



Annual General Meeting on 11 June 2003

Counter motions

Status: 28 May 2003

Shareholders have sent us counter motions, which we publish below.

You can support these counter motions by voting NO on the relevant agenda item, i.e. against the proposal of the Supervisory Board and Board of Management. You can support the counter motions designated with a capital letter by voting NO on the relevant agenda item **and** putting a cross in the desired box on the instruction form (or internet instruction mask) next to the capital letter item concerned.

You will be able to read the Board of Management's comments on the counter motions here as from 28 May 2003.

1. Counter motion from Mr. **Dietrich-E. Kutz, Biberach:**

„Counter motions for Munich Re's 2003 AGM in Munich on 11 June 2003

- That the actions of the Board of Management (agenda item 3) and Supervisory Board (agenda item 4) not be approved
- That the elections to the Supervisory Board (agenda item 5) not be approved, owing to lack of background information
- That the authorisation to buy back shares (agenda item 6 c) ee) in order to issue employee shares not be granted, owing to failure to meet objective
- That the further amendment of the Articles of Association (agenda item 9) b) concerning Supervisory Board remuneration be rejected, owing to excessiveness

Reasons:

- The shareholder value is inadequate – i.e. cannot be sanctioned. The Board of Management and the Supervisory Board have failed to realise the perspectives and visions. The discrepancy between potential and performance has not been eliminated.
- The candidates proposed for election to the Supervisory Board have a poor track record. Their benefit to the Company is neither demonstrated nor justified.
- Stock option plans are not a good idea, having been shown to be unsuccessful and a vehicle for self-enrichment. Perhaps you'll come up with something more appropriate and fairer for all.
- The morally questionable demands of the Supervisory Board's remuneration are not tenable in times such as these. Given the miserable share price, the amount cannot be credibly justified.

My urgent appeal to all shareholders is to recognise the long-term implications of this self-preferment and to put an end to the arrogant self-posturing and self-satisfaction.

Please vote for the counter motions.

I ask that these counter motions be recorded and acknowledged as having been received by the due date, and that I be sent a copy of the annual report without delay.”

2. Counter motion from **Thomas Exter, Mölln:**

Counter motion A

„Re agenda item 2: Appropriation of the balance sheet profit

I move that a dividend of €2.50 be paid on each share entitled to dividend.

Increasing the dividend yield on Munich Re shares would compensate shareholders for the above-average fall in the share price, which was largely the result of the Company's faulty shareholding policy, and would also make the shares attractive for investors again."

Countermotion B

„Re agenda item 9: Further amendments to the Articles of Association

The amendment to the Articles of Association proposed by the Supervisory Board and the Board of Management contains a 25% increase in the remuneration of Supervisory Board members who also sit on committees. In the current economic climate, I consider this to be untenable and unjustifiable. In order nevertheless to take account of the German Code of Corporate Governance and to remunerate the extra committee work, I propose a fee of €500 per meeting and member. The committee chairman would receive €1,000 per meeting."

3. Countermotion from M & M GmbH Vermögensverwaltungsgesellschaft, Gottmadingen:

„Countermotion for agenda item 2: Appropriation of the balance sheet profit

It is proposed that, contrary to the Board of Management's and the Supervisory Board's proposal, **no** dividend be paid.

Reasons:

1. The balance sheet of the Munich Reinsurance Company at 31 December 2002 as approved by the Board of Management and the Supervisory Board shows net earnings of EUR 1,303,081.47. Pursuant to Section 256 para. 5 item 1 of the German Stock Corporation Act, the balance sheet showing this profit is null and void, as liabilities amounting to billions of euros have not been stated. If these liabilities were stated in the balance sheet, it could not show any profit as at 31 December 2002. The liability that has not been stated consists in the Munich Reinsurance Company's obligation, as shareholder of HypoVereinsbank, to make a cash payment in respect of the capital increase of Bayerische Hypo- und Vereinsbank AG (HypoVereinsbank) in 1998.

For reasons of creditor protection, in recognition of the duty to provide capital and in order to ensure equal treatment of all shareholders, Section 183 para. 2 sentence 3 of the German Stock Corporation Act stipulates that subscribers for new shares issued in a capital increase who subscribe through non-cash contributions shall pay the subscription amount in cash in the event that the value of the non-cash contribution does not equal the value of new shares subscribed.

As a subscriber for new shares in the 1998 capital increase of HypoVereinsbank, the Munich Reinsurance Company paid the subscription amount of the new shares through the delivery of shares in Hypobank (Bayerische Hypotheken- und Wechselbank AG) valued at a price of DM 137.23 (EUR 70.18) each. At that time the Hypobank shares paid by the Munich Reinsurance Company were not worth EUR 70, as Hypobank's equity capital as stated in its balance sheet at 31 December 1997 amounting to DM 9.36bn was used up and this balance sheet was null and void.

According to the Board of Management, Hypobank's risk provisions on the day that its merger became effective, i.e. 31 December 1997, initially showed a shortfall of DM 3.5bn, then DM 6.7bn and finally DM 11bn and, according to the Board of Management, the Hypobank shares were valued on the basis of the bank's balance sheet at 31.12.1997, which was null and void in that it overvalued the bank by DM 11bn. This invalid balance sheet at 31 December 1997 was totally unsuitable as a basis for valuation. Requests directed at the Board of Management of HypoVereinsbank and its principal shareholder, the Munich Reinsurance Company, to assert and honour HypoVereinsbank's claims for cash payments relating to the 1998 capital increase, have hitherto remained unheeded by the Board of Management of HypoVereinsbank. This legal problem was addressed anew in detail in the invalidation proceedings before the *Bundesgerichtshof* (BGH, Federal Court of Law, judgement of 25 November 2002, Az II ZR 49/01, NJW 2003, 970) at which the Board of Management of HypoVereinsbank was represented. According to our calculations, the value of the Munich Reinsurance Company's outstanding cash payment obligation is at least DM 2bn. This obligation must be stated in the Munich Reinsurance Company's balance sheet as at 31 December 2002, but to date this has not been done.

In this context, we would like to refer to our complaint to the Constitutional Court dated 14 February 2003 (www.wengert-ag.de, under news/publikationen).

2. The Munich Reinsurance Company is in a state of dependence within the meaning of Sections 311 ff. of the German Stock Companies Act. For this reason a dependency report needs to be prepared (Section 312 II of the German Stock Companies Act) and audited by the auditor (Section 313 of the German Stock Companies Act). The annual report (Section 312 para. 3 sentence 3 of the German Stock Companies Act) must contain the final declaration by the Board of Management pursuant to Section § 312 III of the German Stock Companies Act, the report of the Supervisory Board (Section 314 of the German Stock Companies Act) and its comments on the dependency report of the Board of Management and on the results of the external audit regarding this (Section 171 para. 2 of the German Stock Companies Act). What is involved here are compulsory parts of these reports. If they are lacking, it is tantamount to these reports being lacking as a whole: the Annual General Meeting and the notary recording the meeting would be acting illegally if they were to nevertheless approve the actions of the Board of Management and Supervisory Board and record the adoption of the resolution (BGHZ 62, 193, 194).

The dependency results from the fact that the major shareholders held and continue to hold over 33% of the Munich Reinsurance Company's share capital. A shareholding of 20% already leads to dependency of the Board of Management on a major shareholder (BGHZ 135, 107, dependency of the VW Board of Management on the *Land* of Lower Saxony). This dependency is intensified by the fact that the Munich Reinsurance Company is an important main shareholder of its own main shareholders, with mutual representation on each other's Supervisory Boards and important distribution partnerships.

Counter-motion on agenda item 3: Approval of the actions of the Board of Management

It is proposed that, contrary to the proposal of the Board of Management and the Supervisory Board, the actions of the members of the Board of Management **not** be approved.

Reasons:

We refer to the reasons for the shareholder proposal regarding agenda item 2. Despite knowing of the Munich Reinsurance Company's obligation to make a multi-billion cash payment in connection with HypoVereinsbank's 1998 capital increase, the Board of Management omitted to state a corresponding liability in the Munich Reinsurance Company's balance sheet as at 31 December 2002. The Board of Management therefore deliberately ran the risk of invalidating the financial statements of the Munich Reinsurance Company for 2002. For this reason the actions of the members of the Board of Management should not be approved.

Counter-motion on agenda item 4: Approval of the actions of the Supervisory Board

It is proposed that, contrary to the proposal of the Board of Management and the Supervisory Board, the actions of the members of the Supervisory Board **not** be approved.

Reasons:

In accordance with its statutory duties the Supervisory Board examined the financial statements of the Munich Reinsurance Company as at 31 December 2002 and found them to be in accordance with the applicable laws, although it undoubtedly knew that the Munich Reinsurance Company's obligation to make a multi-billion cash payment in respect of HypoVereinsbank's 1998 capital increase had not been stated as a liability in its balance sheet as at 31 December 2002. Furthermore, we would like to refer to the reasoning for our shareholder proposal regarding agenda item 2.

In addition, the Supervisory Board appointed KPMG Deutsche Treuhand AG Wirtschaftsprüfungsgesellschaft, Frankfurt (KPMG), as auditor of the Munich Reinsurance Company for the business year 2003 (Section 341k of the German Commercial Code), although there are good reasons to doubt KPMG's impartiality. KPMG fulfils neither the criteria of independence and impartiality set forth in the Section 43 of the *Wirtschaftsprüferordnung* (Auditors' Code) and in the German Corporate Governance Code, nor those of the "Sarbanes-Oxley Act of 2002". Due to the close, far-reaching and interwoven financial connections, the extensive business relations and the associated financial and personal interdependency between KPMG and the companies of the Munich Re Group,

it must be feared that KPMG is not impartial, or at least that its impartiality should be doubted. This rules out its appointment as statutory auditor for the Munich Reinsurance Company. In this context, it should also be noted that KPMG has for years been the auditor of numerous subsidiaries and associated companies of the Munich Reinsurance Company, such as HypoVereinsbank, Allianz AG, etc., etc.

KPMG has been conspicuous in the past as the auditor responsible in numerous balance sheet disasters and company collapses, e.g. Philipp Holzmann AG, HypoVereinsbank AG, Flowtex, Comroad AG. In its judgement of 25 November 2002 the German Federal Court of Justice stated that in the HypoVereinsbank case "**KPMG could not be in a position to perform its function as statutory auditor objectively, impartially and uninfluenced by any consideration of its own interests**".

4. Countermotion from Klaus Ruschhaupt, Nürnberg:

„As shareholder, I move that the Board of Management's actions not be approved under agenda item 3.

Reason: Insufficient supervision of the participating interest in bhs-tabletop. Participating interests whose management produces losses also harm Munich Re.”

Comments of the Board of Management on the countermotions:

Countermotions from Mr. Dietrich-E. Kutz for agenda items 3, 4, 5, 6 and 9

Countermotions not to approve the actions of the Board of Management and Supervisory Board, with nearly identical reasoning, have been submitted by Mr. Kutz for the Annual General Meetings of a number of other companies. We consider the countermotions to be unjustified.

In choosing the candidates proposed for election to the Supervisory Board, the Supervisory Board was guided by the fact that the gentlemen concerned were very well qualified on a personal and a professional level. With their wide range of professional experience, both Prof. Dr. Markl and Mr. Mayrhofer will be important counsellors for us.

Mr. Kutz attacks agenda item 6 c) ee) on the erroneous assumption that this involves a provision concerning stock option plans. In fact, what is proposed under agenda item 6 is an authorisation to buy back shares; under item 6 c) various permissible uses for the bought-back shares are listed. These include, under ee), the issuing of employee shares to staff of the Company or its affiliates. Munich Re does not have any stock option plans.

In the case of agenda item 9 b), Mr. Kutz opposes the new provisions for remuneration of the Supervisory Board. The proposed new arrangement is intended to implement the recommendation of the German Code of Corporate Governance that remuneration takes account of the chairmanship and membership of Supervisory Board committees. The aim is to reward the extra work and the assumption of additional responsibility on the Supervisory Board that the membership of committees involves. The base remuneration remains largely the same. We consider the planned new arrangement to be appropriate.

Countermotions from Mr. Thomas Exter for agenda items 2 and 9

Mr. Exter proposes that €2.50 be paid on each share entitled to dividend instead of €1.25.

The proposal does not take account of the difficult economic environment which Munich Re faces. In this situation, we consider the dividend proposed by the Supervisory Board and the Board of Management, maintaining the dividend at last year's level, to be appropriate and in the interests both of the Company and of our shareholders.

With regard to the countermotion for agenda item 9 b), we refer to our above comments on the corresponding countermotion from Mr. Kutz.

Counter motions from M & M GmbH Vermögensverwaltungsgesellschaft, Gottmadingen for agenda items 2, 3 and 4

The annual financial statements as at 31 December 2002 as certified and audited by KPMG Bayerische Treuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft are valid. No payment obligations towards Bayerische Hypo- und Vereinsbank AG in connection with the capital increase of Bayerische Vereinsbank AG on the occasion of its merger with Bayerische Hypotheken- und Wechselbank AG had to be included in the balance sheet, as there is no legal basis for these and accordingly such claims are not being made by Bayerische Hypo- und Vereinsbank AG. Including a corresponding item on the liabilities side of the balance sheet was therefore neither necessary nor legally possible.

The Munich Reinsurance Company is not a dependent company and was not in the business year 2002 either. Neither Allianz AG nor Bayerische Hypotheken- und Vereinsbank AG may be regarded as controlling enterprises in any legal sense with regard to Munich Re.

There is also no reason to claim that KPMG Bayerische Treuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft could not be impartial as auditors of the Munich Reinsurance Company. The fact that KPMG also acts as auditor for other companies in the Munich Re Group or companies in which Munich Re holds an equity stake does not justify this concern. Furthermore, the cited judgement of the Federal German Court of Justice of 25 November 2002 concerns a special situation with regard to the Bayerische Hypo and Vereinsbank following the merger of Bayerische Vereinsbank with Bayerische Hypotheken- und Wechselbank, a situation that is not applicable to our business.

Counter motion from Mr. Klaus Ruschhaupt for agenda item 3

We have a minority shareholding in BHS tabletop AG and exercise our rights within the framework of our asset management. These, however, do not allow us to exert a significant influence on the decisions of the Board of Management of BHS tabletop AG, which carries the entrepreneurial responsibility.

We consider the counter motions to be unjustified and will comment on them in more detail at the Annual General Meeting.

May 2003

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München

The Board of Management