BEST'S CREDIT REPORT

Munich Reinsurance Company

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AMB #: 086577 **NAIC #:** N/A **AIIN#:** AA-1340165

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Best's Credit Rating Methodology | Disclaimer | Best's Credit Rating Guide

Munich Reinsurance Company

Credit Report

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Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

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Associated Ultimate Parent: 085011 - Munich Reinsurance Company
A.M. Best Rating Unit: 086577 - Munich Reinsurance Company

Best's Credit Ratings for Group Members:

Rating Effective Date: July 13, 2018

			Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
AMB#	Company		Rating	Outlook	Action	Rating	Outlook	Action
086577	***Munich Reinsurance Company***	***Rating Unit***						
085011	Munich Reinsurance Company		A+	Stable	Affirmed	aa	Stable	Affirmed
013062	Amer Modern Surpl Lines Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
011574	American Alternative Ins Corp		A+	Stable	Affirmed	aa	Stable	Affirmed
004084	American Family Home Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
003031	American Modern Home Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
013020	American Modern Ins Co FL		A+	Stable	Affirmed	aa	Stable	Affirmed
001709	American Modern Lloyds Ins		A+	Stable	Affirmed	aa	Stable	Affirmed
003285	American Modern Prop & Cas Ins		A+	Stable	Affirmed	aa	Stable	Affirmed
002666	American Modern Select Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
001708	American Southern Home Ins		A+	Stable	Affirmed	aa	Stable	Affirmed
003763	American Western Home Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
086160	Great Lakes Insurance SE		A+	Stable	Affirmed	aa	Stable	Affirmed
006746	Munich American Reassurance Co		A+	Stable	Affirmed	aa	Stable	Affirmed
072317	Munich Re of Bermuda, Ltd.		A+	Stable	Affirmed	aa	Stable	Affirmed
000149	Munich Reinsurance America Inc		A+	Stable	Affirmed	aa	Stable	Affirmed
085770	Munich Reinsurance Co Canada		A+	Stable	Affirmed	aa	Stable	Affirmed
085060	New Reinsurance Company Ltd.		A+	Stable	Affirmed	aa	Stable	Affirmed
012170	Princeton Excess & Surp Lines		A+	Stable	Affirmed	aa	Stable	Affirmed

Best's Credit Ratings for Group Members: (Continued...)

		Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
AMB#	Company	Rating	Outlook	Action	Rating	Outlook	Action
085755	Temple Insurance Company	A+	Stable	Affirmed	aa	Stable	Affirmed

Rating Rationale:

Balance Sheet Strength: Strongest

- Strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), supported by moderate underwriting leverage and good asset quality. BCAR scores expected to remain at the strongest level over the longer term.
- Conservative investment strategy and good asset/liability management.
- Moderately low financial leverage, good interest coverage and excellent financial flexibility.
- BCAR scores remain at the strongest level following A.M. Best’s natural catastrophe stress test, in spite of the group’s significant exposure to peak losses. The group is not dependent on reinsurance to manage catastrophe risk.

Operating Performance: Strong

- Robust earnings are typically driven by the group's property/casualty reinsurance division.
- Good earnings diversification moderates volatility caused by the group's significant exposure to natural catastrophe losses.
- Profitability is under pressure in a number of the group's property reinsurance lines, as well as at ERGO, the group's primary operation. However, a clear turnaround plan for ERGO and a more stable outlook for property/casualty reinsurance pricing are expected to support an improvement in results in the near term.
- Investment yield remains under pressure, which adversely affects the group's net result, and particularly its primary life operations .

Business Profile: Very Favorable

- Defensible leading position in the global property/casualty and life reinsurance markets supported by an excellent brand and reputation.
- Excellent diversification by line of business, geography and distribution channel, which limits concentration risk.
- A strong global franchise, superior access to clients and considerable expertise provide some insulation against intensely competitive conditions in the P/C reinsurance market. Leading position in the German primary insurance market via ERGO expected to benefit from revitalised strategic plans.

Enterprise Risk Management: Very Strong

- Sophisticated risk management framework in place that is embedded throughout the organisation and centred around a time-tested economic capital model.
- Strong risk culture and conservative overall management approach.
- Excellent risk management capabilities that are broadly in line with highly complex and diverse risk exposures.

Outlook

The stable outlooks reflect A.M. Best's expectation that the company's balance sheet strength will remain at the strongest level supported by moderate underwriting leverage and good asset quality. Munich Re's leading position within the global reinsurance market and its diversified product offering should help it withstand the prevailing competitive market conditions and enable the group to generate robust earnings over the medium term.

Rating Drivers

Deterioration in underwriting profitability longer term would likely have a negative impact on the ratings.

A material deterioration in risk-adjusted capitalisation, for example, due to catastrophe losses in excess of expectations, would likely have a negative impact on the ratings.

A positive rating action is not likely in the near term. However, over the longer term, a positive rating action could follow a reduction in the volatility of the group's operating performance metrics.

Financial Data Notes:

Time Period: Annual - 2017 **Status:** A.M. Best Quality Cross Checked **Data as of:** 03/21/2018

Key Financial Indicators:

Key Financial Indicators (000)

	Year End				
	2017	**2016**	**2015**	**2014**	**2013**
Premiums					
Direct Premiums Written - combined	17,546,000	17,388,000	22,158,000	22,078,000	23,218,000
Direct premiums written - non life	8,336,000	8,212,000	7,109,000	6,924,000	6,680,000
Direct premiums written - life	9,210,000	9,177,000	15,049,000	15,154,000	16,538,000
Gross premiums written - combined	49,115,000	48,851,000	50,374,000	48,848,000	51,060,000
Gross premiums written - non life	26,179,000	26,037,000	24,789,000	23,654,000	23,693,000
Net premiums written - combined	47,550,000	47,325,000	48,505,000	47,225,000	49,404,000
Net premiums written - non life	24,549,000	24,751,000	23,628,000	22,633,000	22,720,000
Net premiums written - life	22,615,000	22,367,000	24,877,000	24,592,000	26,684,000
Capital & Surplus	28,012,000	31,516,000	30,668,000	30,018,000	25,945,000
Total Assets	265,722,000	267,805,000	268,868,000	272,984,000	254,312,000

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Key Financial Indicators: (Continued...)

Key Financial Indicators - A.M. Best Ratios (%)

	Year End				
	2017	2016	2015	2014	2013
Combined Ratio (Total)	111.0	99.0	94.2	96.6	96.0
Net Premiums Written to Equity	169.7	150.2	158.2	157.3	190.4
Liquidity					
Liquid Assets to Total Liabilities	66.2	68.5	65.3	64.2	60.1
Total Investments to Total Liabilities	95.7	98.1	93.8	92.2	89.8

Source: Bestlink - Best's Statement File - Global

(*) Data reflected within all tables of this report has been compiled from the consolidated financial statements of this company (Source: Company Financial Statement).

Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	72.1	61.0	56.3	55.1

Source: Best's Capital Adequacy Ratio Model - Universal

Credit Analysis:

Balance Sheet Strength: Strongest

Munich Re's balance sheet strength is assessed as strongest, supported by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). The BCAR scores presented under the "Best Capital Adequacy Ratio Summary" section of this report are based on 2017 year-end data.

Capitalization:

Munich Re's balance sheet strength is assessed as strongest, supported by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). The BCAR scores presented under the "Best Capital Adequacy Ratio Summary" section of this report are based on 2017 year-end data.

Risk-adjusted capitalisation itself is underpinned by the group's very large absolute capital base, moderate underwriting leverage and conservative investment strategy, and is expected to remain at the strongest level for the foreseeable future. Despite returning approximately EUR 20 billion to shareholders over the past decade, in the form of dividends and share buy backs, the group has increased its capital base (including minority interest) by EUR 2.7 billion to EUR 28.2 billion over the same period. This demonstrates the group's ability to generate capital. Furthermore, with low debt leverage and good access to capital markets, A.M. Best considers Munich Re to have an excellent level of financial flexibility.

Although Munich Re carries substantial asset risk, its capital requirements (according to BCAR) are driven by its underwriting exposures. Over recent years, the group's capital requirements have been broadly flat and have been comfortably covered by its substantial capital base. In A.M. Best's opinion, Munich Re's available capital is of good quality and includes credit from the equity features of hybrid debt, life bonus reserves and off-balance sheet assets values.

Munich Re's large capital base, diversified portfolio and geo-scientific expertise reduce its reliance on external retrocession. Nevertheless, the group prudently purchases external protection to manage exposures and volatility when economically justified, and is careful not to

Capitalization: (Continued...)

"over hedge" digestible short-term volatility. Retrocession programmes come in the form of indemnity retrocession, industry loss warrants, derivatives, risk swaps and catastrophe bonds. Swaps are utilised to hedge and optimise the company's natural catastrophe portfolio. Additionally, Munich Re frequently sponsors natural catastrophe bonds in order to manage its exposures in peak peril zones, with its catastrophe bond series well established in the capital markets. The outstanding catastrophe bonds cover U.S. hurricane, Australian cyclone risks and European windstorm and earthquake.

Capital Generation Analysis (000)

	Year End				
	2017	**2016**	**2015**	**2014**	**2013**
Capital & surplus brought forward	31,785,000	30,966,000	30,289,000	26,188,000	27,439,000
Change in share capital	...	...	...	-8,000	-4,000
Change in non-distributable reserves	...	...	...	...	9,000
Currency exchange gains	-1,831,000	347,000	1,415,000	1,431,000	-705,000
Profit or loss for the year	392,000	2,581,000	3,122,000	3,170,000	3,333,000
Capital gains or (losses)	386,000	250,000	-1,840,000	2,653,000	-2,571,000
Dividend to shareholders	-1,338,000	-1,330,000	-1,295,000	-1,257,000	-1,258,000
Other changes	-1,196,000	-1,029,000	-725,000	-1,888,000	-55,000
Total change in capital & surplus	-3,587,000	819,000	677,000	4,101,000	-1,251,000
Capital & surplus carried forward	28,198,000	31,785,000	30,966,000	30,289,000	26,188,000

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Asset Liability Management – Investments:

Munich Re's investment strategy is founded on a holistic approach towards asset/liability management, in which the structure of its liabilities plays a key role. Overall, at year-end 2017, the modified duration of the group's investment portfolio was 7.8 years, whereas the modified duration of its liabilities was 7.5 years. The duration of assets backing reinsurance operations are significantly shorter than the overall average, which includes assets backing primary life operations.

Munich Re monitors its cash-flow requirements on a decentralised basis, with the exception of requirements for large losses and other potential material liquidity requirements, where detailed scenario planning ensures that the group remains able to make any necessary payments. Munich Re has a strong liquidity profile, with over 80% of its consolidated assets represented by investments, of which cash, bonds and equities account for over two thirds. Munich Re controls a significant share of its primary life assets through ERGO.

Reserve Adequacy:

Munich Re has a conservative reserving strategy based on its disciplined underwriting policy. The group builds appropriate margins on top of mid point best estimate actuarial indications to allow for conservatism. Non-life provisions for outstanding claims (from primary and reinsurance operations) amount to approximately four-fifths of the group's total outstanding claims reserves. A majority of the non-life reinsurance provisions for outstanding claims are related to Munich Re AG (Germany) and Munich Re America Group. Munich Re's external auditor reviews the reserve position of each subsidiary in the U.S. In addition, Munich Re's reserves are reviewed as part of its annual external audit. The group's conservative reserving philosophy is demonstrated by a long-term pattern of positive reserve development.

Operating Performance: Strong

Munich Re's long-term operating performance is supportive of a strong assessment. The group's exposure to volatility from large catastrophic losses is partially mitigated by the good diversification of its earnings.

The P/C reinsurance portfolio has material exposure to natural catastrophe perils and a degree of volatility is expected in the company's overall results over the longer term. This volatility was witnessed in 2011, when Munich Re's P/C reinsurance segment was exposed to a number of major natural catastrophe losses, and its overall profit after tax was only EUR 0.7 billion. However, in the subsequent four years, insured natural catastrophe losses were at a level materially below the longer term average, and the group reported profits after tax in excess of EUR 2.5 billion in each year.

In 2017, the group posted a profit after tax of EUR 392 million, which was below its initial expectations of EUR 2.0-2.4 billion for the year. The result was affected by natural catastrophe losses in the Americas, as well as weak market conditions for P/C Reinsurance and persistently low interest rates. Return on equity (ROE) declined by almost 700 basis points to 1.3% from the prior year and was approximately 7 points below Munich Re's five-year average ROE (2013-2017).

Munich Re underwrites diligently in both primary insurance and reinsurance segments. However, reinsurance renewal rates have declined, sharply at times, in many of its markets in recent years. The operations of life reinsurance and ERGO have developed a record of profitability and growth, and both segments are expected to increase their contribution to overall earnings over the longer term.

Underwriting Results

In years without major catastrophe losses, Munich Re's underwriting profits are typically driven by its P/C reinsurance operations, which in 2016, 2015 and 2014 accounted for between two-thirds and three-quarters of its overall operating result. However, in years where the group is exposed to large catastrophe losses, such as 2011 and 2017, reinsurance P/C operations dampen the group's underwriting profitability. In years such as these, Munich Re's diversified P/C reinsurance operations, along with profits from its uncorrelated life reinsurance, health and primary insurance businesses, support underwriting results and assist in reducing earnings volatility.

In 2017, Munich Re's reported net combined ratio for its P/C reinsurance operations increased to 114.1% from 95.7% in the previous year. The increase was primarily driven by a higher level of major losses, specifically natural catastrophe events. Total major loss experience for 2017 amounted to EUR 4.3 billion (2016: EUR 1.5 billion). These losses added 25.8% points (2016: 9.1%) to the net combined ratio, significantly above the company's average expected figure of 12% points.

P/C reinsurance operations were significantly impacted by losses derived from hurricanes Harvey (Texas), Irma (Florida, Caribbean islands) and Maria (Caribbean islands), with a total loss of EUR 2.7 billion. Natural catastrophe losses amounted to EUR 3.7 billion (2016: EUR 0.9 billion) for the full year. Man-made major losses were slightly above the level of the previous year, and totaled EUR 636 million (2016: EUR 613 million), adding 3.8% points (3.6%) to the net combined ratio.

While Munich Re's P/C reinsurance operations are well diversified and not overly concentrated in property sectors where there has been considerable negative pricing pressure in recent years. Nevertheless, soft market conditions had a negative impact on the group's overall accident-year results. On a calendar-year basis, the results of Munich Re's P/C reinsurance operations materially benefited materially from reserves releases in recent years.

Munich Re's life & health reinsurance business has reported a solid return in recent years. After P/C reinsurance, life & health reinsurance operations are generally the second-largest contributor to the group's underwriting results (based on the group's reporting structure). However, in contrast to P/C reinsurance operations, life & health reinsurance is less exposed to volatility. Following several years when technical results were below expectations due to a number of one-off issues, Munich Re's life & health reinsurance business generated a consolidated technical profit of EUR 376 million for 2017 (2016: EUR 520 million). This decrease was primarily driven by the effect of recaptures on US business as well as higher than expected claims in Australia, partially offset by better than expected experience across the rest of the world.

Compared to its reinsurance operations, Munich Re's primary business makes up a lower proportion of its underwriting results, with ERGO's P/C and L/H business in Germany typically driving operating profits for this segment. While continuing to undergo material restructuring during the year, ERGO generated a very strong net result in 2017 of EUR 273 million (2016: EUR 41 million), ahead of expectations of EUR 200-250 million, due to strong technical results. Over the short term, ERGO's performance is expected to be somewhat depressed as it undergoes major strategic changes. However, improved results are expected over the longer term as ERGO strengthens its offering and improves it operating efficiency.

Investment Results

Over the long term, Munich Re aims for stability in the carrying value of its investment holdings, while achieving a reasonable rate of return commensurate with its investment risk appetite. The group has demonstrated a favourable track record in that regard. Munich Re has been successful in reducing its exposure to more volatile investment classes, in particular equity holdings, while containing material investment losses. Historically, the group has maintained a balanced investment portfolio aimed at optimising returns. The prolonged low interest rate environment has added negative pressure to the group's investment returns, and over the past three years, the group has witnessed a moderate decline in its investment yields. Although Munich Re's allocation to alternative investments is likely to grow over the longer term, compared to the relatively low current level, its overall investment portfolio composition is not expected to materially change.

Investments are managed centrally by MEAG, the group's asset management arm, and are invested based on management guidelines for maximum credit exposure, liquidity requirements and asset mix. MEAG also provides asset management services to private and institutional clients.

Financial Performance Summary (000)

	Year End				
	2017	**2016**	**2015**	**2014**	**2013**
Pre-Tax Income	94,000	3,341,000	3,598,000	2,859,000	3,441,000
Net income (after noncontrolling interests)	375,000	2,580,000	3,107,000	3,153,000	3,304,000

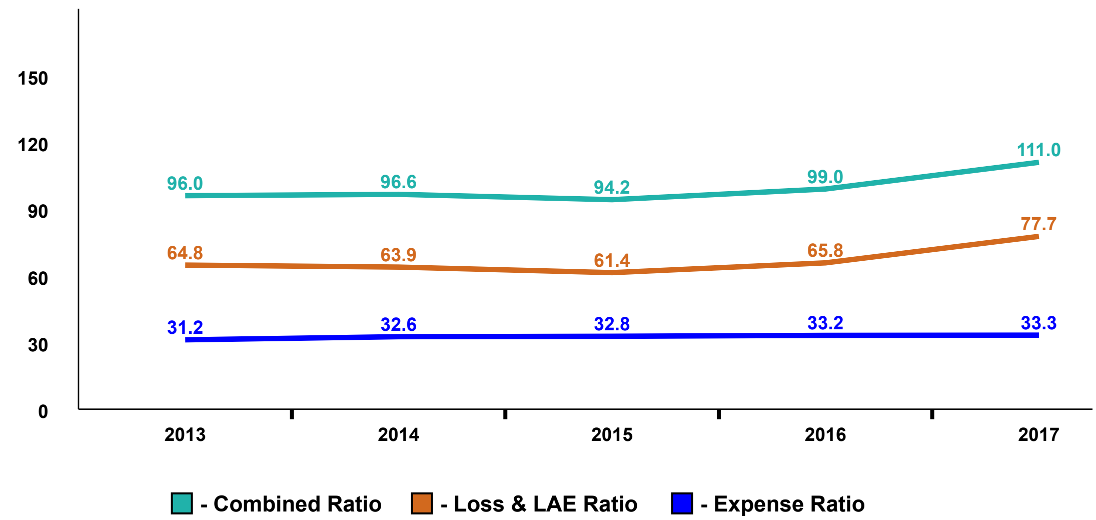
Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

A.M. Best Ratios (%)

	Year End				
	2017	**2016**	**2015**	**2014**	**2013**
Overall Performance:					
Return on Assets	0.2	1.0	1.2	1.2	1.3
Return on Equity	1.3	8.3	10.2	11.3	12.4
Loss & LAE Ratio	77.7	65.8	61.4	63.9	64.8
Expense Ratio	33.3	33.2	32.8	32.6	31.2
Combined Ratio	111.0	99.0	94.2	96.6	96.0
Combined less Investment Ratio	100.6	89.0	84.5	86.8	85.8

Source: Bestlink - Best's Statement File - Global

Combined Ratio (%)



Business Profile: Very Favorable

A.M. Best views Munich Re to have a very favourable business profile. The group benefits from a defensible leading business position and excellent diversification, which together with good underwriting discipline, provide some insulation against weak market conditions. Munich Re's diversified revenue and earnings reduce its reliance on any particular (re)insurance sector, while the group's privileged position with many cedants ensures that it maintains access to good quality business despite increasingly competitive conditions.

Munich Re is one of the world's leading organisations in the insurance and reinsurance sector and participates in a wide range of market segments across the globe. In 2017, the group's gross written premiums (GWP) were split between its reinsurance (64%) and primary insurance (36%) businesses. The group's brands include: Munich Re, ERGO, American Modern, Hartford Steam Boiler, Great Lakes and New Re.

The Munich Re group has an excellent competitive position within the global reinsurance market and is the largest reinsurer in the world when ranked by GWP. Furthermore, its reinsurance operations are well diversified, with the group writing an extensive range of products globally via a wide range of distribution channels. Primary business is somewhat more concentrated than reinsurance on a geographical basis. However, it has a good level of diversification by business lines and a strong competitive market position in its domestic German market.

Although Munich Re centralises its business in Germany, it operates through a large number of branches, subsidiaries and affiliated companies across the world. In 2017, the group reported GWP of EUR 49.1 billion, which was an increase of approximately 1% from the previous year. This slight year-on-year increase was driven primarily by large volume treaties, the expansion of reinsurance business with existing clients and growth in ERGO's property-casualty and health business. Negative growth factors included currency translation effects and the sale of ERGO Italia.

Reinsurance Operations

Munich Re offers a broad range of reinsurance products on a global basis. In 2017, the group's Reinsurance division wrote EUR 31.6 billion of GWP, making it one of the largest global reinsurers by this metric. Reinsurance accounted for 64% of the group's GWP in 2017 and was split between life & health (43%) and property/casualty business (57%).

Property/Casualty Reinsurance

Property/Casualty (P/C) reinsurance remains Munich Re's principal business segment representing approximately one-third of its overall GWP. The P/C reinsurance book is well diversified both geographically and by line of business.

The U.S. P/C market has experienced a significant decline in premium rates in recent years, to a level where there is expected to be significant pressure on the industry's operating performance. U.S. markets have seen a large increase in alternative capital competing with the capacity provided by traditional reinsurers, and reinsurance prices are not expected to increase materially in the near term, despite the natcat events experienced in 2017. In Europe, premium rates remain soft despite the region witnessing a number of major losses, such as floods and hailstorms, over recent years.

Given the persisting soft market conditions and adverse f/x movements, premium income in the group's P/C reinsurance segment was broadly flat during 2017. Munich Re is committed to active cycle management, which includes maximizing value-added strategies. In response to emerging demand patterns and new trends in management, accounting and regulation, Munich Re is developing and offering new products that address exposures against cyclicality, supply chain, reputation, political risks, emission trading, residual value, weather, pandemic events, and business interruption caused by something other than direct physical loss.

To detach itself from the traditional P/C reinsurance market cycle, the group has expanded its U.S. specialty offering over the past decade. Munich Re acquired specialty insurance group Midland, based in Cincinnati, Ohio (U.S.), in 2008. Through its wholly owned subsidiaries that form the American Modern Insurance Group (AMIG), Midland's operations focus on specialty insurance niche segments such as coverage for manufactured housing and motor homes. In 2009, Munich Re acquired Hartford Steam Boiler (HSB) from American International Group, providing it with a strong foothold in the specialty boiler and machinery market in the U.S. In 2013, the group purchased RenRe Energy Advisors Ltd. (REAL), a weather-related energy risk management unit of Renaissance Re Holdings Ltd. (Bermuda). Establishing a lead position in niche segments of the U.S. primary insurance market has been a significant aspect of Munich Re's diversification strategy. The acquisitions provide synergies and benefit from Munich Re's product development capabilities and each company's ability to cross-sell.

Life & Health Reinsurance

Life & health reinsurance is Munich Re's second-largest business segment (from the first quarter of 2017 the segment incorporated Health Reinsurance moved over from Munich Health), representing 28% of the group's overall GWP in 2017, and consists primarily of mortality, morbidity and living benefits business. Since the first quarter of 2017 this segment has incorporated Health Reinsurance, formally part of the Munich Health segment. The company's exposure to longevity risk is relatively small and stems mainly from a book of business underwritten in the U.K. Reinsurance Overall business is geographically well diversified, the group's largest market is North America, followed by Asia, U.K., Australia, and continental Europe. Munich Re leverages its global and regional risk management and mortality research expertise to learn from experience across its operations. For example, a regional mortality research unit exists to utilise experience across all of the group's North American life business. There has been good development of new and in-force business in Asia, where the group has various local offices and a central hub in Singapore to provide comprehensive and tailor-made services for to clients across the region.

Primary Operations

Principally through under the ERGO brand, the group offers a wide range of primary insurance products internationally. Although the focus of ERGO has traditionally been within Germany and other European markets, the group is extending its reach to Asian markets that have higher growth potential. In 2017, Munich Re's primary insurance activities represented approximately one third of its overall GWP and were split between German life/health operations (19% of total GWP), German P/C operations (7%) and international operations (10%).

The group's primary operations are concentrated under its fully owned intermediate holding company, ERGO Group AG (ERGO). ERGO, which targets mainly retail clients, has a strong position in Germany's primary life, health and P/C markets, where it is one of the leading insurance groups. Through ERGO's wholly owned subsidiary, DKV Deutsche Krankenversicherung AG, Munich Re is a leading European health insurer and the second-largest health insurer in the German market. ERGO's subsidiary, D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG and its network of operating companies, is Europe's largest legal expense insurer.

Although Munich Re's primary insurance segment is highly dependent on the German market, it continues to diversify into markets where it believes it can take strategic advantage of economic opportunities. During 2016, ERGO made major strategic changes, including the digital transformation of its business model, the separation of its traditional life back book, a strengthened focus on administration, and management streamlining that has increased transparency and efficiency in the decision-making process. The full effect of these changes are expected to materialisze in the near future.

Geographical Breakdown ($000)

	Year End				
	2017	2016	2015	2014	2013
South Africa	521,000	380,000	368,000	330,000	326,000
Total Africa	521,000	380,000	368,000	330,000	326,000
China	1,185,000	1,675,000	1,555,000	1,251,000	1,391,000
Japan	642,000	622,000	542,000	473,000	518,000
Other Asia	1,140,000	1,100,000	1,116,000	841,000	765,000
Taiwan	...	...	...	240,000	369,000
Total Asia	2,967,000	3,397,000	3,213,000	2,805,000	3,043,000
Belgium	876,000	881,000	881,000	958,000	960,000
Germany	13,050,000	12,904,000	13,182,000	13,822,000	14,033,000
Other Europe	4,510,000	4,423,000	4,582,000	4,963,000	5,137,000
Poland	1,385,000	1,197,000	1,293,000	1,200,000	1,020,000
Spain	1,346,000	1,339,000	1,226,000	1,221,000	1,243,000
United Kingdom	4,790,000	5,037,000	5,183,000	4,616,000	4,323,000
Total Europe	25,957,000	25,781,000	26,347,000	26,780,000	26,716,000
Canada	5,526,000	5,421,000	6,773,000	6,470,000	7,823,000
United States	10,314,000	9,913,000	9,975,000	8,532,000	9,309,000
Total North America	15,840,000	15,334,000	16,748,000	15,002,000	17,132,000
Other Latin America	1,230,000	1,378,000	1,234,000	1,321,000	1,547,000
Total Latin America	1,230,000	1,378,000	1,234,000	1,321,000	1,547,000
Australia	1,491,000	1,584,000	1,532,000	1,857,000	1,602,000
Other World-Wide	1,109,000	997,000	932,000	753,000	694,000
Total	49,115,000	48,851,000	50,374,000	48,848,000	51,060,000

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Enterprise Risk Management: Very Strong

A.M. Best considers Munich Re's enterprise risk management (ERM) framework to be sophisticated and embedded throughout the organisation. The group's superior risk management capabilities are viewed to be suitable for its substantial risk profile. Consequently, ERM is supportive of a very strong assessment.

Munich Re operates with a centralised risk management framework, which is the responsibility of the group's Chief Risk Officer (CRO), and deploys a mix of centralised and decentralised risk management functions, tools and processes. For its decentralised risk management activities, the group's CRO draws on a pool of qualified staff that are spread throughout the organisation's Reinsurance, Primary Insurance and Asset Management divisions. Munich Re's risk management programme aims to protect the reputation of the group, ensure the highest degree of confidence in meeting policyholders' claims, and enable Munich Re to protect and generate shareholder value.

The group's CRO is a permanent member of the Group Risk Committee and the Group Investment Committee. Additionally, the group's central risk function has defined formal relationships with the specialised risk management functions within the group's individual business divisions.

The group's risk management programme makes extensive use of Munich Re's capital model by testing various scenarios. The model has also been certified for regulatory use under Solvency II. It is stressed for investment market events, recessions, climate change and interest rate changes, among other things. A major challenge for the group is the ability of its primary life operations to manage the continuing low interest rate environment. Although the average guaranteed rate of the savings portfolio is declining, it remains substantially higher than current reinvestment yields. The model also stresses capital for severe hurricane seasons and the effects of multiple catastrophic events.

Financial Statements:

Balance Sheet:

Balance Sheet:

Assets	12/31/2017 EUR(000)	12/31/2017 % of total	12/31/2017 USD(000)
Cash & deposits with credit institutions	6,763,000	2.5	8,102,345
Bonds & other fixed interest securities	127,789,000	48.1	153,096,334
Shares & other variable interest instruments	14,025,000	5.3	16,802,511
Assets held to cover linked liabilities	8,772,000	3.3	10,509,207
Liquid assets	157,349,000	59.2	188,510,396
Policy loans	266,000	0.1	318,679
Mortgages & loans	54,437,000	20.5	65,217,703
Real Estate	5,426,000	2.0	6,500,565
Real estate for own use	2,280,000	0.9	2,731,531
Inter-company investments	2,216,000	0.8	2,654,857
Other investments	5,467,000	2.1	6,549,685
Total investments	227,441,000	85.6	272,483,416
Reinsurers' share of technical reserves - claims	3,419,000	1.3	4,096,099
Reinsurers' share of technical reserves - life	750,000	0.3	898,530
Total reinsurers share of technical reserves	4,169,000	1.6	4,994,629
Deposits with ceding companies	5,690,000	2.1	6,816,848
Insurance/reinsurance debtors	8,817,000	3.3	10,563,119
Other debtors	5,008,000	1.9	5,999,784
Total debtors	13,825,000	5.2	16,562,903
Fixed assets	248,000	0.1	297,114
Prepayments & accrued income	9,962,000	3.7	11,934,874
Other assets	1,803,000	0.7	2,160,066
Goodwill	2,584,000	1.0	3,095,735
Total assets	265,722,000	100.0	318,345,585

Balance Sheet: (Continued...)

Balance Sheet: (Continued...)

Liabilities	12/31/2017 EUR(000)	12/31/2017 % of total	12/31/2017 USD(000)
Capital	573,000	0.2	686,477
Paid-up capital	573,000	0.2	686,477
Non-distributable reserves	12,028,000	4.5	14,410,025
Retained earnings	15,036,000	5.7	18,013,729
Current year net income	375,000	0.1	449,265
Capital & surplus	28,012,000	10.5	33,559,496
Minority interests	186,000	0.1	222,835
Gross provision for unearned premiums	8,348,000	3.1	10,001,238
Gross provision for outstanding claims	62,693,000	23.6	75,108,722
Gross provision for outstanding claims - life	11,629,000	4.4	13,932,007
Gross provision for long term business - life	99,108,000	37.3	118,735,348
Gross provision for linked liabilities - life	8,971,000	3.4	10,747,617
Gross provision for other technical reserves	19,174,000	7.2	22,971,219
Total gross technical reserves	209,923,000	79.0	251,496,151
Long term borrowings	277,000	0.1	331,857
Other borrowings	3,392,000	1.3	4,063,752
External borrowings	3,669,000	1.4	4,395,609
Deposits received from reinsurers	593,000	0.2	710,438
Insurance/reinsurance creditors	7,933,000	3.0	9,504,051
Total creditors	7,933,000	3.0	9,504,051
Accruals & deferred income	1,457,000	0.5	1,745,544
Other liabilities	13,949,000	5.2	16,711,460
Total liabilities & surplus	265,722,000	100.0	318,345,585

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Summary of Operations:

Statement of Income (000)

General technical account:

	12/31/2017 EUR(000)	12/31/2017 USD(000)
Direct premiums	8,336,000	9,986,861
Reinsurance premiums assumed	17,843,000	21,376,628
Gross premiums written	26,179,000	31,363,489
Reinsurance ceded	1,630,000	1,952,805
Net premiums written	24,549,000	29,410,684
Net premiums earned	24,549,000	29,410,684
Total underwriting income	24,549,000	29,410,684
Net claims incurred	19,069,000	22,845,425
Net operating expenses	8,176,000	9,795,175
Total underwriting expenses	27,245,000	32,640,600
Balance on general technical account	-2,696,000	-3,229,916

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Life technical account:

	12/31/2017 EUR(000)	12/31/2017 USD(000)
Direct premiums	9,210,000	11,033,948
Reinsurance premiums assumed	13,726,000	16,444,297
Gross premiums written	22,936,000	27,478,245
Reinsurance ceded	321,000	384,571
Net premiums written	22,615,000	27,093,675
Net premiums earned	22,615,000	27,093,675
Net investment income	5,504,000	6,594,012
Total revenue	28,119,000	33,687,687
Net claims incurred	22,576,000	27,046,951
Net operating expenses	4,010,000	4,804,140
Total expenses	26,586,000	31,851,091
Balance on long-term technical account	1,533,000	1,836,595

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Combined technical account:

	12/31/2017 EUR(000)	12/31/2017 USD(000)
Direct premiums	17,546,000	21,020,810
Reinsurance premiums assumed	31,569,000	37,820,925

Summary of Operations: (Continued...)

Statement of Income (000) (Continued...)

Combined technical account:

	12/31/2017 EUR(000)	12/31/2017 USD(000)
Gross premiums written	49,115,000	58,841,735
Reinsurance ceded	1,565,000	1,874,933
Net premiums written	47,550,000	56,966,802
Increase/(decrease) in gross unearned premiums	423,000	506,771
Increase/(decrease) in reinsurers share unearned premiums	37,000	44,327
Net premiums earned	47,164,000	56,504,359
Net investment income	5,504,000	6,594,012
Total revenue	52,668,000	63,098,371
Net claims paid	32,546,000	38,991,410
Net increase/(decrease) in claims provision	5,931,000	7,105,575
Net claims incurred	38,477,000	46,096,985
Net increase/(decrease) in other technical provisions	3,168,000	3,795,391
Management expenses	2,962,000	3,548,594
Acquisition expenses	9,224,000	11,050,721
Net operating expenses	12,186,000	14,599,315
Total underwriting expenses	53,831,000	64,491,691
Balance on combined technical account	-1,163,000	-1,393,321

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Non-technical account:

	12/31/2017 EUR(000)	12/31/2017 USD(000)
Net investment income	2,550,000	3,055,002
Other income/(expense)	-1,293,000	-1,549,066
Profit/(loss) before tax	94,000	112,616
Taxation	-298,000	-357,016
Profit/(loss) after tax	392,000	469,632
Dividend to shareholders	1,333,000	1,596,987
Exceptional income/(expense)	-1,102,000	-1,320,240
Minority interests	17,000	20,367
Retained Profit/(loss) for the financial year	-2,060,000	-2,467,962
Retained Profit/(loss) brought forward	17,470,000	20,929,759
Retained Profit/(loss) carried forward	15,410,000	18,461,796

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.19804 = 1 Euro (EUR)

Munich Reinsurance Company

Report Revision Date:
July 27, 2018

Company Attributes:

Industry:	Insurance
Business Type:	Composite
Entity Type:	Operating Company
Organization Type:	Stock
Business Status:	In Business - Actively Underwriting
Marketing Type:	Not Available

Company History:

Date Incorporated: N/A **Date Commenced:** 1880 **Domicile:** Germany

Company Operations:

2017 Rank	Top 5 Geographic Distribution by DPW	
1	Total Europe	52.8%
2	Total North America	32.3%
3	Total Asia	6.0%
4	Total Latin America	2.5%
5	Total Africa	1.1%

Source: Bestlink - Best's Statement File - Global

Regulatory:

Auditor: KPMG Bayerische Treuhandgesellschaft AG Wirtschaftsprüfungsgesellschaft

An independent audit of the company's affairs through December 31, 2017, was conducted by KPMG Bayerische Treuhandgesellschaft AG Wirtschaftsprüfungsgesellschaft.

Additional Resources:

Related News

Rating Activity and Announcements

Company Overview

Archived Best's Credit Report

Additional Resources: (Continued...)

Corporate Changes & Retirements

BestAlert Service

Best's Credit Ratings Mobile Application