the result from, for example, Spanish health business and property-casualty business in Austria. The latter was attributable to higher expenditure for natural catastrophes, which impacted the insurance service result in both Austrian and Polish property-casualty business. Income from the release of the contractual service margin was higher year on year in life and health business. These positive developments resulted primarily from health business in Spain and Belgium.

## A3 Investment performance

### Income and expenses with respect to investment activities

#### Investment result

€m	2024	Prev. year
Regular income	8,137	6,950
Write-ups/write-downs	-355	-194
Change in expected credit losses	45	-47
Gains/losses on disposal	-986	-588
Fair-value changes	1,052	-65
Other income/expenses	-702	-682
<b>Total</b>	<b>7,191</b>	<b>5,374</b>

Regular income increased on the previous year, primarily due to sustained high interest rates and a correspondingly stable reinvestment yield. The average reinvestment yield<sup>3</sup> in the financial year was 4.4% (4.5%). Prolonged profitable interest rates in the reporting year resulted in yields on new investments that continued to be above the average return on our existing portfolio of fixed-interest investments.

The net result from write-ups and write-downs was slightly lower year on year. Impairment losses on both property and participations was the primary reason for the negative result.

The result from the change in expected credit losses comprises the change in anticipated losses on interest-bearing investments as at the reporting date that are not posted in the category "Fair value changes".

We posted net losses in the reporting year of €986m on the disposal of investments not recognised at fair value through profit or loss. These losses resulted primarily from the disposal of fixed-interest securities with low interest rates that were sold and whose proceeds were then invested anew so as to profit from higher interest rates.

The net result from fair-value changes totalled €1,052m – with the key positive variable being the result from equities, which accounted for gains of €950m thanks to surging equity markets. And investments in alternative assets, such as private equity, appreciated by €502m. Conversely, real estate losses totalled €223m, which were measured at fair value through profit or loss. In a similar vein, fixed-interest securities depreciated by €116m as a result of subsequent measurement.

The investment result can be broken down by asset class as follows:

#### Investment result by type of investment

€m	2024	Prev. year
<b>Result from non-financial investments</b>		
Investment property	154	151
Property, plant and equipment	87	104
Intangible assets	-11	-13
Biological assets	98	75
Inventories	0	0
Investments in affiliated companies, associates and joint ventures	123	313
Thereof:		
Associates and joint ventures accounted for using the equity method	129	356
	<b>451</b>	<b>629</b>
<b>Result from financial investments</b>	<b>7,329</b>	<b>5,302</b>
<b>Expenses for the management of investments and other expenses</b>	<b>-589</b>	<b>-558</b>
<b>Total</b>	<b>7,191</b>	<b>5,374</b>

The result from investment property includes €675m (626m) in rental income. The expenses for the management of investments include running costs and expenses for repair and maintenance of property totalling €93m (89m).

Reversals of impairment losses, and impairment losses, on financial investments in accordance with IFRS 9 amounted to €45m (-47m).

The improved result from financial investments can be traced back, in particular, to increased regular income in a year-on-year comparison. This is due to ongoing reinvestment at higher interest rates than those that applied to the investments that have been sold.

<sup>3</sup> The average reinvestment yield is shown as an annual rate of return. All reinvestments that are transacted in a financial year and that have remaining terms to maturity of more than one year are recognised at the rates of return applicable at the relevant trade dates; for securities with terms to maturity of up to one year the proportionate term to maturity is taken into account. Investments are not included if their return cannot be calculated (e.g. equities, debt securities with variable rates, inflation-linked bonds, derivatives, real estate) or if they do not have the characteristics of investments (e.g. cash at banks). Hedging costs for securities in foreign currency are not considered.

## Gains and losses recognised directly in equity

The following table provides an overview of the income and expenses recognised directly in equity in the financial year.

### Income and expenses recognised directly in equity

€m	2024	Prev. year
<b>Items where income and expenses recognised directly in equity are reallocated affecting net income</b>	<b>695</b>	<b>1,105</b>
Currency translation	1,092	-433
Unrealised gains and losses on financial investments	512	4,914
Change resulting from cash flow hedges	1	2
Change resulting from equity method measurement	39	27
Change resulting from reinsurance contracts held	-165	-774
Change resulting from insurance contracts issued	-784	-2,631
<b>Items where income and expenses recognised directly in equity are not reallocated affecting net income</b>	<b>22</b>	<b>-111</b>
Remeasurement of defined benefit plans	22	-111
<b>Total</b>	<b>718</b>	<b>994</b>

The income and expenses newly recognised directly in equity were positive overall in the financial year. This was attributable primarily to currency translation effects driven by the US dollar.

## Investments in securitisations

Our asset-backed securities and mortgage-backed securities at fair value totalled 3% (3%) of the investment portfolio as at the reporting date. This asset class is composed of securitised receivables, e.g. securitisations of real estate finance or consumer credit. Around 31% (43%) of our structured credit products had a rating of AAA.

## A4 Performance of other activities

On the one hand, Munich Re is a lessee. On the other hand, Munich Re is also a lessor.

### Munich Re as lessee

We have recognised liabilities arising from our lessee agreements as liabilities. These relate predominantly to rented office buildings. As at the balance sheet date, lease liabilities totalled €400m (437m).

The right-of-use assets under leases are comprised of lease liabilities, lease payments made at the time or before the asset is made available for use, initial direct costs, and restoration obligations. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. Right-of-use assets came to €361m (416m) as at the balance sheet date.

Short-term leases with terms shorter than 12 months (and no purchase option) and leases for which the underlying asset is of low value are not recognised. Instead they are recognised through profit or loss as an expense of €2m (1m).

### Due dates

€m	31.12.2024			Prev. year		
	Gross investment	Interest element	Net investment	Gross investment	Interest element	Net investment
Minimum lease payments ≤ 1 year	13	4	9	1	0	0
Minimum lease payments > 1 year and ≤ 5 years	13	2	11	5	1	4
Minimum lease payments > 5 years	67	55	13	72	55	17
<b>Total minimum lease payments</b>	<b>93</b>	<b>60</b>	<b>33</b>	<b>78</b>	<b>57</b>	<b>21</b>
Unguaranteed residual values	41	28	13	41	28	14
<b>Total</b>	<b>135</b>	<b>89</b>	<b>46</b>	<b>119</b>	<b>84</b>	<b>35</b>

## A5 Any other information

There were no matters in the year under review which require disclosure under "Any other information".

### Munich Re as lessor

Operating leases mainly involve leased property.

### Future minimum lease payments under operating leases

€m	31.12.2024	Prev. year
≤ 1 year	258	366
> 1 year and ≤ 5 years	740	1,097
> 5 years	691	1,118
<b>Total</b>	<b>1,689</b>	<b>2,581</b>

There were several finance leases for property at the end of the reporting period, which are listed in the following table:



B

## B System of governance

### B1 General information on the system of governance

#### Administrative, management or supervisory bodies (AMSBs)

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company) has three governing bodies: the Annual General Meeting, the Board of Management, and the Supervisory Board. Their functions and powers are defined by law, the Articles of Association, the Co-Determination Agreement applicable to Munich Reinsurance Company, and by rules of procedure and internal guidelines. Employee co-determination on the Supervisory Board is governed by the Co-Determination Agreement concluded pursuant to the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG). The principle of parity co-determination on the Supervisory Board has been strengthened by taking into account staff employed in the European Union and in the European Economic Area (EU/EEA).

Additional corporate governance requirements are set out in the regulatory requirements for (re)insurance companies, especially the German Insurance Supervision Act (VAG) and the European supervisory regulations (Solvency II). They include specific and supplementary rules on various issues such as business organisation or the qualifications and remuneration of members of the Board of Management, Supervisory Board members and other individuals.

#### Annual General Meeting

The Annual General Meeting decides on the appropriation of net retained profits, the approval of the actions of the Board of Management and Supervisory Board, the election of the auditor, the election of shareholder representatives to the Supervisory Board, amendments to the Articles of Association and capital measures, among other things. The principle of "one share, one vote" applies at the Annual General Meeting of Munich Reinsurance Company.

The Annual General Meeting was held on 25 April 2024.

#### Board of Management

As at 31 December 2024, the Board of Management of Munich Reinsurance Company comprised ten members, including two women. The Board of Management is responsible for managing the Company, in particular for setting the Company's objectives and determining strategy. It is bound to act in the Company's best interests. It should take account of the interests of shareholders, employees, and other stakeholders of Munich Reinsurance Company, with the objective of sustainable value creation. The Board

of Management is responsible for effecting adequate risk management and risk control. It must ensure that statutory requirements and internal Company rules are observed, and works to ensure compliance by Group companies and their staff members.

#### Working procedures of the Board of Management

The work of the Board of Management, in particular the allocation of responsibilities among the individual Board members, matters reserved for the full Board of Management, and the majority required to pass resolutions, is regulated by rules of procedure issued by the Supervisory Board. The full Board of Management decides on all matters that, either by law, or according to the Articles of Association or rules of procedure, require a resolution of the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, for tasks which constitute management functions or are of exceptional importance, and for significant personnel measures.

Meetings of the Board of Management take place as required, but generally at least once a month, and are presided over by the Chair of the Board of Management. The adoption of a resolution requires the majority of votes cast; in the event of a tie, the Chair has the casting vote. The members of the Board of Management cooperate closely for the benefit of the Company. On an ongoing basis, they inform each other about all important business transactions.

#### Composition and working procedures of the Board of Management committees

Three Board of Management committees ensure efficient work by the Board of Management: the Group Committee, the Reinsurance Committee, and the Strategy Committee.

##### **Group Committee**

The Group Committee is the central management committee of the Group. It decides in particular on fundamental issues concerning the strategic and financial management of the Group for all fields of business, and on the principles of general business policy and organisation within the Group. The Committee also makes decisions on all matters of fundamental importance relating to the divisions headed by its voting members. In addition, it serves as an executive committee with responsibility for important ongoing issues, in particular the approval of significant individual transactions.

### Reinsurance Committee

The Reinsurance Committee is the central management committee of the reinsurance field of business. It decides on all matters of fundamental importance for this field of business, except investments.

### Strategy Committee

The Strategy Committee is the central management committee for fundamental strategic matters in the fields of business (reinsurance, primary insurance). It makes decisions on all strategic matters of fundamental importance for the fields of business, including own investments and administered (third-party) funds.

The following applies to all Board of Management committees: Where decisions within the sphere of responsibility of a committee relate to issues reserved for the full Board of Management, the respective committee will prepare these matters for decision. Committee meetings are held regularly, and as required. Only members of the Board of Management have voting rights on the committees. The committees are further governed by their respective rules of procedure, as adopted by the full Board of Management.

### Subcommittees of the Board of Management committees

All three Board committees have set up subcommittees. Specifically, the Group Committee has established the Group Risk Committee; the Reinsurance Committee has set up the Global Underwriting and Risk Committee as well as the Board Committee IT Investments; and the Strategy Committee has established the ESG Committee. These subcommittees also include senior executives from Munich Reinsurance Company and the Group who do not have voting rights.

The work of these subcommittees is governed by their own written rules of procedure. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with risk management issues, albeit with different emphases. The Board Committee IT Investments is responsible for IT investments. The ESG Committee is the central management committee for fundamental, ESG-related strategic matters in the Group.

### Collaboration between Board of Management and Supervisory Board

The Board of Management and the Supervisory Board work together closely and in a spirit of trust for the benefit of the Company.

The Board of Management determines the strategic direction of the Company in conjunction with the Supervisory Board. The Board of Management reports regularly and as needed to the Supervisory Board about all questions relevant to the Company. The Chair of the Supervisory Board maintains regular contact with the Board of Management between meetings – in particular with the Chair of the Board of Management – in order to discuss issues of strategy, planning, business development, the risk situation, risk management and Company compliance. The Supervisory Board has defined the Board

of Management's information and reporting obligations in detail. The Supervisory Board's consent is required before the Board of Management can conduct specific types of transactions, which include the following: annual financial planning, certain investments and divestments, the implementation of share buy-back programmes, the conclusion of inter-company agreements, and the execution of corporate restructurings in which the Company holds a stake. The Supervisory Board's approval is also required for sideline activities assumed by members of the Board of Management and for material related-party transactions as defined in Section 111b(1) of the German Stock Corporation Act (AktG).

### Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board of Munich Reinsurance Company comprises twenty members: half are shareholder representatives and are elected by the Annual General Meeting. The other ten members are elected employee representatives from Group companies in the EU and EEA.

The Supervisory Board advises the Board of Management and monitors the management of the Company, but it is not authorised to take management action in place of the Board of Management.

### Working procedures of the Supervisory Board

The Supervisory Board has its own rules of procedure, which specify responsibilities, work processes and further modalities for the adoption of resolutions. The Audit Committee also has its own rules of procedure, which have been adopted by the full Supervisory Board.

You will find details on the main responsibilities of the committees of the Supervisory Board and their composition on the Munich Re website at [www.munichre.com/supervisory-board](http://www.munichre.com/supervisory-board).

### Self-assessment

The Supervisory Board and its committees regularly assess how effectively the Supervisory Board as a whole and also its individual committees perform their duties. Following preparations by the Praesidium and Sustainability Committee in 2024, the Supervisory Board conducted an internal self-assessment based on a questionnaire. The Supervisory Board discussed the findings of the self-assessment in depth at its meeting on 24 October 2024. The self-assessment confirms that the working relationships within the Supervisory Board and with the Board of Management are professional and constructive, and characterised by a high degree of trust and candour. In addition, the findings document the efficient organisation and execution of meetings, as well as appropriate reporting by the Board of Management.

### Work of the committees

The Supervisory Board has set up six committees from among its members: the Praesidium and Sustainability Committee, the Personnel Committee, the Remuneration

Committee, the Audit Committee, the Nomination Committee and the Conference Committee.

The committees adopt decisions by the majority of votes cast. With the exception of the Conference Committee, the chair of the committee has a casting vote in case of a tie. The full Supervisory Board is regularly informed about the work of the committees by their respective chairs.

#### **Personnel Committee**

The Personnel Committee met twice, both times in person, during the reporting period. The Committee essentially prepared the resolutions on matters involving the Board of Management, unless these fell under the remit of the Remuneration Committee. One focus of the Personnel Committee's work was on preparing the confirmation of fitness and propriety required to reappoint a current Board of Management member. In addition, it approved the assumption of mandates on supervisory, advisory and similar boards by members of the Board of Management. Taking diversity aspects into account, the Personnel Committee also addressed succession planning for Board of Management positions.

#### **Remuneration Committee**

The Remuneration Committee held six meetings: four times in person, one virtual meeting and one hybrid meeting. In particular, it prepared resolutions on matters involving the Board of Management as far as these resolutions concerned the determination of the target overall remuneration, the establishment of the assessment basis for variable remuneration and the corresponding evaluation, fringe benefits and remuneration in kind, as well as the sections of the Board members' contracts relating to remuneration. The Committee adopted the proposal to be made to the full Supervisory Board regarding the approval of the remuneration report of the Board of Management and the Supervisory Board for presentation at the Annual General Meeting. A significant focus of the Committee's work in the second half of the year was the discussion and preparation of the proposal for the full Supervisory Board on the adjustments to the Board of Management remuneration system that are to apply as of 1 January 2026 and are to be submitted to the Annual General Meeting for approval in 2025.

#### **Praesidium and Sustainability Committee**

The Praesidium and Sustainability Committee held five in-person meetings at which it made preparations for each Supervisory Board meeting and, in particular, addressed topics of corporate governance and sustainability strategy. The Committee prepared, among other items, the assessment of the effectiveness of the Supervisory Board as a whole and its committees (self-assessment). It also approved the resolution passed by the Board of Management on implementation of the 2024/2025 share buy-back programme. Relevant sustainability issues were also addressed. In addition, the Praesidium and Sustainability Committee assessed related-party transactions in an internal procedure as per Section 111a(2) of the Stock Corporation Act (AktG). The Chair of the

Board of Management regularly provided information to the Committee about the shareholder structure and the current share buy-back programme.

#### **Audit Committee**

In the reporting period, the Audit Committee held seven meetings, with all meetings being held in person. The external auditor attended six meetings as part of its work. The Audit Committee dealt with the preliminary year-end figures as at 31 December 2023 and also discussed capital management issues, particularly with regard to the dividend payment and share buy-backs. The Audit Committee took an in depth look at the Munich Reinsurance Company and Group financial statements, the combined management report and the auditor's reports.

The Audit Committee also heard regular reports on the key Solvency II figures and discussed the quarterly reporting to the supervisory authority. Other key tasks of the Audit Committee consisted in monitoring the Group's risk situation and risk management on an ongoing basis, and developing a risk strategy. In addition to the Group Chief Risk Officer (CRO)'s quarterly written reports, the Committee also obtained detailed verbal information from the Group CRO on several occasions. The Head of the Actuarial Function reported on the "Group Actuarial Function Report 2023" at the meeting held on 7 August 2024. There were regular discussions about the internal control system and compliance topics – particularly individual compliance violations that were presented to the Audit Committee. The Group Chief Auditor comprehensively informed the members of the Committee about the outcome of the audits for 2023 and, throughout the year, reported on the results of the 2024 audits and on the audit planning for 2024 and 2025. Without the Board of Management in attendance, Committee members took the opportunity to regularly confer amongst themselves – or with the Group Chief Auditor, the Group Chief Compliance Officer, the Group Chief Risk Officer, or the external auditor. The Chair of the Audit Committee also held one meeting to conduct a bilateral discussion with the Group Chief Auditor.

#### **Nomination Committee**

The Nomination Committee held one meeting in the reporting period. After having already dealt intensively with succession planning for the Supervisory Board in 2023, the Nomination Committee handled the re-election of six shareholder representatives and the election of four new candidates to the Supervisory Board in preparation for the Supervisory Board elections to be held at the 2024 Annual General Meeting. It also discussed the re-election of the Chair of the Supervisory Board and the Chair of the Audit Committee, and addressed proposals to be made to the full Supervisory Board regarding the election of shareholder representatives to the committees.

#### **Conference Committee**

As in previous years, there was no need to convene the Conference Committee in the 2024 financial year.

**Changes on the Supervisory Board**

Ruth Brown left the Supervisory Board, effective 2 January 2024, upon the transfer of the British DAS companies to ARAG SE. Her successor is Andrea Maier, who was appointed by a court of law. The term of office of the Supervisory Board members expired, and the term of office for the new and re-elected members began, at the end of the Annual General Meeting on 25 April.

You will find details on the composition and responsibilities of the Board of Management, Supervisory Board and the relevant committees in Munich Re's Group Annual Report 2024 – in the Statement on Corporate Governance on page 178 ff. More information on corporate governance can be found at [www.munichre.com/cg-en](http://www.munichre.com/cg-en).

## Compensation

### Principles of the compensation policy

The “Solvency II: Munich Re Group Compensation Policy (MR GCP)” sets uniform and generally accepted standards for compensation policy at the Munich Re Group. Existing compensation policies at the undertakings of the Munich Re Group remain in force and apply in addition. The standards comprise substantive, procedural and formal requirements. The object of the MR GCP is to implement the regulatory requirements resulting from Solvency II in accordance with uniform principles for the Munich Re Group. The undertakings of the Munich Re Group that are obliged to implement these requirements must implement the requirements of the MR GCP in their own compensation policies, which take into account local conditions. Undertakings that are not obliged to implement these requirements are subject to local regulations.

Pursuant to the MR GCP, the remuneration schemes of the Munich Re Group must be established, implemented and maintained in line with the respective undertaking’s business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the undertaking as a whole. The remuneration schemes must also incorporate measures aimed at avoiding conflicts of interest. Furthermore, the remuneration schemes must promote effective risk management and must not encourage risk-taking that exceeds the risk-tolerance limits of the undertaking.

Pursuant to the MR GCP, specific agreements must be concluded for a group of individuals that includes AMSB members, persons who effectively run the business, key functions and risk takers. These agreements must take the following into account in particular:

Where the remuneration schemes for this group of individuals include both fixed and variable components, such components must be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration. This ensures that those persons are not overly dependent on the variable components.

The payment of a substantial portion of the variable remuneration component must contain a flexible, deferred component that takes account of the nature and time horizon of the undertaking’s business. This deferral period must be no less than three years and must be aligned with the nature of the business, the risks, and the activities of the persons in question. Further general requirements and specific agreements are regulated by the MR GCP.

### AMSBs

The principles for the members of the administrative, management or supervisory bodies (AMSBs) of Munich Reinsurance Company are documented in the relevant local compensation policies. They are fully taken into consideration in the compensation systems of the AMSBs of Munich Reinsurance Company. With regard to the remuneration for the Board of Management of Munich Reinsurance Company, the ratio of fixed and variable remuneration components was chosen such that it is balanced as far as the amount of overall remuneration is concerned, and does not result in any misplaced incentives to take unreasonable risk.

For the members of the AMSBs of other undertakings belonging to the Munich Re Group, the principles are set out in the respective compensation policies of the individual undertakings. All compensation policies of the undertakings of the Munich Re Group required to implement these requirements must comply with the aforementioned principles of the MR GCP.

### Employees

The principles of the MR GCP are also implemented for employees of Munich Reinsurance Company in the local compensation policy. Further remuneration rules and supplementary remuneration regulations applicable to employees in reinsurance – such as post-employment benefits, lump-sum settlements, succession planning and staff development – are set out in the Human Resources Policy and other policies. The remuneration components for Munich Reinsurance Company employees are regulated by internal company agreements and by corresponding policies pursuant to the German Managerial Staff Committee Act (SprAuG) and on the basis of individual contracts, and they reflect the statutory and collective bargaining environment.

The undertakings from the ERGO field of business that are obliged to implement these requirements have implemented the requirements of the MR GCP in their own compensation policies. Responsibility for structuring the compensation system is generally local, and takes place in accordance with the respectively applicable legal and supervisory requirements. The principles of compensation for members of boards of management, managing directors, branch managers as well as senior executive and non-executive staff of the ERGO undertakings in Germany are described in the Compensation Policy for ERGO Group AG and its subsidiaries. The principles and policies are in line with the respectively applicable statutory, collective bargaining and company regulations.

## Individual and collective performance criteria

### AMSBs

Details on the structure of the remuneration system for the members of the Board of Management of Munich Reinsurance Company and on the parameters used are available in the remuneration system and the remuneration report published on our website:

[www.munichre.com/board-of-management](http://www.munichre.com/board-of-management).

Members of the Supervisory Board of Munich Reinsurance Company receive fixed remuneration only.

For members of the AMSBs of the Munich Re Group whose variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of assessments of the performance of the individual and of the divisional unit concerned on the one hand, and the overall performance of the relevant undertaking or the Group on the other. If there is performance-related variable remuneration, both financial and non-financial criteria are taken into account as part of the assessment of an individual's performance.

The remuneration structure for risk takers in the International Organisation and risk takers on international assignments is largely geared to the remuneration scheme for members of the Board of Management.

Moreover, the variable remuneration for all staff in the reinsurance group is regulated on the basis of uniform principles in terms of its components and the way it works.

All staff are paid an annual bonus in the form of a variable remuneration component that gives employees a share in corporate success (Company result bonus). The key indicator used is the IFRS result of the Munich Re Group. The targets correspond to the Group objective for the variable remuneration of members of the Board of Management.

In addition, staff who contribute to the long-term performance of the undertaking benefit from a long-term incentive plan. This plan is a share-based remuneration component. The longer-term performance of the Company is determined on the basis of the development of the total shareholder return in comparison with that of a defined peer group. In addition, the Long-Term Incentive Plan also includes ESG targets. The Long-Term Incentive Plan provides for flexible payment deferred over a period of four years. The possibility of a downward adjustment for exposure to current and future risks is included. The Long-Term Incentive Plan largely corresponds with that of the multi-year bonus of the members of the Board of Management.

### Senior executive staff

The fixed components for Munich Reinsurance Company senior executive staff (including holders of key functions) comprise a fixed annual basic remuneration, paid out as a monthly salary, plus market-standard fringe benefits and remuneration in kind (most notably a company car and a

company pension scheme). The variable components are made up of the short-term Company result bonus, and the share-price-linked component Long-Term Incentive Plan. The Long-Term Incentive Plan also includes ESG targets.

The higher a manager's level is, the higher the percentage of their total remuneration consists of the Company result bonus and Long-Term Incentive Plan.

The Company result bonus ensures that the performance of the undertaking is systematically reflected in the remuneration paid to senior executive staff. The Long-Term Incentive Plan, with a duration of four years, provides senior executive staff with a share in the undertaking's longer-term success and achievement of ESG targets.

The combination of short- and long-term components is well-balanced and ensures that the participation of senior executive staff bears a reasonable relationship to overall corporate performance. In addition, negative incentives are avoided, in particular taking disproportionately high risks. The monitoring function of the control units is not impaired. By using the same key indicators as for the AMSBs, the variable remuneration is geared to achievement of the objectives defined by the strategy of the undertaking and material risks and their time horizon are taken adequate account of. No guaranteed variable remuneration components are granted.

The decision as to how performance-related variable remuneration for senior executive staff is structured at ERGO is the responsibility of the local units.

### Non-executive staff

The fixed components for Munich Reinsurance Company non-executive staff comprise a fixed annual basic remuneration, paid out as a monthly salary and as a holiday and Christmas bonus, plus market-standard fringe benefits and remuneration in kind. Variable remuneration comprises the short-term component Company result bonus (see "Senior executive staff").

The decision as to how performance-related variable remuneration for non-executive staff is structured at ERGO is the responsibility of the local units.

### Supplementary pension or early retirement schemes

#### AMSBs

If members of the AMSBs of the Munich Re Group are granted a company pension, the entitlements are generally part of a defined contribution plan. Early retirement schemes are geared to the respective country-specific circumstances.

Board of Management members who join(ed) Munich Reinsurance Company's Board of Management after 1 January 2019 no longer receive an employer-financed company pension. Details on the regulations relating to early or regular retirement of the members of the Board of Management of Munich Reinsurance Company are available in the remuneration system and report published on our website: [www.munichre.com/board-of-management](https://www.munichre.com/board-of-management).

Members of the Supervisory Board of Munich Reinsurance Company are not entitled to pension benefits.

#### Senior executive and non-executive staff

The pension scheme for senior executive and non-executive staff at Munich Reinsurance Company is a defined contribution plan.

In the case of disability, senior executive and non-executive staff receive an occupational disability pension. The amount of disability pension is based on a fixed percentage of the basic salary. Surviving dependants of senior executive or non-executive staff receive a lump-sum payment.

If senior executive or non-executive staff leave the service of the Company before a benefit becomes payable, the rules and regulations of the German Company Pension Act apply. In addition, senior executive and non-executive staff who joined the Company prior to 1 January 2019 are members of the Münchener Rück Versorgungskasse pension scheme, which is a defined contribution plan.

At ERGO, the decision as to whether a company pension scheme is provided lies with the local units in accordance with the respectively applicable legal requirements. With the exception of some legacy schemes, the pension schemes are based on defined contribution plans.

### Material transactions

Munich Re publishes information of this kind on its website without undue delay at <https://www.munichre.com/en/company/investors/mandatory-announcements.html>. In the reporting period, there were no material transactions with shareholders, persons who exercise a significant influence on the undertaking, members of the Board of Management or members of the Supervisory Board.



## Main duties and responsibilities of the key functions

The following four Group-wide key functions conduct their activities at Group level and at Munich Reinsurance Company level:

### Compliance

The Head of Group Compliance and Legal (GCL) is the Group Chief Compliance Officer (GCCO) and, as such, the holder of the compliance key function with responsibility for the compliance organisation at Munich Re. The GCCO has an unrestricted right to full disclosure of and access to all information required for the discharge of compliance duties.

The GCCO compiles a written compliance report for the Board of Management and the Audit Committee of the Supervisory Board of Munich Reinsurance Company at least once a year. This report includes an overview of the Compliance Management System (CMS) and the adequacy and effectiveness of the processes in place to comply with external requirements, as well as compliance risks and violations of Group-wide relevance.

You will find a detailed explanation of the main duties and responsibilities in section B 4.

### Internal audit

As an independent control function, Group Audit is responsible for reviewing and assessing all components of the system of governance at Munich Re. It prepares independent and objective analyses and recommendations for the Board of Management and senior management, and provides information on the audited activities.

A description of the authorities and independence of the internal audit function is available in section B 5.

### Risk management function

The Group Chief Risk Officer (Group CRO) is Head of Integrated Risk Management (IRM) and is responsible for the risk management function (RMF). In this role, the Group CRO is responsible for organising and implementing an adequate risk management system. This includes developing the risk strategy, monitoring all risks throughout the Group, and ensuring the adequacy of risk management processes.

The independence of the RMF is safeguarded and laid down in the Munich Re Risk Management Directive, among others.

The RMF of the Group is supported by the local mirror functions in the Group undertakings and by specific risk management functions at Munich Reinsurance Company. You will find a detailed description of the main duties and responsibilities of the RMF in section B 3.

### Actuarial function

The Head of IRM1.2 Risk Analytics & Reporting is responsible for the actuarial function (AF).

The independence of the AF, in particular from the RMF, is safeguarded and laid down in the Actuarial Function Policy and the Munich Re Risk Management Directive, among others. To discharge its duties, the AF works in close collaboration with the internal actuarial services of the fields of business. The main duties and authorities, and basis of collaboration, are described in section B 6.

The human resources available for all key functions are adequate to meet the internal and external requirements of the respective function. We also consider the budget and non-monetary resources available to be adequate overall.

## B2 Fit and proper requirements

### Description of the specific requirements

The Solvency II: Munich Re Group Fit and Proper Policy lays down criteria, procedures and responsibilities that apply across the Group to ensure the fitness and propriety of persons who effectively run the undertaking or perform other key tasks.

Insurance undertakings in the EU/EEA and insurance holding companies domiciled in Germany are obliged to adopt a policy that is equivalent to the Fit and Proper Policy. Insurance undertakings outside the EU/EEA and non-insurance undertakings worldwide that are classified as risk units, as well as service undertakings within the Group to which (re)insurance activities have been outsourced, are obliged to implement the main requirements of the Fit and Proper Policy. Non-insurance undertakings worldwide that are not classified as risk units and institutions for occupational retirement provision are only obliged to comply with local legal fit and proper requirements.

Every undertaking that is obliged to implement these requirements must adapt its policy to the local legal requirements. In the event of a contradiction, local law takes precedence. If the local legal requirements are less stringent than the group-wide requirements, the latter apply.

The specific requirements of Munich Reinsurance Company concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key tasks are based on the relevant supervisory requirements.

Only persons who have the skills, knowledge and expertise necessary to perform the tasks assigned to them in an orderly manner may be employed to effectively run the undertaking or to be responsible for other key tasks. The fitness requirements set out depend on the responsibilities they have and the work they do. Where management duties are to be undertaken, experience in management should be taken into consideration.

Proportionality is to be applied in meeting the requirements concerning the skills, knowledge and expertise of the persons concerned. The assessment of whether the persons who effectively run the undertaking or perform other key tasks are deemed fit includes an assessment of their professional and formal qualifications, knowledge and relevant experience within the (re)insurance sector, in other financial sectors or in other undertakings, and takes into account the duties assigned to the persons concerned and – where relevant to the position in question – their (re)insurance, financial, accounting, actuarial and management skills.

### Persons who effectively run the undertaking

The undertakings of the Munich Re Group must determine individually which persons effectively run the undertaking.

The persons who effectively run Munich Reinsurance Company include the members of the Board of Management and the heads of branches both inside and – pursuant to a decision by the Board of Management and Supervisory Board – outside the EU/EEA.

Members of the Board of Management have individual responsibility for their divisions and overall responsibility for Munich Reinsurance Company, and must be fit to assume such responsibilities. This is monitored by the Supervisory Board. They must also be able to ensure compliance with the governance requirements at the Munich Re Group level.

The responsibilities assigned to each individual member of the Board of Management are set out in the distribution of responsibilities.

Collectively, the members of the Board of Management must have appropriate qualifications, experience and knowledge in the following areas as a minimum:

- Insurance and financial markets
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements
- Internal model (risk model)
- Management

Each individual member of the Board of Management must have sufficient knowledge of all areas to be in a position to understand and exercise supervision over the actions of other members of the Board of Management. When changes are made to the membership of the Board of Management, the collective knowledge of the members of the Board of Management should be maintained at an appropriate level at all times.

The members of the Board of Management of Munich Reinsurance Company in 2024 have the professional qualifications, knowledge and experience to guarantee the sound and prudent management of Munich Reinsurance Company. They therefore have the requisite fitness.

Heads of branches inside and outside the EU/EEA are subject to the aforementioned requirements concerning members of the Board of Management in proportion to

- the influence they are able to exert on decisions at Munich Reinsurance Company,
- the significance of their branch, and
- the ability of the head of a branch to exert specific influence over outcomes, results and decisions.

All heads of branches of Munich Reinsurance Company meet the fitness requirements.

#### **Persons responsible for other key tasks**

The undertakings of the Munich Re Group both inside and outside the EU/EEA must determine individually which persons perform other key tasks.

Persons who perform other key tasks at Munich Reinsurance Company include:

- members of the Supervisory Board, and
- holders of key functions (risk management, compliance, internal audit and actuarial function) and their deputies. The holders of key functions have overall responsibility for the Group.

Munich Reinsurance Company currently has not outsourced key tasks, has no staff who perform additional “other key tasks” at Group level, and it has no staff who perform tasks relating to other key tasks of Munich Reinsurance Company and tasks transferred to them that are specific to those key tasks.

Members of the Supervisory Board must at all times have the experience and expertise necessary to perform their duties, in order to adequately monitor and control the Board of Management of Munich Reinsurance Company, and to actively oversee the development of the undertaking. In order to fulfil that function, they must understand the business conducted by the undertaking and be able to assess the risks for the undertaking. Members of the Supervisory Board must be familiar with laws and regulations of relevance to the undertaking. A basic knowledge of risk management specific to insurance is useful. Collectively, the Supervisory Board must in any case have expertise in the areas of investment, underwriting and accounting. Each time a new member of the Supervisory Board is appointed, but at least once annually, it is necessary to demonstrate to the Federal Financial Supervisory Authority (BaFin) which members of the Supervisory Board have expertise in these areas.

Maintenance of fitness includes ongoing training to ensure that the members of the Supervisory Board are in a position to meet changing or increasing requirements relating to their responsibilities at the undertaking.

Notwithstanding that, each and every member of the Supervisory Board must possess sufficient theoretical and practical knowledge of all areas of the business to

guarantee that appropriate control is exercised. The knowledge and experience of other members of the Supervisory Board are no substitute for the fitness of an individual member. A member of the Supervisory Board does not, in principle, have to have specialist knowledge, but must be capable of recognising when it is necessary to seek advice.

As a public-interest entity, at least one member of the Supervisory Board of Munich Reinsurance Company must have expertise in accounting or auditing (second financial expert). The members of the Supervisory Board must collectively be familiar with the sector in which Munich Reinsurance Company operates.

The skills, knowledge and expertise needed to exercise supervision may also have been acquired in the course of exercising (previous) functions in other sectors or in public administration, or political mandates, provided that such functions or mandates involved or involve dealing with economic and legal issues over a prolonged period, and were not or have not been purely secondary in nature.

Other specific requirements are defined in the sets of criteria for the shareholder and employee representatives.

The members of the Supervisory Board of Munich Reinsurance Company in 2024 have the professional qualifications, knowledge and experience to supervise and advise the Board of Management of Munich Reinsurance Company in a professional manner. They therefore have the requisite fitness.

The tasks assigned to holders of a key function arise from the current responsibilities. Collectively, the key functions must guarantee the effectiveness of the system of governance of the Munich Re Group. Deputies of holders of key functions are also deemed to have the requisite fitness.

The holders of key functions in 2024 have the professional qualifications, knowledge and experience to perform the relevant tasks. They therefore have the requisite fitness.

## Assessment of fitness and propriety

The undertakings of the Munich Re Group that are obliged to implement these requirements must determine in their respective Fit and Proper Policy the applicable provisions concerning the assessment of the fitness and propriety of persons who effectively run the undertaking or perform other key tasks.

Munich Reinsurance Company carries out an internal assessment of the fitness and propriety of persons who effectively run the undertaking and perform other key tasks prior to a first appointment, election, assignment of responsibility, or necessary reassessment. A reassessment is performed after a maximum of five years if there have been no grounds for an earlier reassessment. This applies in particular when facts and circumstances give reason to believe that a person may no longer meet the fit or proper requirements, or significant changes are made to the duties assigned. In addition, a reassessment is always carried out when the appointment of a member of the Board of Management is due for renewal and a member of the Supervisory Board is due for re-election.

The assessment or reassessment is carried out on the basis of appropriate documents. When assessing professional qualifications, these documents include a detailed curriculum vitae, employer references and evidence of further training or education. With regard to propriety, these documents comprise the BaFin form "Persönliche Erklärung mit Angaben zur Zuverlässigkeit" (personal declaration with information on propriety), a police certificate of good conduct, and an excerpt from the "Gewerbezentralregister" (Central Trade Register). The result of the assessment of fitness and propriety and the reasons for the result must be documented.

Munich Reinsurance Company notifies BaFin in writing of the following persons concerned who effectively run the undertaking or perform other key tasks:

- Members of the Board of Management
- Heads of branches in the EU/EEA
- Members of the Supervisory Board
- Holders of key functions

At Munich Reinsurance Company, the following bodies and organisational units are responsible for the assessment of the fitness and propriety of the persons who effectively run the undertaking or are responsible for other key tasks:

- The Supervisory Board is responsible for assessing members of the Board of Management and – taking into account the rules of co-determination – for assessing members of the Supervisory Board.
- The Board of Management is responsible for the assessment of heads of branches inside and outside the EU/EEA and of holders of key functions.

The persons concerned have a duty towards Munich Reinsurance Company to cooperate in the assessment of their fitness and propriety. In particular, they must submit to Munich Reinsurance Company all necessary documents and declarations on time, in full and in the required form. Members of the Supervisory Board must additionally submit an annual self-assessment of their fitness for the office.

### B3 Risk management system including the own risk and solvency assessment (ORSA)

Description of the risk management system: Strategies, processes and reporting procedures

#### Organisational structure

Munich Re set up a governance system that meets Solvency II requirements. The main elements of this system are the risk management, compliance, audit and actuarial functions. At Group level, risk management is part of the Integrated Risk Management division (IRM) and reports to the Group Chief Risk Officer (Group CRO). In addition to the Group functions, there are risk management units ("mirror functions") in the fields of business.

#### Risk governance

Our risk governance ensures that an appropriate risk and control culture is in place by clearly assigning roles and responsibilities for all material risks. The Board of Management must consult the risk management function on major decisions to be taken. The appropriateness of our risk governance is reviewed by the Board of Management on a regular basis.

#### Defining the risk strategy

The risk strategy, which is aligned with Munich Re's business strategy, defines where, how and to what extent we are prepared to incur risks. The further development of our risk strategy is embedded in the annual planning cycle, and hence in our business planning. The risk strategy is approved by the Board of Management, and discussed with both the Audit Committee of the Supervisory Board and the full Supervisory Board as a material element of the own risk and solvency assessment (ORSA) process.

We determine the risk strategy by defining risk tolerances and limits for a number of risk criteria that are based on the capital and liquidity available, and on our business strategy, and provide a frame of reference for the Group's operating divisions.

#### Implementation of strategy and the risk management cycle

The risk appetite defined by the Board of Management is reflected in our business planning and integrated into the management of our operations. If capacity shortages or conflicts with the limit system or regulations arise, defined escalation and decision-making processes are followed. These have been designed to ensure that the interests of the business and risk management considerations are weighed and reconciled with each other as far as possible.

Our implementation of risk management at the operational level embraces the identification, analysis and assessment of all material risks. This provides a basis for risk reporting, the control of limits and monitoring.

Risk identification is performed by means of appropriate processes and indicators, which are complemented by expert opinions. At Munich Re, the early identification of risks is primarily operationalised using the emerging risk process. In this process, new or changing risks are discussed with internal and external experts, especially regarding their relevance, the probability of their occurrence, expected loss amount, and potential impact on Munich Re.

As part of the risk analysis, a quantitative and qualitative assessment of all risks at consolidated Group level is made in order to take into account possible interactions between risks across all fields of business.

Internal risk reporting provides the Board of Management with regular information on the risk situation, as regards the individual risk categories and the entire Group alike. This ensures that negative trends are identified in sufficient time for countermeasures to be taken. The purpose of our external risk reporting is to provide clients, shareholders and the supervisory authorities with a clear overview of the Group's risk situation.

Actual risk limits are derived from the risk strategy: taking the defined risk appetite as a basis, limits, rules and any risk-reducing measures required are approved and implemented. We also have a comprehensive early-warning system that draws our attention to any potential risks.

The risk management system is regularly audited by Group Audit.

#### Control and monitoring systems

Our internal control system is described in section B 4.

## Risk management function

The RMF is one of four key functions within (re)insurance undertakings under Solvency II. The RMF at Munich Re is performed centrally in the Integrated Risk Management division and locally in the individual fields of business, at MEAG – the Group asset manager of Munich Re – and in the individual insurance undertakings of the Group.

IRM is responsible for an integrated and Group-wide view of all risks. Its responsibility encompasses the recognition of all relevant risks, the quantification of capital requirements and a qualitative risk management process, including the development of the Group's risk strategy.

IRM is responsible for the following in particular:

- Risk identification, including emerging risk management and risk control
- Risk reporting
- Operational risk management as a key component of the internal control system
- Accumulation control
- Risk management with regard to information security, third-party risks and business continuity management
- Development and maintenance of the internal model; calculation of risk capital
- Assessment of the relevant risk categories not reflected in the internal model
- Allocation of risk capital for management purposes
- Calibration of capital market scenarios
- Risk strategy, including the definition of limit and trigger values (risk tolerance) and the ORSA
- Development of replication portfolios for measuring market risk and managing assets
- Risk governance

The Group Chief Information Security Officer (Group CISO), a function that is assigned to risk management, is responsible for the central and Group-wide coordination and control of all activities involving information security risks. Security risk committees have been set up at Group level and in the fields of business to assess and manage security risks. The members of the security risk committees are managers from operational units (e.g. IT Security), the control functions (e.g. Risk Management, Information Security and Data Protection), and other representatives.

To further improve cyber security, we are working on initiatives both specific to and across the fields of business to ensure a level of protection in line with our information security strategy.

## Implementation of the risk management system in the Group

We implement risk management consistently throughout the Group with the help of local mirror functions in the Group companies and specific risk management functions at Munich Reinsurance Company. The risk management objectives and principles define the basic framework for a consistent application of risk management standards throughout the Group. Feasible solutions are sought in adherence with the principle of proportionality for relatively small Group undertakings with limited human resources. This means that the minimum requirements with regard to risk management are always met – taking into account undertaking-specific risks and the nature, size and complexity of the undertaking and its operations.

There is a clear assignment of roles and responsibilities between the central RMF at Group level (central function) and the RMF at individual undertakings (local mirror functions). The central function develops a framework and sets standards, ensures consistent methods, defines risk appetite and permanently ensures a common risk culture. The local units adapt and implement the framework. They act within guidelines, incorporate local specifics (e.g. legal requirements and provisions) and utilise local knowledge.

In the primary insurance and reinsurance fields of business, important risk management structures, strategies and components such as the Operational Risk Control System (ORCS) and the internal model have been implemented consistently in the bigger undertakings.

## Governance of the internal model

IRM informs the Board of Management and Supervisory Board of Munich Reinsurance Company on an ongoing basis about the correct functioning of the Group-wide internal model. The Group Risk Committee is informed annually by IRM about the results of the validation. It is the responsibility of the Group Risk Committee to guarantee that Munich Re has adequate systems in place for identifying and measuring risks at Group and segment level. This includes defining principles and minimum requirements that apply throughout the Group for the development of risk models and systems.

The actuarial function supports the RMF, in particular in shaping and implementing the internal model, for instance with regard to determining homogeneous risk groups or identifying significant risks. The actuarial function also provides its actuarial expertise regarding the validation of the internal model.

To ensure the necessary regular exchange of information between the key functions of the Group, the heads of the key functions regularly discuss important topics.

The results of the validation, which is carried out by internal staff of Munich Reinsurance Company and ERGO Group AG on the basis of a guideline applicable throughout the Group, are included in the annual ORSA process.

## Own risk and solvency assessment – ORSA

The ORSA encompasses processes in the areas of risk management, business strategy/planning, and capital management. The main task of the ORSA is to combine these processes, to collect and assess their outcome, and to report these results at regular intervals.

It lies within the responsibility of the Group CRO to carry out the Group ORSA. The adequacy of the ORSA framework and ORSA Policy is reviewed by the Group Risk Committee on an annual basis. The situation expected in the planning period in terms of the risk profile and capitalisation of Munich Re is a core element of the ORSA.

The regular ORSA activities associated with the business planning process are conducted annually. The risk and solvency position is monitored on a quarterly basis and documented in the internal risk report.

The ORSA report is adopted by the full Board of Management and discussed with the Audit Committee of the Supervisory Board. The main findings and conclusions of the ORSA are presented to the Supervisory Board.

Certain circumstances may require a non-regular ORSA (ad-hoc ORSA). Internal and/or external factors that lead to a fundamental change in the risk profile and/or own funds of Munich Re may trigger a non-regular ORSA. The findings of the non-regular ORSA are communicated

without delay to Board committees and group supervision outside the regular reporting dates.

The ORSA results and conclusions of the business planning process are submitted to the Board of Management on an annual basis. Findings from regular risk and solvency monitoring activities that are relevant to the ORSA are included in the quarterly internal risk report. To conduct the ORSA, the results of the internal model are used and further capital requirements (such as rating capital) are taken into account.

## Interaction between capital and risk management

We manage our business on the basis of a consolidated Group view, using a comprehensive internal model to determine the capital required under Solvency II (the solvency capital requirement, or SCR). The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year.

Other Munich Re undertakings within the scope of application of Solvency II use either an internal risk model, or the Solvency II standard formula to calculate their solvency capital requirement.

The target capitalisation levels are set out in the risk strategy as part of the ORSA process of Munich Re. More specifically, the outcome of the ORSA feeds into the development of a capital management plan over the business planning time horizon.

To sum up, the risk strategy, business strategy and capital management of Munich Re are closely interlinked and managed.

## B4 Internal control system

Our internal control system is a Group-wide integrated system for managing operational risks. Comprising two key components – the operational risk control system (ORCS) and the compliance management system (CMS) – our internal control system addresses both Group management requirements and local regulations.

### Operational Risk Control System

The operational risk control system (ORCS) is an essential part of the internal control system. At Group level, the ORCS is overseen by the IRM division, which reports to the Group Chief Risk Officer (Group CRO). As part of the ORCS, risk and control self-assessments are carried out at least once a year in all fields of business, and the material operational risks, including compliance-related risks, are identified and assessed in the process. Key controls and management measures to mitigate the material operational risks are analysed and assessed. In addition, the risk management function carries out independent analyses and company-wide cross-comparisons regarding operational risks and controls (monitoring). Significant control deficiencies are addressed by means of improvement measures and/or close monitoring. The main findings derived from the risk and control self-assessments and from monitoring are reported to the Board of Management and the Audit Committee of the Supervisory Board.

The Audit Committee of the Supervisory Board regularly requests reports on the adequacy and effectiveness of the internal control system and on changes to the risk and control landscape compared with the previous year. The audit reports from Group Audit confirm the general effectiveness of the accounting-related internal control system.

The identification, management and control of risks arising out of the accounting process is indispensable for the production of reliable annual financial statements at both consolidated and solo-undertaking level. Risks significant for financial reporting from a Group perspective are integrated into the internal control system in accordance with uniform criteria. The risks are checked annually by the process owners to ascertain whether they are up to date, and the controls are amended as necessary.

The standardised methodology has been implemented on the basis of a Group-wide ORCS policy and guidelines specific to the fields of business. The decision about whether to include a Group undertaking in the standardised ORCS is taken on the basis of the principle of proportionality – with due consideration being given to the nature, scale and complexity of the risks inherent in the undertaking's operations, and to compliance with regulatory and legal requirements. The Group undertakings that have not been integrated into the ORCS Group standard control their risks in compliance with the principles of good corporate governance, Group-wide principles of risk management and relevant national laws.

No material changes were made to the ORCS in the reporting period.



## Compliance Management System

The second key component of the internal control system is the compliance management system (CMS). At Group level, the Group Compliance and Legal (GCL) division is responsible for the CMS, which is managed by the Group Chief Compliance Officer (GCCO); a separate Tax CMS, which the Group Taxation division and the Chief Tax Compliance Officer are responsible for, is used for tax compliance. In addition to the Group function, there are further local compliance functions within the units, as well as decentralised compliance functions for selected compliance programmes. The CMS is the methodical framework for the structured implementation of early-warning, risk-control, consulting and monitoring functions for compliance risks.

The CMS is based on an integral compliance culture, an established compliance organisation with clearly defined roles and responsibilities, and independent, suitable and qualified human resources that enable the compliance function to work effectively and efficiently. The compliance function performs the following tasks:

- The early-warning tasks comprise an assessment of the possible effects of emerging legal changes on Munich Re. In this context, the undertakings of Munich Re regularly report on changes in their legal environment and their effects (risk of legal change). These are captured by the compliance function at Group level. Where necessary, follow-up measures are taken.
- Risk control duties include the identification and assessment of compliance risks within Munich Re. A process for identifying, assessing and mitigating risks in a structured manner is in place for that purpose.
- Monitoring duties refer to compliance with the relevant legal, regulatory and internal rules and regulations within Munich Re. The compliance function at Munich Re advises on setting up suitable compliance controls and monitors risk-based compliance with these controls.
- The compliance function of the Munich Re Group provides advice and training for top and senior management, managers and staff with regard to compliance risks.

Group Compliance and Legal manages the compliance activities of Munich Re by means of Group-wide terms of reference, and monitors their implementation on the basis of the CMS.

The scope and means of implementing compliance activities are guided by the risk profile of the respective Group company, though all entities must implement minimum compliance standards that apply throughout the Group. Compliance standards include appropriate organisational measures to ensure that external and internal requirements are complied with, including but not limited to the following compliance categories:

- Bribery/corruption
- Financial sanctions
- Antitrust law
- Data protection law

The main CMS activities cover the three pillars of prevention, detection and reaction. Written compliance standards, consultation, communication and training make up the prevention pillar. The assessment of compliance risks, monitoring activities and internal reviews are elements of the detection pillar. Continual improvement of the CMS and internal compliance reporting to the Board of Management and the Supervisory Board's Audit Committee, as well as external reporting, pertain to the reaction pillar.

Staff can report potential compliance violations to Group Compliance and Legal or their line manager. In addition, they have the option to contact an external, independent ombudsman. The compliance whistleblowing portal is available to all staff and external parties for reporting violations. This setup allows allegations to be reported securely, anonymously and confidentially. This portal can be used to report potential violations relating to financial crime (corruption, financial sanctions, fraud), regulatory requirements, money laundering, tax law, antitrust law, insider trading, sales compliance, data protection, human rights (and other ESG matters), gender discrimination, sexual harassment, diversity and violations of equal-treatment provisions.

## B5 Internal audit function

### Mandate of Group Audit

Group Audit supports the Board of Management in performing its management control and monitoring tasks. It audits in particular the appropriateness and effectiveness of the system of governance and internal control system of the Munich Re Group.

#### Organisational set-up

Group Audit is an independent central division of Munich Reinsurance Company. The Head of Group Audit reports directly to the Chair of the Board of Management of Munich Reinsurance Company and has an indirect reporting line to the Audit Committee of the Supervisory Board of Munich Reinsurance Company.

Some undertakings of the Munich Re Group have their own audit units to carry out audits. Functionally, these are downstream audit units of Group Audit that usually have an administrative reporting line to the boards of management of the individual undertakings. These downstream audit units have a direct or indirect functional reporting line to Group Audit.

#### Main duties

A uniform management framework for all Munich Re audit units, including Group Audit itself, is based on the following binding requirements:

- Minimum requirements regarding the specific form of the audit function
- Minimum requirements for processes, procedures and methods, instruments, software and standards for planning and executing audits, reporting (audit reports, quarterly and annual reports), measures tracking and quality management
- Reporting duties of downstream audit units

The audit mandate of Group Audit, as the internal audit function of Munich Re, directly covers all fields of business and their subsidiaries. The audit mandate of Group Audit also encompasses topics concerning the Group as a whole, and topics that are relevant for the management and risk management of Munich Re.

### Independence and objectivity

The audit activities of Group Audit are based on national and international regulatory requirements and standards for professional internal audit practice. This applies in particular to the principles and rules governing adequate independence and objectivity of the internal audit function. An appropriate position in the organisational structure, a strict segregation of duties, and comprehensive quality assurance for audits ensure that the independence and objectivity of the internal audit function are adequately maintained.

We are not aware of any undue influence on the audit function that might have compromised its independence and objectivity in carrying out its duties in the year under review.

#### Independence

Group Audit is not subject to any undue instructions in planning and performing audits, or in evaluating and reporting the audit results.

The right of the Board of Management or Chair of the Board of Management to request additional audits does not compromise the independence of Group Audit. Group Audit has the right to carry out ad-hoc audits outside the audit planning schedule. Group Audit is obliged to follow instructions only from the Board of Management or Chair of the Board of Management of Munich Reinsurance Company.

The Head of Group Audit has sufficient opportunity to draw attention to situations in which the independence of the internal audit function could be endangered.

#### Objectivity

The staff working in Group Audit are not entrusted with non-audit work. In particular, they do not perform tasks that could be incompatible with the audit function. Staff from other departments of the undertaking may not be entrusted with internal audit tasks. However, this does not rule out the temporary engagement of staff that are not permanently employed in Group Audit by the latter on the grounds of their specialist knowledge or for personal development purposes.

When assigning audit staff to audits, care is taken to ensure that no conflicts of interest arise, so that auditors are able to perform their tasks with adequate impartiality and objectivity.

## B6 Actuarial function

The actuarial function (AF) of Munich Re is part of the Integrated Risk Management (IRM) central division that is within the responsibility of the Chief Financial Officer of Munich Reinsurance Company. It defines standards and basic rules for the actuarial functions of all fields of business with regard to Solvency II. The AF of Munich Re is responsible for the following:

- Coordinating the calculations of technical provisions and their regular review
- Ensuring the appropriateness of the methodologies and underlying models used, as well as of the assumptions made in the calculation of the technical provisions
- Assessing the suitability and quality of the data used to calculate the technical provisions
- Expressing an opinion on the overall underwriting and acceptance policy
- Expressing an opinion on the adequacy of the reinsurance agreements of the Group
- Preparing a written report for the management and supervisory bodies

For the property-casualty reinsurance, life and health reinsurance, and ERGO segments, individual segment AFs have been put in place that implement the requirements of the Group AF in their respective areas and cooperate with the Group AF via a direct functional reporting line.

The Group undertakings within the scope of application of Solvency II have their own AFs in place. The AFs of the undertakings allocated to the ERGO field of business have a direct functional reporting line to the segment AF; AFs for undertakings in the reinsurance field of business have a direct functional reporting line to the Group AF and also work together with the relevant reinsurance segment AFs.

The AF of Munich Re notifies the Board of Management of its main activities and their outcome in writing once a year in the Group Actuarial Function Report. Severe events regarding the aforementioned responsibilities are reported by the Group AF on an ad-hoc basis to the Group Committee of the Board of Management. The Group Actuarial Function Report is also submitted to the Audit Committee of the Supervisory Board.

## B7 Outsourcing

### Outsourcing policy

A Group-wide Third-Party Risk Management (TPRM) Policy defines the minimum requirements for outsourcing (re)insurance activities and functions to service providers. This outsourcing standard, which applies directly to Munich Reinsurance Company, has been communicated as a Group-wide standard throughout the Munich Re Group, and is monitored accordingly.

The TPRM Policy of Munich Reinsurance Company describes the principles, responsibilities, processes and reporting requirements to be adhered to during all stages of the outsourcing process, i.e. planning, implementation and termination (including contingency planning) of the relevant organisational measures. In accordance with the principle of materiality, and depending on the risks identified in each case, Munich Reinsurance Company may set different requirements for the granularity of the measures and processes in order to adequately ensure the continuity and unimpaired quality of the outsourced services at all times.

The TPRM Policy also regulates the contractual relationships between the Munich Re Group and/or Munich Reinsurance Company and its contractual partners (third parties), including activities relating to outsourcing and (general) services.

### Outsourcing of critical or important operational activities or functions

Munich Re outsources important (re)insurance activities and functions both within the Group, and to external service providers. An indicator for important outsourcing is when a Group member outsources an essential part of its (re)insurance activities and functions to a service provider, and the respective Group member is no longer fully capable of delivering its services to policyholders without the outsourced activity or function. From the perspective of the Munich Re Group, on the other hand, the outsourcing is classified as important if it may also cause material risks for Munich Re.

The Munich Re Group has high expectations and standards regarding service provision, irrespective of whether the services are provided by internal service providers (intra-Group outsourcing) or by external service providers outside the Group. Nevertheless, different internal processes are applied for selecting and managing service providers in each case.

The table below lists the most important outsourcing activities from the perspective of the Group.

#### List of important outsourcing activities of the Munich Re Group

Name of service provider	Scope of outsourcing	Jurisdiction
MEAG MUNICH ERGO AssetManagement GmbH	Outsourcing of asset management of Munich Re Group	Germany
ERGO Group AG	Outsourcing of important insurance activities and functions of the German insurance undertakings in the ERGO field of business	Germany
ERGO Beratung und Vertrieb AG	Outsourcing of the sales operations of the German insurance undertakings within the ERGO field of business to a central sales entity	Germany

## B8 Any other information

### Assessment of the adequacy of the system of governance

The Munich Re Group has a system of governance that is adequate for the nature, scale and complexity of the risks inherent in its business. Its organisational structure is transparent, and there is a clear allocation of tasks and responsibilities. The organisational structure of the entities within the Group is documented, and updated on a regular basis.

The entities of the Group comply with the organisational principle of an adequate segregation of responsibilities. An effective internal communication system is in place. Clear functional and disciplinary reporting lines ensure the prompt transfer of information to all persons who need it in a way that enables them to recognise its importance as regards their respective responsibilities. The adequacy of Munich Re's organisational structure is reviewed on a regular basis by the organisational function at Group and field-of-business level.

The RMF, compliance, internal audit, and AF key functions are in place at the Munich Re Group. They perform their tasks in accordance with supervisory requirements for the respective key function. The responsibilities of the key functions are defined at Group level, and at the level of the individual fields of business or entities of the Group. Outsourced key functions are monitored by the entities concerned in line with requirements.

The terms of reference regarding the operational structure of the Munich Re Group, and the responsibility for meeting these terms, are defined in the respective policies. Processes that are subject to material risks must fulfil the requirements regarding documentation and communication set out in the policies.

The Board of Management complies with its responsibility for checking the adequacy of the system of governance on a regular basis. All Group-wide key functions perform regular self-assessments.

### Any other material information regarding the system of governance

For the reporting period, there is no other material information regarding the system of governance of the Munich Re Group.

# Risk profile



## C Risk profile

### Material risks

Our general definition of risk is possible future developments or events that could result in a negative prognosis or a negative deviation from the Group's targets. We consider three criteria when evaluating the materiality of risks. First, the extent to which a risk could influence stakeholder assessments of Munich Re. Second, the ways in which a risk could impact the solvency of Munich Re. And third, the extent to which a risk could exhaust cumulative limits or budgets. We have applied this definition consistently to each business unit and legal entity, taking account of its individual risk-bearing capacity. The assessment of whether a risk is significant or not for a business unit or legal entity according to the above definition is performed in the responsible risk management functions. We make a basic distinction between risks included in our internal model and covered by risk-based capital and other risks not quantified in the internal model. The risks included in the internal model are divided into the following risk categories: underwriting risk in property-casualty business, underwriting risk in life and health business, market risk, credit risk and operational risk. Sustainability risks can affect all of these risk categories and are therefore an integral part of the management of these risks.

### Risks depicted in the internal model

#### **Solvency capital requirement – Internal model**

Munich Re has a comprehensive internal model that determines the capital needed to ensure that the Group is able to meet its commitments even after extreme loss events. We use the model to calculate the capital required under Solvency II (the solvency capital requirement, or SCR).

The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year. It corresponds to the value at risk (VaR) of the economic profit and loss distribution over a one-year time horizon with a confidence level of 99.5%, and thus equates to the economic loss for Munich Re that, given unchanged exposures, will be exceeded each year with a statistical probability of 0.5%. Our internal model is based on specially modelled distributions for the risk categories property-casualty, life and health, market, credit and operational risks. We use primarily historical data for the calibration of these distributions – complemented in some areas by expert judgement – in order to take adequate account of future developments, among other considerations. Historical data covers a long period to provide a stable and appropriate estimate of our risk parameters. In addition, we take account of diversification effects we achieve through our broad spread across various risk categories and the combination of primary insurance and reinsurance business. We also take into account dependencies between the risks, which can result in higher capital requirements than would be the case if no dependency were assumed. We then determine the effect of the loss absorbency of deferred taxes.

The table shows the solvency capital requirement for Munich Re and its risk categories as at 31 December 2024.

## Solvency capital requirement (SCR)

	Reinsurance		ERGO		Diversification	
	31.12.2024	Prev. year	31.12.2024	Prev. year	31.12.2024	Prev. year
	€m	€m	€m	€m	€m	€m
Property-casualty	12,410	12,189	860	769	-711	-547
Life and health	7,104	6,815	1,319	999	-612	-367
Market	7,060	6,076	3,870	3,169	-1,463	-966
Credit	2,948	3,256	1,188	1,112	-83	-58
Operational risk	1,082	1,080	791	782	-243	-235
Other <sup>1</sup>	495	540	404	376		
	<b>31,099</b>	<b>29,954</b>	<b>8,432</b>	<b>7,206</b>		
Diversification effect	-11,158	-10,746	-2,144	-1,788		
Tax	-3,999	-3,705	-804	-922		
<b>Total</b>	<b>15,941</b>	<b>15,504</b>	<b>5,484</b>	<b>4,496</b>	<b>-2,511</b>	<b>-2,025</b>

→	Group			
	31.12.2024	Prev. year	Change	
	€m	€m	€m	%
Property-casualty	12,559	12,411	148	1.2
Life and health	7,811	7,447	364	4.9
Market	9,468	8,279	1,189	14.4
Credit	4,052	4,309	-257	-6.0
Operational risk	1,630	1,627	3	0.2
Other <sup>1</sup>	899	915	-16	-1.7
	<b>36,419</b>	<b>34,987</b>	<b>1,432</b>	<b>4.1</b>
Diversification effect	-13,174	-12,863	-311	2.4
Tax	-4,331	-4,151	-180	4.3
<b>Total</b>	<b>18,915</b>	<b>17,974</b>	<b>941</b>	<b>5.2</b>

<sup>1</sup> Capital requirements for other financial sectors, e.g. institutions for occupational retirement provision.

At Group level, the SCR increased by 5.2% to €18.9bn – compared with €18.0bn as at 31 December of the previous year. The increase was driven primarily by the appreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a higher euro amount. The increase in the SCR was accelerated by a moderate expansion of exposures in the investment portfolio and positive capital market trends. By contrast, the decline in natural hazard exposures in the reinsurance business and a lower credit risk exposure helped to reduce risk. Other information about the changes in individual risk categories and details about risk concentrations can be found in the following sections.



## C1 Underwriting risk

### Property-casualty

The property-casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident, marine, aviation and space, and credit classes of insurance, together with special lines also allocated to property-casualty.

In property-casualty business, underwriting risk is defined as the risk of insured losses being higher than our expectations. The premium and reserve risks are significant components of the underwriting risk. Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred possibly being higher than expected. Reserve risk is the risk of the loss provisions established potentially being insufficient to cover losses that have already been incurred. In measuring loss provisions, we follow a cautious reserving approach and assess uncertainties conservatively. In every quarter, we also compare notified losses with our loss expectancy, in order to sustain a high level of reserves.

In the risk model, we differentiate between individual, man-made large losses involving expenditure that exceeds a certain large-loss limit; losses affecting more than one risk or more than one line of business (accumulation losses); and all other losses (basic losses). For basic losses, we calculate the risk of subsequent reserving being required for existing risks within a year (reserve risk) and the risk of under-rating (premium risk). To achieve this, we use actuarial methods that are based on standard reserving procedures, but take into account the one-year time horizon. The calibration for these methodologies is based on our own historical loss and run-off data. Appropriate homogeneous segments of our property-casualty portfolio are used for the calculation of the reserve and premium risks. To aggregate the risk to whole-portfolio level, we apply correlations that take account of our own historical loss experience.

For the purposes of the accumulation-risk scenarios, our experts develop scientifically sound models that quantify the probability of occurrence and the loss potential and also take climate change risks into account. The models also take risk-limiting elements into consideration, such as cover limits. In addition to natural catastrophes, we include other accumulation risks such as cyber and pandemics, using special models. Based on these scenarios, the potential effects on our portfolio are determined using stochastic models.

Our internal model considers the resulting accumulation-risk scenarios to be independent events. The largest natural catastrophe exposure for Munich Re is in the "Atlantic Hurricane" scenario, for which our estimate of annual loss exposure is €9.2bn (8.5bn) (before tax, retained) for a return period of 200 years.

As part of our regular validation, we look in particular at the sensitivity of results produced by the risk model for large and accumulation losses to changes in the return periods or loss amounts for events, or a change in insurance revenue. We also consider the effect of changes of dependency assumptions on the results. We regularly adapt our models on the basis of the findings from our validation.

Another measure for controlling underwriting risks is the targeted cession of a portion of our risks to other carriers via reinsurance or retrocession. Most of our companies have intra-Group and/or external reinsurance and/or retrocession cover.

In addition to traditional retrocession, we use alternative risk transfer for natural catastrophe risks in particular. Under this process, underwriting risks are transferred to the capital markets via special purpose vehicles. The purpose of these vehicles is to securitise underwriting risks and to issue catastrophe bonds (insurance-linked securities).

Munich Re mainly uses special purpose vehicles registered in Ireland and Bermuda to transfer risk to the capital markets. All special purpose vehicles are properly licensed and registered by the respective supervisory authorities. Underwriting liabilities are always fully funded. In order to minimise potential credit risk, investors' collateral is regularly invested in securities with the highest credit rating – for example, in US treasuries or World Bank bonds. The value of the collateral is ensured regularly by a trustee and by means of regular reporting.

#### Solvency capital requirement – Property-casualty

The solvency capital requirement (SCR) increased by around 1% at Group level, largely due to the appreciation of the US dollar. An update to the basic loss model and selected natural hazard models resulted in increases that were offset by a decline in natural hazard exposures in the reinsurance business.

## Solvency capital requirement (SCR) – Property-casualty

	Reinsurance		ERGO		Diversification	
	31.12.2024	Prev. year	31.12.2024	Prev. year	31.12.2024	Prev. year
	€m	€m	€m	€m	€m	€m
Basic losses	5,973	5,685	718	657	-511	-476
Large and accumulation losses	11,560	11,420	540	438	-435	-335
	<b>17,534</b>	<b>17,105</b>	<b>1,258</b>	<b>1,095</b>		
Diversification effect	-5,124	-4,916	-399	-327		
<b>Total</b>	<b>12,410</b>	<b>12,189</b>	<b>860</b>	<b>769</b>	<b>-711</b>	<b>-547</b>

	Group			
	31.12.2024	Prev. year	Change	
	€m	€m	€m	%
Basic losses	6,181	5,866	315	5.4
Large and accumulation losses	11,665	11,523	142	1.2
	<b>17,846</b>	<b>17,389</b>	<b>457</b>	<b>2.6</b>
Diversification effect	-5,288	-4,978	-310	6.2
<b>Total</b>	<b>12,559</b>	<b>12,411</b>	<b>148</b>	<b>1.2</b>

## Life and health

In life and health, we define underwriting risk as the risk of insured benefits payable in life or health insurance business being higher than expected. Of particular relevance are biometric risks and policyholder-behaviour risks, such as lapses and lump-sum options. We differentiate between risks that have a short-term or long-term effect on our portfolio. In addition to the simple risk of random fluctuations resulting in higher claims expenditure in a particular year, the adverse developments with a short-term impact that we model notably include rare – but costly – events such as pandemics. To this end, we model losses and the sum at risk – taking into particular consideration excess mortalities in connection with, for instance, the pandemics of the 20th and 21st centuries.

Life insurance products in particular, and a large part of our health primary insurance business, are long-term in nature, and the results they produce are spread over the entire duration of the policies. This can mean that negative developments in risk drivers with long-term effects sustainably reduce the value of the insurance portfolio (trend risks). The risk drivers mortality and disability are dominated by the life and health reinsurance segment, particularly by exposure in North America and the Asia-Pacific region. We also underwrite longevity risk in the life and health reinsurance segment, especially in the United Kingdom. The longevity risk driver can additionally be found in the products marketed by ERGO in Germany, together with typical risks related to policyholder behaviour, such as the lapse risk. To a lesser extent, we write risks connected with the increase in treatment costs.

Risk modelling attributes probabilities to potential modified assumptions. We use primarily historical data extracted from our underlying portfolios to calibrate these probabilities, and additionally apply general mortality rates for the population to model the mortality trend risk. To enable us to define appropriate parameters for the

modelling of the range of areas in which we operate, portfolios with a homogeneous risk structure are grouped together and individual comprehensive profit and loss distributions determined. We then aggregate these distributions, taking account of the dependency structure, to obtain an overall distribution.

Our largest short-term accumulation risk in the life and health risk category is a severe pandemic. We counter this risk by examining our overall exposure in detail using scenario analysis, and by deploying appropriate measures to manage the risks.

In reinsurance, we control the assumption of biometric risks by means of a risk-commensurate underwriting policy. Interest-rate and other market risks are frequently ruled out by depositing the provisions with the cedant, with a guaranteed rate of interest from the deposit. In individual cases, these risks are also hedged by means of suitable capital market instruments. We also limit our exposure to individuals and groups of persons in life insurance.

For primary insurance, substantial risk minimisation is achieved through product design. In case of adverse developments, policyholder participation is of great significance for risk-balancing. In health primary insurance, most long-term contracts include the possibility and/or obligation to adjust premiums. There are, however, limits to the resilience of policyholders.

Limits are laid down for the pandemic scenarios, which affect the portfolio in the shorter term, and for the longevity scenarios and their longer-term effects in conformity with the risk strategy. We continue to analyse the sensitivity of the internal model to the input parameters on a regular basis. This relates to the interest rate, the biometric risk drivers and customer behaviour.

#### Solvency capital requirement – Life and health

At Group level, the solvency capital requirement increased by 5%, mainly due to business growth in the business segments. Capital market effects caused by rising interest rates and movements in exchange rates virtually offset each other.

#### Solvency capital requirement (SCR) – Life and health

	Reinsurance		ERGO		Diversification	
	31.12.2024	Prev. year	31.12.2024	Prev. year	31.12.2024	Prev. year
	€m	€m	€m	€m	€m	€m
Health	295	242	851	634	-61	-68
Mortality	5,613	5,023	53	221	-8	-35
Disability	3,707	3,786	164	193	-18	-18
Longevity	1,234	1,150	876	518	-24	-25
Other	349	380	0	0	0	0
Diversification	-4,093	-3,766	-625	-568	0	0
<b>Total</b>	<b>7,104</b>	<b>6,816</b>	<b>1,319</b>	<b>999</b>	<b>-612</b>	<b>-367</b>

→	Group			
	31.12.2024	Prev. year	Change	
	€m	€m	€m	%
Health	1,086	808	278	34.4
Mortality	5,658	5,209		
Disability	3,853	3,961		
Longevity	2,086	1,644	442	26.9
Other	349	380	-31	-8.2
Diversification	-5,219	-4,554	-665	14.6
<b>Total</b>	<b>7,811</b>	<b>7,447</b>	<b>364</b>	<b>4.9</b>

## C2 Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. It includes equity risk, general interest-rate risk, specific interest-rate risk, property-price risk and currency risk. The general interest-rate risk relates to changes in the basic yield curves, whereas the specific interest-rate risk models changes in credit risk spreads – for example, on euro government bonds from various issuers, or on corporate bonds. We also include in market risk the risk of changes in inflation rates (depicted in the subcategory “general interest-rate risk”) and implicit volatilities (cost of options). Fluctuations in market prices affect not only our investments, but also the underwriting liabilities– especially in life primary insurance. Due to the long-term interest-rate guarantees given in some cases and the variety of options granted to policyholders in traditional life insurance, the

amount of the liabilities can be highly dependent on conditions in the capital markets.

Market risks are modelled by means of Monte Carlo simulation of possible future market scenarios. We revalue our assets and liabilities for each simulated market scenario, thus showing the probability distribution for changes to basic own funds.

We use appropriate limit and early-warning systems in our asset-liability management to manage market risks. Derivatives such as equity futures, options and interest-rate swaps – which are predominantly used for hedging purposes – also play a role in our management of the risks. The impact of derivatives is taken into account in the calculation of solvency capital requirements.

### Solvency capital requirement (SCR) – Market

	Reinsurance		ERGO		Diversification	
	31.12.2024	Prev. year	31.12.2024	Prev. year	31.12.2024	Prev. year
	€m	€m	€m	€m	€m	€m
Equity risk	3,745	3,399	1,691	1,337	-174	-123
Interest-rate risk	2,779	2,844	2,118	1,763	-737	-923
General interest-rate risk	2,381	2,163	1,464	1,171	-375	-631
Specific interest-rate risk	1,571	1,387	1,600	1,246	-221	-309
Diversification interest-rate risk	-1,173	-706	-947	-654	-141	18
Property risk	1,786	1,631	736	630	-110	-67
Currency risk	5,430	4,207	242	239	-113	-83
	<b>13,740</b>	<b>12,082</b>	<b>4,787</b>	<b>3,970</b>		
Diversification effect	-6,680	-6,006	-916	-801		
<b>Total</b>	<b>7,060</b>	<b>6,076</b>	<b>3,870</b>	<b>3,169</b>	<b>-1,463</b>	<b>-966</b>

	Group			
	31.12.2024	Prev. year	Change	
	€m	€m	€m	%
Equity risk	5,262	4,614	648	14.0
Interest-rate risk	4,160	3,685	475	12.9
General interest-rate risk	3,471	2,703	768	28.4
Specific interest-rate risk	2,950	2,324	626	26.9
Diversification interest-rate risk	-2,261	-1,342	-919	68.5
Property risk	2,412	2,195	217	9.9
Currency risk	5,560	4,363	1,197	27.4
	<b>17,393</b>	<b>14,856</b>	<b>2,537</b>	<b>17.1</b>
Diversification effect	-7,925	-6,578	-1,347	20.5
<b>Total</b>	<b>9,468</b>	<b>8,279</b>	<b>1,189</b>	<b>14.4</b>

**Solvency capital requirement – Market**

The solvency capital requirement (SCR) increased by around 14% at Group level. Detailed information on the changes in the individual subcategories is available in the following sections.

**Equity risk**

The rise in equity risk was due to positive market value trends and a moderate increase in exposure in alternative asset classes.

**Interest-rate risk**

The general interest-rate risk in the reinsurance field of business rose moderately. The specific interest-rate risk rose on account of higher exposure to fixed-interest securities with credit risk exposure due to portfolio restructuring, among other things.

The interest-rate risks in the ERGO field of business were up, mainly owing to portfolio restructuring and more accurate representation of significant interest-rate volatility in the risk model.

In the reinsurance field of business, the market value of interest-sensitive investments as at 31 December 2024 was €85.5bn (74.0bn). Measured in terms of modified duration, the interest-rate sensitivity of those investments was 3.5 (4.7), while that of the liabilities was 3.4 (4.5). A decrease in interest rates of one basis point led to a change in available own funds amounting to around €10.1m (9.0m).

In the ERGO field of business, the market value of interest-sensitive investments was €111.1bn (109.3bn). The modified duration was 7.7 (7.8) for interest-sensitive investments and 7.0 (7.1) for liabilities. A decrease in interest rates of one basis point led to a change in available own funds amounting to around €2.0m (2.4m).

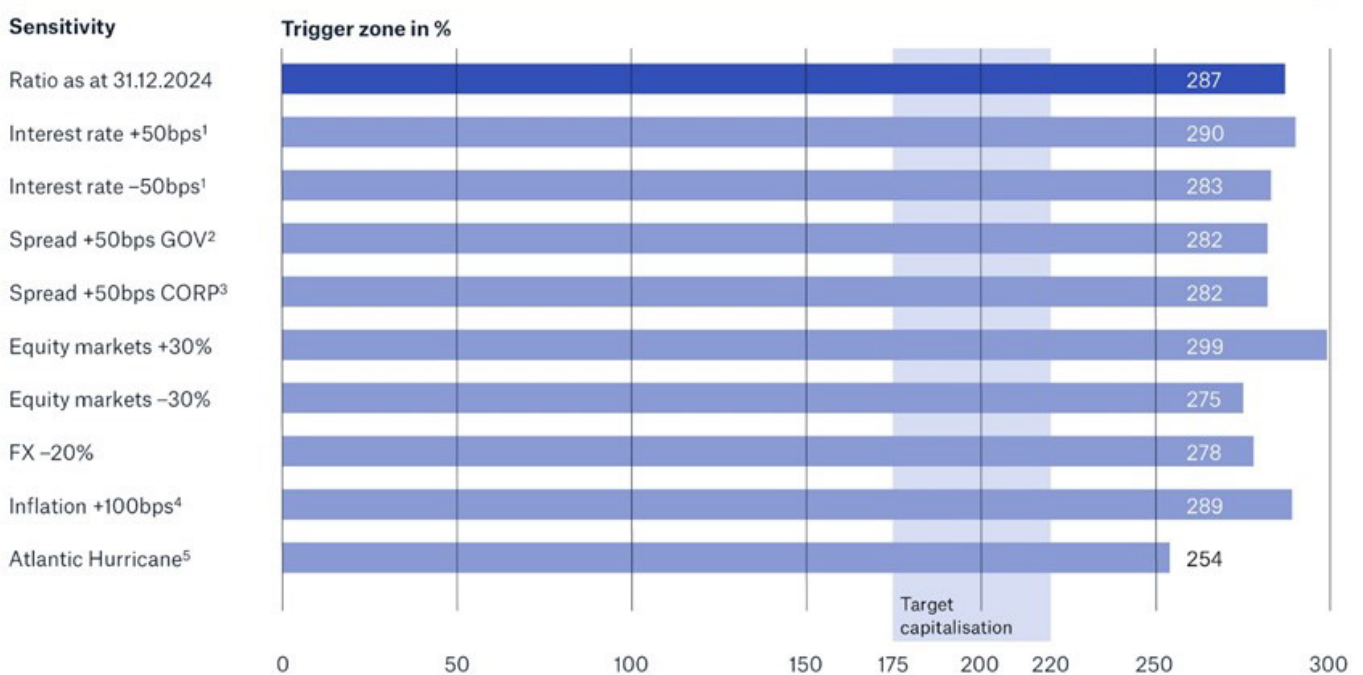
**Property risk**

The property risk rose, chiefly due to acquisitions.

**Currency risk**

The currency risk increased due to modified positions in foreign currencies.

**Sensitivities of SII ratio**



1 Parallel shift until last liquid point, extrapolation to unchanged ultimate forward rate (UFR).  
 2 Sensitivity to changes of government bonds +50 basis points.  
 3 Sensitivity to changes to corporate bonds +50 basis points.  
 4 Sensitivity to changes of the consumer price index (CPI) only, which can be hedged on the capital markets.  
 5 Based on 200-year event for basic own funds.

We regularly determine how sensitively the basic own funds, the solvency capital requirement and ultimately also the solvency ratio react to major changes in specific capital market parameters and in other defined stress scenarios. The impact of selected scenarios on the solvency ratio of the Munich Re Group is shown in the chart above.

While we take account of the volatility adjustment to the risk-free interest-rate curve both in the basic case and the scenarios depicted, transitional measures are not taken into account. The Atlantic Hurricane scenario is a 1-in-200-year stress on basic own funds. For scenarios concerning risk-free interest rates, we employ a parallel shift of SII interest-rate curves until the last liquid point used by EIOPA. Subsequently, the currently valid extrapolation method used by EIOPA is applied up to the unchanged ultimate forward rate for the valuation of underwriting liabilities.

For all evaluated stress scenarios, Munich Re's capitalisation at Group level remained comfortably above the target corridor.

When applied to Munich Reinsurance Company, similar analyses yielded comparable results for the scenarios investigated.

### Prudent person principle

A number of guidelines and internal processes ensure that we invest in accordance with the prudent person principle.

– We invest only if defined security, quality, profitability and liquidity criteria are met, taking account of adequate mix

and diversification requirements. In addition, we ensure that we receive early warning if we are in danger of not meeting our strict liquidity requirements.

- We invest in products only if we understand the risks they involve. To ensure compliance with this principle, every single new investment product is subject to the new-product process for investments.
- We invest for the purpose of covering our underwriting liabilities. To do so, we replicate important features of these liabilities – such as maturity patterns, currency structures and inflation sensitivities – on the asset side. We apply our own risk criteria to define the maximum deviation between our investments and the expected underwriting cash flows.
- We use derivative financial instruments to reduce our risks and manage our investment portfolio efficiently. All financial derivatives are recorded in our systems and taken into account in our risk measurement.
- We invest in instruments that are not admitted to a regulated financial market within the framework of our investment strategy for alternative investments. Furthermore, the asset class mandates we give to our asset managers prescribe benchmarks and investment universes.
- We seek to avoid risk concentration where possible, using various risk criteria and early-warning indicators to avoid unwanted concentrations of risk on individual counterparties or sectors.

### C3 Credit risk

We define credit risk as the financial loss that Munich Re could incur as a result of a change in the financial situation of a counterparty. In addition to credit risks arising out of investments in securities and payment transactions with clients, we actively assume credit risk through the writing of credit and financial reinsurance and in corresponding primary insurance business.

When determining credit risks, Munich Re uses a portfolio model that is calibrated over a longer period (at least one full credit cycle); it also takes account of changes in fair value caused by rating migrations and debtor default. The credit risk arising out of investments (including government bonds and credit default swaps, or CDSs), deposits retained on assumed reinsurance and reserves ceded is calculated by individual debtor. If the credit risk does not exclusively depend on the debtor's creditworthiness, but also on other factors (such as subordination, guarantees or collateralisation), these are also taken into account. We use historical capital-market data to determine the associated migration and default probabilities. Correlation effects between debtors are derived from the sectors and countries in which they operate, and sector and country correlations are based on the interdependencies between the relevant stock indices.

The calculation of the credit risk in "Other receivables" is based on internal expert assessments. We also quantify the credit risk for highly rated government bonds.

Risk concentrations are mainly in government bonds issued by countries inside and outside the European Union. In addition, corporate bonds, pfandbriefs and similar covered bonds account for a large proportion of the investments.

We use a cross-balance-sheet counterparty limit system valid throughout the Group to monitor and control our Group-wide credit risks. The limits for each counterparty (a group of companies or country) are based on its financial situation as determined by the results of our fundamental analyses, ratings and market data, and the risk appetite defined by the Board of Management. The utilisation of limits is calculated on the basis of risk-weighted exposures. There are also volume limits for securities lending and repurchase transactions. Group-wide rules for collateral management – for example, for over-the-counter derivatives and catastrophe bonds issued – reduce the resultant credit risk.

In monitoring the country risks, we do not simply rely on the usual ratings, but perform independent analyses of the political, economic and fiscal situation in the countries issuing those bonds in which Munich Re is most heavily invested. In this regard, climate-change-related risks are also considered. On this basis, and taking account of the investment requirements of the fields of business in the respective currency areas and countries, limits or actions to be taken are approved. These are mandatory throughout

the Group for investments and the insurance of political risks.

The sensitivities in the credit risk model are regularly checked against the most important input parameters. This primarily concerns the recovery rates from insolvent debtors, the probabilities of debtor migration between rating classes, and the parameters for correlations between debtors. All validations demonstrated the appropriateness of the modelling approaches used.

We manage credit default risk in retrocession and external reinsurance with the assistance of limits determined by the Retro Security Committee.

More information on our credit default risk in the insurance business, and on reinsurance contracts held that are assets, can be found on pages 340 ff. of the Munich Re Group's annual report for the 2024 financial year, under "Disclosures on further risks from insurance contracts" in the Notes to the consolidated financial statements.

#### Solvency capital requirement – Credit

The solvency capital requirement declined by around 6% at Group level, resulting primarily from a decrease in investments with credit risk exposure in reinsurance. The volume of deposits retained and receivables from reinsurance contracts subject to credit risk also decreased.

## C4 Liquidity risk

Our objective in managing liquidity risk is to ensure that we are in a position to meet our payment obligations at all times.

The liquidity risk is managed within the framework of our holistic risk strategy, with the Board of Management defining the limits on which short- to long-term minimum liquidity requirements for our operations are based. Compliance with these minimum requirements, and the development thereof, are continually monitored and regularly reported to the Board of Management, so that any necessary adjustments can be made in due time.

Using quantitative risk criteria, we ensure that Munich Re has sufficient liquidity available to fully meet all its payment obligations on time, even under adverse scenarios. For this purpose, we consider extreme insurance scenarios such as losses from major natural catastrophes, or increased requirements for providing collateral in life business. We also assess the impact of difficult capital market conditions such as strong interest-rate volatility.

Our liquidity risks change almost proportionally in relation to our business volume, which is why we have observed an increase in liquidity risk in past years. We monitor our liquidity risks based on our respective extreme scenarios and when investing, we ensure that we have a sufficient buffer available, in the form of very liquid assets, to cover sudden and short-term needs.

We apply the following four liquidity risk criteria:

### Criterion 1: Known and expected liquidity requirements:

At the relevant Munich Re solo undertaking level, coverage of the known and expected payments arising from the liquidity planning is required for the current and following financial year. Local liquidity planning is complemented by central monitoring by Corporate Finance & Performance.

### Criterion 2: Large underwriting losses (insurance claims shock):

In addition to the requirements under criterion 1, Munich Reinsurance Company must ensure that for Munich Re as a whole sufficient fungible and liquid investments are available to meet claims payments following a large underwriting loss event.

Criteria 1 and 2 are deemed to be fulfilled if there is a minimum of 100% cover of the liquidity requirements for various time horizons.

### Criterion 3: Margin and collateral requirements for derivatives:

The criterion defines for each investment fund a cushion of fungible, liquid investments to ensure that collateral requirements for outstanding derivative positions, measured as the daily VaR of 99.9%, can be met at all times.

### Criterion 4: Liquidity stress testing:

This stress test is applied to all important solo undertakings of Munich Re. It depicts outflows of liquidity that may result from a combined stress event within a period of three months. The stress event comprises stresses in non-life business, life business and losses from investments, and it takes into account payments due and requirements for providing collateral. Liquidity requirements in the event of a possible fall in Munich Re's ratings are also taken into account.

In addition to the liquidity risk criteria, we also monitor liquidity leeway at Munich Re in Munich. The basis for liquidity prioritisation, liquidity leeway indicates that leeway which is available for business opportunities that use liquidity – both until the end of the current year and for the next financial year. More precisely, liquidity leeway is calculated as the difference between unrestricted liquid funds on the one hand and on the other the requirements arising from both the liquidity risk criteria and the planned liquidity consumption.

### Expected profit included in future premiums (EPIFP)

For the Munich Re Group, the total amount of expected profit included in future premiums, calculated pursuant to Article 260(2) of Delegated Regulation (EU) 2015/35, amounted to €21,678m for life and health insurance and €3,066m for property-casualty insurance as at 31 December 2024.

For Munich Reinsurance Company, the total amount of expected profit included in future premiums, calculated pursuant to Article 260(2) of Delegated Regulation (EU) 2015/35, amounted to €14,942m for life and health insurance and €1,960m for property-casualty insurance as at 31 December 2024.



## C5 Operational risk

We define operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes criminal acts committed by employees or third parties, insider trading, infringements of antitrust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations, and disagreements with business partners.

We use scenario analyses to quantify operational risks. The results are fed into the modelling of the solvency capital requirement for operational risks and are validated using various sources of information, such as the ORCS findings and both internal and external loss data.

The sensitivity in the internal model is regularly checked against the most important input parameters. This mainly relates to the dependence of the result on frequency and loss amounts and the parameters for the correlations between scenarios. The analyses showed no anomalies in the year under review.

### Solvency capital requirement – Operational risk

At Group level, the solvency capital requirement for operational risks remained virtually unchanged.

### Security risk

Security risk is an integral component of operational risk. We define security risks as risks resulting from threats to the security of our employees, data, information, and property. We have intensified our monitoring of cyber risks in recognition of the increasing importance of information technology for Munich Re's core processes and the dynamic environment of cyber crime.

The Group Chief Information Security Officer (CISO), a function that is assigned to risk management, is responsible for the central and Group-wide coordination and control of all activities involving information security risks. Security risk committees have also been set up in the fields of business to assess and manage security risks. The members of the security risk committees are managers from operational units (e.g. IT Security) and the control functions (e.g. Risk Management, Information Security, and Compliance).

To further improve cyber security, we are working on initiatives both specific to and across the fields of business to ensure a level of protection in line with our information security strategy.

## C6 Other material risks

As is typical throughout the industry and in accordance with regulatory requirements, the risk types specified below are not explicitly quantified in our internal model. Qualitative risk management is very important for dealing with these risks.

### Reputational risk

We define reputational risk as the risk of loss that may result from a deterioration in the Group's public image among clients, shareholders or other parties. Our reputation is affected by our behaviour in a number of areas, such as client relationships, product quality, corporate governance, earnings power, our treatment of employees and corporate responsibility. Reputational risk is closely intertwined with all other risk categories. The assessment of individual business transactions in terms of their reputational risk is performed at field-of-business level by reputational risk committees. Where a reputational risk could potentially have an impact across fields of business, other central divisions may be involved in the assessment if required.

### Strategic risk

We define strategic risk as the risk of making wrong business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. Existing and new potential for success in the Group and the fields of business in which it operates creates strategic risks. At Munich Re, strategic risks are identified, assessed and managed in a recurring process comprising a strategic dialogue in the Strategy Committee of the Board of Management (StratC) and annual planning. Furthermore, the Group-wide annual (financial) planning process is integrated into the strategic dialogue within the StratC. This annual planning process includes analysing financial sensitivities and risks as well as assessing the capital management and risk strategy. These process steps are mirrored in the primary insurance and reinsurance fields of business and in investment management. In this way, we put our strategy to the test in close dialogue with the various stakeholders at different levels (Group, primary insurance and reinsurance, investment management). The above processes ensure that the Board of Management addresses the strategic risks in detail and is well placed to monitor and manage them. The Group CRO is involved in both the strategic and operational business planning as well as in significant company sales, mergers and acquisitions.

## C7 Other risks

### Economic and financial-market developments and regulatory risks

Munich Re is heavily invested in the eurozone and – in reinsurance in particular – in the US dollar currency area, a consequence of our global business activities in these currency areas. We prioritise maintaining a correspondingly broad diversification of investments to cover our insurance liabilities. We take various risk management measures to counter fluctuations in the capital markets that can lead to volatilities in the Group's own funds.

The global economy was characterised by subdued economic growth overall in 2024. The eurozone recovered from stagnation and the US benefited from continued strong economic growth. The German economic slump continued, driven by dwindling industrial output. In China, the government's economic stimulus packages helped to stabilise the economy, although there were still risks in the shadow-banking and real-estate sectors. Inflation rates continued to fall in both the eurozone and the US in 2024; the average rates for the year were below the prior-year value in both regions. In the eurozone, the drop in inflation was due to lower energy prices in some cases, coupled with a less rapid increase in food prices. Service inflation in the eurozone remained persistently high. Given the protectionist policies being pursued by the US government, together with possible financial sanctions and retaliation by trading partners, both the risk of recession and the risk of changes in inflation resulting from tariffs remains high. In this environment, the general insolvency risk for companies in sectors affected by tariffs is also elevated.

For Munich Re, above-average inflation rates can have a particularly adverse effect on its claims reserves. However, we believe that expected inflation rates are adequately taken into account by applying the standard actuarial methods, which address the effects of inflation, and by our conservative reserving approach. Nevertheless, there is a risk that inflation exceeds forecasts and remains high for longer than anticipated, in turn impacting the business operations, financial position and performance of the Group. Although Munich Re protects itself against accelerated inflation by holding inflation-linked bonds and other inflation-sensitive assets such as property, commodities and infrastructure, these measures might not be sufficient to fully mitigate the repercussions of inflation. On the other hand, the fact that interest rates in the eurozone are much higher than in recent years is providing significant relief for life insurance companies with guaranteed minimum interest rates. Although the number of lapses could increase as soon as interest rates rise significantly above the guaranteed interest rate, Munich Re life insurance companies have not on the whole observed such a trend. Thus far, the positive impact, both on earnings capacity and the solvency ratio of life insurance companies, significantly outweighs the lapse risk.

We regard geopolitical risks in our planning period as very relevant. In addition to the war in Ukraine, which continues to be fought with the same intensity, the tension in the Middle East and the shifts in the balance of power, with China as the key player, 2024 was marked by a further increase in geopolitical uncertainty. This includes the implications of the presidential election in the US and the increasing political instability in the EU. Munich Re is observing the developments closely and is analysing the risks in regions where it has substantial exposures on an ongoing basis. We conduct more in-depth analyses based on specific crisis scenarios if the situation demands so that we can take risk-mitigating measures as necessary.

Global players such as Munich Re are subject to increased fiscal pressure nationally and internationally, as well as a higher audit intensity. Given the current political emphasis on an appropriate taxation of international companies and the introduction of a global minimum tax rate, which has been applied in the EU since 1 January 2024, this trend will continue and intensify.

### Climate change

Climate change represents the central sustainability risk in relation to the environment. The Munich Re Group counters climate change-related risks by systematically taking them into account in the (re)insurance business, in investments, and in its own operations. In light of the risk mitigation measures we take as part of our risk strategy as well as our risk modelling and pricing, we do not consider the impacts of climate change to be a material financial risk for Munich Re. Further information regarding our views on and measures to address climate change-related risks is available on pages 89 ff. of the Munich Re Group's annual report for the 2024 financial year, under > Combined non-financial statement > Environmental information > Climate change.

## Legal risks

As part of the normal course of business, Munich Re companies are involved in court, regulatory and arbitration proceedings in various countries. The outcome of those or possibly imminent proceedings is neither certain nor predictable. However, we believe that none of these proceedings will have a significant negative effect on the financial position of Munich Re. Such proceedings are dealt with using combined expertise within the individual departments and units.

## Emerging risks

We define emerging risks as trends or sudden events that are characterised by a high degree of uncertainty in terms of occurrence probability, expected loss amount, and potential impact on Munich Re. They are difficult to identify and analyse because historical events are only of limited use for predicting the potential consequences of the risks or estimating quantitative probabilities and loss amounts.

Legislative, socio-political, scientific, ecological, economic or technological changes or progress can give rise to new risks. As a result of high global interdependencies and interactions, these risks may escalate, for instance due to a rapid spread around the world. This increases the relevance and immediacy of the direct and indirect consequences for Munich Re.

At Munich Re, emerging risks are identified based on the findings of the CRO Forum's Emerging Risk Initiative (ERI). Munich Re is a member of the ERI, which convenes several times a year and regularly publishes the Emerging Risk Radar, which offers us an excellent source of information for adequately assessing risks.

In 2024, a particular focus remained on risks connected with geopolitical conflicts and their effects. Moreover, we consider the following areas to be highly relevant and consequently subject their potential impacts on Munich Re to intensive analysis: cyber risks, climate change, failure of critical infrastructure, and current developments in the field of artificial intelligence.

# Valuation for solvency purposes

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## D Valuation for solvency purposes

### D1 Assets

#### Valuation of assets

Pursuant to Article 75(1)(a) of Directive 2009/138/EC, all assets are valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction – that means at their fair values. In contrast, the IFRS Accounting Standards use a

mixed measurement model. That means that some assets are measured at fair value, and others are measured at amortised cost or at nominal value. If the valuation basis for Solvency II and IFRS is the same, we use the same fair values for both purposes.

#### Assets

€m	Solvency II value	Statutory accounts value
Goodwill		3,443
Deferred acquisition costs		0
Intangible assets	0	819
Deferred tax assets	397	2,664
Pension benefit surplus	304	0
Property, plant & equipment held for own use	4,038	2,841
Investments (other than assets held for index-linked and unit-linked contracts)	219,341	220,535
Property (other than for own use)	10,236	10,189
Holdings in related undertakings, including participations	5,987	5,266
Equities	2,555	14,086
Equities – listed	260	14,086
Equities – unlisted	2,295	0
Bonds	131,406	174,849
Government bonds	73,238	174,849
Corporate bonds	49,431	0
Structured notes	4,398	0
Collateralised securities	4,338	0
Collective investment undertakings	61,920	0
Derivatives	2,164	1,429
Deposits other than cash equivalents	2,739	3,155
Other investments	2,334	11,561
Assets held for index-linked and unit-linked contracts	8,976	9,186
Loans and mortgages	13,322	10,179
Loans on policies	137	0
Loans and mortgages to individuals	3,480	10,179
Other loans and mortgages	9,706	0
Reinsurance recoverables from:	5,268	3,600
Non-life and health similar to non-life	2,599	2,882
Non-life excluding health	2,533	2,800
Health similar to non-life	66	81
Life and health similar to life, excluding health and index-linked and unit-linked	2,669	718
Health similar to life	579	390
Life excluding health and index-linked and unit-linked	2,091	328
Life index-linked and unit-linked	0	0
Deposits to cedants	16,609	0
Insurance and intermediaries receivables	18,165	0
Reinsurance receivables	1,144	0
Receivables (trade, not insurance)	5,403	16,160
Own shares (held directly)	1,147	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	4,426	6,116
Any other assets, not elsewhere shown	622	3,237
<b>Total assets</b>	<b>299,162</b>	<b>278,781</b>

If the valuation basis for IFRS and Solvency II is different, we explain the differences in greater detail for the respective assets. If the differences between fair values according to Solvency II and IFRS values are immaterial, assets are measured at their IFRS values.

In addition to the differences in the valuation of individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. Even where the valuations are identical, the figures within items may not be the same due to differences in composition. The differences are particularly significant for assets shown under investments. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per the IFRS balance sheet in order to comply with the structure prescribed for the solvency balance sheet, we made this reclassification for comparison purposes.

#### Use of judgements and estimates in recognition and measurement

Where measurement has to be based on models because no market prices are available for the calculation of the fair values required, judgement must be exercised and estimates and assumptions used. These affect both the assets and the other liabilities shown in the solvency balance sheet.

Our internal processes are geared to determining amounts as accurately as possible, taking into account all the relevant information to the best of the management's knowledge. Nevertheless, it is in the nature of estimates that they may have to be adjusted in the course of time to take account of new knowledge.

In the sections below, we provide a separate description of the bases, methods and main assumptions used for the recognition, measurement and reporting of each material class of assets in the solvency balance sheet and in financial reporting under IFRS.

## Goodwill

No goodwill is shown in the solvency balance sheet.

Under IFRS, goodwill resulting from the first-time consolidation of subsidiaries is reported and tested for impairment at least annually. We carry out additional impairment tests during the year if there are indications of impairment.

## Intangible assets

Intangible assets are only shown in the solvency balance sheet if they are accounted for under IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since Munich Re's intangible assets currently do not meet this requirement, no amount is reported for this item in the solvency balance sheet.

Under IFRS, other intangible assets largely include software assets, as well as acquired distribution networks and client bases.

Software assets are carried at cost and are generally amortised on a straight-line basis over a useful life of three to five years. If necessary, impairment losses on the assets are recognised or reversed up to a maximum of the amortised cost.

Client bases and distribution networks are carried at cost and are generally amortised on a straight-line basis over their useful life. If necessary, impairment losses are recognised or reversed up to a maximum of the amortised cost.

Intangible assets related to our investments in infrastructure and renewable energies are reported separately under non-financial investments. These assets relate primarily to licences, concessions and right-of-use assets relating to the operation of investments in renewable energies.

## Deferred tax assets

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax assets are recognised and valued in accordance with IAS 12. In addition, the relevant interpretative decisions issued by BaFin are taken into account.

Deferred tax assets are calculated on the basis of the difference between the values ascribed to assets recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to assets recognised and valued for tax purposes. Deferred taxes are determined on the basis of the tax rates of the countries concerned. Changes in tax rates and tax legislation that have already been adopted at the balance sheet date are taken into account.

Deferred tax assets are recognised in cases where asset items have to be valued lower, or liability items higher, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences). Also included are deferred tax assets deriving from tax loss carry-forwards and tax credits.

Deferred tax assets are recognised if there are sufficient taxable temporary differences which are expected to reverse in the same period as the deductible temporary differences. For any additional deductible temporary differences, deferred tax assets are recognised only to the extent that it is probable that future profits will be available in the same period in which the deductible temporary differences are expected to reverse. This is generally based on a five-year result plan, although a longer or shorter planning horizon may be required in particular circumstances.

Deferred tax assets and deferred tax liabilities are reported on a net basis, provided that they refer to the same taxable entity and the same tax authority. Netting out is done here if it is generally possible to offset the underlying tax assets and tax liabilities. In 2024, deferred tax assets and deferred tax liabilities amounting to €12,153m were offset against each other. After offsetting assets and liabilities, Munich Re's net deferred tax assets amounted to €397m as at 31 December 2024. Net deferred tax liabilities came to €6,597m.

For investments, there is a net surplus of deferred tax assets of €746m in the solvency balance sheet. Differences in recognition and measurement between the solvency balance sheet and the tax accounts resulted in a net surplus of deferred tax assets of €102m derived from provisions for post-employment benefits. Intangible assets are not recognised in the solvency balance sheet, while expenses incurred for internally developed IT products and acquired intangible assets are recognised as assets in the tax accounts. As a result, deferred tax assets amounted to €175m. Furthermore, deferred tax assets of €553m arose from loss carry-forwards and tax credits.

For technical provisions, there was a net surplus of deferred tax liabilities of €3,380m, taking into account a reduction of deferred tax assets of €84m resulting from the application of transitional measures for technical provisions, and €153m resulting from the application of volatility adjustments. Deferred tax liabilities of €2,478m arose from the claims equalisation provision, which is shown in the tax accounts but not in the solvency balance sheet. Net deferred tax liabilities for other balance-sheet items amounted to €1,917m.

As at 31 December 2024, deductible temporary differences not recognised as deferred tax assets in the solvency balance sheet amounted to €532m.

Loss carry-forwards and tax credits totalled €4,472m in 2024, resulting in deferred tax assets of €553m.

Tax loss carry-forwards and tax credits break down as shown in the table "Tax loss carry-forwards and tax credits".

**Tax loss carry-forwards and tax credits**

€m	For which deferred tax assets are recognised	For which deferred tax assets are not recognised	Total
<b>Corporation tax loss carry-forwards</b>	<b>1,301</b>	<b>2,274</b>	<b>3,575</b>
Expiring in up to three years	43	0	43
Expiring in over three years and up to ten years	306	32	338
Expiring in over ten years	87	3	90
Not expiring	866	2,239	3,104
<b>Trade tax loss carry-forwards</b>	<b>415</b>	<b>204</b>	<b>620</b>
Not expiring	415	204	620
<b>Tax loss carry-forwards from capital losses</b>	<b>25</b>	<b>49</b>	<b>75</b>
Expiring in up to three years	0	0	0
Expiring in over three years and up to ten years	25	48	73
Expiring in over ten years	0	0	0
Not expiring	0	1	1
<b>Tax credits</b>	<b>198</b>	<b>4</b>	<b>202</b>
Expiring in up to three years	0	0	0
Expiring in over three years and up to ten years	0	4	4
Expiring in over ten years	0	0	0
Not expiring	198	0	198

**Pension benefit surplus**

Details about how we recognise the pension benefit surplus are set out in connection with pension benefit obligations in section D 3.

**Property, plant & equipment held for own use****Property held for own use**

In the solvency balance sheet, owner-occupied property is recognised under "Property, plant & equipment held for own use". In the IFRS accounts, it is shown under "Other assets".

Under Solvency II, we measure land and buildings at fair value. For investment property managed by Munich Re, this is measured by valuation experts within the Group, while investment property managed by third parties is measured by external valuation experts. Determining the sustainability of cash inflows and outflows, taking into account the market conditions at the property location, is material for valuation. The fair value is determined individually per item by discounting the future cash flow to the valuation date.

Under IFRS, we measure land and buildings at amortised cost (cost model) in reinsurance and non-participating primary insurance. Depreciation on buildings is mainly on a straight-line basis. Impairment losses are recognised for owner-occupied land and buildings accounted for using the cost model if the recoverable amount has fallen below the carrying amount on the reporting date. If necessary, impairment losses are reversed up to a maximum of the amortised cost.

If owner-occupied property is held as underlying items for insurance contracts with direct participation features under

the variable fee approach (VFA), we recognise these properties using the fair value model. They are measured at cost, including incidental expenses, on initial recognition. Subsequent measurement is at fair value, recording any changes in value in the net result.

**Plant & equipment held for own use**

For reasons of simplification, plant and equipment is recognised at its IFRS value in the solvency balance sheet, i.e. at amortised cost. Items are depreciated over their useful lives to reflect the decline in utility, unless they are written down to a lower value for impairment.

Our lease agreements are recognised in the solvency balance sheet and in accordance with IFRS. Further details on leases can be found in section A 4 "Performance of other activities".

Finance lease agreements – which are disclosed in our IFRS consolidated financial statements – are not material for our solvency position.



## Investments (other than assets held for index-linked and unit-linked contracts)

### Property (other than for own use)

For both solvency balance sheet and IFRS purposes, land and buildings not held for own use are measured in the same way as owner-occupied property, i.e. fair values are used for the solvency balance sheet. Under IFRS, investment properties are measured using the cost model or – if they are held as underlying items for insurance contracts with direct participation features under the VFA – in accordance with the fair value model.

### Holdings in related undertakings, including participations

This item comprises the following holdings in related undertakings:

- Subsidiary undertakings not fully consolidated: These include certain collective investment undertakings having separate legal personality (investment companies), financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies, non-regulated undertakings carrying out financial activities and ancillary services undertakings classified as immaterial from a Group perspective; and
- Jointly controlled entities not proportionally consolidated: These include certain collective investment undertakings having separate legal personality (investment companies), financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies, non-regulated undertakings carrying out financial activities and ancillary services undertakings classified as immaterial from a Group perspective; and
- Any Munich Re participations.

Not included in this item are related undertakings taken into account in the consolidated data for the calculation of Group solvency in accordance with Article 335(1)(a–c) of the Delegated Regulation. These include interests in special purpose vehicles as well as subsidiary undertakings and jointly controlled entities that are insurance or reinsurance undertakings (whether or not the latter are from the EEA), insurance holding companies, mixed financial holding companies or material ancillary services undertakings, as these interests must be fully or proportionally consolidated for the calculation of Group solvency. For holdings in jointly controlled entities not included through proportional consolidation, Munich Re uses the valuation hierarchy explained below.

Holdings in related undertakings that are financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies or non-regulated undertakings carrying out financial activities are valued on the basis of the proportional share of the undertaking's own funds calculated in accordance with the relevant sectoral rules.

For any other holdings in related undertakings included in this item, Munich Re applies the following valuation hierarchy for determining fair value as at the balance sheet date:

- The default valuation approach is the use of quoted market prices in active markets for the same assets.
- If the use of quoted market prices in active markets for the same assets is not possible because the relevant related undertaking is not listed on a stock exchange, Munich Re measures its holdings:
  - based on the share of the excess of assets over liabilities in accordance with the Solvency II valuation rules, if the relevant related undertaking is a collective investment undertaking having separate legal personality or an insurance or reinsurance undertaking from the EEA;
  - based on the equity method pursuant to IAS 28, Investments in Associates and Joint Ventures, if the relevant related undertaking is not a collective investment undertaking having separate legal personality and not an insurance or reinsurance undertaking from the EEA, but is valued based on the equity method in Munich Re's consolidated financial statements pursuant to IFRS as it is considered material. Contrary to IAS 28, goodwill and other intangible assets valued at zero pursuant to Solvency II valuation rules are deducted from the value determined under IFRS using the equity method;
  - based on an alternative valuation method if the relevant related undertaking is not a collective investment undertaking having separate legal personality and not an insurance or reinsurance undertaking from the EEA, and in addition it is not valued based on the equity method in Munich Re's consolidated financial statements pursuant to IFRS as it is considered immaterial.

Taking into consideration the principles of materiality, Munich Re uses

- the equity method for related undertakings not listed on a stock exchange that are not subject to supervision at individual entity level, and where the share of the excess of assets over liabilities in accordance with Solvency II valuation rules would therefore have to be calculated for Group solvency purposes only;
- an alternative valuation method for related undertakings not listed on a stock exchange that are considered immaterial under IFRS and thus are not valued using the equity method in Munich Re's consolidated financial statements.

In contrast to IFRS, where any material subsidiary is fully consolidated (irrespective of the business activity or type of undertaking), for the calculation of the Group solvency balance sheet, subsidiary undertakings are subject to full consolidation only if they are insurance or reinsurance undertakings (whether or not the latter are from the EEA), insurance holding companies, mixed financial holding companies or material ancillary services undertakings.

Under IFRS, interests in material associates and joint ventures are always accounted for using the equity method, while interests in immaterial subsidiaries, associates and joint ventures are measured at quoted market prices if available. If quoted market prices are not available, the alternative valuation method outlined above is applied, i.e. the undertaking's net asset value or local equity value is normally used.

The complete list of holdings in related undertakings of Munich Re can be found in QRT S.32.01.22 (Undertakings in the scope of the Group).

#### **Other financial assets**

In the solvency balance sheet, we value all other financial assets at fair value. Where a price is quoted in active markets (i.e. at market value), that price should be used. If no market price is available, valuation models are used in which observable market inputs are applied as far as possible. The same valuation principles are followed as under IFRS.

Where financial assets are also to be valued at fair value under IFRS, the valuation is exactly the same as for the solvency balance sheet.

#### **Determining fair values**

Since market values are not available for all assets and liabilities, IFRS has a valuation hierarchy with three levels. Though Solvency II does not explicitly name the levels, it

does provide for equivalent differentiation in the assessment of the fair values used. The allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking.

In the case of Level 1, valuation is based on quoted prices in active markets for identical financial instruments which Munich Re can refer to at the valuation date. The financial instruments we have allocated to this level mainly comprise equities, equity funds and exchange-traded derivatives.

Assets allocated to Level 2 are valued using models based on observable market data. The inputs used for valuation must be observable throughout the instrument's contract period. In addition, Level 2 includes assets and liabilities for which valuation and the market data required for valuation are provided by price quoters, but for which it is not possible to completely determine to which extent the data used is observable in the market. The financial instruments we have allocated to Level 2 mainly comprise bearer bonds, bond funds, promissory note loans, covered bonds, subordinated securities, specified credit structures, derivatives not traded on the stock market and subordinated liabilities. Moreover, we have allocated a majority of our financial receivables and liabilities to Level 2.

We allocate to Level 3 assets and liabilities for which unobservable market inputs have a significant impact on valuation. The inputs used reflect Munich Re's assumptions regarding the factors which market players would consider in their pricing. To this end, we use the best available market information, supplemented with internal company data. The assets allocated to this level of the fair value hierarchy largely comprise investment property and real estate funds. Funds that mainly invest in theoretically valued instruments, and investments in infrastructure and in private equity are also allocated to Level 3, along with investments in subsidiaries, associates and joint ventures measured at fair value, and insurance-related financial instruments.

In the case of instruments not traded on an active market, we decide on a case-by-case basis to which level of the fair value hierarchy to allocate the respective fair values.

The following table provides an overview of the models used to measure the fair values of our investments when market prices are not available.

## Valuation techniques for assets and liabilities

Bonds and notes	Pricing method	Inputs	Pricing model
<b>Interest-rate risks</b>			
Promissory note loans/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present-value method
RUB-denominated Russian govern- ment bonds	Theoretical price	Issuer-specific yield curve	Present-value method
Mortgage loans	Theoretical price	Sector-specific yield curve considering the profit margin included in the nominal interest rate	Present-value method
<b>Derivatives</b>			
Equity and index risks	Pricing method	Inputs	Pricing model
OTC stock options	Theoretical price	Listing of underlying Effective volatilities Money-market interest-rate curve Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Equity forwards	Theoretical price	Listing of underlying Money-market interest-rate curve Dividend yield	Present-value method
<b>Interest-rate risks</b>			
Interest-rate swaps	Theoretical price	Swap and CSA curve <sup>1</sup>	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility matrix and skew OIS/swap curve	Bachelier/ Normal Black
Interest-rate currency swaps	Theoretical price	Swap and CSA curve <sup>1</sup> Currency spot rates	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates OIS curve	Present-value method
Bond forwards (forward transactions)	Theoretical price	Listing of underlying OIS curve	Present-value method
<b>Currency risks</b>			
Currency options	Theoretical price	Volatility skew Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Currency forward rates/ticks Money-market interest-rate curve	Present-value method
<b>Other transactions</b>			
Insurance derivatives (natural and weather risks)	Theoretical price	Fair values of catastrophe bonds Historical event data Interest-rate curve	Present-value method
Insurance derivatives (variable annuities)	Theoretical price	Biometric rates and lapse rates Volatilities Interest-rate curve Currency spot rates	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates CSA curve <sup>1</sup>	ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying Effective volatilities Money-market interest-rate curve Cost of carry	Black-Scholes (European) Cox, Ross and Rubinstein (American)

<b>Bonds and notes with embedded derivatives</b>	<b>Pricing method</b>	<b>Inputs</b>	<b>Pricing model</b>
Callable bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix	Hull-White
CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan), Stochastic volatility model, Hull-White
CMS floaters with variable cap	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan), Stochastic volatility model, Hull-White
Inverse CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan), Stochastic volatility model, Hull-White
CMS steepeners	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews Correlation matrix	Replication model (Hagan), Stochastic volatility model, Hull-White
Convergence bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan), Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method, Hull-White
FIS promissory note loans	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Catastrophe bonds	Theoretical price	Fair values of catastrophe bonds Historical event data Interest-rate curve	Present-value method
<b>Funds</b>	<b>Pricing method</b>	<b>Inputs</b>	<b>Pricing model</b>
Real estate funds	–	–	Net asset value
Alternative investment funds (e.g. private equity, infrastructure, forestry)	–	–	Net asset value
<b>Other</b>	<b>Pricing method</b>	<b>Inputs</b>	<b>Pricing model</b>
Real estate	Theoretical market price	Interest-rate curve Market rents	Present-value method or valuation
Alternative direct investments (e.g. infrastructure, forestry)	Theoretical market price	Interest-rate curve (among others) Electricity price forecast and inflation forecast Timber price	Present-value method or valuation
Insurance contracts that do not transfer significant insurance risk	Theoretical market price	Biometric rates and lapse rates Historical event data Interest-rate curve Currency spot rates	Present-value method

1 The OIS curve is used if the quotation currency is the CSA currency.

Insurance derivatives and insurance contracts that do not transfer significant insurance risk are mostly allocated to Level 3 of the fair value hierarchy, as observable market inputs are often not available. This is assessed on a case-by-case basis, taking into account the characteristics of the financial instrument concerned. In this case, exclusively observable market inputs are often unavailable, so that biometric rates (including lapse rates) and historical event data are used for valuations on the basis of the present-value method.

The derivative components of catastrophe bonds are measured based on the values supplied by brokers for the underlying bonds, which is why the extent to which unobservable inputs were used cannot readily be assessed.

The inputs requiring consideration in measuring variable annuities are derived either directly from market data (in particular volatilities, interest-rate curves and currency spot rates) or from actuarial data (especially biometric and lapse rates). The lapse rates used are modelled dynamically, depending on the specific insurance product and current situation of the capital markets. The assumptions with regard to mortality are based on client-specific data or published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The dependencies between different capital market inputs are modelled by correlation matrices. Where the valuation of these products is not based on observable inputs, which is usually the case, we allocate them to Level 3 of the fair value hierarchy.

The other investments allocated to Level 3 are mainly external fund units (in particular, private equity, real estate and funds that invest in a variety of assets that are subject to theoretical valuation). Since market quotes are not available for these on a regular basis, net asset values (NAVs) are provided by the asset managers. The NAVs are determined by adding up all the fund assets and subtracting all the fund liabilities. The NAV per fund unit is calculated by dividing the NAV by the number of outstanding fund units. We thus do not perform our own valuations using unobservable inputs. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

#### IFRS 9 measurement

Unlike in the solvency balance sheet, pursuant to IFRS 9 financial assets are classified for the purpose of subsequent measurement as measured at "amortised cost", "fair value through other comprehensive income" or "fair value through profit or loss".

The classification and subsequent measurement are determined on the basis of the business model for managing the financial assets and the contractual cash flow characteristics (SPPI) of the financial assets.

#### Business model

An entity's business model refers to how the entity manages the financial assets in order to generate cash flows. A distinction is made between the following business models:

In the business model "hold to collect", the financial assets are managed with the objective of collecting contractual cash flows.

The objective of the business model "hold to collect and sell" is achieved by both collecting contractual cash flows and selling financial assets.

The business model "other" applies to financial assets that are managed neither under the "hold to collect" nor under the "hold to collect and sell" business model.

#### Contractual cash flow characteristics

If financial assets are held within the business model "hold to collect" or "hold to collect and sell", an additional assessment as to whether they pass the "solely payments of principal and interest (SPPI) test" is necessary for the classification for subsequent measurement.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement and pass the SPPI test.

#### Classification according to IFRS 9

Financial assets managed within the business model "hold to collect" that pass the SPPI test are measured at amortised cost.

Financial assets subject to the business model "hold to collect and sell" that pass the SPPI test are measured at fair value through other comprehensive income. This includes the major part of our financial investments.

Financial assets that are managed under the business model "other" or that do not pass the SPPI test are measured at fair value through profit or loss.

In view of the business model at Munich Re, this includes in particular the investments for unit-linked life insurance and the insurance-related financial instruments.

In particular, insurance-related financial instruments include insurance derivatives, derivative components of variable annuities, derivatives for hedging variable annuity contracts, and loans.

Insurance-related financial instruments, where they are not exclusively derivative financial instruments, are to be measured and reported as insurance contracts as part of the technical provisions for solvency purposes.

#### Impairment according to IFRS 9

IFRS 9 specifies the use of an expected credit loss model for the recognition of impairment losses; this requires recognising expected credit losses even before they arise as an expense. These impairment requirements primarily affect financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables.

To measure expected credit losses, we use the probability of default, the loss given default and the exposure at default.

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required.

#### Equities

Under IFRS, we measure equities at fair value through profit or loss. As a result, there are no measurement differences as against the solvency balance sheet.

#### Bonds

Bonds are mostly used to back insurance liabilities and are managed as part of the business model “hold to collect and sell”. If they also pass the SPPI test, they are measured at fair value through other comprehensive income under IFRS. If they do not, measurement is at fair value through profit or loss. There are no measurement differences as against the solvency balance sheet.

#### Undertakings for collective investment in transferable securities

Under IFRS, undertakings for collective investment in transferable securities are generally fully consolidated, whereas under Solvency II, fund units that are not part of the item “holdings in related undertakings, including participations” are reported under “Undertakings for collective investment in transferable securities”.

#### Derivatives

Under Solvency II and IFRS, derivatives are measured at fair value.

Due to fair value measurement, however, no rules exist under Solvency II regarding the unbundling of embedded derivatives or hedge accounting.

#### Deposits other than cash equivalents

Deposits with banks are managed within the business model “hold to collect” and pass the SPPI test, meaning that they are measured at amortised cost under IFRS.

#### Other investments

Other investments are managed within the business model “hold to collect and sell”. If they also pass the SPPI test, they are measured at fair value through other comprehensive income under IFRS. If they do not, measurement is at fair value through profit or loss. There are no measurement differences as against the solvency balance sheet.

The classification of investments in the solvency balance sheet is fundamentally different from that under IFRS. For supervisory purposes, investments are classified into different types on the basis of the Complementary Identification Codes. In financial reporting under IFRS, they are broken down on the basis of the measurement categories of IFRS 9 in accordance with the business model and the result of the SPPI test. Therefore, the differences in valuation are not directly evident from the solvency balance sheet structure (or from a comparison of the Solvency II values against the IFRS values). The main measurement differences arise in respect of financial assets measured at amortised cost. As at 31 December 2024, these came to €13,429m compared with a fair value of €13,490m.

#### Assets held for index-linked and unit-linked contracts

These are investments for policyholders under unit-linked life insurances. We recognise these at their fair value in the solvency balance sheet. In our IFRS consolidated balance sheet, we report these investments under “Investments for unit-linked life insurance”. The investments for unit-linked life insurance are stated at their fair value, as they are managed within the business model “other” based on their fair value.

#### Loans and mortgages

In the solvency balance sheet, loans and mortgages – including loans on policies – are shown as a separate line item outside the investments. They are measured at fair value.

Under IFRS, loans are reported under financial investments, and to a lesser extent also as insurance-related financial instruments. The management strategy for financial investments is aimed at both collecting contractual cash flows and selling financial assets. As a result, they are managed within the business model “hold to collect and sell” (see section D 1 “Measurement categories according to IFRS”). If the loans reported under financial investments also pass the SPPI test, they are measured at fair value through other comprehensive income. Loans that do not pass the SPPI test are measured at fair value through profit or loss.

In the case of loans under insurance-related financial instruments, contractual wording largely waives the right to reimbursement triggered by the occurrence of insurance events. Similar agreements also exist for quasi-equity instruments. Pure policy loans are included in the insurance items under IFRS 17.

### Reinsurance recoverables

Reinsurance recoverables are dealt with in section D 2 "Technical provisions".

### Deposits to cedants

Deposits to cedants serve as collateral for technical provisions covering business assumed. The amount of and changes in these deposits derive from the values for the changes in the related technical provisions. Deposits to cedants thus do not have a fixed maturity date, their release generally being dependent on the run-off of the corresponding provisions.

In the solvency balance sheet, deposits to cedants are measured at fair value.

In the IFRS consolidated balance sheet, deposits retained are not presented separately, but are included in the insurance items.

### Insurance and intermediaries receivables

In the solvency balance sheet, insurance and intermediaries receivables are measured at fair value, taking counterparty default risk into account.

In the IFRS consolidated balance sheet, insurance and intermediaries receivables are not presented separately, but are included in the insurance items.

### Reinsurance receivables

In the solvency balance sheet, reinsurance receivables are measured at fair value, taking counterparty default risk into account.

In the IFRS consolidated balance sheet, reinsurance receivables are not presented separately, but are included in the insurance items.

### Receivables (trade, not insurance)

In the solvency balance sheet, the receivables (trade, not insurance) include in particular receivables from dividends, receivables from profit pooling or transfer agreements, receivables from taxes, and other receivables. These receivables must be measured at fair value. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are recognised at their IFRS carrying amount, i.e. at amortised cost. Doubtful receivables are written down to the estimated recoverable amount.

Receivables from taxes and other receivables are discounted, taking into account the actual risk-free interest rates and relevant interest-rate spreads. The individual business partner's credit risk is also taken into consideration.

In the IFRS consolidated balance sheet, the item "Receivables" comprises current tax receivables, financial receivables and other receivables. Current tax receivables and other receivables are accounted for at amortised cost. The financial receivables are financial instruments and are subject to the IFRS 9 impairment model. As they are managed within the business model "hold to collect", they are measured at amortised cost provided they pass the SPPI test. Otherwise, they are measured at fair value through profit or loss for subsequent measurement purposes.

The impairment test of our non-financial receivables that are not carried at fair value in subsequent periods is performed in a two-stage process, firstly at the level of individual items, and then on the basis of groups of similar receivables. The impairment is recognised as an expense. If, in a subsequent period, the reasons for the impairment cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the cost.

### Own shares (held directly)

This item includes own shares held by Munich Reinsurance Company. Under Solvency II, own shares are measured at fair value. When determining own funds, this amount has to be deducted from basic own funds. Under IFRS, own shares are not recognised as a separate asset item; instead, they have to be deducted from shareholders' equity.

### Amounts due in respect of own fund items or initial funds called up but not yet paid in

This item is currently not relevant for Munich Re.

### Cash and cash equivalents

Under Solvency II, the nominal value of cash is considered to be the fair value. Transferable deposits (including cheques) are valued at amortised cost (usually this is the nominal value). Credit risk is taken into account by valuing doubtful deposits and doubtful cheques at the estimated recoverable amount.

Under IFRS 9, cash and cash equivalents are financial instruments, and are managed within the business model "hold to collect". As a result, they are measured at amortised cost, or at their nominal value due to their short-term nature. If they do not pass the SPPI test, they are measured at fair value through profit or loss.

### Any other assets, not elsewhere shown

"Any other assets, not elsewhere shown" covers all assets that cannot be allocated to any other class of assets.

As a basic principle, in the solvency balance sheet all other assets are to be measured at fair value. Similar to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. In contrast to IFRS, prepayments are discounted under Solvency II taking into account the relevant risk-free effective interest rates and relevant interest-rate spreads, unless the effect from discounting is immaterial.

In the solvency balance sheet, inventories are measured using the relevant IFRS carrying amounts, i.e. the estimated realisable value. If, in the normal course of business, the value falls below the value of the acquisition costs, inventories are to be written down to this value.



## D2 Technical provisions

### Description of the valuation methodologies used for solvency purposes

#### Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders, cedants and beneficiaries. The value of the technical provisions corresponds to the current amount the undertakings would have to pay if they were to transfer their insurance and reinsurance liabilities immediately to another insurance or reinsurance undertaking. The calculation of technical provisions must make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions must be calculated in a prudent,

reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

#### Calculation of technical provisions

Technical provisions are calculated using established principles for actuarial valuation. Manuals of methods for Solvency II – and for the calculation of technical provisions in particular – ensure consistent valuation approaches throughout Munich Re. In this context, we set out requirements regarding segmentation of business, data used, economic and operational (e.g. biometric) assumptions, and methods and models.

In general, the value of technical provisions is equal to the sum of a best estimate and a risk margin as explained below.

#### Technical provisions

€m	Solvency II value
Technical provisions – non-life	87,905
Technical provisions – non-life (excluding health)	84,901
TP calculated as a whole	0
Best estimate	82,522
Risk margin	2,380
Technical provisions – health (similar to non-life)	3,004
TP calculated as a whole	0
Best estimate	2,902
Risk margin	102
Technical provisions – life (excluding index-linked and unit-linked)	109,162
Technical provisions – health (similar to life)	59,393
TP calculated as a whole	0
Best estimate	54,502
Risk margin	4,891
Technical provisions – life (excluding health and index-linked and unit-linked)	49,769
TP calculated as a whole	0
Best estimate	44,297
Risk margin	5,472
Technical provisions – index-linked and unit-linked	9,160
TP calculated as a whole	95
Best estimate	8,918
Risk margin	146
<b>Technical provisions total</b>	<b>206,227</b>

The best estimate corresponds to the probability-weighted average of future cash flows, taking account of future developments and uncertainties. It also takes discount effects into account and uses the relevant risk-free interest-rate term structure. As at the reporting date, we do not make use of any transitional measures regarding the relevant risk-free interest-rate term structure. The volatility adjustment (pursuant to Article 77(d) of Directive 2009/138/EC) is used in the models of the portfolios of six primary insurance companies: the German undertakings ERGO Lebensversicherung AG and Victoria Lebensversicherung AG; the Belgian undertakings ERGO Insurance N.V. and DKV Belgium S.A.; the Austrian

undertaking ERGO Versicherung AG; and the Greek undertaking ERGO Insurance Company S.A. Matching adjustments are not used. Four insurance companies (ERGO Lebensversicherung AG; Victoria Lebensversicherung AG; ERGO Versicherung AG, Vienna; and ERGO Insurance Company S.A., Athens) may apply a transitional deduction on technical provisions (Article 308(d) of Directive 2009/138/EC); the effect for ERGO Lebensversicherung AG and Victoria Lebensversicherung AG presently corresponds to a deduction on technical provisions of zero.

The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions, and is performed using adequate, applicable and relevant actuarial and statistical methods. To ensure consistency where possible, most of the economic assumptions are derived at Group level. Non-economic assumptions are mostly based on the characteristics of the insurance portfolio. Expenses are assessed on a going-concern basis. The cash-flow projection used in the calculation of the best estimate takes account of all the cash inflows and outflows required to settle the insurance and reinsurance obligations over their lifetime. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles (e.g. retrocession to the capital market via a catastrophe bond). Those amounts are calculated and reported separately.

For property-casualty (re)insurance, the best estimate is calculated separately for the premium provision and the provision for claims outstanding. Premium provisions are established for future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Provisions for claims outstanding are established for claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

The risk margin is set at such a level as to ensure that the value of the technical provisions as a whole (best estimate plus risk margin) is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the [re]insurance undertaking) is taken over by another undertaking (the reference undertaking). The risk margin covers the following risk categories: underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policyholders and any other material exposures which are closely related to the insurance and reinsurance obligations, and operational risk. The risk margin is calculated by projecting the SCR; the risk categories above are covered and suitable risk drivers are used for the projection. The present value of the projected SCR is then multiplied by the cost-of-capital rate of 6% prescribed under Solvency II.

The risk margin is allocated to the lines of business on a proportional basis, taking into account both the risk and the best estimate of the technical provisions in the line of business concerned. The best estimate and the risk margin are valued separately. However, where future cash flows associated with insurance or reinsurance obligations can be reliably replicated using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows is determined on the basis of the market value of those financial instruments. In this case, separate calculations of the best estimate and the risk margin are not required.

Under Solvency II, we segment our insurance and reinsurance obligations into homogeneous risk groups, and as a minimum by line of business, when calculating technical provisions.

In the reporting year, there was no material change to the models and their underlying assumptions used to calculate the technical provisions.

#### **Valuation of financial guarantees and contractual options**

When calculating technical provisions, we take account of the value of financial guarantees and contractual options included in insurance and reinsurance policies. Any assumptions made with respect to the likelihood that policyholders will exercise contractual options, including lapses and surrenders, are based on current and credible information. The assumptions take account, either explicitly or implicitly, of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.

#### **Simplifications used in the calculation of technical provisions**

To calculate the best estimates, Munich Re makes use of the simplifications described in Title I, Chapter III, Section 6 of the Delegated Regulation in Article 58(a) and Article 59. The simplified calculation of the risk margin pursuant to Article 58(a) of the Delegated Regulation is applied for standard-model entities in primary insurance and a small number of non-EEA reinsurance subsidiaries only. These simplified calculations account for less than 2.0% of our total technical provisions.

Article 59 of the Delegated Regulation allows the risk margin to be fully recalculated only at the end of the year and to be updated to scale for the quarterly closings. In the property-casualty reinsurance segment, we scale the risk margin according to the best estimates of net technical provisions, as illustrated in the Guidelines on valuation of technical provisions (EIOPA-BoS-14/166, Technical Annex VI).

In addition to these simplifications, Munich Re applies the proportionality principle as set out in Article 29(4) of Directive 2009/138/EC.

#### **Impact of the transitional deduction on technical provisions and of the volatility adjustment**

In line with the requirements defined in Directive 2009/138/EC, at the end of every year, the transitional deduction described in Article 308(d) (i.e. the impact of the transitional measure involving a temporary deduction on technical provisions) will decrease on a straight-line basis from 100% during the year beginning on 1 January 2016 to 0% on 1 January 2032. The use of the transitional deduction on the technical provisions of the four above-mentioned insurance undertakings has a negligible impact on the SCR at Group level.

Six life and health primary insurance companies already mentioned apply a (static) volatility adjustment to the risk-free interest-rate term structure in accordance with Article 77(d) of Directive 2009/138/EC. The volatility adjustment decreases the technical provisions and increases the eligible own funds of the relevant individual undertakings, which has an effect at Group level. The adjustment also has an effect on the calculated SCR of the relevant undertakings and the Group.

The quantitative effects of the transitional deduction on technical provisions and the volatility adjustment on eligible own funds and the SCR are illustrated in QRT S.22.01.22 (impact of long-term guarantees and transitional measures) in the annex to this report.

The use of the transitional measures and volatility adjustment results in an immaterial reduction of the minimum capital requirement (MCR).

## Uncertainty associated with the amount of technical provisions

The assessment of the best estimate of technical provisions is largely based on available data and actuarial models in conjunction with expert judgements. In view of the uncertainties involved, different experts may arrive at different assumptions based on their individual background, professional experience, or field of discipline. As a result, a certain degree of uncertainty in the models and parameters used is inevitable. Such uncertainty is taken into account in the validation of the technical provisions by identifying sensitivities and developing and examining scenarios.

Compared with the uncertainty involved in determining best estimates, the determination of the risk margin as part of the technical provisions is not characterised by a high degree of freedom when selecting assumptions. The risk margin is based on the present value of the projected solvency capital requirement and is largely prescribed by regulatory requirements. Some uncertainty is involved – for example, in selecting the specific projection patterns or the degree of diversification.

## Description of methods used for IFRS valuation

We recognise insurance contracts as per the provisions set out in IFRS 17.

IFRS 17 is applicable to all primary insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk.

### **Recognition and measurement of gross technical provisions according to IFRS**

IFRS 17 provides a consistent accounting model for all insurance contracts. A distinction is made here between insurance contracts issued if significant insurance risk is assumed, and reinsurance contracts held if significant insurance risk is ceded.

The basic measurement approach consists in applying the general measurement model (GMM), which is mainly used in life reinsurance and in parts of property-casualty primary insurance business. The measurement rules for the general measurement model are essentially based on a “building block approach”, which is made up of a fulfilment cash flow, which comprises the discounted expected future cash flows and a risk adjustment for non-financial risk, and a contractual service margin.

In view of the GMM's high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the premium allocation approach (PAA). We apply this simplified measurement approach for almost all of our property-casualty reinsurance business and for a substantial part of our property-casualty primary insurance business.

IFRS 17 also provides for a modified measurement model, the variable fee approach (VFA), for certain participating primary insurance contracts. We apply the VFA for eligible life and health primary insurance contracts. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items. This is the case for our German participating life and health primary insurance business and a substantial part of our international life and health primary insurance contracts. Unit-linked life insurance is another case for application of the VFA. However, both reinsurance contracts held and reinsurance contracts issued are excluded from the scope of this measurement approach.

For all measurement models, there is a distinction between a pre-claims stage (liability for remaining coverage – LRC) and a claims stage after the occurrence of an insured event (liability for incurred claims – LIC).

Measurement is not made at the individual contract level, but on the basis of portfolios that are subdivided into specified groups based on their profitability and on contracts concluded in annual cohorts. Nearly all cash flows resulting from the rights and obligations under the insurance contracts must be taken into account.

Deposits to cedants, deposits from reinsurers, insurance and intermediaries receivables, insurance and intermediaries payables, reinsurance receivables, and reinsurance payables are not presented separately but instead included in the insurance items.

#### **Liability for remaining coverage**

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin in the GMM. If at initial recognition the present value of expected inflows exceeds the present value of expected outflows plus the risk adjustment for non-financial risk, the expected profit from the insurance cover is initially recognised as a contractual service margin, and taken into account when measuring the liability for remaining coverage. On subsequent measurement, the change in the contractual service margin is recognised in the consolidated income statement as part of insurance revenue. By contrast, for groups of insurance contracts where the sum of the present value of the cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected cash inflows, the expected loss is recognised directly as an expense in the loss component that is part of the present

value of the expected net cash flows and the risk adjustment for non-financial risk.

Because of the special characteristics of insurance contracts with direct participation features, we consider our share of the income from the underlying items to be a variable fee, which we recognise in accordance with the requirements of the VFA. This variable fee comprises our share of the fair value of the underlying items, and is our compensation for administering and managing them. While the initial measurement of participating contracts is the same as under the GMM, special rules apply under IFRS 17 for subsequent measurement of the LRC. For example, we offset against the contractual service margin any and all effects that have an impact on the fair value of the underlying items and consequently on our variable fee.

The LRC in the PAA is determined by recognising an LRC for a group of insurance contracts, equal to the premiums received less acquisition costs paid, on initial recognition. For subsequent measurement of a profitable group of insurance contracts, the carrying amount of the LRC is updated as follows. First, the carrying amount is either increased with no impact on profit or loss by adding the further premium payments received, or decreased by subtracting directly attributable acquisition costs paid – provided that we do not make use of the option to recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. By contrast and consistent with the GMM, we explicitly determine risk-adjusted net cash flows for onerous groups of insurance contracts, and following the occurrence of an insured event.

### Liability for incurred claims

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for other insurance contract services already provided. All three measurement approaches involve calculating the present value of the risk-adjusted future cash flows: it therefore comprises net cash flows, discounting and a risk adjustment for non-financial risk.

## Explanation of the main differences between valuation methods under Solvency II and IFRS

### Definition of insurance contract and scope

In line with Solvency II, technical provisions (and reinsurance recoverables, respectively) are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. This means that Solvency II covers all insurance business.

Under IFRS, contracts that do not transfer significant insurance risk are generally financial instruments and are accounted for in accordance with IFRS 9 requirements. An exception here are investment contracts with discretionary participation features, which fall under the scope of IFRS 17.

In cases where it can be verified that the basis risk is not material, technical provisions (and reinsurance recoverables, respectively) may be established for insurance-related non-indemnity contracts (e.g. catastrophe bonds and client-specific insurance-linked derivatives) under Solvency II.

### Separating components from an insurance contract

Insurance contracts can contain one or more of the following components:

- embedded derivatives;
- investment components;
- non-insurance services.

If an insurance contract contains embedded derivatives that are themselves not contracts within the scope of IFRS 17, IFRS 9 requirements are applied when assessing the obligation to separate components and accounting for the given derivative.

Under Solvency II, components may not be separated.

### Recognition

Under IFRS 17, a group of insurance contracts issued is recognised from the earliest of the following: the beginning of the coverage period, the date when the first payment becomes due, or the date when a group of underlying insurance contracts becomes onerous.

A group of reinsurance contracts held is recognised either at the beginning of the coverage period of the group of reinsurance contracts held, or as of the date when an onerous group of underlying insurance contracts is recognised.

Solvency II requires initial recognition at the date the (re)insurer becomes a party to the contract or the date the (re)insurance contract begins, whichever date occurs earlier.

Deposits to cedants, deposits from reinsurers, insurance and intermediaries receivables, insurance and intermediaries payables, reinsurance receivables, and reinsurance payables are presented separately under Solvency II, whereas under IFRS 17 they are included in the insurance items for the groups and portfolios set up.

### Measurement of insurance contracts

#### Contract boundary

Cash flows are within the boundary of an insurance contract under IFRS if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services.

The obligation to provide services ends when the entity can reassess the risks and can set a new premium that reflects those risks.

As a result, differences in the actuarial approach between IFRS 17 and Solvency II relate primarily to initial recognition, but can also affect the end of the contract for some insurance products.

#### Cash flows

Under IFRS 17, measuring groups of insurance contracts is based on a current estimate of all cash flows required to fulfil the contract within the contract boundary. Cash flows that need to be taken into account include premium payments, expenses for claims and benefits, acquisition and administration costs, and loss adjustment expenses.

Whereas under IFRS 17, deposits to cedants, deposits from reinsurers, insurance and intermediaries receivables, insurance and intermediaries payables, reinsurance receivables, and reinsurance payables are not presented separately and are included in the cash flows, these are presented separately under Solvency II.

Additional differences may occur resulting from the inclusion of general overhead expenses in Solvency II technical provisions.

### Discounting

Under Solvency II, we use the basic risk-free interest rates, depending on currency and maturity, when discounting technical provisions (EIOPA interest rate). As at the reporting date, we do not make use of any transitional measures regarding the relevant risk-free interest-rate term structure. Six life and health primary insurance companies make use of a volatility adjustment pursuant to Article 77(d) of Directive 2009/138/EC.

Under IFRS 17, discounting under the general measurement model to calculate technical provisions is also based on the EIOPA interest rates. At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using the current discount rates. Most subsidiaries whose core business is life and health insurance use yield curves with an illiquidity premium in the order of magnitude of the Solvency II volatility adjustment.

This means that there are only minor differences regarding discounting, as the scope of the volatility adjustment applies largely to those companies that apply the illiquidity premium under IFRS 17.

### Risk adjustment for non-financial risk

We base the risk adjustment for non-financial risk under IFRS 17 on the risk capital requirements of our internal risk model. We apply a cost-of-capital method with a cost-of-capital rate of 6% at present, as for the risk margin under Solvency II.

Unlike in the calculation of the risk margin, the Group-wide risk diversification is included in the calculation of the risk adjustment for non-financial risk. It should also be noted that neither operational nor credit risks are taken into account in the calculation of the risk adjustment for non-financial risk under IFRS 17.

There are also differences in the classification of insurance contracts and financial instruments compared with Solvency II.

### Contractual service margin

For groups of insurance contracts classified as profitable at initial recognition, a contractual service margin which represents the unearned profit is recognised under IFRS 17 in the GMM and VFA. The latter is recognised over time as insurance contract services are provided over the coverage period.

By contrast, for groups of insurance contracts where the sum of the present value of future cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected future cash inflows, a loss component that is part of the LRC and reflects the expected loss on initial recognition is recognised directly as an expense.

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin.

For subsequent measurement of the LRC, the discounted cash flows and risk adjustment for non-financial risk are remeasured using updated assumptions and inputs. The contractual service margin is adjusted to reflect changes in non-financial assumptions (for example assumptions regarding biometric risks or claims development) of future coverage and new business margins, among other things, and is amortised as insurance contract services are provided over time.

In Solvency II, the expected profit and expected loss from the discounted cash flows and the risk margin are recognised directly in the excess of assets over liabilities.

### Short-term contracts

IFRS 17 provides for use of the simplified measurement model PAA to measure short-term insurance contracts. We use this predominantly in the property-casualty business.

In doing so, the carrying amount is either increased with no impact on profit or loss by adding the premium payments received, or decreased by subtracting acquisition costs paid that are directly attributable to an insurance contract – provided that we do not make use of the option to directly recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner.

Under Solvency II, there is a similar concept for the premium provision in the property-casualty business. A risk margin, however, is determined separately for the premium provision, whereas no risk adjustment is presented for the IFRS LRC in the PAA.

### Transitional deduction on technical provisions

As outlined in section D 2 under “Calculation of technical provisions”, four insurance companies may apply a transitional deduction on technical provisions (Article 308(d) of Directive 2009/138/EC) under Solvency II. There is no corresponding deduction under IFRS.

## Quantification of the main differences between IFRS and Solvency II technical provisions

In addition to the qualitative assessment of differences between IFRS and Solvency II, the table "Reconciliation of technical provisions, IFRS vs. Solvency II" provides a quantitative overview. The starting point is IFRS technical provisions.

The item "Reclassification of balance sheet items" includes, as a key component, surplus funds recognised as a component of own funds under Solvency II, as well as receivables and liabilities and also general costs not accounted for as insurance under Solvency II/IFRS.

The adjustment for quantified methodological differences contains, as substantial contributions, methodological differences in contract boundaries and resulting from the modelling of short-tail business pursuant to the IFRS premium allocation approach. In addition, under IFRS, deposits retained are not presented as a separate item as in the solvency balance sheet, but rather as part of the technical provisions.

Differences in scope and other differences result, among other things, from contracts that do not transfer significant insurance risk and that are recognised under IFRS 9 as financial instruments outside of technical provisions. In addition, some insurance companies, e.g. the corporate pension scheme ERGO-Pensionskasse, are not covered by the Solvency II rules.

The risk adjustment for non-financial risk under IFRS is lower than the risk margin under Solvency II. This is mainly due to the fact that – unlike in the calculation of the risk margin – the Group-wide risk diversification is included in the calculation of the risk adjustment for non-financial risk. It should also be noted that neither operational nor credit risks are taken into account in the calculation of the risk adjustment for non-financial risk under IFRS.

The contractual service margin for unearned profit is part of the technical provisions under IFRS, unlike under Solvency II.

### Reconciliation of technical provisions, IFRS vs. Solvency II<sup>1</sup>

31.12.2024	Reinsurance				ERGO	
	Life and health	Property-casualty	Life and Health Germany	Property-casualty Germany	International	Total
€m						
<b>IFRS technical provisions</b>	<b>10,238</b>	<b>67,584</b>	<b>114,813</b>	<b>6,584</b>	<b>15,871</b>	<b>215,089</b>
SII best estimate vs. IFRS present value of expected net cash flows	9,602	9,415	-8,285	-43	687	11,375
Reclassification of balance sheet items	3,579	9,090	1,421	286	546	14,922
Quantified methodological differences	11,781	-205	-4,821	-168	57	6,645
Differences in scope and other differences	-5,759	530	-4,885	-161	83	-10,193
SII risk margin vs. IFRS risk adjustment	3,364	1,698	1,972	141	814	7,989
IFRS contractual service margin	-14,706	-272	-9,564	-386	-2,931	-27,859
<b>SII technical provisions without transitionals</b>	<b>8,498</b>	<b>78,424</b>	<b>98,937</b>	<b>6,295</b>	<b>14,441</b>	<b>206,594</b>
Impact of transitionals	0	0	0	0	-367	-367
<b>SII technical provisions with transitionals</b>	<b>8,498</b>	<b>78,424</b>	<b>98,937</b>	<b>6,295</b>	<b>14,074</b>	<b>206,227</b>

1 Solvency II figures on technical provisions include long-term guarantee measures.

## Reinsurance recoverables under Solvency II

### General requirements for calculation

The calculation of amounts recoverable from reinsurance contracts and special purpose vehicles by insurance and reinsurance undertakings complies with the rules relating to technical provisions. The amounts recoverable from reinsurance contracts and special purpose vehicles are calculated consistently within the boundaries of the insurance or reinsurance contracts to which they relate.

Under Solvency II, separate calculations are carried out for

- the amounts recoverable from special purpose vehicles,
- the amounts recoverable from finite reinsurance contracts, and
- the amounts recoverable from other reinsurance contracts.

Furthermore, a separate calculation is carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium provisions and provisions for claims outstanding.

When calculating amounts recoverable from reinsurance contracts and special purpose vehicles, the time difference between recoverables and direct payments is taken into account.

Where cash flows from the special purpose vehicles to the insurance or reinsurance undertaking do not directly depend on the claims against the insurance or reinsurance undertaking ceding risks, the amounts recoverable from those special purpose vehicles for future claims are only taken into account to the extent that it can be verified in a prudent, reliable and objective manner that the structural mismatch between claims and amounts recoverable is not material.

For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, cash flows only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims are accounted for outside the amounts recoverable from reinsurance contracts and special purpose vehicles and other elements of the technical provisions. Where a deposit has been made for the cash flows, the amounts recoverable are adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

The cash flows relating to provisions for claims outstanding include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash flows relating to premium provisions include all other payments.

Reinsurance recoverables under Solvency II largely correspond to reinsurance contracts held under IFRS 17, taking account of the accounting policies applied.

### Counterparty default adjustment

The result from the calculation of the best estimate is adjusted to take account of expected losses due to default of the counterparty. That adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom.

The adjustment to take account of expected losses due to default of a counterparty is calculated as the expected present value of the change in cash flows underlying the amounts recoverable from that counterparty that would arise if the counterparty defaulted – including as a result of insolvency or dispute – at a certain point in time. For that purpose, the change in cash flows does not take into account the effect of any risk-mitigating technique that reduces the credit risk of the counterparty, other than risk-mitigating techniques based on collateral holdings. The risk-mitigating techniques that are not taken into account are recognised separately, without increasing the amounts recoverable from reinsurance contracts and special purpose vehicles.

The calculation takes into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle, and whether and how the probability of default varies over time. It is carried out separately by each counterparty and for each line of business. In non-life insurance, it is also carried out separately for premium provisions and provisions for claims outstanding.



### D3 Other liabilities

According to Article 75(1)(b) of Directive 2009/138/EC, all other liabilities are to be valued at fair value in the solvency balance sheet. When valuing liabilities, no adjustment is made to take account of the own credit standing of the insurance or reinsurance undertaking.

Under IFRS 9, the financial liabilities are measured either at amortised cost or at fair value through profit or loss. Financial liabilities are assigned to the latter category if they are held for trading or if the fair value options were exercised upon initial recognition. Details on the categories to which financial liabilities are allocated at Munich Re can be found under "Financial liabilities including derivatives and debts owed to credit institutions" in this section. As the valuation basis for Solvency II and IFRS is different, we explain the differences in greater detail for each of the liability items mentioned below. Where the differences between the fair values in the solvency balance sheet and the IFRS values are immaterial, we use the latter to measure other liabilities, as explained in more detail below.

In addition to the differences in valuation, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Therefore, the balance sheet items are not directly comparable. Where such differences in allocation exist, they are explained for the individual items. Where it was possible to reclassify liabilities as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we made this reclassification.

### Contingent liabilities

In the solvency balance sheet, contingent liabilities are to be recognised as a liability if they are material, i.e. if information about the current or potential amount or nature of the liability could influence the decision-making or judgement of the intended user of that information. As a further precondition for recognition, an outflow of resources must be more than a remote possibility.

We measure such contingent liabilities based on the expected present value of future cash flows that would have to be paid to a qualified third party to assume the financial risks involved in the liability. At Munich Re, valuation is made on a market-consistent basis in accordance with CDS spreads observable in the capital markets. It is assumed that the (present) value of a contingent liability is the same as the present value of the (probability-weighted) CDS premium payable in order to hedge against the financial risks arising from the contingent liability. Contingent liabilities that do not meet the recognition criteria are not recognised.

Under IFRS, contingent liabilities are generally not recognised if it is deemed unlikely that an outflow of resources will occur in connection with a present obligation, it is not possible to make a sufficiently reliable estimate of the amount of the obligation or there is only a potential obligation.

#### Other liabilities

€m	Solvency II value	Statutory accounts value
Contingent liabilities	1	0
Provisions other than technical provisions	1,147	1,235
Pension benefit obligations	1,511	1,525
Deposits from reinsurers	1,359	0
Deferred tax liabilities	6,597	1,973
Derivatives	2,311	4,112
Debts owed to credit institutions	58	414
Financial liabilities other than debts owed to credit institutions	3,054	255
Insurance & intermediaries payables	10,230	0
Reinsurance payables	730	0
Payables (trade, not insurance)	4,556	7,794
Subordinated liabilities	6,950	6,321
Subordinated liabilities not in BOF	870	0
Subordinated liabilities in BOF	6,080	6,321
Any other liabilities, not elsewhere shown	117	7,321
<b>Other liabilities total</b>	<b>38,620</b>	<b>30,949</b>

## Provisions other than technical provisions

Both in the solvency balance sheet and under IFRS, our valuation of other provisions is based on a best estimate of the amount that would be required to settle the liabilities as at the balance sheet date, i.e. the amount we would reasonably have to pay to satisfy the liabilities or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the midpoint of the range is used. If the interest-rate effect is material, we value the provision at the present value of the expected expenditure. If it is immaterial, we disregard it.

## Pension benefit obligations

The following explanations do not relate exclusively to pension benefit obligations, but also take into account other material employee benefits.

Under Solvency II, we measure obligations for employee benefits in accordance with IAS 19. According to IAS 19, there are two different types of pension obligations: defined contribution plans and defined benefit plans.

Under defined contribution plans, the undertakings pay fixed contributions to an insurer or a pension fund. This fully covers the undertakings' obligations. Therefore, under both IFRS and Solvency II, a defined contribution plan is not recognised as an obligation in the balance sheet. In 2024, the contributions paid to defined contribution plans totalled €119m.

Under defined benefit plans, the staff member is promised a particular level of retirement benefit either by the undertakings or by a pension fund. The undertakings' contributions needed to finance this are not fixed in advance. If pension obligations are covered by assets held by a legally separate entity (e.g. a fund or a contractual trust arrangement in the form of a two-way trust) – assets that may only be used to cover the pension commitments given and are not accessible to creditors – the pension obligations are shown less the amount of these plan assets. If the fair value of the assets exceeds the related outsourced pension commitments, this reimbursement right must be recognised and is presented under "Other receivables".

Actuarial gains or losses from obligations for employee benefits and plan assets result from the deviation of actual risk experience from estimated risk experience. Since under IFRS, Munich Re recognises actuarial gains and losses directly in the period in which they occur, there is no difference to Solvency II.

In accordance with the definitions in IAS 19, the obligations for employee benefits recognised in the balance sheet break down as follows:

### Major benefits for employees

€m	Solvency II value
Short-term obligations (provisions for holidays and overtime, bonuses) <sup>1</sup>	425
Defined benefit plans (including medical cover) <sup>2</sup>	1,525
Other long-term benefits (semi-retirement and early retirement, provisions for anniversary benefits, multi-year performance) <sup>3</sup>	338
Benefits on termination of employment contract (semi-retirement, severance payments)	11

1 Part of SII balance sheet item "Payables (trade, not insurance)".

2 Net amount of pension obligations.

3 Part of SII balance sheet item "Provisions other than technical provisions".

Munich Re undertakings generally give commitments to their staff in the form of defined contribution plans or defined benefit plans (within the meaning of IAS 19). The type and the amount of the pension obligation are determined by the conditions of the respective pension plan.

The most important plans are the following:

The pension obligations of Munich Reinsurance Company include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The defined benefits granted up to 31 December 2007 are financed through a fund. New members on or after 1 January 2008 receive pension commitments in the form of defined contribution plans financed by means of insurance contracts securing the obligations under pension schemes. The fund and insurance contracts have been grouped in a contractual trust arrangement (CTA).

The pension obligations of the ERGO Group include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The commitments are generally funded through pension provisions, although in the case of ERGO significant portions have been funded through a pension fund since 1 April 2022. New members receive pension commitments in the form of defined contribution plans financed by means of intra-Group insurance contracts securing the obligations under pension schemes. There are also medical-care benefit obligations.

The pension obligations of Munich Reinsurance America, Inc. include pensions for employees and surviving

dependants. The amount of the pensions generally depends on includable compensation and length of service. The plan is financed through a fund and pension provisions. It was closed to new members effective 1 January 2006, and to all remaining members effective 31 December 2011. With effect from 1 January 2012, all members now receive pension commitments in the form of defined contribution plans. There are also retiree medical-care benefit obligations.

Under Solvency II, pension obligations are recognised in accordance with IAS 19 Employee Benefits, using the projected unit credit method. The calculation includes not only the pension entitlements and current pensions known at the balance sheet date, but also their expected future development. The assumptions for the future development are determined on the basis of the circumstances in the individual countries.

The discount rate applied to the pension obligations is based on the yields for long-term, high-quality corporate bonds.

Pension obligations are measured using assumptions about future developments. The consolidated companies used the following actuarial assumptions (weighted average values):

#### Actuarial assumptions

%	2024
Discount rate	3.7
Future increases in entitlement/salary	1.6
Future pension increases	1.4
Medical cost trend rate	3.5

Munich Re uses generally recognised biometric actuarial assumptions, adjusted as a rule to take account of company-specific circumstances.

#### Breakdown of the fair value of plan assets for defined benefit plans

%	31.12.2024
<b>Quoted market price in an active market</b>	
Fixed-interest securities	26
Non-fixed-interest securities	
Equities	3
Investment funds	14
Other	0
	<b>17</b>
Others	0
<b>No quoted market price in an active market</b>	
Cash and cash equivalents	0
Real estate	1
Fixed-interest securities	0
Non-fixed-interest securities	
Equities	0
Investment funds	1
Other	0
	<b>1</b>
Insurance contracts	54
Others	1

#### Deposits from reinsurers

Deposits from reinsurers are collateral for technical provisions covering business ceded to reinsurers and retrocessionaires. As a rule, the changes in these deposits derive from changes in the relevant technical provisions covering ceded business. Deposits from reinsurers thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

In the solvency balance sheet, we measure deposits from reinsurers at fair value.

In the IFRS consolidated balance sheet, deposits retained are not presented separately, but are included in the insurance items.

## Deferred tax liabilities

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax liabilities are recognised and valued in accordance with IAS 12.

Deferred taxes are calculated on the basis of the difference between the values ascribed to liabilities recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to liabilities recognised and valued for tax purposes. Deferred tax liabilities are recognised in cases where asset items have to be valued higher, or liability items lower, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences).

Further information on the recognition of deferred taxes can be found in section D 1 "Deferred tax assets".

## Financial liabilities including derivatives and debts owed to credit institutions

In the solvency balance sheet, financial liabilities including derivatives and debts owed to credit institutions are to be measured at fair value. After initial recognition, no adjustments are made to take account of the own credit standing of the insurance or reinsurance undertaking. Thus, financial liabilities are measured at fair value at the reporting date without taking account of any improvement or deterioration in Munich Re's own credit risk. If the impact of such an improvement or deterioration is immaterial, we do not adjust the fair values accordingly.

For Munich Re bonds and derivatives traded on a stock exchange, the fair values are the stock-market prices, if available. For the other financial liabilities, we determine the fair values using net present-value methods with observable market inputs. Further details are set out below:

- With regard to the valuation models used for determining the fair value of derivatives, reference is made to the table "Valuation techniques for assets and liabilities" and the corresponding explanations given in section D 1 "Determining fair values".
- For bonds that we have issued, we use the market prices provided by external providers for the corresponding assets to determine fair value.
- The fair values of our debts owed to credit institutions are determined using the present-value method, in part exclusively using observable market inputs, and partly also taking into account non-observable inputs.

- The fair value of insurance contracts with non-significant risk transfer, which are consequently recognised as financial instruments, is primarily based on biometric and lapse rates, and on historical event data.

For subsequent measurement, IFRS 9 specifies that financial liabilities must be classified as "measured at amortised cost" or "measured at fair value through profit or loss".

Most of our financial liabilities are measured at amortised cost using the effective interest method. These primarily include subordinated liabilities as well as bonds and liabilities to credit institutions.

The category of financial liabilities at fair value through profit or loss at Munich Re includes predominantly derivative liabilities. Due to fair value measurement, no rules exist under Solvency II regarding the unbundling of embedded derivatives or hedge accounting.

In addition, we have made loan commitments to a small extent. Since the financial instruments arising from these loan commitments are subsequently measured at fair value, we recognise the loan commitments at fair value through profit or loss.

Moreover, most financial liabilities resulting from insurance contracts that do not transfer significant insurance risk are managed on a fair value basis. Changes in fair value are considered when evaluating the performance of these contracts, which then serves as the basis for reporting to management. For these contracts, we exercise the option to designate them as measured at fair value through profit or loss. Insurance-related liabilities, where they are not exclusively derivative liabilities, are to be measured and reported for solvency purposes as insurance contracts as part of the technical provisions. More details on fair value measurement, the different measurement hierarchy levels and the models used for determining fair values can be found in section D 1 under "Determining fair values".

## Insurance and intermediaries payables

In the solvency balance sheet, insurance and intermediaries payables must be recognised at fair value.

In the IFRS consolidated balance sheet, insurance and intermediaries payables are not presented separately, but are included in the insurance items.

## Reinsurance payables

In the solvency balance sheet, reinsurance payables must be recognised at fair value.

In the IFRS consolidated balance sheet, reinsurance payables are not presented separately, but are included in the insurance items.

## Payables (trade, not insurance)

In the solvency balance sheet, the item "Payables (trade, not insurance)" covers in particular payables from dividends, payables from profit pooling or transfer agreements, payables from taxes, and other payables. These payables are measured at fair value at the reporting date without taking account of any improvement or deterioration in the undertaking's own credit risk. However, for reasons of simplification, we measure payables from dividends and payables from profit pooling or transfer agreements at their IFRS carrying amount, i.e. at amortised cost.

Payables from taxes and other payables are discounted, taking into account the actual risk-free interest rates and relevant interest-rate spreads.

Under Solvency II, all insurance contracts are recognised under technical provisions irrespective of the level of insurance risk involved in the individual contracts. Therefore, payables resulting from insurance or reinsurance contracts with non-significant risk transfer are – notwithstanding IFRS – not reported as insurance-related liabilities, but as part of the technical provisions.

## Subordinated liabilities

Subordinated liabilities are liabilities which, in the event of liquidation or insolvency, are only satisfied after the claims of other creditors.

They are recognised at fair value in the solvency balance sheet. For Munich Re subordinated bonds, we take the stock market prices as fair values. Credit spreads relevant for Munich Re are obtained from an external provider and are based on CDS. For the purposes of calculating the Solvency II value, the quoted stock-market prices are adjusted to reflect the effect of changes in our own credit risk since the date of issuance.

For the other subordinated liabilities, we determine the fair values using net present-value methods with observable market inputs. Whether or not subordinated liabilities are eligible for inclusion in basic own funds is unimportant for valuation purposes.

Under IFRS, we value all subordinated liabilities at amortised cost using the effective interest method.

## Any other liabilities, not elsewhere shown

This item includes liabilities from prepayments received prior to the reporting date that are not earned or due until after the balance sheet date. Liabilities for these prepayments are recognised at the reporting date to take into account that the prepayments received relate to outstanding obligations of the undertaking. Thus, recognition is mandatory to represent the correct amount of own funds as at the reporting date.

In our financial reporting, we show derivatives (€1,274m) as a separate sub-item of liabilities.

Any other liabilities generally have to be measured at fair value in the solvency balance sheet. Where the discounting effect is immaterial, we do not discount the liabilities concerned.

#### D4 Alternative methods for valuation

Detailed information on determining the fair values of the individual assets and other liabilities can be found in section D 1 under "Determining fair values". The valuation techniques described therein are regularly tested by our asset managers as regards their suitability for valuation of the assets and liabilities concerned, and adapted if necessary.

#### D5 Any other information

We do not know of any other material information not already covered in the other sections of Part D.

# Capital management

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## E Capital management

### E1 Own funds

#### Aims, policies and processes to manage own funds

Optimising our capital structure is one of the main objectives of our active capital management system, with which we also strive to ensure that Munich Re's capital satisfies all applicable standards. In addition to the capital requirements determined using our internal risk model, further requirements specified by regulatory authorities, rating agencies and our key insurance markets must be met. We aim to ensure that our financial strength is such that it enables us to take advantage of profitable opportunities for growth, is not significantly affected by normal fluctuations in capital market conditions, and remains at a reasonable level even in the wake of major loss events or substantial falls in the stock markets.

At the same time, we also define an appropriate level of Group own funds as one which does not lastingly exceed that which is required. Excess capital is returned to our shareholders via dividends and share buy-backs. In practice, capital repatriation comes up against limits because, for example, the German Commercial Code (HGB) obligates our parent, Munich Reinsurance Company, to conduct prudent accounting – with regard to the claims equalisation provision, for instance. This restricts the revenue reserves and profit distribution possibilities, but stabilises results in years with high claims expenditure.

Between 2006 and 2024, Munich Re returned a total of €40.2bn to its shareholders in the form of dividends and share buy-backs. During the reporting year, shares with a total volume of €1,432m were bought back, €1,097m of which as part of the €1.5bn share buy-back programme launched by the Board of Management in February 2024. This means that own shares with a maximum volume of €403m are still to be acquired in the period leading up to the Annual General Meeting to be held on 30 April 2025. Munich Re will pay a higher dividend of €20.00 per share

for the past financial year, provided that the Annual General Meeting approves.

Capital management planning takes place as part of our annual medium-term business planning. Relevant capital management key performance indicators are regularly checked as part of the risk management system. There were no significant changes during the reporting period.

#### Differences between IFRS equity and Solvency II excess of assets over liabilities

The main differences between the IFRS equity of Munich Re and the excess of assets over liabilities in the solvency balance sheet are due to the differing rules for recognition and valuation.

The Solvency II methodology makes more extensive use of market values in the balance sheet than IFRS. For example, investments are recognised in the solvency balance sheet at market value. Under IFRS, this applies to the majority of our financial investments, which – depending on whether or not they pass the SPPI test – are measured either at fair value through other comprehensive income or at fair value through profit or loss. Differences between IFRS and Solvency II therefore arise for investment items that are measured at amortised cost under IFRS. Among our non-financial investments, these include part of our investment property portfolio. By contrast, goodwill and other intangible assets are valued at zero under Solvency II. The difference between the valuation methodology for underwriting items in accordance with Solvency II and the valuation in our IFRS consolidated financial statements is described in section D 2 "Deferred tax liabilities". The value of the technical provisions in accordance with Solvency II corresponds to the current amount that insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance liabilities immediately to another insurance or reinsurance undertaking. The quantitative assessment of the differences can be seen in the table below.

#### Excess of assets over liabilities (Solvency II) in comparison with IFRS equity

€m	Solvency II	IFRS <sup>1</sup>	Difference
Goodwill and other intangible assets	0	4,262	-4,262
Surplus funds	0	-2,913	2,913
Investments, including cash	246,065	246,017	49
Subordinated liabilities <sup>2</sup>	-6,950	-6,321	-629
Deferred tax (net)	-6,199	691	-6,890
Other assets and liabilities	-1,240	-417	-824
Underwriting assets and liabilities, including deposits retained on assumed reinsurance, and accounts receivable and payable	-177,360	-208,573	31,213
<b>Excess of assets over liabilities</b>	<b>54,315</b>	<b>32,746</b>	<b>21,569</b>

1 Some IFRS figures have been reclassified to ensure comparability with Solvency II.

2 Including accrued interest.



## Consolidation methods for own funds

Group solvency is calculated on the basis of the consolidated accounts (Method 1; namely as set out in Article 230 of Directive 2009/138/EC). The table “Consolidation method for Group own funds” shows how

consolidated data is calculated for the respective related undertakings in the Group.

### Consolidation method for Group own funds

Type of undertaking	SII DR (EU) 2015/35/ Article	Determination of consolidated data (method 1)
<b>Dominant influence</b>		
Insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies	335 (1) (a)	Full consolidation
Ancillary services undertakings	335 (1) (a)	Full consolidation
Institutions for occupational retirement provision	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Credit institutions, investment firms and financial institutions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Alternative investment fund managers	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
UCITS management companies	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Special purpose vehicles meeting the requirements of Article 211	335 (1) (b) 329 (3)	Not taken into account
Other special purpose vehicles	335 (1) (b)	Full consolidation
Non-regulated undertakings that conduct financial transactions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Other undertakings	335 (1) (f) 13	Other methods*
Undertakings for collective investment in transferable securities (UCITS/AIF)	335 (1) (f) 13	Other methods*
<b>Significant influence/joint venture</b>		
Insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies	335 (1) (c), (d)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Ancillary services undertakings	335 (1) (c), (f)	Proportional consolidation and/or other methods*
Institutions for occupational retirement provision	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Credit institutions, investment firms and financial institutions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Alternative investment fund managers	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
UCITS management companies	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Non-regulated undertakings that conduct financial transactions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Other undertakings	335 (1) (f) 13	Other methods*
Undertakings for collective investment in transferable securities (UCITS/AIF)	335 (1) (f) 13	Other methods*

\* Other methods – valuation hierarchy in accordance with Article 13 of Delegated Regulation (EU) 2015/35.

## Composition of own funds

### Eligible own funds

The starting point for the calculation of the eligible own funds is the excess of assets over liabilities.

Then the basic own funds are calculated by adjusting the excess of assets over liabilities according to Solvency II for the factors relevant to Munich Re.

Subordinated liabilities should be added provided that they are available at all times to cover losses on a going-concern basis. Munich Re's subordinated liabilities for the most part meet this requirement. Share buy-backs that have been announced but not completed as at the reporting date, own shares and foreseeable dividends must be deducted from own funds. Certain own-fund items belonging to Munich Re subsidiaries are subject to further restrictions with regard to their transferability and fungibility at Group level. These own-fund items must also be deducted.

In addition, the carrying amounts of shareholdings in companies in other financial sectors such as credit institutions and investment firms must be deducted. Finally, capital calculated in accordance with sectoral regulations that is allocated to other financial sectors is included to obtain the Group's eligible own funds.

For Solvency II, own funds are divided into three levels of quality (Tier 1 to Tier 3) depending on their ability to absorb losses. Tier 1 is broken down further into "unrestricted" and "restricted" own funds. Tier 1 unrestricted is the highest quality, and Tier 3 is the lowest.

The division into tiers meets the requirements of the Directive (2009/138/EC, Articles 93 to 96), the Delegated Regulation (Delegated Regulation (EU) 2015/35,

Articles 69 to 78) and EIOPA-BoS-14/168 – Guidelines on classification of own funds. The following own-fund items are classified as Tier 1 unrestricted: share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve. Classification of the surplus funds as Tier 1 unrestricted takes into consideration the national legal provisions of the respective units. We have classified the subordinated liabilities essentially as Tier 2 owing to the underlying contractual terms and conditions. An amount equal to the value of net deferred tax assets is classified as Tier 3 own funds.

The tables "Own funds" contain information about the structure, amount and tier allocation of eligible own funds as at 31 December 2024 and as at 31 December 2023. They also show the deductions of non-available own funds as a result of restrictions on transferability and fungibility. At Munich Re, these are essentially surplus funds, subordinated liabilities, minority interests and net deferred tax assets.

As can be seen in the first table, during the reporting period there were no significant restrictions on the fungibility and transferability of eligible own funds to meet the Group's solvency capital requirement. Restrictions are considered significant if an omission or misstatement of related information could influence the decision-making process or judgement of the users. Furthermore, it is clear that there is no effect due to limits in respect of eligible own funds classified as Tier 2, Tier 3, or Tier 1 unrestricted. Allocation of the own-fund items to the individual tiers remained unchanged compared with the previous year.

## Own funds

					31.12.2024
€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Surplus funds	2,913	2,913			
Non-available surplus funds to be deducted at group level	1,175	1,175			
Reconciliation reserve	39,141	39,141			
Subordinated liabilities	6,080		13	6,007	60
Non-available subordinated liabilities to be deducted at group level	60		0	0	60
An amount equal to the value of net deferred tax assets	357	0			357
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	185				185
Minority interests	278	278	0	0	0
Non-available minority interests to be deducted at group level	243	243	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1				
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	276	276	0	0	0
Total of non-available own fund items to be deducted	1,664	1,418	0	0	246
<b>Total deductions</b>	<b>1,940</b>	<b>1,695</b>	<b>0</b>	<b>0</b>	<b>246</b>
<b>Total basic own funds after deductions</b>	<b>54,260</b>	<b>48,069</b>	<b>13</b>	<b>6,007</b>	<b>172</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	65	65	0	0	
Institutions for occupational retirement provision	207	207	0	0	0
Non regulated undertakings carrying out financial activities	5	5	0	0	0
Total own funds of other financial sectors	276	276	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,260	48,069	13	6,007	172
Total available own funds to meet the minimum consolidated group SCR	54,089	48,069	13	6,007	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,260	48,069	13	6,007	172
Total eligible own funds to meet the minimum consolidated group SCR	51,178	48,069	13	3,097	
<b>Minimum consolidated Group SCR</b>	<b>15,483</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>331%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>54,537</b>	<b>48,345</b>	<b>13</b>	<b>6,007</b>	<b>172</b>
<b>Total Group SCR</b>	<b>18,895</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>289%</b>				

## Own funds

					31.12.2023
€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Surplus funds	2,860	2,860			
Non-available surplus funds to be deducted at group level	1,195	1,195			
Reconciliation reserve	39,033	39,033			
Subordinated liabilities	4,313		13	4,246	55
Non-available subordinated liabilities to be deducted at group level	55		0	0	55
An amount equal to the value of net deferred tax assets	231				231
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	123				123
Minority interests	239	239	0	0	0
Non-available minority interests to be deducted at group level	202	202	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1				
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	265	265	0	0	0
Total of non-available own fund items to be deducted	1,575	1,397	0	0	178
<b>Total deductions</b>	<b>1,840</b>	<b>1,662</b>	<b>0</b>	<b>0</b>	<b>178</b>
<b>Total basic own funds after deductions</b>	<b>52,267</b>	<b>47,901</b>	<b>13</b>	<b>4,246</b>	<b>108</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	54	54	0	0	
Institutions for occupational retirement provision	209	209	0	0	0
Non regulated undertakings carrying out financial activities	3	3	0	0	0
Total own funds of other financial sectors	265	265	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	52,267	47,901	13	4,246	108
Total available own funds to meet the minimum consolidated group SCR	52,159	47,901	13	4,246	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	52,267	47,901	13	4,246	108
Total eligible own funds to meet the minimum consolidated group SCR	50,765	47,901	13	2,851	
<b>Minimum consolidated Group SCR</b>	<b>14,255</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>356%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>52,533</b>	<b>48,167</b>	<b>13</b>	<b>4,246</b>	<b>108</b>
<b>Total Group SCR</b>	<b>17,974</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>292%</b>				

The solvency ratio shown of 289% (292%) includes transitional measures under Solvency II. Without transitional measures, the solvency ratio was 287% (267%) as at 31 December 2024. The dividend of €2.6bn proposed by the Board of Management for the 2024 financial year was taken into account. Purchases not yet made under the share buy-back programme for 2024/2025 at the reporting date in the amount of €0.4bn were also taken into account.

The table "Composition of reconciliation reserve and EPIFP" shows the calculation of the Group's reconciliation reserve as at 31 December 2024 and the previous year. It also shows the expected profit included in future premiums (EPIFP) for life and non-life insurance. In accordance with

Delegated Regulation (EU) 2023/894, the table shows the 2024 EPIFP compared to the 2023 EPIFP gross of reinsurance and tax.

The reconciliation reserve is subject to fluctuation during the year, mainly on account of the development of economic earnings and capital measures (share buy-back programmes, capital increases, dividends, etc.). These fluctuations in own funds are addressed by means of asset-liability management (ALM). ALM reflects the influence of the capital market environment on the valuation of asset and liability items in the solvency balance sheet, and hence especially the volatility of the reconciliation reserve.

#### Composition of reconciliation reserve and EPIFP

€m	31.12.2024	31.12.2023
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	54,315	52,857
Own shares (held directly and indirectly)	1,147	701
Foreseeable dividends, distributions and charges	3,047	2,361
Other basic own fund items	10,980	10,763
<b>Reconciliation reserve</b>	<b>39,141</b>	<b>39,033</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) – Life business	21,678	18,686
Expected profits included in future premiums (EPIFP) – Non-life business	3,066	3,329
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>24,744</b>	<b>22,015</b>

#### Composition of subordinated liabilities

€m	Total	Tier 1 total	Tier 1, counted under transitionals	Tier 2 total	Tier 2, counted under transitionals	Tier 3
Dated subordinated liabilities	6,067	0	0	6,007	0	60
Undated subordinated liabilities with a contractual opportunity to redeem	13	13	13	0	0	0
<b>Total subordinated liabilities</b>	<b>6,080</b>	<b>13</b>	<b>13</b>	<b>6,007</b>	<b>0</b>	<b>60</b>

#### Subordinated liabilities

Munich Re's subordinated liabilities came to €6.1bn (4.3bn) as at the reporting date. In addition to Munich Reinsurance Company, both ERGO Versicherung AG, Vienna, and HSB Group Inc., Dover, also recognised subordinated liabilities totalling €73m (68m) as at the reporting date.

Apart from changes in fair value, the rise in subordinated liabilities was chiefly due to the issuance of a subordinated bond with a nominal volume of €1.5bn by Munich Reinsurance Company in the second quarter of 2024. The bond will mature in 2044 and is callable by us for the first time on 26 November 2033.

Subordinated liabilities subject to transitional measures<sup>4</sup> can be seen in the table "Composition of subordinated liabilities". Overall, two subordinated bonds of ERGO Versicherung AG, Vienna, totalling €13m are subject to transitional measures. They were issued before Solvency II came into force, and could be used as at 31 December 2015 to at least 50% to meet the available solvency margin requirements under Solvency I. They are thus classified as Tier 1 restricted.

Munich Reinsurance Company's five (four) subordinated bonds totalling €6.0bn (4.2bn) meet the criteria for Tier 2 classification.

<sup>4</sup> Transitional measures for own funds pursuant to Article 308b(9) and (10) of Directive 2014/51/EU dated 16 April 2014 amending Directive 2009/138/EC

In particular, the following requirements are met; that the original maturity is at least ten years and that the first contractual opportunity to redeem is at least five years from the date of issuance.

We refer to sections D 1 “Deferred tax assets”, and D 2 “Deferred tax liabilities”, in this report for information on deferred taxes in connection with own funds.

### Change in own funds

During the reporting period, the eligible own funds, after adjusting the opening balance, rose by €2,334m. The main drivers are presented in the table “Change in own funds”. The economic earnings led to an increase of €9,337m in eligible own funds in the reporting period, mainly driven by a strong operating result of €9,884m. On the other hand, own funds were reduced by capital measures amounting to €2,643m, in particular the dividend for the 2024 financial year proposed by the Board of Management. Further capital measures, such as expenses for the share buy-back programme 2024/2025 and inflows from a subordinated bond issued in the second quarter of 2024, essentially offset each other. Value changes of €4,271m attributable to significantly reduced transitional measures, and slightly higher eligibility restrictions amounting to €89m resulted in a corresponding reduction in eligible own funds.

### Change in own funds

€m	
<b>Eligible own funds as at 31 December 2023</b>	<b>52,533</b>
Opening adjustments <sup>1</sup>	-330
<b>Economic earnings</b>	<b>9,337</b>
Operating impact	9,884
Market variances	1,096
Other incl. tax	-1,642
Change in eligibility restrictions	-89
Other changes	0
Capital management	-2,643
Value change due to transitionals	-4,271
<b>Eligible own funds as at 31 December 2024</b>	<b>54,537</b>

<sup>1</sup> Changes to eligible own funds that do not represent economic value added in the period – such as changes due to mergers and acquisitions or model changes.

## E2 Solvency capital requirement and minimum capital requirement

### Solvency capital requirement (SCR)

Munich Re has a comprehensive internal model that determines the capital needed to ensure that the Group is able to meet its commitments even after extreme loss events. We use the model to calculate the capital required under Solvency II (the solvency capital requirement, or SCR).

The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year. It corresponds to the value at risk of the economic profit and loss distribution over a one-year time horizon with a confidence level of 99.5%, and thus equates to the economic loss for Munich Re that, given unchanged exposures, will be exceeded each year with a statistical probability of 0.5%.

As at 31 December 2024, Munich Re's SCR was €18.9bn, representing an increase of 5.2% compared to the previous year. The increase was driven primarily by the appreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a higher euro amount. The increase in the SCR was accelerated by a moderate expansion of exposures in the investment portfolio and positive capital market trends. By contrast, the decline in natural hazard exposures in the reinsurance business and a lower credit risk exposure helped to reduce risk.

The solvency capital requirement was reduced by €4.4bn owing to the loss absorbency of deferred taxes. A considerable portion of this figure comprises deferred tax liabilities that are directly attributable to Munich Reinsurance Company. Apart from the fact that – in the event of losses – tax payments expected to be made for the current financial year will not materialise, we recognise deferred tax assets resulting from a loss only if they are not greater than the deferred tax liabilities.

Volatility adjustment was also taken into account in calculating the solvency capital requirement for the Group. As in the previous year, dynamic modelling of volatility adjustment was incorporated for the German undertakings ERGO Lebensversicherung AG and Victoria Lebensversicherung AG, while static volatility adjustment was applied to the Belgian undertakings DKV Belgium S.A. and ERGO Insurance N.V., the Austrian undertaking ERGO Versicherung AG, and the Greek undertaking ERGO Insurance Company S.A.

Four insurance companies – ERGO

Lebensversicherung AG; Victoria Lebensversicherung AG; ERGO Versicherung AG, Vienna; and ERGO Insurance Company S.A., Athens – may apply transitional measures that allow for a transitional deduction on technical provisions. ERGO Lebensversicherung AG and Victoria Lebensversicherung AG currently do not apply a transitional deduction on technical provisions. The effect of these transitional measures on the solvency capital requirement of the Munich Re Group is negligible.

Within the Munich Re Group, the following companies use an internal model to calculate their solvency capital requirement at solo undertaking level:

- Munich Reinsurance Company, Munich, Germany
- Munich Re of Malta p.l.c., Ta' Xbiex, Malta
- DKV Deutsche Krankenversicherung AG, Cologne, Germany
- ERGO Versicherung AG, Düsseldorf, Germany
- ERGO DIREKT Versicherung AG, Nuremberg, Germany
- Great Lakes Insurance SE, Munich, Germany
- Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Zopot, Poland
- ERGO Lebensversicherung AG, Hamburg, Germany
- Victoria Lebensversicherung AG, Düsseldorf, Germany

Munich Re underwrites risks as a member of the association of underwriters known as Lloyd's via the company Munich Re Syndicate Ltd., London. The risks of these companies are taken into account in the Munich Re internal model; at the same time, they are also taken into account in the Lloyd's internal model.

Further details about the solvency capital requirement broken down by risk category can be found in Part C "Risk profile". An SCR breakdown by risk category can be found in the annex to this report, QRT S.25.05.22 "Solvency capital requirements – for Groups on full internal models".

## Minimum capital requirement (MCR)

The minimum capital requirement for the Group is the sum of the minimum capital requirements for the solo undertakings in the Group. The MCR of the solo undertakings is calculated by means of a factor approach, primarily on the basis of premiums and technical provisions. At the same time, the MCR must constitute at least 25% but no more than 45% of the SCR. For solo undertakings outside the European Economic Area, the local minimum capital requirements are applied. The MCR for the Group was €15.5bn as at 31 December 2024.

## E3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Munich Re does not use a duration-based equity risk sub-module to calculate the solvency capital requirement at the consolidated Group level.

Germany did not exercise the option to permit the use of a duration-based equity risk sub-module to calculate the solvency capital requirement, as no approval for doing so was issued by the supervisory authority.



## E4 Differences between the standard formula and any internal model used

### Scope of the internal model

Our internal model is based on specially modelled distributions for the risk categories property-casualty, life and health, market, credit and operational risks. We use primarily historical data for the calibration of these distributions, complemented in some areas by expert judgement. Our historical data covers a long period to provide a stable and appropriate estimate of our risk parameters.

The dependencies between the risk categories are calibrated by means of scenarios that affect more than one risk category simultaneously, and comparisons with relevant standards. We also take account in our risk model of the risk-mitigating effect of technical provisions in life and health primary insurance.

We then determine the effect of the loss absorbency of deferred taxes.

The internal model adequately covers material quantifiable risks arising from underwriting (property-casualty, life and health), market risk, credit risk, and operational risk. It also covers biometric risks from pension liabilities in all of Munich Re's areas of operation.

Details about the stated categories and about non-quantified risks can be found in Part C "Risk profile".

### Methods of the internal model

The core principles used in modelling the individual risk categories are set out below:

#### Property-casualty underwriting risk

In property-casualty reinsurance, we apply appropriate methodology in our modelling for basic losses, large losses and accumulation losses – especially those resulting from natural catastrophes, pandemics and cyber risks. Basic losses are modelled using stochastic simulation methods, which are used to calculate the difference in the ultimate loss status. For the modelling of large and accumulation losses, we use collective models, determining the frequency and loss amount using historical loss experience and based on physical models.

The methodology used for modelling property-casualty risks at our primary insurance undertakings is generally the same as that applied in reinsurance. Where the risk profiles of these undertakings display particular features, the methodology is adapted accordingly.

#### Life and health underwriting risk

Mortality, longevity, disability, customer behaviour, administration expenses and the costs of benefits paid in health insurance are modelled as separate risk drivers in the internal model.

In life reinsurance, possible future scenarios are determined by Monte Carlo simulations of those risk drivers.

The modelling in life primary insurance and German health primary insurance is based on stress scenarios; their effect on the stochastic valuation models is analysed.

#### Market risk

Market risks are modelled in the internal model by means of a Monte Carlo simulation of possible future capital-market scenarios, taking account of risk drivers relevant to the Munich Re Group at a granular level. We revalue our assets and liabilities for each simulated market scenario, thus showing the probability distribution for changes to basic own funds.

#### Credit risk

A Monte Carlo simulation is used to model credit risk in the internal model, and we take particular account of the creditworthiness of each counterparty.

#### Operational risk

We use scenarios based on expert estimates to quantify operational risk in the internal model.

#### Diversification

The main sources of diversification in the internal model are our worldwide spread across the different risk categories (underwriting, market, credit) and our combination of primary insurance and reinsurance business. We also take into account dependencies between the risks that generally result in higher capital requirements than would be the case if no dependency were assumed.

## Material differences to standard formula

The most relevant differences between the assumptions of the standard formula and the risk profile of the Munich Re Group are:

- The standard formula does not take sufficient account of the effects of Munich Re’s diversified portfolio structure. This applies to both underlying exposures and markets, and to the broad geographic diversification.
- The standard formula oversimplifies risks that are not material for most European insurance undertakings. The most important examples of solvency capital requirements with respect to Munich Re that are insufficiently recognised in the standard formula are the requirements for
  - non-proportional property insurance,
  - our global portfolio of natural catastrophe covers, life reinsurance, and
  - assets in foreign currencies that are required for the operation of non-European subsidiaries.
- By applying the standard formula to Munich Reinsurance Company, subsidiaries are depicted on the basis of equity stress and are therefore treated differently to the Munich Re Group as regards the corresponding calculation of the standard formula. In contrast, our internal model takes account of the actual risk drivers for subsidiaries of Munich Reinsurance Company and the Munich Re Group in the same transparent way.

As a result of these limitations in the standard formula, Munich Re decided to use an internal model to calculate its solvency capital requirements. Below, we compare the assumptions of the internal model with those of the standard formula, and explain why the approach taken in the internal model is more appropriate.

The quantitative impact of the differences between the standard formula and the internal model on the resulting SCR is typically much larger in the reinsurance segment than in the primary insurance segment. This is mainly due to the fact that the standard formula was designed for an average-sized European insurance undertaking, and not for a global reinsurance portfolio as in our reinsurance segment. Consequently, the solvency capital requirements based on the standard formula are to a large extent inappropriate for most lines of business or geographical areas in reinsurance. For primary insurance in the European Economic Area (EEA), our business profile matches the assumptions of the standard formula better than in the reinsurance segment. Nevertheless, the internal model also provides a more appropriate view of our risks in this segment.

### Life underwriting risk

The life reinsurance model simulates the deviations of projected net cash flows from the best estimate on the basis of stochastically varying biometric and lapse risk drivers. The value at risk of 99.5% over a one-year period is derived using the linear regression finance approach. Each risk driver comprises a process, basis, trend and calamity risk component. The standard formula is less sophisticated, with each biometric risk driver being represented by only one deterministic scenario, which is generated by consistent stress on the best-estimate assumptions.

Where possible, the parameters of the Life Re module of the internal model are estimated from historical data. The mortality trend risk parameters are estimated based on historical population mortality rates. Basis risk is calibrated such that the model reproduces the standard deviation of historical operating assumption change rates. The stress parameters used for life primary insurance SCR calculations are derived from application of the Life Re model to ERGO portfolio data sets. This is carried out by means of stress scenarios on the basis of stochastic corporate models.

The pandemic model in the internal model explicitly contains an allowance for the portfolio’s age distribution covered and its underlying base mortality.

### Health underwriting risk

For NSLT (not similar to life techniques) health business, premium and reserve risk is calculated similarly to the non-life underwriting risk in the standard formula (loading factors). Overall, reinsurance business is NSLT. Therefore, non-life insurance techniques are used to calculate the economic risk capital.

In primary insurance, health insurance using similar to life techniques (SLT health business) is handled similarly to life primary insurance business. Account is taken of the fact that in the health insurance segment, premiums or benefits may be adjusted during the contract term.

### Non-life underwriting risk

In the standard formula, the premium and reserve risk is determined using loading factors applied to premium measures and technical provisions. In the internal model, premium and reserve risk is measured incorporating historical loss experience and loss development patterns, at the level of a Munich Re risk-specific segmentation.

For catastrophe risk, the standard formula distinguishes between EEA exposures (higher granularity of input data) and non-EEA exposures (more simplistic approach). In the internal model, the risk from natural catastrophes – one of the biggest risks on Munich Re’s balance sheet – is modelled using a stochastic and risk-sensitive approach which captures key accumulation risks in all geographical locations. The same holds true for man-made catastrophe accumulations.

For both catastrophe and non-catastrophe risks, the geographical diversification inherent in Munich Re’s global portfolio is only partially recognised in the standard formula.

#### Market risk

The calculation of market risk figures is based on risk drivers that describe the change in value of financial instruments. The calibration of the scenarios describing the possible future realisation of these risk drivers is based on long-term historical data (over-the-cycle calibration). A comparison of the risk drivers used within the internal model with the standard formula approach shows that the granularity of the internal model (with more than 500 distinct risk drivers) is far more elaborate than the standard formula approach. In addition, the internal model captures specific risk drivers that are not accounted for in the standard formula, namely spreads on sovereign bonds, inflation expectations, and implied volatilities on equities and interest rates.

In most relevant cases in this risk category, there is no significant difference between the corresponding quantiles of the scenarios and the shocks of the standard formula.

#### Credit risk

The counterparty default risk in the standard formula only captures the risk of default for specific assets (namely those that are not covered by the spread risk module in the market risk calculation). By contrast, the credit risk module under the internal model takes account of all items involving credit risk. Besides fixed-interest investments, this includes deposits with ceding institutions, reinsurance recoverables, receivables, counterparty risk on derivatives, cash, and guarantees. In addition to losses from defaults, the internal model covers potential losses from rating downgrades.

#### Operational risk

Under the standard formula, the operational risk (OpRisk) SCR is determined using a simplistic factor-based approach as a function of premiums, technical provisions and the basic SCR. Under the internal model, by contrast, individual scenarios are examined, which are based on estimates from relevant experts and insights from our internal control system.

## Risk measures and time period used in the internal model

The risk measures and time period used in the internal model for purposes of calculating the SCR are compliant with the requirements of Article 101(3) of Directive 2009/138/EC. The confidence level used for the SCR is the value-at-risk (VaR) measure on the 99.5% quantile.

## Data used in the internal model

A common data policy has been established for Munich Re that sets Group-wide data quality standards. An individual data directory is compiled for each solo undertaking in the Group. This provides justification that the calculation of the regulatory capital according to the internal model is based on data of sufficient quality.

When using the term data, we refer to numerical, statistical or classification information, but not qualitative information. This also applies to information used to develop model assumptions. The assumptions themselves are not regarded as data.

A specific Solvency II requirement is the compilation of a data directory. It comprises all data used in the internal model, specifying its source, characteristics and usage. Responsibility for the data directory’s input and maintenance lies with the respective process owners.

In accordance with Solvency II requirements, the quality of data has to meet the criteria of accuracy, completeness and appropriateness. The interpretation of the three data quality criteria is defined at a high level, and is applicable to all areas where the assessment of the data quality is required. The data used in the respective areas is highly complex and diverse. Accordingly, the principle of proportionality is naturally important in this principles-based approach. Applying the principle of proportionality when considering data quality means that the requirements should be seen in relation to the intended purpose of the analysis or assessment. For portfolios where underlying risks are considered simple in terms of nature, scale and complexity, “appropriate” is interpreted differently than in a situation where the risks are complex. This means that we proceed on the assumption that less detailed data is required for the assessment of simple risks.

While the assessment of the two criteria (completeness and appropriateness) should be considered at a higher level, accuracy is assessed at a more granular level.

## E5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

Munich Re had adequate own funds at all times during the reporting period to cover the minimum capital requirement and the solvency capital requirement.

## E6 Any other information

Munich Reinsurance Company again initiated a share buy-back programme in February 2025. By the Annual General Meeting on 29 April 2026, own shares up to a value of €2.0bn (excluding incidental expenses) are to be bought back.

We do not have any other material information about Munich Re's capital management.



# Annex

Templates in accordance with Commission Implementing Regulation (EU) 2023/895 of 4 April 2023

## S.02.01.02

### Balance sheet - assets

€m	Solvency II value
Goodwill	
Deferred acquisition costs	
Intangible assets	0
Deferred tax assets	397
Pension benefit surplus	304
Property, plant & equipment held for own use	4,038
Investments (other than assets held for index-linked and unit-linked contracts)	219,341
Property (other than for own use)	10,236
Holdings in related undertakings, including participations	5,987
Equities	2,555
Equities – listed	260
Equities – unlisted	2,295
Bonds	131,406
Government bonds	73,238
Corporate bonds	49,431
Structured notes	4,398
Collateralised securities	4,338
Collective investment undertakings	61,920
Derivatives	2,164
Deposits other than cash equivalents	2,739
Other investments	2,334
Assets held for index-linked and unit-linked contracts	8,976
Loans and mortgages	13,322
Loans on policies	137
Loans and mortgages to individuals	3,480
Other loans and mortgages	9,706
Reinsurance recoverables from:	5,268
Non-life and health similar to non-life	2,599
Non-life excluding health	2,533
Health similar to non-life	66
Life and health similar to life, excluding health and index-linked and unit-linked	2,669
Health similar to life	579
Life excluding health and index-linked and unit-linked	2,091
Life index-linked and unit-linked	0
Deposits to cedants	16,609
Insurance and intermediaries receivables	18,165
Reinsurance receivables	1,144
Receivables (trade, not insurance)	5,403
Own shares (held directly)	1,147
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	4,426
Any other assets, not elsewhere shown	622
<b>Total assets</b>	<b>299,162</b>

**Balance sheet - liabilities**

€m	Solvency II value
Technical provisions – non-life	87,905
Technical provisions – non-life (excluding health)	84,901
TP calculated as a whole	0
Best estimate	82,522
Risk margin	2,380
Technical provisions – health (similar to non-life)	3,004
TP calculated as a whole	0
Best estimate	2,902
Risk margin	102
Technical provisions – life (excluding index-linked and unit-linked)	109,162
Technical provisions – health (similar to life)	59,393
TP calculated as a whole	0
Best estimate	54,502
Risk margin	4,891
Technical provisions – life (excluding health and index-linked and unit-linked)	49,769
TP calculated as a whole	0
Best estimate	44,297
Risk margin	5,472
Technical provisions – index-linked and unit-linked	9,160
TP calculated as a whole	95
Best estimate	8,918
Risk margin	146
Contingent liabilities	1
Provisions other than technical provisions	1,147
Pension benefit obligations	1,511
Deposits from reinsurers	1,359
Deferred tax liabilities	6,597
Derivatives	2,311
Debts owed to credit institutions	58
Financial liabilities other than debts owed to credit institutions	3,054
Insurance & intermediaries payables	10,230
Reinsurance payables	730
Payables (trade, not insurance)	4,556
Subordinated liabilities	6,950
Subordinated liabilities not in BOF	870
Subordinated liabilities in BOF	6,080
Any other liabilities, not elsewhere shown	117
<b>Total liabilities</b>	<b>244,847</b>
<b>Excess of assets over liabilities</b>	<b>54,315</b>

**S.05.01.02****Premiums, claims and expenses by line of business**

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
€m	Medical expense insurance	Income protection insurance	Workers' compen- sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
<b>Premiums written</b>									
Gross – Direct Business	1,986	790	7	2,962	2,011	1,467	7,843	2,598	517
Gross – Proportional reinsurance accepted	11	304	70	2,975	2,325	1,023	8,403	3,130	810
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	6	17	2	277	90	170	576	114	127
Net	1,991	1,077	76	5,660	4,246	2,320	15,669	5,614	1,201
<b>Premiums earned</b>									
Gross – Direct Business	1,964	791	5	2,735	1,895	1,450	7,409	2,533	458
Gross – Proportional reinsurance accepted	23	293	89	3,063	2,160	1,023	8,405	3,357	801
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	6	12	4	273	87	175	623	115	103
Net	1,981	1,073	90	5,525	3,968	2,299	15,191	5,774	1,156
<b>Claims incurred</b>									
Gross – Direct Business	1,391	219	-15	1,799	1,417	786	4,010	1,490	175
Gross – Proportional reinsurance accepted	13	184	71	2,411	1,596	788	4,478	2,753	347
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	2	3	0	155	27	91	202	36	17
Net	1,402	400	56	4,055	2,986	1,484	8,287	4,207	504
<b>Expenses incurred</b>	<b>561</b>	<b>448</b>	<b>55</b>	<b>1,722</b>	<b>1,072</b>	<b>761</b>	<b>5,832</b>	<b>2,293</b>	<b>429</b>
<b>Balance - other technical expenses/income</b>									
<b>Total technical expenses</b>									



	Line of business for: non-life insurance and reinsurance obligations*				Line of business for: accepted non-proportional reinsurance			Total
	Legal expenses insurance	Assistance	Miscel- laneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
€m								
<b>Premiums written</b>								
Gross – Direct Business	1,012	180	561					<b>21,933</b>
Gross – Proportional reinsurance accepted	-69	1	867			0	0	<b>19,850</b>
Gross – Non-proportional reinsurance accepted				89	879	282	5,126	<b>6,376</b>
Reinsurers' share	60	6	75	-3	7	29	329	<b>1,881</b>
Net	883	174	1,353	92	872	253	4,797	<b>46,278</b>
<b>Premiums earned</b>								
Gross – Direct Business	1,015	168	517					<b>20,941</b>
Gross – Proportional reinsurance accepted	46	0	901					<b>20,160</b>
Gross – Non-proportional reinsurance accepted				89	890	274	5,199	<b>6,453</b>
Reinsurers' share	61	6	75	-3	7	18	330	<b>1,891</b>
Net	1,000	161	1,343	93	883	256	4,869	<b>45,663</b>
<b>Claims incurred</b>								
Gross – Direct Business	402	61	341					<b>12,076</b>
Gross – Proportional reinsurance accepted	28	0	475					<b>13,143</b>
Gross – Non-proportional reinsurance accepted				-5	1,540	272	1,940	<b>3,747</b>
Reinsurers' share	3	3	37	-3	2	97	-195	<b>476</b>
Net	426	58	779	-2	1,538	175	2,135	<b>28,490</b>
<b>Expenses incurred</b>	<b>520</b>	<b>89</b>	<b>653</b>	<b>24</b>	<b>310</b>	<b>53</b>	<b>867</b>	<b>15,689</b>
<b>Balance - other technical expenses/income</b>								<b>142</b>
<b>Total technical expenses</b>								<b>15,831</b>

\* Direct business and accepted proportional reinsurance.

## Premiums, claims and expenses by line of business

Line of business for: life insurance obligations									
€m					Annuities stemming from non-life insurance contracts and relating to		Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Health insurance obligations	Other insurance obligations*	Health reinsurance	Life reinsurance	Total
<b>Premiums written</b>									
Gross	6,972	2,829	758	234	0	0	4,926	10,450	<b>26,169</b>
Reinsurers' share	2	64	0	14	0	0	160	45	<b>286</b>
Net	6,971	2,765	758	220	0	0	4,766	10,405	<b>25,883</b>
<b>Premiums earned</b>									
Gross	6,967	2,839	758	232	0	0	4,849	6,234	<b>21,879</b>
Reinsurers' share	2	64	0	14	0	0	160	0	<b>242</b>
Net	6,964	2,775	758	218	0	0	4,689	6,234	<b>21,637</b>
<b>Claims incurred</b>									
Gross	5,676	4,621	705	103	33	11	3,723	8,584	<b>23,455</b>
Reinsurers' share	1	111	0	6	0	10	126	117	<b>372</b>
Net	5,674	4,510	705	97	33	1	3,597	8,466	<b>23,083</b>
<b>Expenses incurred</b>	<b>1,139</b>	<b>474</b>	<b>132</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>976</b>	<b>1,736</b>	<b>4,541</b>
<b>Balance - other technical expenses/income</b>						<b>0</b>			<b>216</b>
<b>Total technical expenses</b>						<b>0</b>			<b>4,757</b>
<b>Total amount of surrenders</b>	<b>4</b>	<b>626</b>	<b>336</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>48</b>	<b>1,022</b>

\* With the exception of health insurance obligations.

**S.05.02.04****Premiums, claims and expenses by country**

€m	Top 5 countries (by amount of gross premiums written) – non-life obligations						Total - Top 5 and home country
	Home country	USA	United Kingdom	Poland	Spain	Gibraltar	
<b>Premiums written</b>							
Gross - Direct Business	4,518	6,073	3,982	2,158	1,033	0	<b>17,764</b>
Gross – Proportional reinsurance accepted	895	6,723	1,310	84	737	1,702	<b>11,452</b>
Gross – Non-proportional reinsurance accepted	364	1,800	583	31	135	44	<b>2,957</b>
Reinsurers' share	213	154	350	131	62	26	<b>936</b>
Net	5,564	14,441	5,525	2,143	1,844	1,720	<b>31,237</b>
<b>Premiums earned</b>							
Gross - Direct Business	4,486	5,776	3,595	2,077	1,009	0	<b>16,944</b>
Gross – Proportional reinsurance accepted	881	7,188	1,411	113	740	1,570	<b>11,903</b>
Gross – Non-proportional reinsurance accepted	361	1,850	580	32	136	48	<b>3,007</b>
Reinsurers' share	199	207	296	126	52	26	<b>906</b>
Net	5,530	14,607	5,289	2,096	1,833	1,591	<b>30,947</b>
<b>Claims incurred</b>							
Gross - Direct Business	2,869	3,241	1,934	1,194	833	0	<b>10,071</b>
Gross – Proportional reinsurance accepted	1,138	3,850	1,184	59	487	1,221	<b>7,938</b>
Gross – Non-proportional reinsurance accepted	584	873	396	77	51	51	<b>2,032</b>
Reinsurers' share	105	34	169	80	25	12	<b>425</b>
Net	4,486	7,929	3,345	1,249	1,346	1,260	<b>19,617</b>
<b>Expenses incurred</b>	<b>2,982</b>	<b>5,951</b>	<b>1,395</b>	<b>791</b>	<b>369</b>	<b>293</b>	<b>11,781</b>
<b>Balance - other technical expenses/income</b>							<b>127</b>
<b>Total technical expenses</b>							<b>11,909</b>

## Premiums, claims and expenses by country

Top 5 countries (by amount of gross premiums written) – life obligations							
€m	Home country	USA	Canada	United Kingdom	Belgium	Australia	Total - Top 5 and home country
<b>Premiums written</b>							
Gross	10,012	5,114	2,018	1,874	728	653	<b>20,398</b>
Reinsurers' share	1	120	12	0	54	0	<b>188</b>
Net	10,011	4,994	2,006	1,874	674	653	<b>20,210</b>
<b>Premiums earned</b>							
Gross	10,021	897	2,018	1,874	722	653	<b>16,185</b>
Reinsurers' share	1	75	12	0	54	0	<b>143</b>
Net	10,020	822	2,006	1,874	668	653	<b>16,042</b>
<b>Claims incurred</b>							
Gross	10,382	4,305	1,405	1,749	622	605	<b>19,068</b>
Reinsurers' share	1	92	7	7	93	0	<b>200</b>
Net	10,381	4,213	1,398	1,742	529	605	<b>18,868</b>
<b>Expenses incurred</b>	<b>2,187</b>	<b>708</b>	<b>391</b>	<b>74</b>	<b>151</b>	<b>158</b>	<b>3,669</b>
<b>Balance - other technical expenses/income</b>							<b>217</b>
<b>Total technical expenses</b>							<b>3,886</b>
<b>Total amount of surrenders</b>	<b>674</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148</b>	<b>0</b>	<b>822</b>

**S.22.01.22****Impact of long term guarantees and transitional measures**

€m	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	206,227	367	0	585	0
Basic own funds	54,260	-283	0	167	0
Eligible own funds to meet Solvency Capital Requirement	54,537	-283	0	167	0
Solvency Capital Requirement	18,895	19	0	541	0

**S.23.01.22****Own funds**

€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Non-available called but not paid in ordinary share capital to be deducted at group level	0	0		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Non-available subordinated mutual member accounts to be deducted at group level	0		0	0	0
Surplus funds	2,913	2,913			
Non-available surplus funds to be deducted at group level	1,175	1,175			
Preference shares	0		0	0	0
Non-available surplus funds to be deducted at group level	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Non-available share premium account related to preference shares at group level	0		0	0	0
Reconciliation reserve	39,141	39,141			
Subordinated liabilities	6,080		13	6,007	60
Non-available subordinated liabilities to be deducted at group level	60		0	0	60
An amount equal to the value of net deferred tax assets	357				357
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	185				185
Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
Minority interests	278	278	0	0	0
Non-available minority interests to be deducted at group level	243	243	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1	0			
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	276	276	0	0	0
Whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
Deduction for participations included via Deduction and Aggregation method (D&A) when a combination of methods are used	0	0	0	0	0
Total of non-available own fund items to be deducted	1,664	1,418	0	0	246
<b>Total deductions</b>	<b>1,940</b>	<b>1,695</b>	<b>0</b>	<b>0</b>	<b>246</b>
<b>Total basic own funds after deductions</b>	<b>54,260</b>	<b>48,069</b>	<b>13</b>	<b>6,007</b>	<b>172</b>

## Own funds

€m	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Ancillary own funds</b>					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Non available ancillary own funds to be deducted at group level	0			0	0
Other ancillary own funds	0			0	0
<b>Total ancillary own funds</b>	<b>0</b>			<b>0</b>	<b>0</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	65	65	0	0	
Institutions for occupational retirement provision	207	207	0	0	0
Non regulated undertakings carrying out financial activities	5	5	0	0	0
Total own funds of other financial sectors	276	276	0	0	0
<b>Own funds when using the D&amp;A, exclusively or in combination with method 1</b>					
Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	54,260	48,069	13	6,007	172
Total available own funds to meet the minimum consolidated group SCR	54,089	48,069	13	6,007	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	54,260	48,069	13	6,007	172
Total eligible own funds to meet the minimum consolidated group SCR	51,178	48,069	13	3,097	

## Own funds

€m	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Minimum consolidated Group SCR</b>	<b>15,483</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>331%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>54,537</b>	<b>48,345</b>	<b>13</b>	<b>6,007</b>	<b>172</b>
<b>Total Group SCR</b>	<b>18,895</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>289%</b>				

## Reconciliation reserve

€m	31.12.2024
<b>Reconciliation reserve</b>	
Excess of assets over liabilities	54,315
Own shares (held directly and indirectly)	1,147
Forseeable dividends, distributions and charges	3,047
Other basic own fund items	10,980
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Other non available own funds	0
<b>Reconciliation reserve</b>	<b>39,141</b>
<b>Expected profits</b>	
Expected profits included in future premiums (EPIFP) – Life business	21,678
Expected profits included in future premiums (EPIFP) – Non-life business	3,066
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>24,744</b>



**S.25.05.22****Solvency capital requirement - for groups using a full internal model**

€m	Solvency Capital Requirement	Amount modelled	USP	Simplifications
Risk type				
Total diversification	-11,681			
Total diversified risk before tax	23,246			
Total diversified risk after tax	18,895			
Total market & credit risk	25,005			
Market & credit risk - diversified	12,027			
Credit event risk not covered in market & credit risk	0			
Credit event risk not covered in market & credit risk - diversified	0			
Total business risk	0			
Total business risk - diversified	0			
Total net non-life underwriting risk	22,155			
Total net non-life underwriting risk - diversified	12,559			
Total life & health underwriting risk	12,788			
Total life & health underwriting risk - diversified	7,811			
Total operational risk	1,630			
Total operational risk - diversified	1,630			
Other risk	899			

**Calculation of Solvency Capital Requirement**

€m	
Total undiversified components	34,926
Diversification	-11,681
Adjustment due to RFF/MAP nSCR aggregation	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement calculated on the basis of Art. 336 (a) of Delegated Regulation (EU) 2015/35, excluding capital add-on	17,996
Capital add-ons already set	0
of which, capital add-ons already set - Article 37 (1) Type a	0
of which, capital add-ons already set - Article 37 (1) Type b	0
of which, capital add-ons already set - Article 37 (1) Type c	0
of which, capital add-ons already set - Article 37 (1) Type d	0
Consolidated Group SCR	18,895
<b>Other information on SCR</b>	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	-3,576
Amount/estimate of the loss absorbing capacity for deferred taxes	-4,350
Capital requirement for duration-based equity risk sub-module	0
Total amount of notional Solvency Capital Requirements for remaining part	0
Total amount of notional Solvency Capital Requirements for ring-fenced funds	0
Total amount of notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Minimum consolidated group solvency capital requirement	15,483
<b>Information on other entities</b>	
Capital requirement for other financial sectors (Non-insurance capital requirements)	288
Capital requirement for other financial sectors (Non-insurance capital requirements) - credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	94
Capital requirement for other financial sectors (Non-insurance capital requirements) - institutions for occupational retirement provisions	188
Capital requirement for other financial sectors (Non-insurance capital requirements) - capital requirement for non-regulated undertakings carrying out financial activities	5
Capital requirement for non-controlled participation	612
Capital requirement for residual undertakings	0
Capital requirement for collective investment undertakings or investments packaged as funds	0
<b>Overall SCR</b>	
SCR for undertakings included via D&A method	0
<b>Total group solvency capital requirement</b>	<b>18,895</b>

## List of abbreviations

AF	Actuarial function	OIS	Overnight index swap
AIF	Alternative investment fund	ORCS	Operational risk control system
AktG	German Stock Corporation Act	ORSA	Own risk and solvency assessment
ALM	Asset-liability management	OTC	Over the counter
CDS	Credit default swap	p.l.c.	Public limited company
CISO	Chief Information Security Officer	PAA	Premium allocation approach
CMS	Compliance management system	QRT	Quantitative reporting templates
CRO	Chief Risk Officer	RMF	Risk management function
CTA	Contractual trust agreement	SII	Solvency II
DA	Delegated Acts	SCR	Solvency capital requirement
DKV	Deutsche Krankenversicherung	SFCR	Solvency and Financial Condition Report
EEA	European Economic Area	TPRM	Third-Party Risk Management
EIOPA	European Insurance and Occupational Pensions Authority	UCITS	Undertakings for collective investment in transferable securities
EOF	Eligible own funds	VAG	German Insurance Supervision Act
EPIFP	Expected profit included in future premiums	VaR	Value at risk
ESG	Environment, social, governance	VFA	Variable fee approach
GCCO	Group Chief Compliance Officer		
GCL	Group Compliance and Legal		
GmbH	Gesellschaft mit beschränkter Haftung (German limited liability company)		
GMM	General measurement model		
GSI	Global Specialty Insurance		
HGB	German Commercial Code		
HSB	Hartford Steam Boiler		
IAS	International Accounting Standard		
IFRS	International Financial Reporting Standard		
Inc.	Incorporated		
IRM	Integrated Risk Management		
ISDA	International Swaps and Derivates Association		
MCR	Minimum capital requirement		
MEAG	MUNICH ERGO Asset Management GmbH		
MENA	Middle East North Africa		
MR GCP	Munich Re Group Compensation Policy		

# Imprint/Service

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