Munich RE

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Media Information

Munich Re proposes increase in dividend to €9.25 – profit of €2.3bn in 2018

Christoph Jurecka, CFO: "We are very satisfied with the overall result for 2018. We increased our profit and achieved our result target – despite the volatile capital markets and high losses from natural catastrophes in the fourth quarter. The year was especially positive for life and health reinsurance and for ERGO, both of which surpassed their profit guidance for the year. Munich Re shares remain a reliable, high-return investment, which is again reflected in the significant increase in the dividend."

- Munich Re generated a profit of €2,275m (392m)[1] for the full year, and €238m for the fourth quarter.
- At €584m, the technical result[2] generated by the life and health reinsurance segment was significantly higher than the target of at least €475m.
- ERGO's net profits of €412m (273m) were considerably higher than the original guidance of €250–300m.
- Typhoon Jebi (expenditure of around €440m) and the two wildfires in California in November (losses of around €430m) were the costliest natural catastrophes in 2018. The result for the property-casualty reinsurance segment totalled €1,135m (–€476m).
- Subject to approval by the Supervisory Board and Annual General Meeting, the dividend will rise to €9.25 per share.
- Compared with the previous year, reinsurance prices remained stable in the January renewals.

[1] Figures in brackets = Previous-year figures

[2] Including the result from business not recognised in the technical result owing to non-significant risk-transfer.

Summary of the preliminary figures for the 2018 financial year
Munich Re achieved an operating result of €3,725m (1,241m) in 2018, of which €404m (864m) related to the fourth quarter.

At €26,500, equity was lower than at the beginning of the year (€28,198m), since the good balance sheet result and positive currency translation effects were more than offset by the dividend payment, share buy-backs and lower unrealised gains due to the rise in interest rates. The return on risk-adjusted capital (RORAC) amounted to 9.1% (1.5%) the return on overall equity (RoE) to 8.4% (1.3%).

According to a provisional indication, and with due consideration of dividends and potential capital measures in 2019, the solvency ratio under Solvency II slightly increased to around 250% (31.12.2017: 244%).

Gross premiums written by the Group in 2018 were €49,064m, and thus roughly at the same level as in the previous year (49,115m). A decline in premium income in the life and health reinsurance segment, which was attributable to the expiry or restructuring of large-volume capital-relief treaties, was largely compensated for by partly robust growth in property-casualty reinsurance.

Total investments (excluding insurance-related investments) as at 31 December 2018 diminished somewhat compared with the 2017 figure, with the carrying amount declining to €216,852m (217,562m) and the market value to €231,876m (231,885m). The Group’s investment result (excluding insurance-related investments) decreased to €6,526m (7,611m), due in particular to lower gains on disposal. In the fourth quarter, the investment result amounted to €1,661m (1,982m). This investment result for 2018 is equivalent to a return of 2.8% for the year as a whole, and 2.9% for the fourth quarter.

Reinsurance: Result of €1,864m
The reinsurance field of business contributed €1,864m (120m) to the consolidated result in 2018, and the operating result climbed significantly from €73m to €2,464m. Gross premiums written were down slightly to €31,286m (31,569m).

Life and health reinsurance contributed €729m (596m) to the consolidated result. The technical result, including the result from business not recognised in the technical result owing to insufficient risk transfer, was €584m (428m). Favourable claims experience in the US was one of the contributing factors to the very good result.

The result for property-casualty reinsurance rose to €1,135m (–€476m). The combined ratio was 99.4% (114.1%) of net earned premium, with 105.1% (103.9%) in the fourth quarter owing to the especially high major losses from natural catastrophes in that quarter. Munich Re was able to release loss reserves for basic losses (adjusted for commissions) of approximately €860m for the full year; the figure for the fourth quarter was around €290m. This corresponds to 4.6 percentage points of the combined ratio for the full year, and 5.8 percentage points for the fourth quarter. Munich Re still aims to cautiously set the amount of provisions for newly emerging claims within the scope of existing estimation ranges, so that profits from the release of a portion of these reserves are possible at a later stage.

Total major-loss expenditure for 2018 amounted to €2,152m (4,314m), of which €886m (493m) was attributable to the fourth quarter. The major-loss burden amounted to 11.6% (25.8%) of net earned premiums, and was in the range of the expected figure of 12% for the full year; it totalled 17.9% in the fourth quarter. Natural catastrophe losses impacted the full year with €1,256m (3,678m), while the figure for the fourth quarter was €697m (492m). At €896m (636m), man-made major losses were up on the level of the previous year, which is equivalent to 4.8% (3.8%) of net earned premiums.

ERGO: Result of €412m

In 2018, the ERGO field of business reported a profit of €412m (273m), thus exceeding its original target range of €250–300m. Apart from very good operational performance, particularly in the ERGO International segment, the good result for the year was also attributable to various one-off effects that partly offset each other. In the fourth quarter, ERGO posted a profit of €53m (48m).

Gross premiums written increased to €17,778m (17,546m). The combined ratio in the property-casualty Germany segment amounted to 96.0% (97.5%) for the year as a whole, and 97.9% (100.3%) for the fourth quarter. The combined ratio for the ERGO International segment improved to a very good 94.6% (95.3%) for the full year, mainly on account of positive developments in Poland, and amounted to 94.5% (94.7%) for the fourth quarter.

Renewals of property-casualty reinsurance treaties at 1 January 2019

The reinsurance renewals as at 1 January 2019 once again took place in a very competitive market environment. Prices for the Munich Re portfolio remained stable overall (+0.0%).

As at 1 January 2019, around half of Munich Re's property-casualty reinsurance business was up for renewal, representing a premium volume of €9.4bn. Of this, 8% (around €0.8bn) was not renewed, set against new/additional business with a volume of approximately €1.4bn. The volume of business written at 1 January thus increased to around €10bn.

It is Munich Re's expectation that the market environment will improve in the next round of renewals in April, as treaties in regions with significant claims experience in 2018, such as Japan, will then be up for renewal.

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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 capital investment 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 to the 2017 Atlantic hurricane 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.

Disclaimer
This press release 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. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

Preliminary figures (IFRS) for the Group in the fourth quarter of 2018
(in €m unless otherwise indicated)

Group	**4th quarter 2018**	4th quarter 2017
Gross premiums written	11,960	12,112
Investment result	1,661	1,982
Operating result	404	864
Consolidated result	238	538
Thereof attributable to		
Munich Reinsurance Company equity holders	255	530
Minority interests	-18	8

Reinsurance	**4th quarter 2018**	4th quarter 2017
Gross premiums written	7,605	7,799
Combined ratio in %	105.1	103.9
Operating result	116	523
Result	185	490

ERGO	**4th quarter 2018**	4th quarter 2017
Gross premiums written	4,355	4,312
Combined ratio for Germany in %	97.9	100.3
Combined ratio International in %	94.5	94.7
Operating result	288	342
Result	53	48

Preliminary figures (IFRS) for the Group in 2018
(in €m unless otherwise indicated)

Group	**2018**	2017
Gross premiums written	49,064	49,115
Investment result	6,526	7,611
Operating result	3,725	1,241
Consolidated result	2,275	392
Thereof attributable to		
Munich Reinsurance Company equity holders	2,310	375
Minority interests	-34	17

	31.12.2018	31.12.2017
Investments (excluding insurance-related investments)	216,852	217,562
Equity	26,500	28,198

Reinsurance	**2018**	2017
Gross premiums written	31,286	31,569
Combined ratio in %	99.4	114.1
Operating result	2,464	73
Result	1,864	120

ERGO	**2018**	2017
Gross premiums written	17,778	17,546
Combined ratio for Germany in %	96.0	97.5
Combined ratio International in %	94.6	95.3
Operating result	1,261	1,168
Result	412	273