

## Munich Re announces profit target of €2.8bn for 2021; Profit outlook of €1.2bn for 2020



“We expect to generate a profit of clearly above 1bn € this year. The pandemic has naturally had a considerable impact on our result. But the burdens arising from COVID-19 are financially manageable for Munich Re. By covering insured losses totalling billions, we are playing a substantial role in helping the economy and society cope with the pandemic. Our business is clearly on track. In the absence of COVID-19, we would have been able to achieve our original result target for 2020. Thanks to our strong balance sheet, we are in a very good position to exploit current market opportunities. In the coming year, we plan – despite anticipated further COVID-19 losses – to meet the profit target of €2.8bn as envisaged prior to the pandemic.”

Christoph Jurecka, CFO

Munich Re is aiming for a profit of €2.8bn in 2021. The Group expects financial consequences from COVID-19 next year as well, but on a considerably smaller scale than in 2020. In reinsurance, burdens will arise from COVID-19 claims of approximately €500m. In addition, foregone premiums will further decrease the technical result by about €50m. The ERGO field of business anticipates negative effects on the net result totalling approx. €100m due to claims, foregone premiums resulting in a profit setback and capital market effects. Group premium income is expected to set a new record of approx. €55bn in 2021, and return on investment to be above 2.5%. Financial planning for 2021 is subject to the approval of the Supervisory Board.

In its reinsurance field of business, Munich Re anticipates premium income of approx. €37bn and a profit of approximately €2.3bn in 2021. Given the considerable price increases for reinsurance cover, Munich Re will continue to spur its dynamic and profitable growth in reinsurance. In property-casualty reinsurance, Munich Re anticipates expenditure for COVID-19 claims of approximately €300m in 2021. A rough estimate by line of business is: contingency €200m, property/business interruption €50m and credit insurance €50m. In addition, lower premiums due to COVID-19 will reduce the technical result by a further €50m. The combined ratio in property-casualty reinsurance is estimated to be 96%. Without the above-mentioned expenditure owing to COVID-19, the combined ratio would amount to 95%. In life and health reinsurance, Munich Re expects – assuming COVID-19 losses of €200m – a technical result, including business with non-significant risk transfer, of approx. €400m.

Despite a negative COVID-19 impact of €100m on the net result, the ERGO field of business will contribute approximately €500m to consolidated profit in 2021. A combined ratio of 92% is expected for Germany; without the above-mentioned expenditure owing to COVID-19, it would be about 91%. For the ERGO International segment the combined ratio will be 93%. Premium income will amount to approximately €17.5bn in 2021.

For 2020, Munich Re forecasts a profit of €1.2bn. A profit of €0.2bn has been forecast for Q4, of which €0.1bn is attributable to reinsurance and €0.1bn to ERGO. As in Q1–Q3, there has been high expenditure for COVID-19 in Q4. If these losses were excluded, the Group would have met its originally envisaged 2020 profit target of €2.8bn, which was retracted in March. Group premium income in 2020 is expected to total €54bn. This is the highest figure in the history of Munich Re and the result of seizing profitable growth opportunities. High market volatility and the further fall in interest rates notwithstanding, the return on investment will be approximately 3%.

The reinsurance field of business is set to contribute €0.7bn to the consolidated result in 2020. Premium income is expected to total approximately €36bn (target for 2020: about €34bn). Of the €3.4bn in reinsurance losses arising from COVID-19, life and health reinsurance accounts for €360m and property-casualty reinsurance for slightly more than €3bn. The largest percentage of COVID-19 claims in property-casualty reinsurance was due to contingency (€1.66bn), a market segment in which Munich Re was the market leader. In addition, Munich Re anticipates the following COVID-19 claims: property/business interruptions (€965m), D&O/workers compensation (€200m), credit (€170m) and marine/aerospace (€25m). In accordance with its established principles, Munich Re will set provisions for COVID-19 losses prudently. The 2020 combined ratio in property-casualty reinsurance is expected to be approximately 106%, with the normalised combined ratio amounting to 97%. This forecast assumes that further major losses not related to COVID-19 through the end of 2020 will amount to approx. €225m, which is around 1% of property-casualty premium income. Munich Re projects a technical result, including business with non-significant risk transfer, of above €100m in life and health reinsurance.

Despite the pandemic, economic downturn and high volatility in the capital markets, the ERGO field of business will nearly meet the 2020 targets it issued in February. As a result, ERGO expects to generate a profit of about €0.5bn (target for 2020: €530m) – in spite of a negative impact of COVID-19 on the net result of €65m due to claims and lower premiums. A combined ratio of 92% is anticipated for Germany (target for 2020: about 92%), and a ratio of 94% (target for 2020: about 94%) for the ERGO International segment. Premium income is expected to total €17.5bn (target for 2020: about €17.5bn).

All forecasts and targets face considerable uncertainty owing to fragile macroeconomic developments, volatile capital markets and the unclear future of the pandemic. As always, the projections are subject to major losses being within normal bounds, and to the income

statement not being impacted by severe fluctuations in the currency or capital markets, significant changes in the tax environment, or other one-off effects.

Munich Re will present its business strategy and its medium-term financial ambitions as scheduled on 8 December 2020.

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**Munich Re**

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The group consists of the reinsurance and ERGO business segments, as well as the asset management company MEAG. Munich Re is globally active and operates in all lines of the insurance business. Since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its sound financial position. It offers customers financial protection when faced with exceptional levels of damage – from the 1906 San Francisco earthquake through to the 2019 Pacific typhoon season. Munich Re possesses outstanding innovative strength, which enables it to also provide coverage for extraordinary risks such as rocket launches, renewable energies, cyberattacks, or pandemics. The company is playing a key role in driving forward the digital transformation of the insurance industry, and in doing so has further expanded its ability to assess risks and the range of services that it offers. Its tailor-made solutions and close proximity to its customers make Munich Re one of the world's most sought-after risk partners for businesses, institutions, and private individuals.

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