



# Munich Re Group Investor Day 2020

8 December 2020



# Investor Day 2020

## Agenda

01	Munich Re Group Ambition 2025	Joachim Wenning
02	Group Finance	Christoph Jurecka
03	Group Investment Management	Nicholas Gartside
04	ERGO	Markus Riess
05	Reinsurance	Torsten Jeworrek



# Munich Re Group Ambition 2025

Joachim Wenning



# Priorities for 2020 delivered

## Ambition 2020

Execute strategic priorities

- ✓ Increase earnings
- ✓ Digital transformation
- ✓ Reduce complexity

**COVID-19**

2018-2020

2021-2025

# Ambition 2020 reignited profitable growth

## Strategic focus



Increase earnings

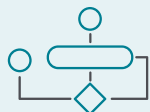
## Key achievements

Growing Reinsurance and turning around ERGO has raised earnings to a new level; new Group CIO for improved investment management



Digital transformation

Leveraging data and technology for automation, sophistication and disruption across Munich Re Group



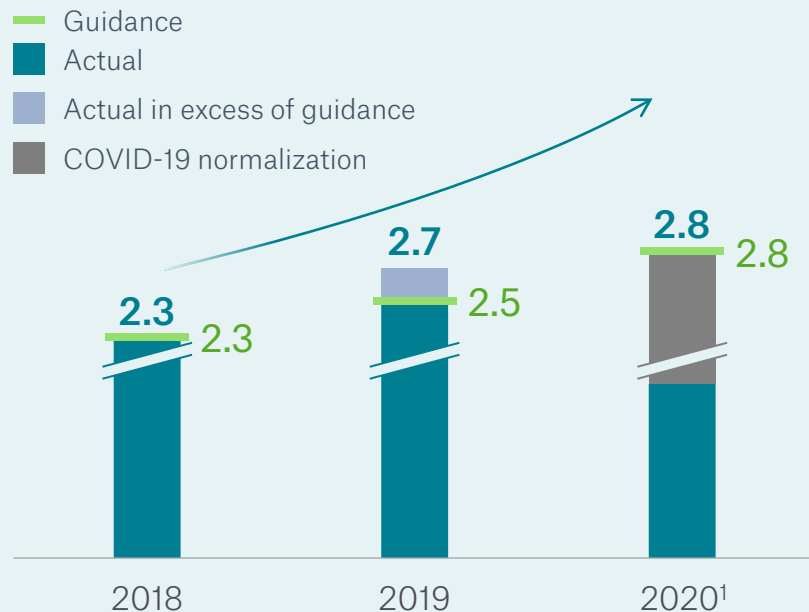
Reduce complexity

Focus on markets and customers has improved organizational effectiveness and business impact

# Munich Re has delivered on its Ambition 2020<sup>1</sup>

## Net income targets achieved<sup>1</sup> ...

€bn

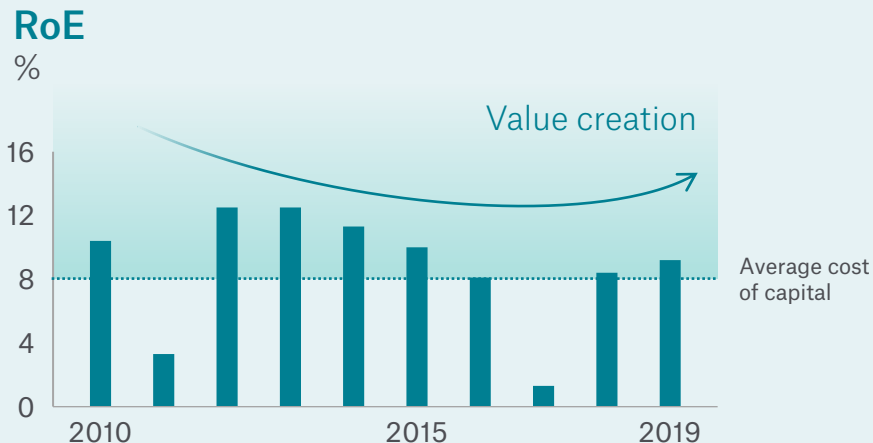


<sup>1</sup> Normalized for COVID-19 claims.

## ... despite challenging developments

- Above long-term-average large losses in 2019
- P-C RI markets only started selectively firming from 2018 onwards
- Volatile capital markets
- Risk free rates reduced by ~100bps in Germany and ~180bps in US since January 2018

# Turned around RoE erosion and delivered superior Total Shareholder Return



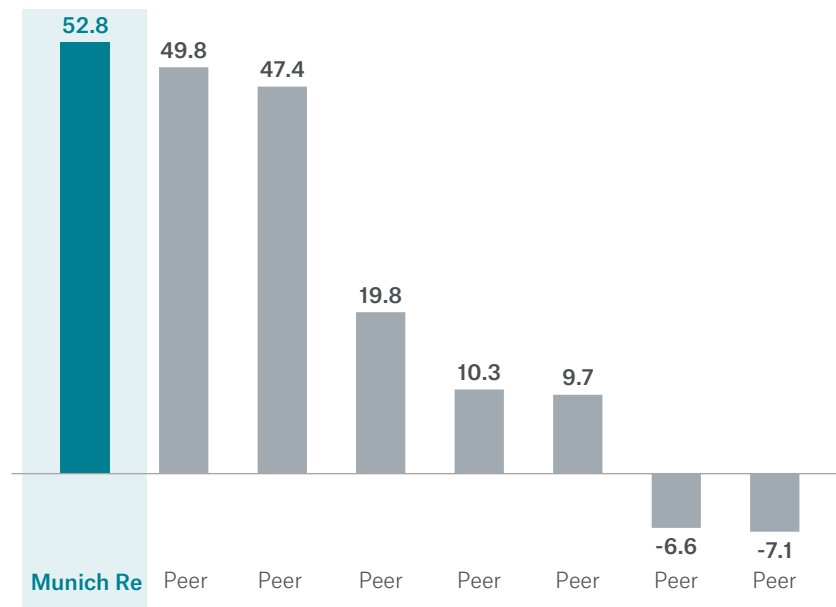
Ø **8.7%**  
10-year RoE



~ **8%**  
Cost of capital

## TSR since 1 January 2018<sup>1</sup>

%



<sup>1</sup> Source: Datastream. Period from 01 Jan 2018 to 03 Dec 2020.  
Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.

# We believe in gradual market shifts with major opportunities for Munich Re Group

## Gradual shifts in markets ...



Rate hardening in commercial, specialty and reinsurance will continue for a couple of years ...



Digital business models and client needs continue to evolve gradually ...



Lower reinvestment yields shave >10bps p.a. off our portfolio's RoI ...



Profit / growth pools gradually shift towards markets with lower insurance penetration ...

## ... while fundamentals will not be disrupted

... despite alternative capital

... thus insurers need to evolve, invest and adapt

... but can be partially compensated by superior investment and asset management

... but traditional core markets in the US and Europe keep a vital role for profits

**Strategic beliefs support continuation of a measured investment and transformation path**

# Munich Re Group Ambition 2025



## Ambition 2025

Scale. Shape. Succeed.



## Ambition 2020

Execute strategic priorities

2018-2020

2021-2025



Munich Re Group



# Ambition 2025



**Scale**



**Shape**



**Succeed**

# Munich Re Group Ambition 2025

Scale. Shape. Succeed.

## Scale



... our core businesses,  
leveraging our capabilities further



## Shape

... the insurance value chain,  
creating new business opportunities



## Succeed

... benefiting our ...

Shareholders

Clients

Employees

Communities

# Munich Re Group Ambition 2025

Scale. Shape. Succeed.

## Scale



Expansion of core

Preference for organic growth

Leverage superior underwriting

Uplift asset performance



## Shape

Create additional business

Monetize digital business investments

Create new strategic options



## Succeed

### Shareholders

Growing earnings and RoE

### Clients

Long-term partner – superior products, experience and capacity

### Employees

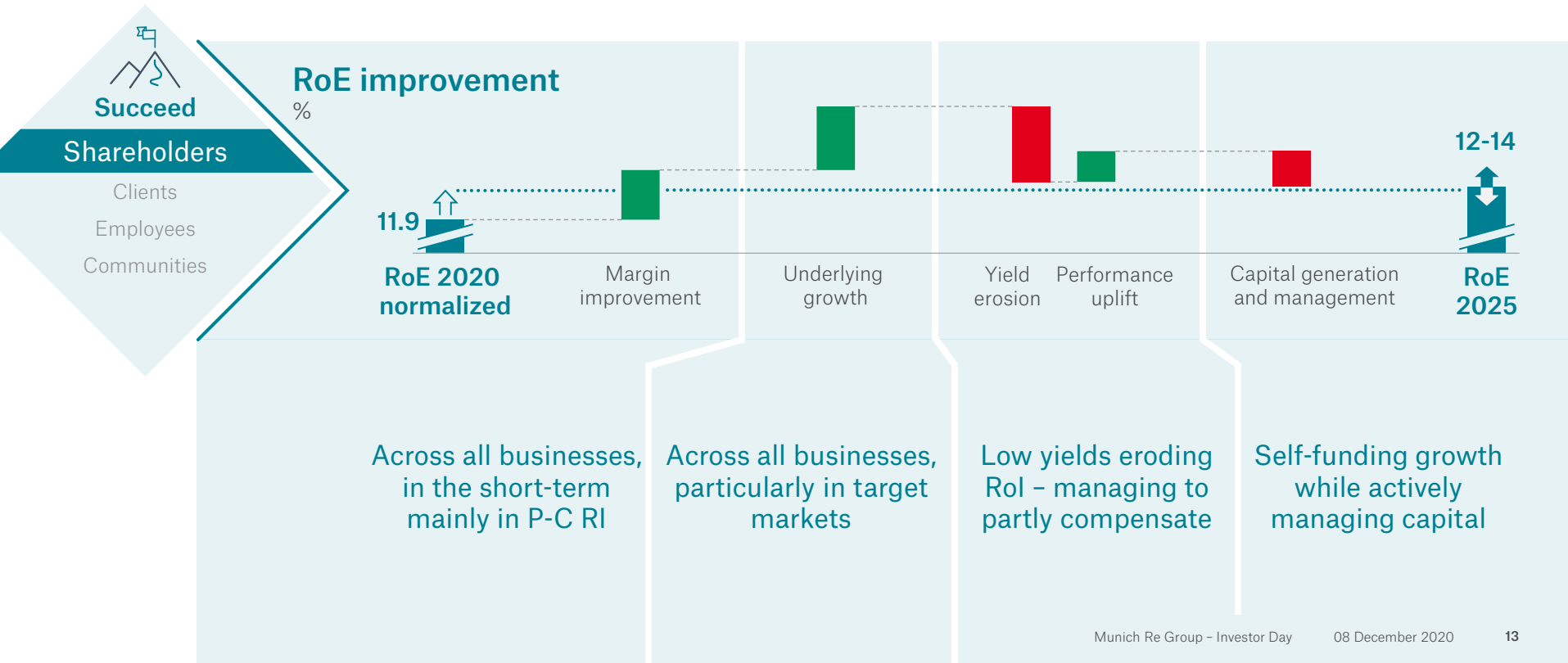
Employer of choice: skill-driven, fostering digital culture, risk entrepreneurs

### Communities

Comprehensive climate strategy matching Paris Agreement

# Munich Re Group Ambition 2025

Growing RoE



# Munich Re Group Ambition 2025

Long-term partner: bring superior products, experience and capacity to our clients



Shareholders

**Clients**

Employees

Communities

## ERGO

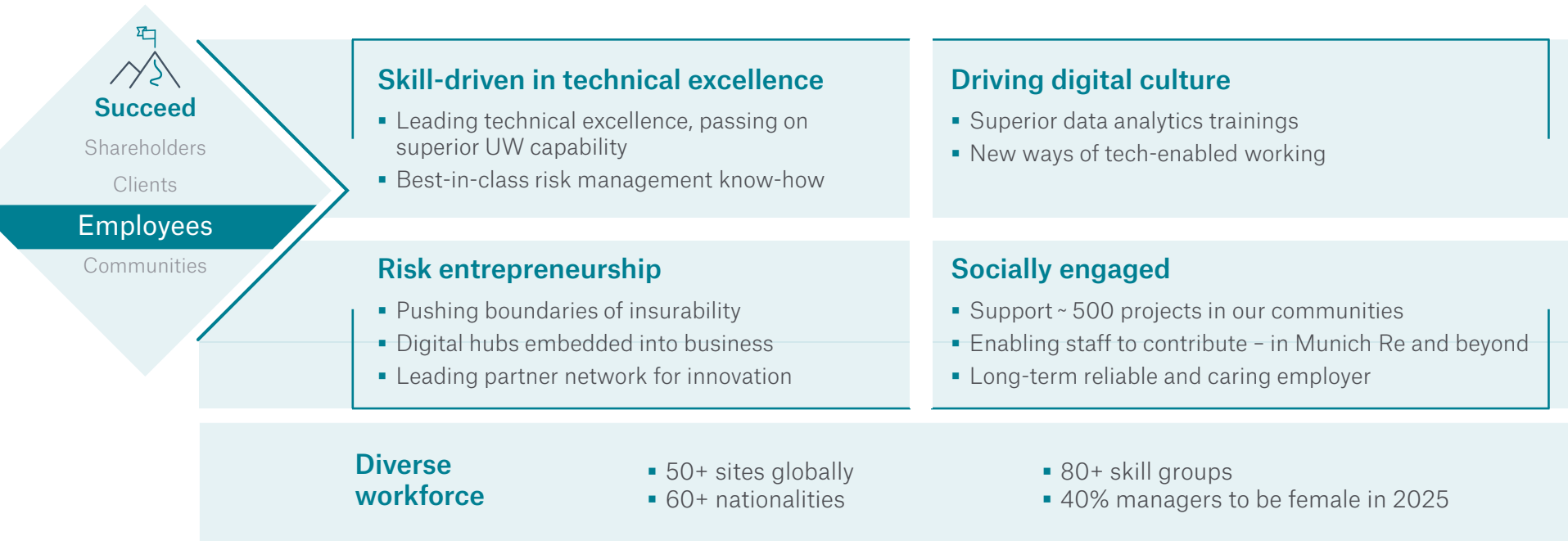
- Deliver excellent service levels
- Continue to simplify and harmonize product portfolio
- Upgrade customer experience through End-to-End process re-design
- Apply new technologies to enhance customer interfaces

## Reinsurance

- Reliable and predictable partner
- Leader in capacity, services and thought
- Expanding borders of insurability, e.g. cyber, guarantees for new technologies
- Specialty commercial segment for North America, bundling all offerings in MRSI
- Expand product scope, e.g. in US E&S

# Munich Re Group Ambition 2025

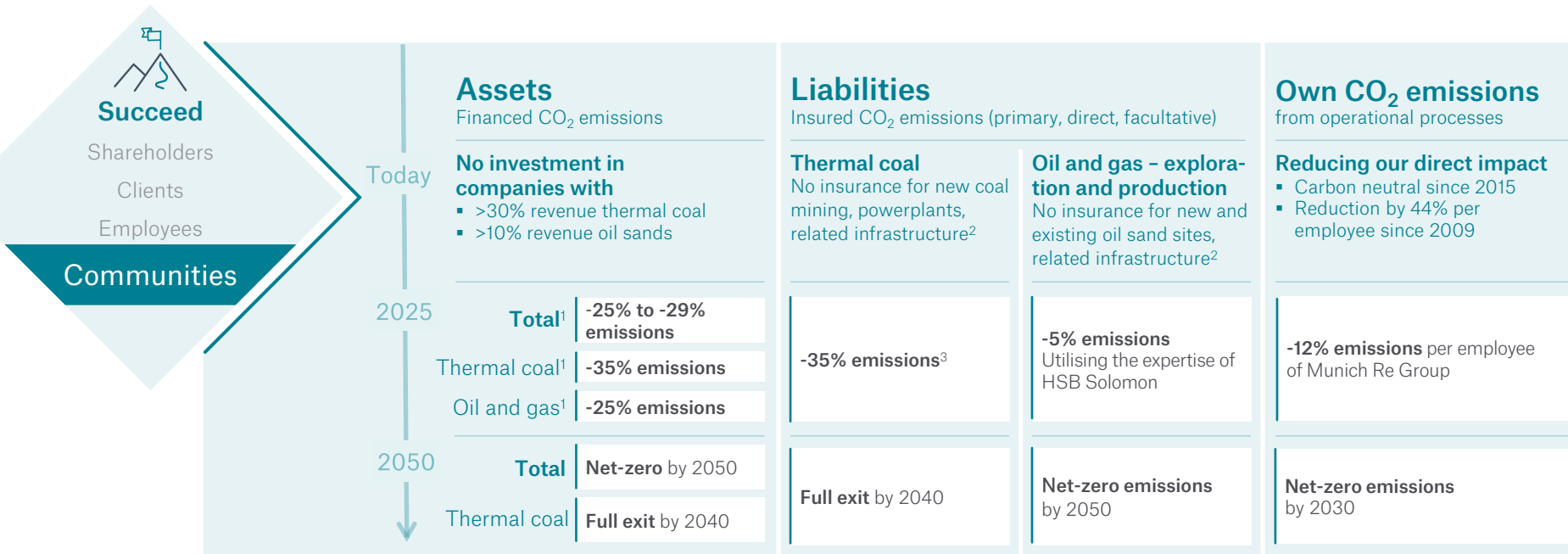
Employer of choice



**Highly committed talent, leading by skill and experience**

# Munich Re Group Ambition 2025 and beyond

Lead by climate action – leveraging role as investor, underwriter and audible public voice



## Leading with high and credible ESG standards

<sup>1</sup> Based on sub-portfolio of equities, corporate bonds and real estate at the end of 2019.

<sup>2</sup> Minor exceptions apply such as sites in countries with <90% electrification rate.

<sup>3</sup> "Produced tonnes of thermal coal / MW capacity insured" used as proxy for emissions; base year 2019.

# Our commitment to Succeed

Leading Total Shareholder Return

## We will deliver



**Succeed**

Improved RoE, 2025

12-14%

EPS growth<sup>1</sup>

≥5%

DPS growth<sup>1,2</sup>

≥5%

Solvency II ratio  
in optimal range

175-220%

Decarbonization targets in coal, oil and gas

# Group Finance

Christoph Jurecka

# Group targets are closely aligned to internal and external value drivers

## Major TSR drivers

### New targets

RoE expectation

Expected EPS growth

### Existing focus

Expected dividend growth

Other factors,  
e.g. cost of capital

## Group targets 2025

Improved RoE, 2025

12-14%

EPS growth<sup>1</sup>

≥5%

DPS growth<sup>1,2</sup>

≥5%

Solvency II ratio  
in optimal range

175-220%

Holistic,  
value-driven  
internal  
steering

IFRS

Economic

Capital

**Overall target: sustainably increasing Total Shareholder Return (TSR)**

<sup>1</sup> Compound annual growth rate 2020-25 (EPS 2020 normalized). <sup>2</sup> Dividend floor of at least previous year's DPS.

# Internal steering covers value creation holistically

## Dimensions of internal steering

## Key messages

### IFRS

#### Short- / medium-term profitability

- Net income
- RoE

Growth of IFRS earnings and capital productivity ...  
... driven by business growth and (cyclical) margin expansion ...  
... outweighing yield erosion in overall earnings ...  
... while maintaining high reserve quality

### Economic

#### Long-term profitability, risk assessment

- Economic earnings
- Capital generation

- Economic value added increasing – growth is self-funding
- Risk appetite remains largely stable
  - Absolute balance-sheet size and risk-capital consumption to grow
  - Unchanged balance between investment and insurance risks

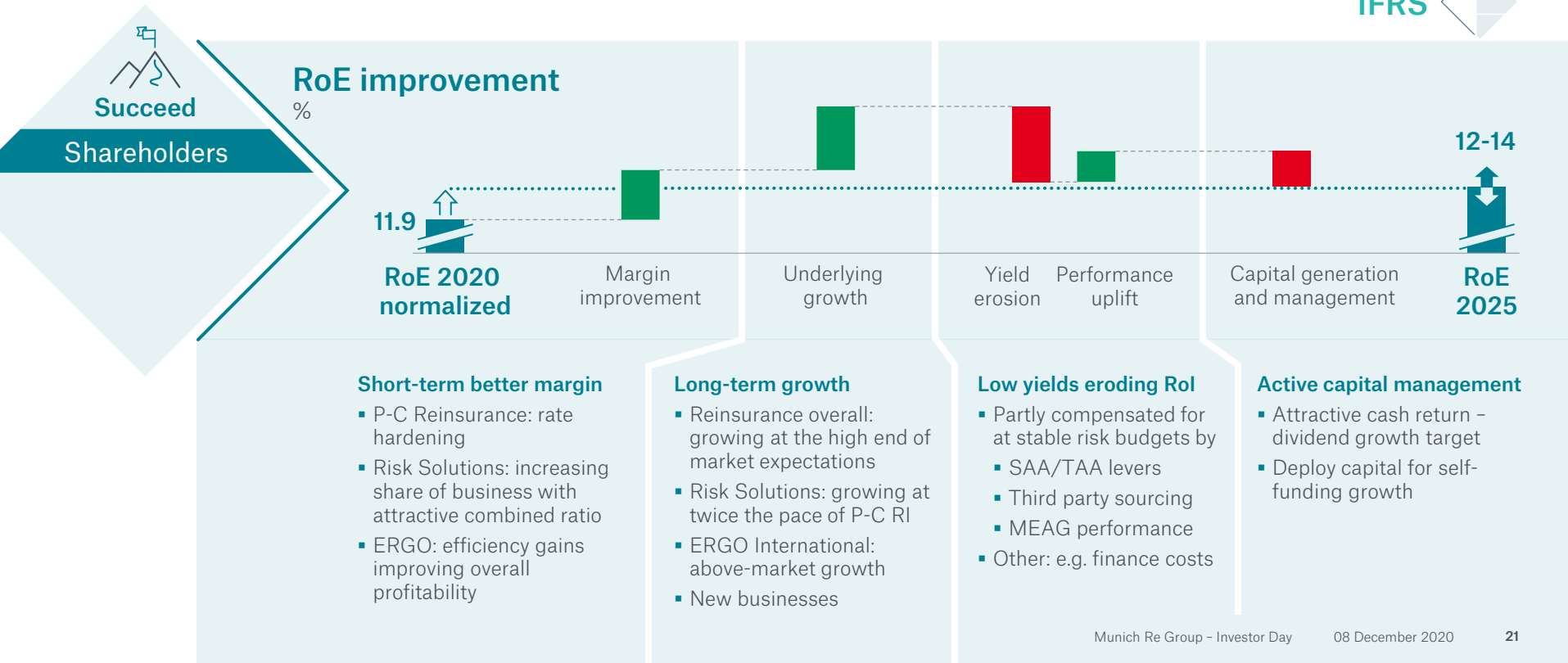
### Capital

#### Capital resources

- Remittance
- Solvency II / Rating

- Commitment to attractive dividend growth
- Share buy-backs to manage excess capital
- Strong Solvency II ratio and stable rating quality

# RoE improvement driven by profitable business growth overcompensating lower contribution from investments



# Continuation of prudent reserving approach allows for ongoing reserve releases



## Reserving approach

- Conservative loss estimates for new business, which facilitate reserve releases after clear manifestation of loss development
- Reserves continue to be set at the upper end of the range of possible best estimates



## Business mix in Reinsurance

- Higher share of personal lines business (growth in both Risk Solutions and traditional Reinsurance), with typically smoother development and lower reserve uncertainty
- New business opportunities in property and specialty are expected to lead to a higher share of shorter tail business, which could require smaller reserve margins on attritional losses to achieve usual prudence level



## Outlook in Reinsurance

- Unchanged disciplined reserving approach, diligently reflecting developments in portfolio and business mix
- In the growing portfolio, “locked-in” reserve caution from prior years is based on lower prior-year premium levels
- Ongoing substantial reserve releases expected, with ~ 4% points of net earned premiums being a suitable guidance

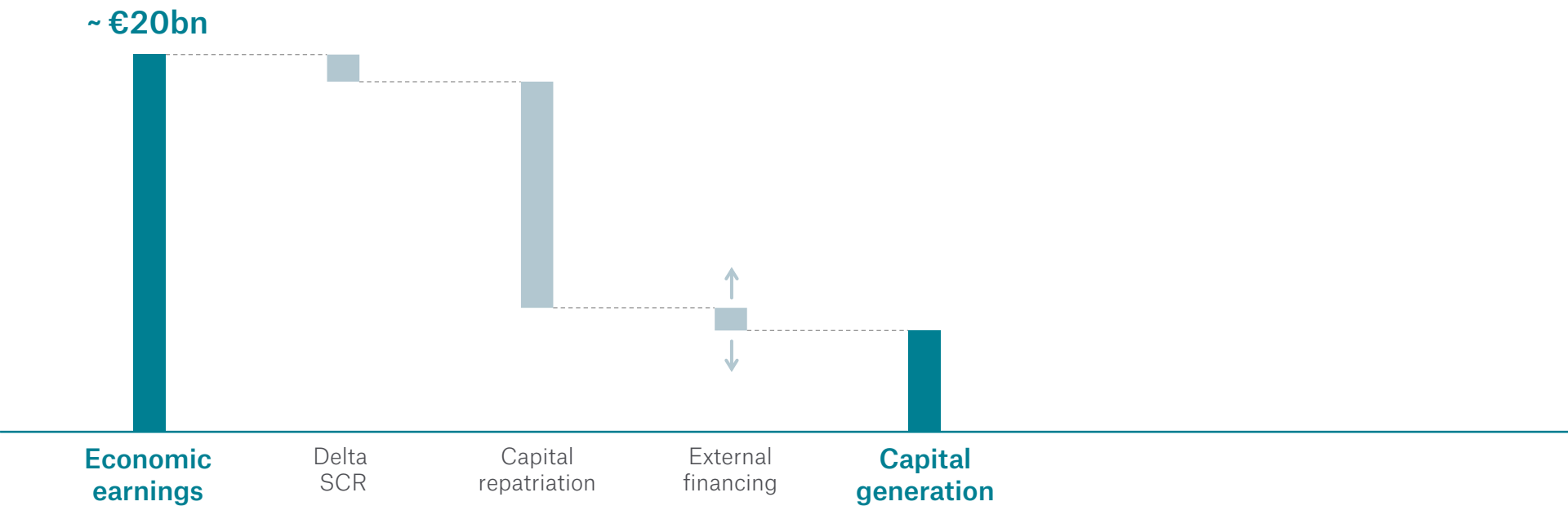
**Well established  
reserving approach  
with unchanged  
prudence**

# Strong economic value added

Facilitation of self-funding growth creating financial flexibility

## Illustration: Expected economic earnings and capital generation 2021 to 2025

Economic 

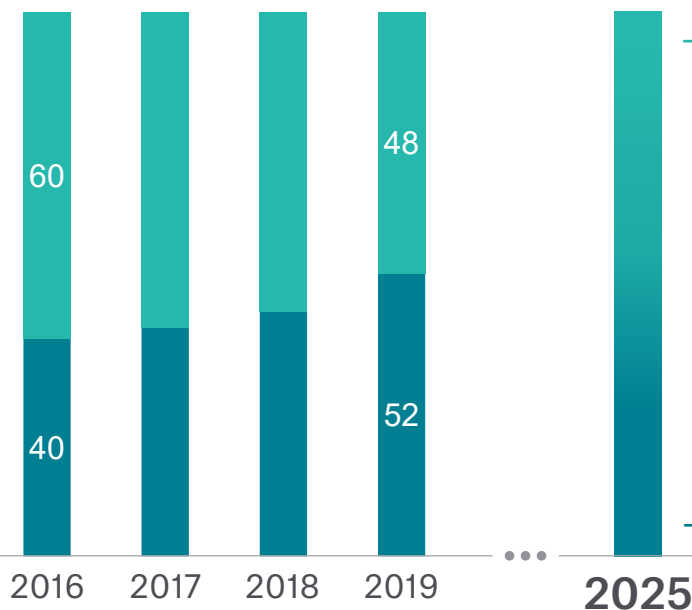


# Unchanged balance between investment and insurance risks

## SCR composition of investment and insurance risks

%

Economic 



### Investment risks

- Unchanged risk appetite despite persistently low interest rates
- Retaining flexibility to seize investment opportunities



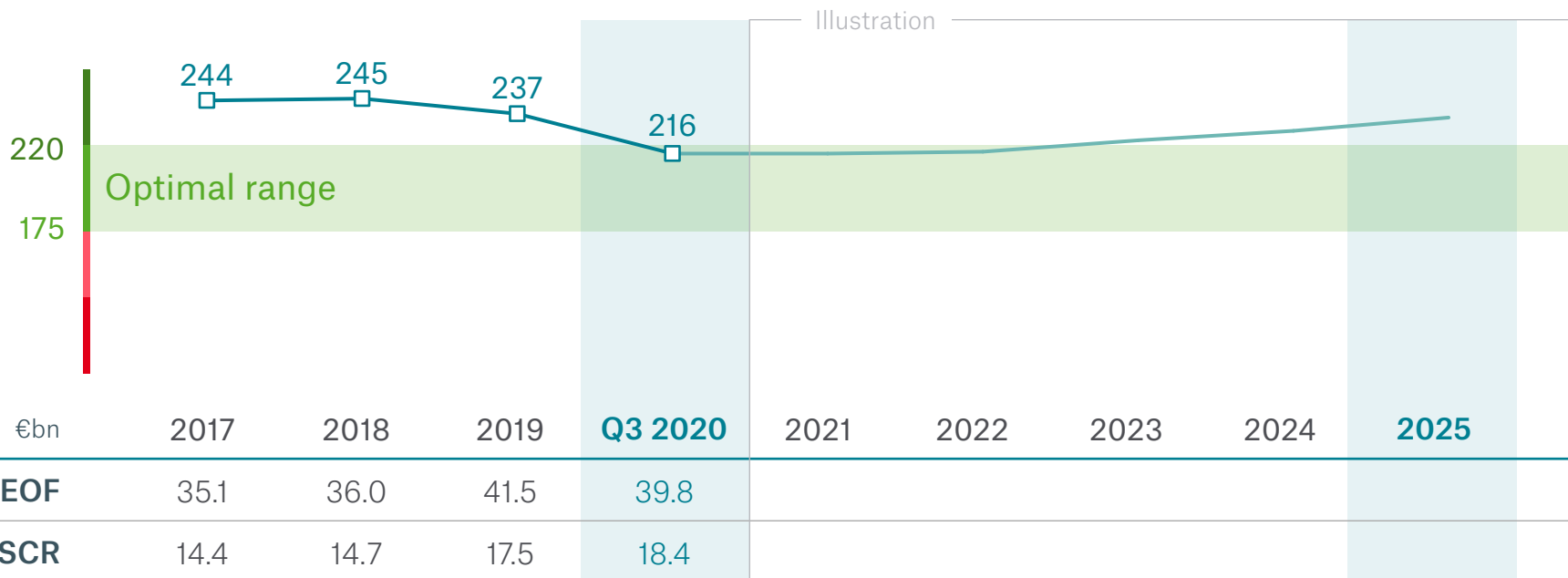
### Insurance risks

- Gradually increasing risk appetite allowing for disciplined business growth
- High diversification between business lines and markets

# Capital generation supports SII ratio at the upper end of the optimal range despite growth and capital repatriation

**Solvency II ratio<sup>1</sup>**  
%

Economic 



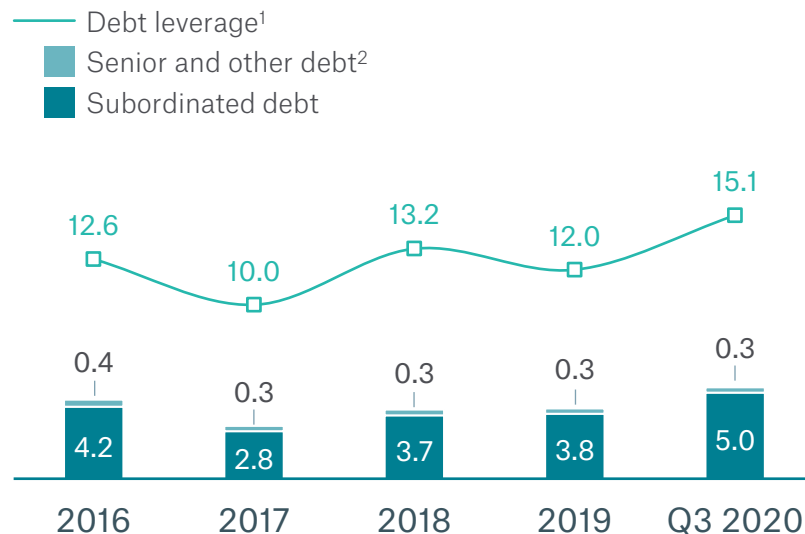
<sup>1</sup> Based on Group Internal Model. Excluding already approved transitional measures. Application of static volatility adjustment for a small number of subsidiaries. No use of the dynamic volatility adjustment.

# Funding structure provides financial flexibility

## Low debt leverage

€bn

Capital 



- Despite recent issuance of €1.25bn subordinated green bond ...
- ... debt leverage remains one of the lowest in the insurance industry
- Sufficient internal funds for growth given strong economic profitability
- Debt leverage will continue to remain low – reflecting financial flexibility as regards refinancing or funding of growth opportunities

<sup>1</sup> Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

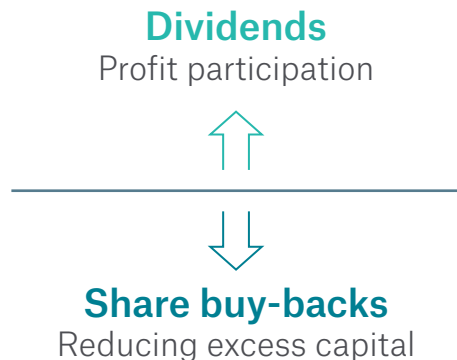
<sup>2</sup> Other debt includes Munich Re bank borrowings and other strategic debt.

# Stable outlook maintained – rating agencies recently confirmed our balance sheet strength

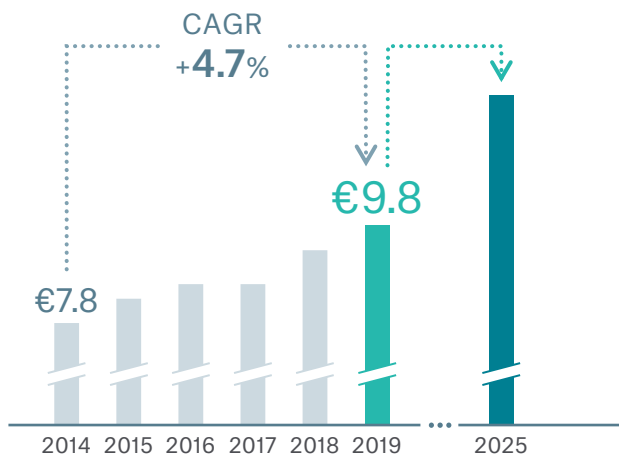
Agency	Insurance financial strength rating	Outlook	Last affirmation	
A.M. Best	<b>A+</b> Superior	Stable	17 July 2020	"The ratings reflect Munich Re's balance sheet strength, which AM Best categorizes as strongest, as well as its strong operating performance, very favourable business profile and very strong enterprise risk management"
Fitch	<b>AA</b> Very strong	Stable	7 Sep. 2020	"Munich Re is one of a select group of reinsurers that has the scale, diversity and financial strength to attract the highest-quality business in the global reinsurance market"
Moody's	<b>Aa3</b> Excellent	Stable	6 May 2020	"... Munich Re ... will be able to withstand the negative implications arising from the coronavirus pandemic, and potential underwriting and investment losses will not result in an overall loss for the year 2020 under several stress-scenarios"
S&P	<b>AA-</b> Very strong	Stable	29 May 2020	"The stable outlook reflects our view that [Munich Re] will maintain capital adequacy above the 'AA' confidence level ... , improve earnings ... , and defend its extremely strong competitive position"

# Foster shareholder participation in Munich Re's earnings growth

## Capital management instruments



## Sustainable dividend-per-share growth



## Outlook

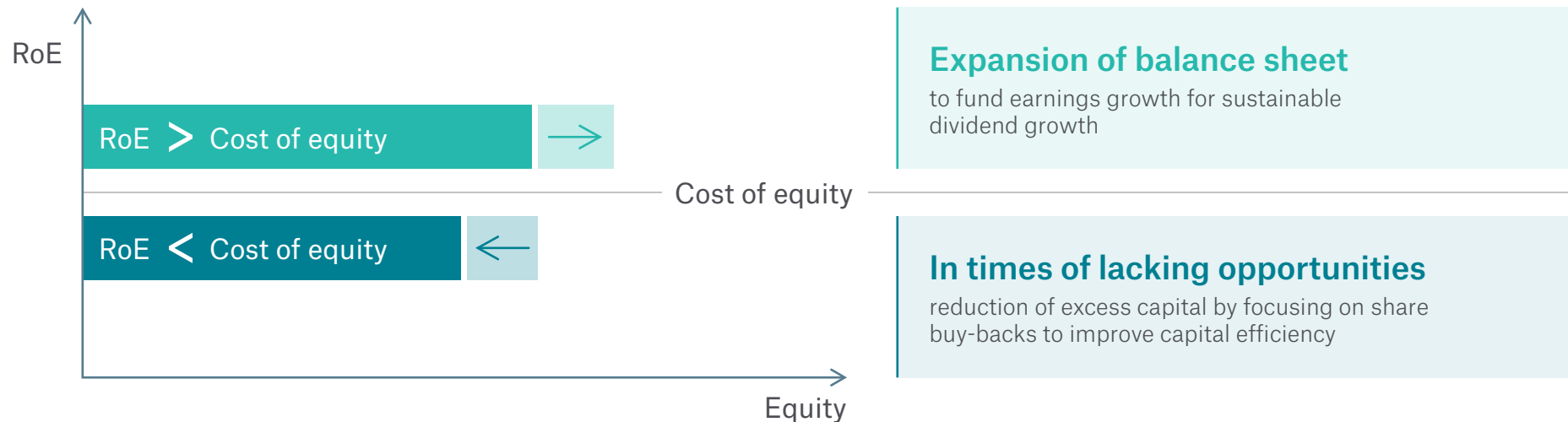
## Capital

- DPS growing with earnings ...
- ... even faster than in previous years with  $\geq 5\%$  CAGR
- Dividend floor of at least previous year's DPS
- ERGO dividend for FY 2020 onwards

**Strong dividend commitment – EPS growth driving DPS growth**

# Munich Re Group Ambition 2025 creates competition between share buy-backs and growth opportunities

## Conceptual capital management framework



**Opportunistic capital management with focus on shareholder value creation impacting size and frequency of future share buy-backs**

Group	Gross written premium ~ € <b>55</b> bn	Net result ~ € <b>2.8</b> bn	Return on investment > <b>2.5%</b>	
ERGO	Gross written premium ~ € <b>17.5</b> bn	Net result ~ € <b>0.5</b> bn	Combined ratio P-C Germany ~ <b>92%</b> <sup>1</sup>	International ~ <b>93%</b>
Reinsurance	Gross written premium ~ € <b>37</b> bn	Net result ~ € <b>2.3</b> bn	Combined ratio P-C ~ <b>96%</b> <sup>2</sup>	Technical result, incl. fee income Life and Health ~ € <b>400</b> m

# BACKUP: Composition of normalized RoE in 2020

<b>Group RoE<sup>1</sup></b> 11.9%	<b>Outlook 2020 net income</b>	€1.2bn	€23.1bn	<b>Equity 31.12.2019<sup>3</sup></b>
	Adjustments for COVID-19 and other <sup>2</sup>	+€1.6bn	+€2.8bn	Normalized net result
			-€1.8bn	Dividend / share buy-back in 2020
	<b>Normalized net result 2020</b>	€2.8bn	€24.1bn	<b>Equity 31.12.2020<sup>3</sup></b>
<b>RI RoE<sup>1</sup></b> 12.7%		€2.3bn	€17.8bn <sup>4</sup>	<b>Adjustments of business field equity<sup>5</sup></b> <ul style="list-style-type: none"> <li>Allocation of Group unrealized gains / losses and currency translation</li> <li>Recognition of intra-Group financing instruments</li> <li>Recognition of capital movements, e.g. ERGO dividend to Munich Re recognized in reinsurance equity</li> </ul>
<b>ERGO RoE</b> ~ 9%		€0.5bn	€5.8bn <sup>4</sup>	

1 Normalized net result divided by adjusted average shareholders' equity, based on beginning and end of year figures.

2 Reinsurance and ERGO, affecting underwriting result (premiums and claims) as well as investment result.

3 Shareholders' equity adjusted for unrealized gains / losses and currency translation effects.

4 Adjusted average business field equity 2020, based on beginning and end of year figures; Differences between RoE shown and calculated from the numbers on slide are due to rounding.

5 Compared to stand-alone business field balance sheet.

# Group Investment Management

Nicholas Gartside

# Outlook

## Key investment challenges



### Integrating ESG

Net-zero greenhouse gas emissions by 2050



### Low interest rates

Mitigating yield attrition without increasing risk



### Capital market volatility

Portfolio resilience and market opportunities

## Impact

- Further embed ESG criteria in investment process
- New investment opportunities
- Sectoral changes within asset classes

## Public commitments

Member of the UN net-zero  
Asset Owner Alliance (AOA)  
Climate Action 100+  
membership  
Responsible Investment  
Guideline  
PRI

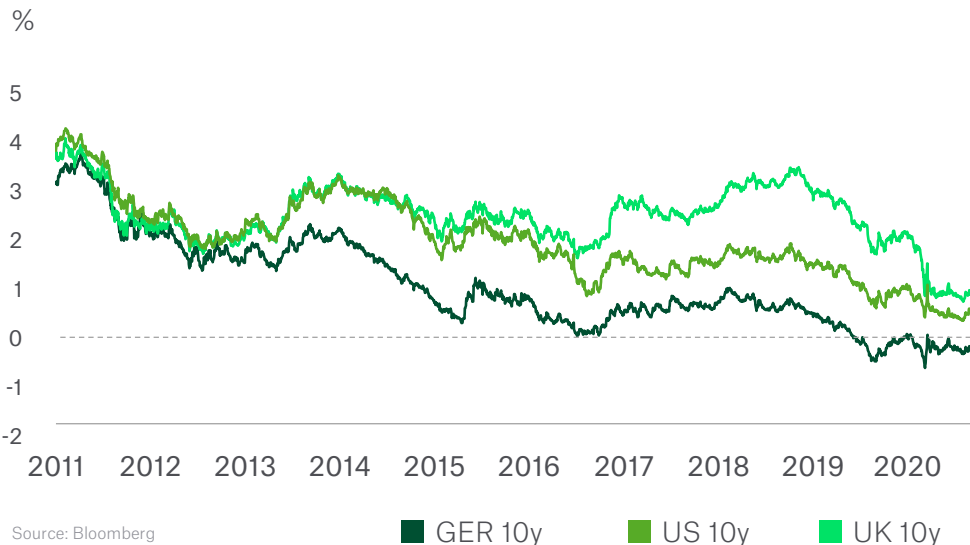
## Target of the AOA

- Commitment to net-zero greenhouse gas emissions by 2050
- Engagement
- 5-year implementation plans

## Munich Re as industry leader in ESG

# Low interest rates

## Yield environment



## Market drivers

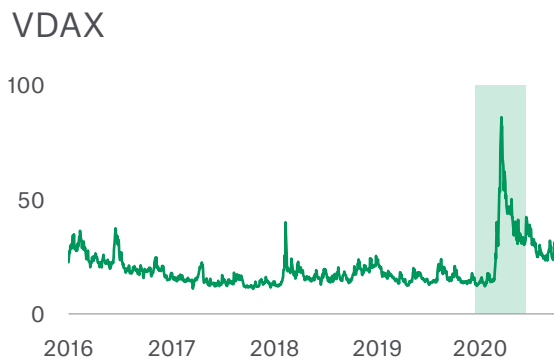
- Demographics
- Lower economic growth
- Digitization and globalization imply lower inflation

## Opportunities

- Alternative assets
- Corporate credit
- Hedging strategies

**Within secular trends, cyclical opportunities will improve the reinvestment yield**

## Elevated volatility



## Robust and resilient portfolio protecting against downside risks

### Defensive investment portfolio<sup>3</sup>

%



Fixed-interest securities and loans	81.2
Shares	5.6
Land and buildings	4.9
Miscellaneous <sup>1</sup>	8.2

### High quality fixed-income portfolio<sup>3</sup>

%



AAA	42	BBB	12	NR <sup>2</sup>	5
AA	24	BB	3		
A	13	B	1		

## Cushion volatility, take advantage of opportunities, safeguard reliable earnings

<sup>1</sup> Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

<sup>2</sup> Not rated.

<sup>3</sup> Half year 2020; Munich Re Group investments excl. AuM for third parties.

# CIO goal

Higher investment return without increasing relative risk position

## Defined asset owner and asset manager responsibility

### Investment management

Strategic asset allocation ⇒ Tactical asset allocation ⇒ Asset manager selection

#### Group Investment Management (GIM)

Asset owner defines investment strategy and best owner

### Asset management

Implementation of mandates ⇒ Security selection ⇒ Backoffice

#### Asset managers (MEAG and third party)

MEAG as proprietary asset manager, external asset managers for defined mandates

**New setup focuses expertise, delineates responsibilities, empowers higher returns**

# Investment management

Levers to sustainably increase investment returns

## Strategic asset allocation



## Tactical asset allocation



## Asset manager selection

- Group investment strategy to improve the risk / return profile based on liabilities
- Diversification benefits
- Integration of ESG criteria

- Common investment views across asset classes
- Active use of trading ranges
- New trade ideas and risk premia

- Assign investment mandates to best manager
- MEAG as core asset manager
- External asset managers for non-core assets

**Efficiently links liabilities to capital market views and skilled asset managers**

# Asset management – MEAG

Levers to sustainably increase investment returns

## Strengthen performance



## Third-party business growth



## Sustainable operating model

- CIO public markets and CIO alternative assets appointed
- Focus on core asset classes with proven track record
- Implementation of best practice investment processes

- Liability-driven investment expertise is a key strength
- Third party business to become a growth area for MEAG
- Historic track-record, proprietary client access and strong pipeline

- Productivity increase through improved operating model
- Comprehensive reorganization
- Become recognized ESG leader

**Transformation to start with Munich Re Group Ambition 2025 program in 2021**

# ESG investment strategy

Close alignment with our AOA commitments



## Principle

Set targets for asset classes, sectors, engagement and financing transition

## Focus

All investments with impact on environment and climate, start with equities, corporates, real estate

## Target

Transition of investment portfolio to net-zero greenhouse gas emissions by 2050

## First step

Reduce CO<sub>2</sub> emission by 25-29% until 2025 (on focused asset classes)

## Approach

Integration of ESG indices, best-in-class, criterion for exclusion

Engage with companies, develop action plans, CO<sub>2</sub> focused investment steering

Double renewables portfolio to €3bn

# Munich Re Green Bond

Active role in sustainable finance

## Impact investment

Munich Re Green Bond Framework: inaugural Green Bond issuance transacted in September 2020

## Objective

Increase investment in sustainable projects and play a key role in the transition to a low-carbon economy



## Selection of eligible projects



Sustainable water  
Waste management



Renewable energy  
Energy efficiency



Clean transportation  
Green buildings



Eco-efficient  
Circular economy



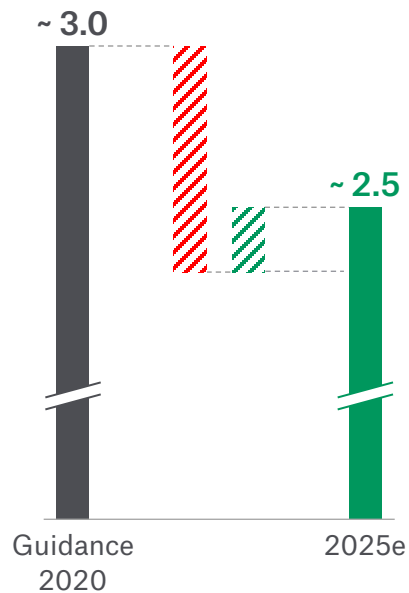
Natural resources  
Land use

# Return on Investment (RoI)

Yield erosion to be partially offset

## RoI expectations

%



### Yield erosion

Excluding performance uplift, ordinary running yield attrition of >10bps p.a. expected due to persistently low interest rates

### Performance uplift

Management measures partly offset decline, supported by ...  
... increasing income from rising share of alternative investments  
... strong balance sheet



# ERGO

Markus Riess

## 2016

Combined ratio		Return on Equity
Germany	International	
<b>97%</b>	<b>98%</b>	<b>1%</b>

- Weak financial performance
- No clear international strategy
- Complex legacy systems

## 2020

Combined ratio		Return on Equity
Germany	International	
<b>~ 92%</b>	<b>~ 94%</b>	<b>~ 9%</b>

- Competitive position in Germany
- Established hybrid operating model
- Optimized international portfolio

## 2025

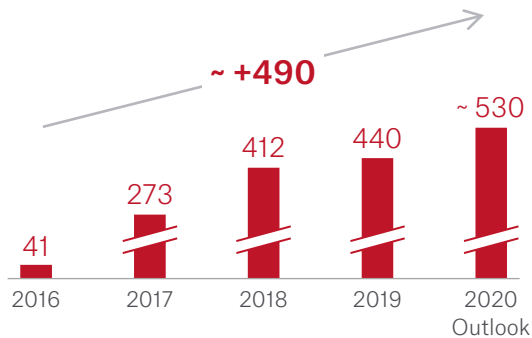
Combined ratio		Return on Equity
Germany	International	
<b>~ 90%</b>	<b>~ 91%</b>	<b>12-14%</b>

- Top peer group profitability
- Strong presence in Germany
- Increased contribution from international portfolio
- Digital leadership

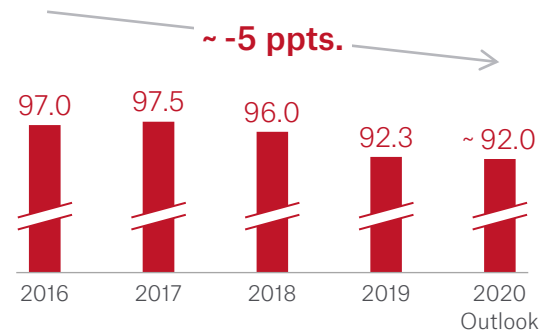
# ERGO Strategy Programme (ESP) 2016-2020

ESP to be successfully concluded by end of 2020

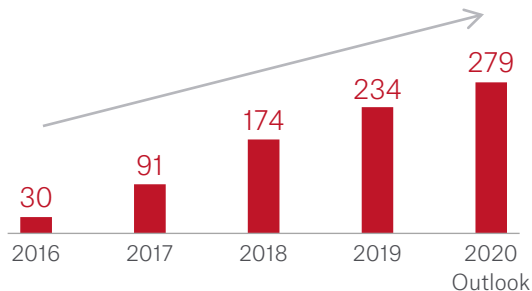
**Net profit  
ERGO Group**  
€m



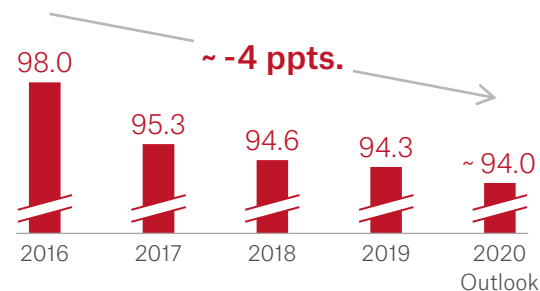
**Combined ratio  
P-C Germany**  
%



**Cost savings  
cumulative, €m**



**Combined ratio  
ERGO International**  
%



# ERGO Strategy Programme (ESP) 2016-2020

12 workstreams successfully concluded

<b>Fit</b>	<b>1</b>	Sales – elimination of redundant structures	<ul style="list-style-type: none"> <li>Productivity of tied sales agents increased by 41% since 2016</li> </ul>
	<b>2</b>	Administration – improvement of efficiency	<ul style="list-style-type: none"> <li>Sustainable cost savings of €277m (net; accumulated, as of Q3 2020) achieved</li> </ul>
	<b>3</b>	International – strengthened setup	<ul style="list-style-type: none"> <li>International cost optimization programme implemented, sustainable cost savings of €49m (net, accumulated as of Q3 2020) achieved</li> </ul>
	<b>4</b>	Life Germany – separation of traditional back book and new business	<ul style="list-style-type: none"> <li>New business bundled in one risk carrier ERGO Vorsorge and new product campaign started in 2018 with a significant production increase of 39%</li> <li>IBM cooperation established, foundation for TPA business model set</li> </ul>
<b>Digital</b>	<b>5</b>	Basis IT – modernization of legacy systems	<ul style="list-style-type: none"> <li>Number of remaining legacy applications reduced by 12%, additional 18% are in the process of being renovated</li> <li>New collaboration model between IT and business established</li> </ul>
	<b>6</b>	Digital IT – flexible and quick implementation	<ul style="list-style-type: none"> <li>Agile IT hubs in Berlin and Warsaw set-up with ~ 280 experts</li> <li>New technology unit setup, ready to scale group-wide</li> </ul>
	<b>7</b>	Processes – automate consistently on stable basis	<ul style="list-style-type: none"> <li>Automation rates in applications, policies and claims / benefits increased, e.g. straight-through processing: TPL / P-C up to 90%</li> </ul>

<b>Successful</b>	<b>8</b>	Optimize product portfolio	<ul style="list-style-type: none"> <li>Portfolio substantially renewed and de-risked with dedicated focus, e.g. biometric offers and capital market-oriented Life products, profitable and low-risk supplementary insurance in Health as well as simplified, customer-centric products in P-C</li> </ul>
	<b>9</b>	Hybrid Customer – integrated on- and offline offerings	<ul style="list-style-type: none"> <li>ERGO Direkt, ERV and D.A.S. Germany unified in one brand ERGO</li> <li>OneWebsite launched, ~ 1.2m users registered on customer portal as of Q3 2020</li> </ul>
	<b>10</b>	Offer solutions to pure online customers	<ul style="list-style-type: none"> <li>Go-live of digital player nexible with motor product in Germany in 2017, market expansion into Austria in 2018; ~ 62k policies, ~ 100k risks insured, €25m premium volume achieved as of FY 2019</li> </ul>
	<b>11</b>	Strengthening international commercial / industrial business	<ul style="list-style-type: none"> <li>Reprioritized</li> </ul>
	<b>12</b>	Become a partner for B2B2C cooperations (Mobility)	<ul style="list-style-type: none"> <li>ERGO Mobility Solutions established as partner of automotive industry (BMW, Great Wall, Volvo, Emil Frey, Hyundai)</li> </ul>
	<b>13</b>	Focussed strategy for international portfolio	<ul style="list-style-type: none"> <li>Systematic streamlining of international portfolio (15 entities sales closed), growing footprint in India and China</li> </ul>

# Munich Re Group Ambition 2025

The new strategic phase applies to all parts of ERGO Group

## Germany

Top player position with market leading profitability

## International

Top peer profitability in European markets

## Digital projects and technology

Technology enabled value chain and transfer of digital assets



### Scale

**Secure** profitability and market position through first-rate customer experience



### Shape

**Strengthen** Hybrid Customer-centric business model

**Increase** net profit contribution of the international portfolio

**Expand** cross-border synergies and utilization of technological solutions

**Build** up strong growth in B2B2C and pure direct player  
Continue modernization of legacy IT-infrastructures

**Explore** emerging ecosystems in Mobility and Travel; enhanced digital footprint in all segments  
“Digital first” in all customer-facing applications



## Succeed

### Shareholders

Top peer group RoE

### Customers

Customer-centric processes, products and services

### Employees

Attractive work environment through new ways of working and technology  
Strengthen digital employer branding  
Leverage the strengths, innovative spirit and diversity of our workforce

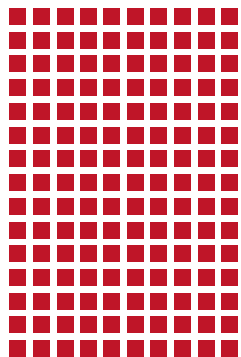
### Communities

Partner of local communities  
Clearly set goals according to the Paris Agreement

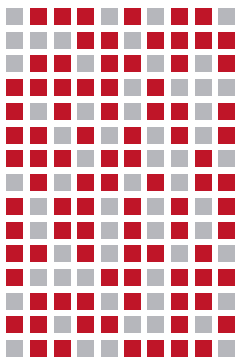
# Logic of ERGO Strategy Programme (ESP) applied

90 measures defined to be executed in 2021-2025

## Initiative portfolio selection



Assessment of >150 business initiatives developed by the management teams



Selection of 90 business initiatives:

- Strategic and regulatory relevance
- Internal Rate of Return
- Net profit contribution

## Focus initiatives – examples



Scale

- Grow in existing business fields
- Enhance operational and technical excellence
- Embrace cross-border initiatives

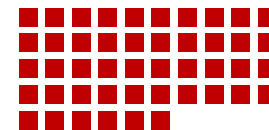


Shape

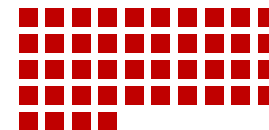
- Foster Hybrid Customer business model
- Apply new technologies such as AI, Robotics, Voice
- Re-design IT-delivery

## Net profit contribution

51%

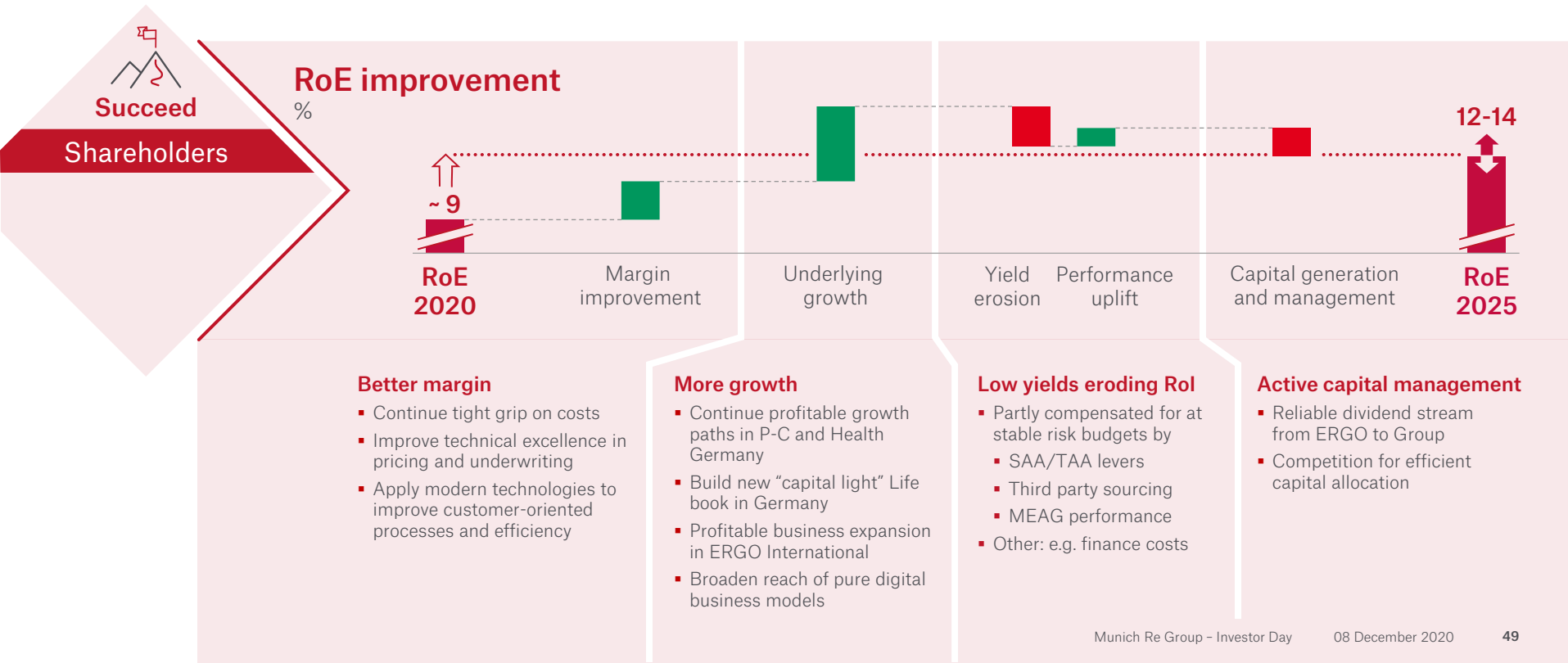


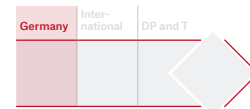
49%



# Munich Re Group Ambition 2025 – ERGO

RoE uplift results mainly from underlying growth





## Secure profitable and stable market share

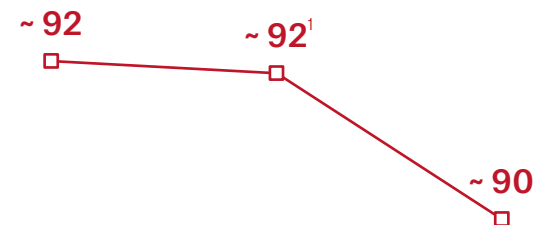
- Maintain and continuously upgrade high level of insurance technical capabilities
- Further improve End-to-End process excellence, continue to simplify
- Reduce costs in IT, distribution and processes



## Strengthen Hybrid Customer business model

- Continue to develop products and services to generate consistent omni-channel proposition
- Utilize potential from interplay between online and offline channels
- Equip unified sales organization with harmonized IT-application landscape

## Combined ratio P-C Germany %

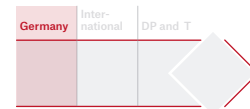


Outlook  
2020

Outlook  
2021

Ambition  
2025

1 - 91% without COVID-19 impact.



## P-C

## Health

## Life

### Growth

- Premium growth through product innovation and simplification
- Expansion of commercial business
- Implementation of digitized processes

- Continued optimization of product range
- Additional growth in corporate Health insurance and group business

- Continued expansion of new “capital light” book through capital market-oriented product portfolio
- Broadening of company pension schemes
- Build Third Party Administration business

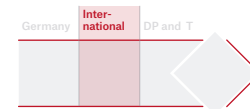
### Margin

- Ongoing improvement of claims excellence

- Further implementation of AI, Robotics and End-to-End processing

- Completion of Life classic IT-migration

← Continued cost discipline →



Scale

## Increase net profit contribution of the international portfolio

- De-risk and expand product portfolio
- Scale up sales channels by combining digital and non-digital sales models
- Continue cost-discipline and increase process efficiency



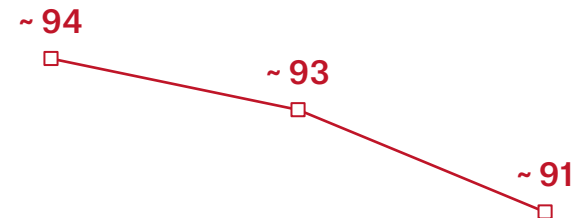
Shape

## Expand cross-border utilization of technological solutions

- Improve product offerings
- Leverage platform harmonization and introduce digital technologies
- Apply cross-border synergies in multiple areas

## Combined ratio International

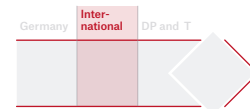
%



Outlook  
2020

Outlook  
2021

Ambition  
2025



### Poland and Baltics

### Spain

### Austria

### Greece

#### Growth

- Accelerate organic growth strategy in Non-Life business
- Grow Life business through biometric products and use cross-selling potential in Poland
- Further shift from traditional annuity business to unit-linked and biometric products in Baltics

- Enlarge share in group business
- Further develop TPA services
- Enhance digital sales capabilities and build digital ecosystems

- Continuation of successful cooperations in bancassurance
- Accelerated transformation into multi-line / -channel insurer, grow Non-Life business
- Strategically grow broker P-C business and enter Health market

- Further expansion of existing bancassurance cooperation
- Implement new Health strategy from 2023 onwards
- Implement Hybrid Customer business model

#### Margin

- Continue digitization and automation of customer-facing processes

- Digitize sales, Health-related services and claims processes

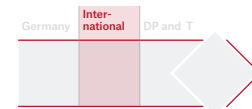
- Drive digitization path in all parts of value chain

- Improve digital capabilities, e.g. establish customer portal

←———— Continued cost discipline —————→

# ERGO International

Focus on high growth markets India and China



## Growth

### India

- Expand product portfolio in Health and Non-Motor retail
- Ramp-up distribution in OEM, online and by adding new bank partners
- Complete merger of HDFC ERGO General Insurance and HDFC ERGO Health Insurance

### China

- Expand agency-channel and increase digital sales especially in Life insurance
- Build mobility ecosystem with Great Wall Motors
- Enter P-C market

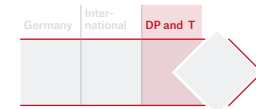
## Margin

- Improve efficiency by scaling-up digital self-servicing
- Tap synergy potential through merger

- Further increase operational efficiency through digitized processes

# Digital projects and technology

Deploy technologies and implement digital asset transfer



Scale

## Digital technologies

- Extend the number of Robotics-applications
- Leverage investments in AI infrastructure
- Optimize online platforms and enhance online channels to increase digital sales

## Business application

- Grow pure digital player nexible based on digitally optimized and highly automated processes
- Scale existing cooperations with OEMs

## Optimize IT

- Increase IT-efficiency
- Extraction of cross-border synergies with sustainable technology and services excellence
- Further simplify application landscape for ERGO Germany



Shape

- Consequently apply optimization based on Voice, Robotics and AI
- Digitize customer interfaces
- Continuously evaluate and test new fields of technology (e.g. Virtual Reality)

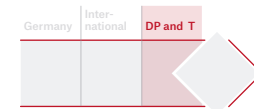
- Expand pure digital player model in scope and reach
- Explore the role of insurance in ecosystems Mobility and Travel
- Continue to digitize Annex businesses

- Install global deployment of technology infrastructure
- Expand and build up consistent IT-architecture
- Launch cross-border API<sup>1</sup> factory leading to simplification of application deployment

<sup>1</sup> Application Programming Interfaces.

# Application of Artificial Intelligence

Data and AI as main drivers for beneficial digitalization



**ERGO has established a professional AI infrastructure ...**

## People / Skill

Experienced management team with analytics, IT and insurance background

## AI factory

Group-wide accessible IT environment which enables to integrate AI in all existing IT landscapes and legacy systems

## ... with a tangible footprint in developing AI use cases ...

>10 use cases in production

>20 projects in preparation



- Pattern recognition in Health claims to avoid fraud
- Intent recognition to improve automatic workload routing
- Support churn prevention measures with predictive models in Germany and Austria

## ... and to consequently apply AI to optimize business

Enhance business processes with the value creating strength of AI along the entire insurance value chain

- Smart decision making to uplift straight-through processing
- Extract business data in documents to automate data capturing
- Use speech analytics to improve customer service and sales

# Over the next five years ERGO strives to improve its profitability to sustainably 12-14% RoE

## Finalize legacy system replacement, especially in Germany

- Consistent future sales architecture
- Migration Life classic
- Further consolidation of systems

## Strict cost discipline, lean organization and processes

- Keep a tight grip on costs together with benchmark-level organizational efficiency
- Further optimize customer-oriented End-to-End-processes
- Reliable dividend stream to Munich Re

## Execute growth and shape business models

- Further enhance Hybrid Customer model in Germany
- Strong growth, especially through JVs in India and China
- Expand disruptive business models

## Ambition 2025

Sustainable RoE  
**12-14%**

CR P-C Germany  
**~ 90%**

CR International  
**~ 91%**

GWP Growth  
**~ 2.5%<sup>1</sup>**

# Reinsurance

Torsten Jeworrek

# Grow, excel, invent

Ambition 2020 has been successfully accomplished in Reinsurance

## 2018: Ambition defined

### Grow



- We service our Reinsurance clients in challenging markets
- We expand market positions in selected primary insurance fields (Risk Solutions)

### Excel



- We focus on underwriting excellence
- We digitize processes to strengthen efficiency

### Invent



- We define areas where we drive the digital transformation of our industry
- We develop new strategic options and invest in new business models

## 2020: Achievements

- Strong and continuous top-line growth in all areas and lines of business (CAGR ~ 8%)
- Strong normalized bottom-line growth exceeding top-line growth rate

- Permanent enhancement of risk modelling world-wide and investment in expertise
- Achievement of ~ €200m savings, cost ratio improved by ~ 1%p

- Definition of new areas where Munich Re drives digital transformation of the industry (e.g. Realytix, MIRA)
- Launching several initiatives to tap into new potentials (e.g. IoT)

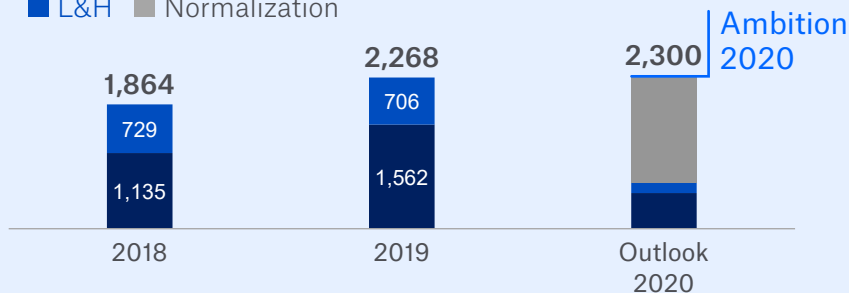
# Grow, excel, invent

Reinsurance has delivered bottom line despite challenges

## IFRS result after tax (Reinsurance)

€m

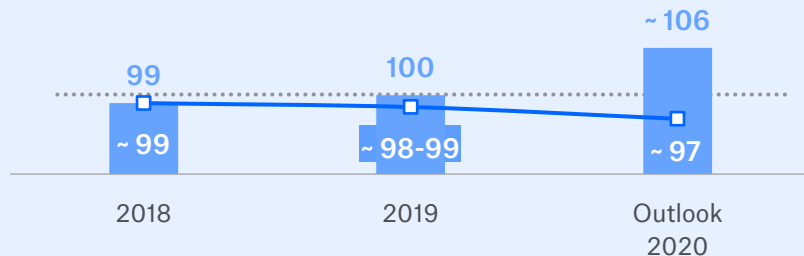
■ P-C ■ L&H ■ Normalization



## Combined ratio P-C (normalized)

%

■ Actual IFRS CR — Normalized P-C



Without COVID-19-effects, Ambition 2020 would have been reached, even in low interest rate environment

Risk Solutions: growth in a less cyclical business field

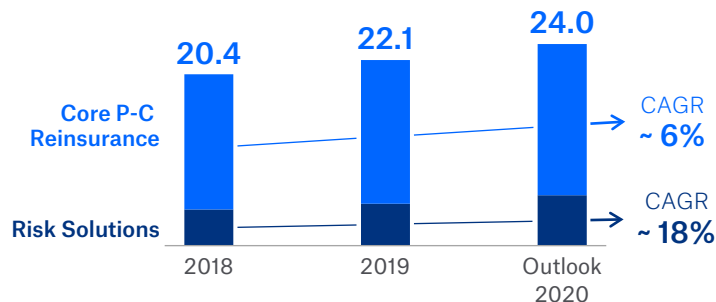
Prudent reserving assumptions and policy maintained

# Grow, excel, invent

Successful initiatives laying foundation for further progression

## P-C Reinsurance

GWP  
€bn



Combined ratio  
(normalized)

~ 99%

~ 98-99%

~ 97%

## Core P-C Reinsurance

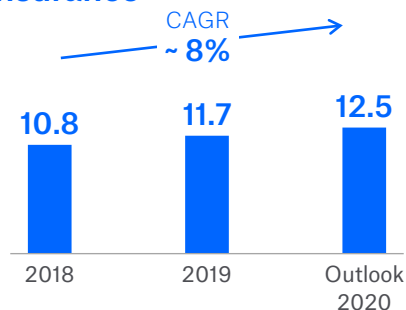
## Risk Solutions

US	Selective expansion in local or regional business (also nat cat)
India	Executing growth strategy and successfully broadening offer
Casualty	Actively given up business not meeting our criteria (in US)
Complex risk	New products for performance guarantees

AMIG	Investment in new product suite and pricing
MRSI	Founded to grow into SME market including E&S
HSB	Strong growth in core and strategic products
MR F&C	Bundled business under one roof

## L&H Reinsurance

GWP  
€bn



Technical  
result incl.  
fee income

€584m

€456m

~ €550m  
normalized

## L&H Reinsurance

Asia / US	Strong footprint in traditional reinsurance
FinMoRe / Longevity	Set of well-established growth areas
Australia DI / US mortality	Remediation progressed: recaptures and repricing executed
Predictive analytics	Digital transformation in underwriting

# Munich Re Group Ambition 2025 – Reinsurance

Leading the evolution of our industry as a strong multifaceted player

## Core P-C RI

Leading global reinsurer in Property-casualty

## Risk Solutions

Leading specialty insurer in selective businesses based on UW expertise

## L&H Reinsurance

Leading global reinsurer in Life and Health



## Scale

**Grow** in hardening markets and strengthen footprint

**Increase** share of Risk Solutions by leveraging on strong core

**Build** on growth from underlying markets and strong foundation



## Shape

**Expand** in new business opportunities

**Develop** new products and improve operations

**Drive** new business opportunities

## Innovation

Start monetizing

- Develop strategic options based on our expertise in global risk-transfer and beyond
- Start monetizing on mature investments
- Continuously explore playing fields for further strategic options



## Succeed

### Shareholders

Industry leading RoE

### Clients

Long-term partner – superior products, experience and capacity

### Employees

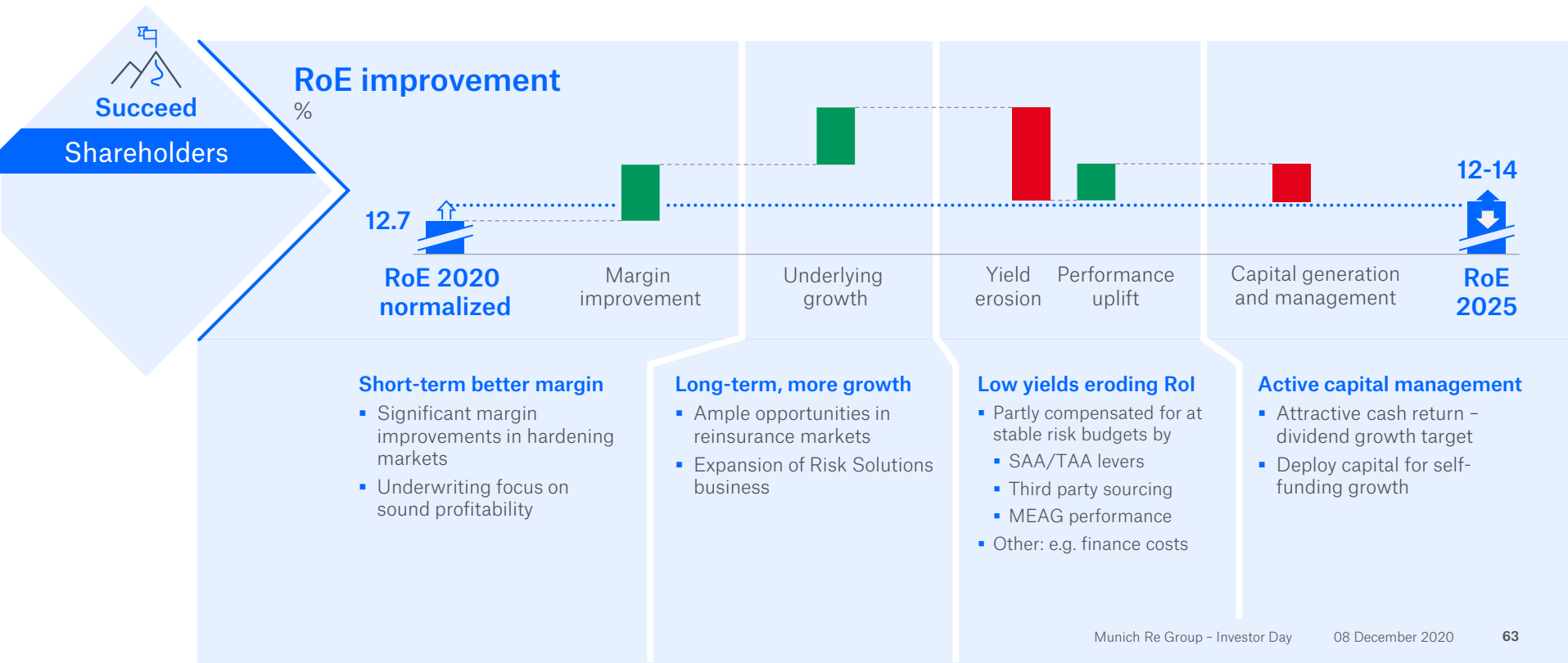
Attractive employer – skill driven, digital culture, risk entrepreneurial

### Communities

Comprehensive climate strategy matching Paris Agreement

# Munich Re Group Ambition 2025 – Reinsurance

Strong RoE contribution from Reinsurance



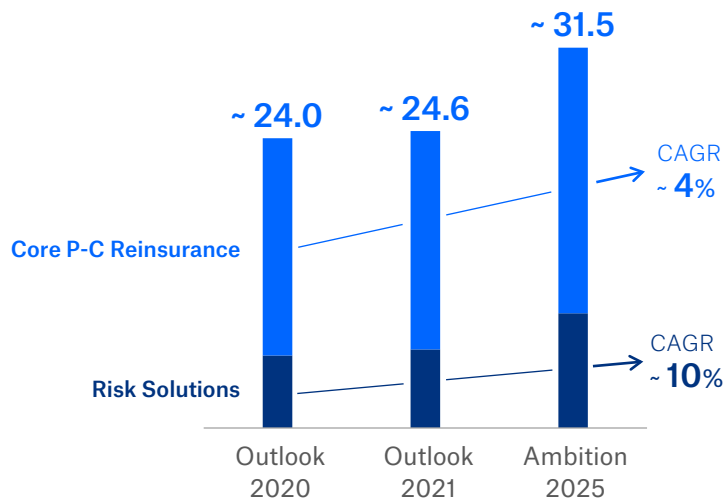
# Core P-C Reinsurance and Risk Solutions

P-C lines contribute significantly to Ambition 2025



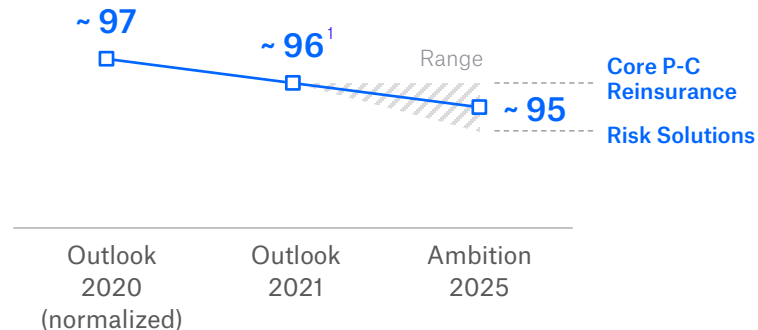
## Gross written premium

€bn



## Combined ratio

%



# Core P-C Reinsurance

Core traditional business leverages its underwriting superiority



Scale

Grow with mature and emerging markets in favourable cycle

- Realize growth into a hardening market environment
- Strengthen local footprint in selected markets
- Keep focus on underwriting excellence and profitability
- Retain prudent reserving process



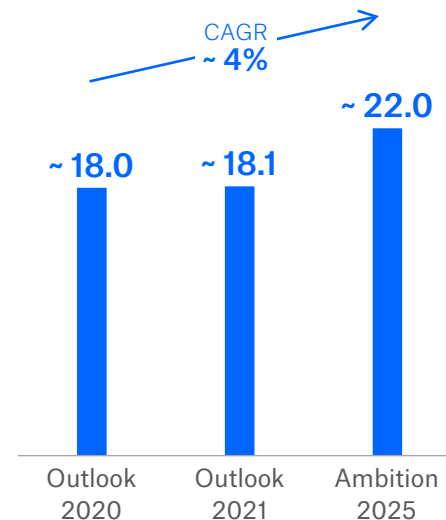
Shape

Create business opportunities and shape product landscape

- Strive for product innovations (e.g. flood, parametric covers, credit)
- Cautious expansion of risk appetite and budgets for segments with interesting price-risk-relation

## Gross written premium

€bn



# Core P-C Reinsurance

Market hardening augmented by COVID-19



## Reinsurance market driver



## Hypothesis on rates and portfolio



Low interest rates to further continue in the market

Exacerbated need for appropriate technical margins and profitability especially in long-tail business

Claims / social inflation impacting long-tail business

Prudent portfolio management, cautious UW and adequate reflection in prices

High loss experience especially in nat cat exposed markets

Reflection in models and prices – uncertainty with regards to climate change

(Alternative) capacity currently rather stable at higher prices  
Retro markets difficult

(Re-)financing of risks challenging  
Flight to quality with strong momentum for Munich Re, not dependent on additional retro

COVID-19 pandemic with high uncertainty of persistency

Potential negative demand impact in certain segments  
Reinforced rate momentum in various segments like D&O, US commercials, industrial

Partially balancing effects with overall positive outlook (market hardening)

Portfolio expected to remain stable and solid

Reinsurance will remain a cyclical business depending on development of individual drivers

# Core P-C Reinsurance

Positive pricing outlook for upcoming renewals

## Worldwide / Specialty

Pricing sharpened by loss trends as well as specific occurrences (Aviation), lack of interest income and capacity reductions

### North America

Strong rate increases in all LoB due to social inflation (Casualty) and cat losses (Property)

### Latin America

Rate increases driven by loss experience (e.g. riots)

### Europe

Lower pressure than in US, but driven by low interest rate and general market sentiment

### APAC/Africa<sup>1</sup>

Prices hardened especially in specialty lines (PI and RI) driven by loss experience (e.g. Agriculture)

### Japan

Typhoon loss experience drives pricing in Property

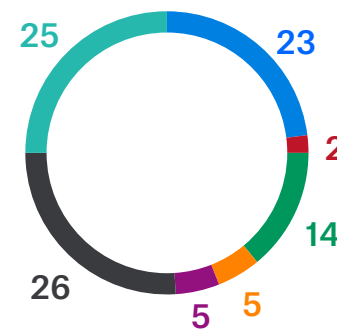
### Australia

Rate increases driven by cat experience (wildfire and hail)



## RI book

GWP 2019, %



## Market hardening and continued upward pressure on (re)insurance prices (risk adjusted view)

Real margin increase: price increases overcompensate for loss trend increase

# Core P-C Reinsurance

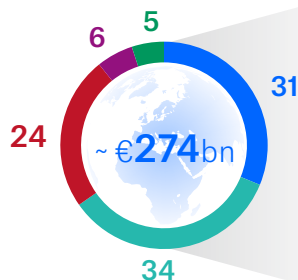
Ample growth opportunities in reinsurance



## P-C RI markets

### Core P-C RI

Global ceded premiums 2019, %



### Expected nominal growth rates

CAGR (2020-2022 in €), %

Europe	2-4
North America	3-5
Asia Pacific	5-7
Latin America	1-3
Africa/Middle East	3-4
	<b>3-5</b>

**Reinsurance ambition 2025 to grow above market**

**3-4%** CAGR in mature markets

**7-9%** CAGR in emerging markets

## Nat cat

- Less than 1/3 of weather-related natural disasters have been insured until now
- Climate change helps to increase risk awareness
- Munich Re increases risk appetite for nat cat in hardening markets, however will lower appetite accordingly in softening environments

**Insurance gap still very high worldwide**

**Grow with attractive opportunities**

# Risk Solutions

Growth trajectory based on products and digitization



## Extending our business based on strong client base

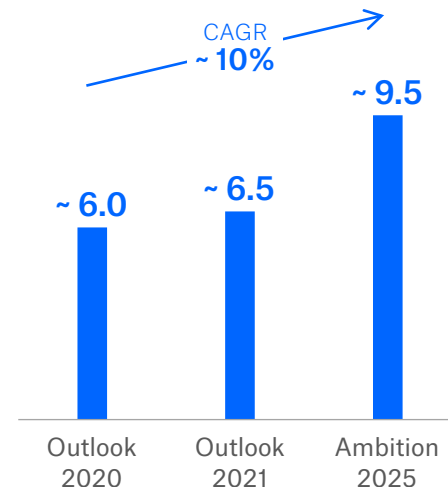
- Expansion in SME including E&S as largest contributor to growth
- Strengthen HSB core business
- Enter into large single risk opportunities in positive cycle – continued caution in this difficult segment (MR F&C)
- Utilize various opportunities for Syndicate and Aerospace in hard market



## Develop new products suites and leverage on digitization

- AMIG: shaping footprint in niche segments
- Leverage on business via Munich Engine
- HSB new product lines, e.g. home systems cyber
- Investments in IT for efficiency improvements

## Gross written premium €bn



# Risk Solutions

MRSI: shaping as differentiator for specialty lines in US

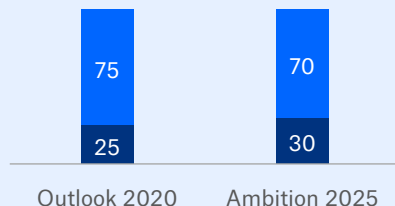


## Strong focus on less cyclical specialty commercial segment

American Modern  
Munich Re Specialty Insurance  
HSB  
Munich Re Syndicate  
MR F&C

## Share of Risk Solutions in P-C

% of GWP



## MRSI is a differentiator ...

### Individual risks and specialty lines

Sophisticated UW and claims capabilities

### Multi-channel distribution

Including wholesalers

### Excess and Surplus market

Freedom of rate and form

### Data and analytics

Necessary for rating / risk selection and loss control

## ... with a strong value proposition ...

### Innovative risk and claims solutions

powered by advanced technology and analytics

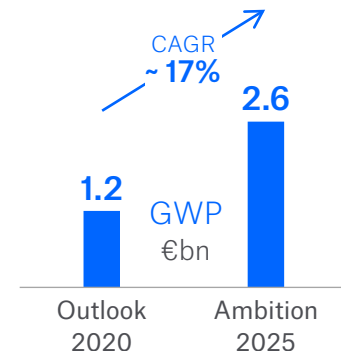
### Enhanced responsiveness

to clients' needs by integrated UW and claims teams

### Simplified access

to the full breadth of Munich Re solutions through a dedicated Broker Relationship Leader

## ... and Ambition 2025



One of the top specialty insurers with excellent combined ratio in the North American market



## Building on growth of underlying markets and a strong foundation ...

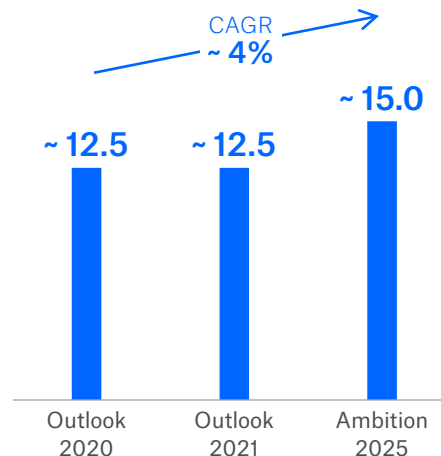
- Strong new business proposition driving traditional business development
- FinMoRe and Longevity with ongoing strong demand



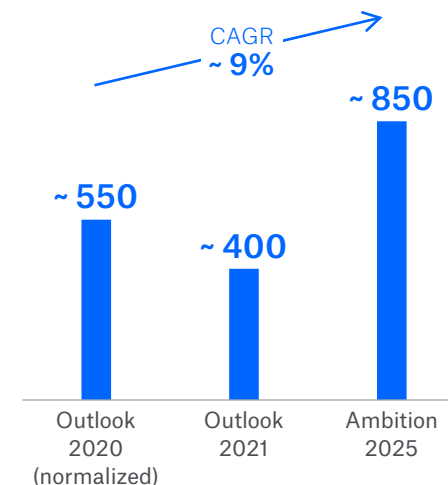
## ... our core strengths drive new business opportunities

- Foster growth by further developing predictive analytics
- Monetize digital Life solutions, z. B. MIRA
- Development of new (re-)insurance products, e.g. for saving products

## Gross written premium €bn



## Technical result incl. fee income €m



# L&H Reinsurance

Market growth and established initiatives key drivers for Ambition 2025



## Growth of ~ 5% in core markets as foundation

- Strong growth in Asia to be continued
- Traditional business in US market with excellent proposition
- Sophisticated product design and data-based pricing as basis for success
- No dilution of our stringent risk appetite



## Longevity

- Carefully continue expansion outside UK (e.g. Netherlands)
- Underwriting approach stays prudent and selective
- Accelerate growth path if opportunities meet risk appetite

## Established initiatives

## Financial Markets

- Offer comprehensive solutions to manage market risks and returns for global savings, retirements and investment industry
- Intensify coverage of established markets and expand into new markets
- Grow portfolio by scaling up the organization
- Result contribution expected to double by 2025

# Innovation

Avenue for Munich Re – continue to shape beyond strong core

## Innovation potential avenue for Munich Re ...



Risk sharing



New value proposition

Target clients

Primary insurers  
Corp. insurance buyers

Primary insurers  
Corporates

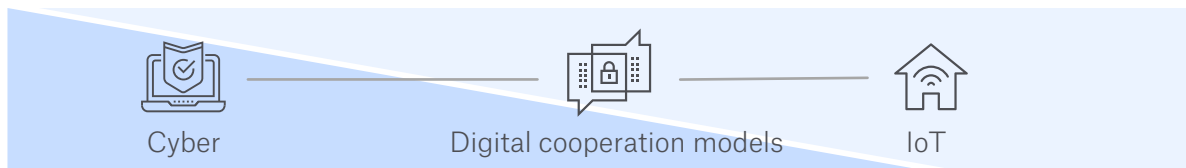
Corporates and  
SME

Across industries  
and functions



... yielding in strategic options

  
Scale



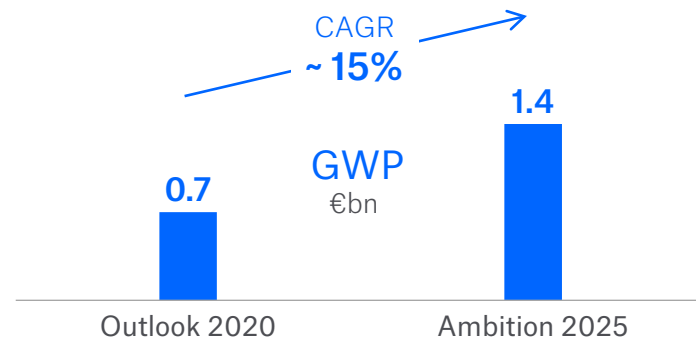
  
Shape

# Innovation

Shaping the cyber market as relevant driver for growth



- **Leading position and growth**  
due to early and full commitment (market share ~ 10%)
- **Profitability**  
of insurance and reinsurance book (CR 85-90%)
- **Accumulation and risk management**  
continuously refined
- **Silent cyber**  
transparency and affirmative cyber potential
- **Complementary services**  
in risk prevention and recovery (e.g. Allysca cooperation, Zeguro)
- **Leading expertise**  
and competitive knowledge advantage (~ 130 FTE)



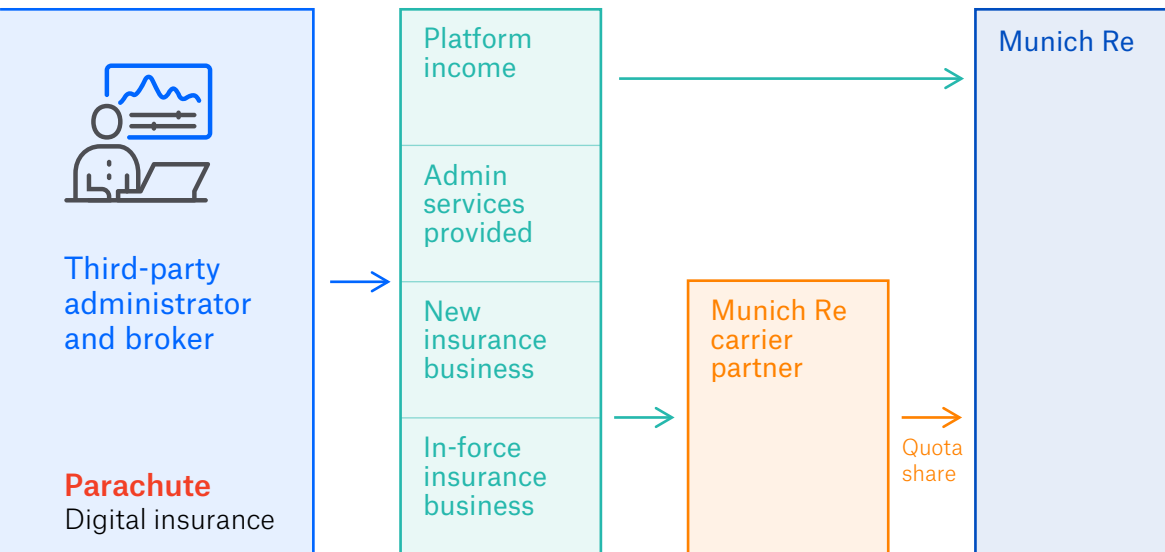
- Continues to be a main growth area of Munich Re
- Cautious expansion in growing market at good risk / return profile

# Innovation

## New Ventures: tapping into Canadian group insurance market



Bringing concrete solutions to our clients with the vision to enhance the Group insurance market and create new income streams

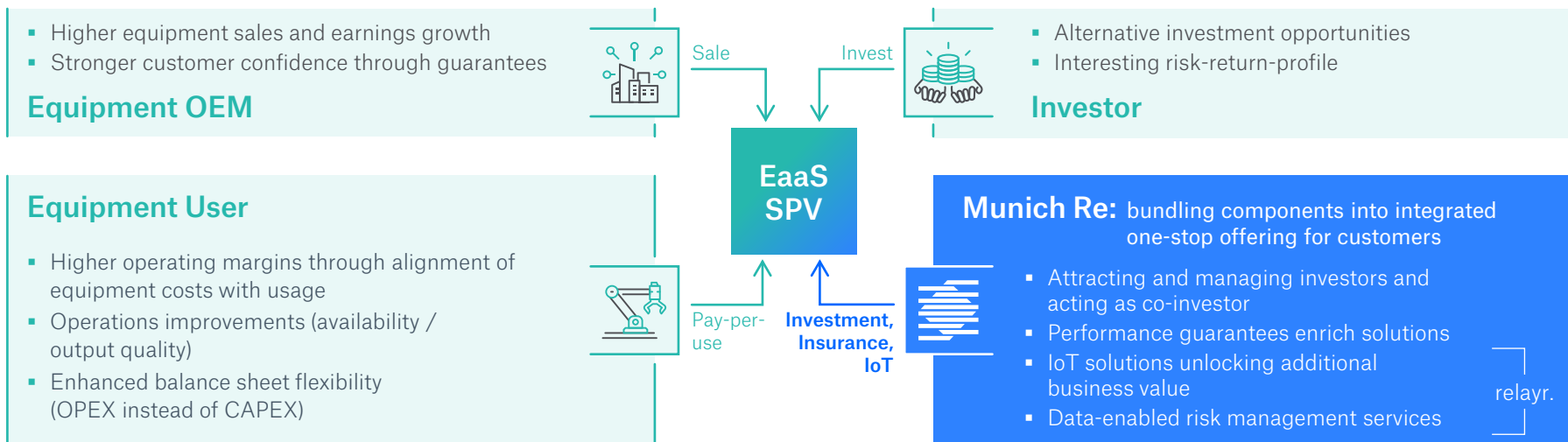


- Tapping into large CAD 44bn Canadian group insurance market
- Create ~ €100m annual income in the mid- to long-term
- Grow the voluntary group benefits market with a B2B2C model
- Improve scalability and efficiency of mandatory and voluntary products by straight-through processing
- Ensure scalability and expansion in other markets and product lines where possible

Core RI P-C	Risk solutions	RI L&H
Innovation		



## Equipment as a Service



Partnerships with Trumpf and Porsche started – more in the pipeline

# Reinsurance well positioned to deliver on Ambition 2025

## Successful strategy

- Grow, excel, invent successfully executed
- Constant delivery of convincing results
- Initiatives laying foundation for further progression

## Scaling on solid fundament

- Grow P-C Reinsurance in favorable cycle
- Extend in Risk Solutions based on client base and strong product portfolio
- Strong proposition for business growth in L&H

## Shaping new business opportunities

- Create opportunities by shaping product landscape
- Making targeted use of digitization
- Expand beyond strong core with focused innovation activities



Sustainable RoE  
**12-14%**

# Financial calendar 2021



# For information, please contact

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This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. Obvious fluctuations in the incidence of major losses as well as pronounced volatility of the capital markets and exchange rates – as well as the special features of IFRS accounting make an accurate forecast of results impossible. Moreover, there is considerable uncertainty regarding the further development of the coronavirus pandemic. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments. Figures from Q1 2019 onwards are restated reflecting the new cost-allocation method.