

Other information

41 // Parent

The Group parent is Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company Joint-Stock Company in Munich), Königinstrasse 107, 80802 München. Its registered seat is Munich, Germany.

In addition to its function as a reinsurer, the parent also fulfils the function of holding company for the Group.

42 // Related parties

Information on the remuneration of Board members and transactions with these persons can be found in the remuneration report, starting on page 28 and under (46) Remuneration report. Transactions between Munich Reinsurance Company and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates.

Munich Reinsurance Company has established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. The Munich Re pension scheme is considered a related party in accordance with IAS 24. Contributions to the pension scheme are recognised as expenses for defined contribution plans; cf. (25) Other accrued liabilities.

43 // Personnel expenses

The following personnel expenses are included in the operating expenses, in the expenses for claims and benefits (for claims adjustment) and in the investment result:

Breakdown of personnel expenses

€m	2010	Prev. year
Wages and salaries	2,534	2,280
Social security contributions and employee assistance	472	402
Expenses for employees' pensions	208	199
Total	3,214	2,881

44 // Long-Term Incentive Plan

Every year since 1 July 1999, Munich Reinsurance Company has set up long-term incentive plans, each with a term of seven years. From 1999 to 2009, the members of the Board of Management and senior management in Munich, and the top executives in Munich Re's international organisation were participants in the scheme. Since 2010, these share-price-related remuneration plans are only provided for senior management members and selected top executives in the international organisation.

Participants receive a certain number of stock appreciation rights.

The relevant initial share price for the stock appreciation rights is calculated from the average of closing prices for Munich Re shares in Frankfurt Xetra trading over the last three months prior to plan commencement. The initial price for the 2010 long-term incentive plan is €109.11 (97.57). As a result of Munich Reinsurance Company's capital increase in the financial year 2003, the initial share price for the stock appreciation rights issued up to then and the number of stock appreciation rights already granted were adjusted in accordance with the conditions. In the year under review, a total of 675,029 (459,734) stock appreciation rights were granted, - (151,667) of these to members of the Board of Management. The future obligations arising from the long-term incentive plans are covered by Munich Reinsurance Company shares.

The personnel expenses and income incurred for the stock appreciation rights are determined on the basis of the change in the fair value of the underlying options. The fair value recognises not only the intrinsic value (difference between current share price and initial share price of the stock appreciation rights) but also the possibility of growth in value up to the date of forfeiture or expiry of the rights and is determined on the basis of recognised valuation models, taking into account the exercise conditions. At each balance sheet date, the fair value is calculated and reserved; this amount is recognised in full. In the year under review, provisions of €36.7m (29.5m) had to be posted for Munich Reinsurance Company. The personnel expense/income recognised in the income statement corresponds to the change in the provision in the year under review, taking into consideration any rights exercised. In 2010, this resulted in expenses of €15.1m (-33.3m). The weighted average share price for the stock appreciation rights exercised in 2010 was €111.26 for plan year 2003, €117.66 for plan year 2004, and €116.69 for plan year 2005. The intrinsic value of the exercisable stock appreciation rights amounted to €10.9m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2003-2010

	Incentive Plan 2003	Incentive Plan 2004	Incentive Plan 2005	Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2003	1.7.2004	1.7.2005	1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2010	30.6.2011	30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Old initial share price	€86.24	-	-	-	-	-	-	-
New initial share price after 2003 capital increase	€82.02	€88.65	€88.10	€108.87	€134.07	€121.84	€97.57	€109.11
Intrinsic value 2010 for one right	€31.28	€24.65	€25.20	€4.43	-	-	€15.73	€4.19
Fair value 2010 for one right	-	€24.75	€25.30	€10.25	€5.65	€9.15	€17.10	€14.22
Number of rights on 31 Dec. 2003	439,581	-	-	-	-	-	-	-
Additions	-	456,336	-	-	-	-	-	-
Forfeited	2,354	-	-	-	-	-	-	-
Number of rights on 31 Dec. 2004	437,227	456,336	-	-	-	-	-	-
Additions	320	1,697	485,527	-	-	-	-	-
Exercised	177,748	-	-	-	-	-	-	-
Forfeited	121	2,005	-	-	-	-	-	-
Number of rights on 31 Dec. 2005	259,678	456,028	485,527	-	-	-	-	-
Additions	-	-	-	443,609	-	-	-	-
Exercised	63,942	119,363	-	-	-	-	-	-
Forfeited	-	-	-	1,019	-	-	-	-
Number of rights on 31 Dec. 2006	195,736	336,665	485,527	442,590	-	-	-	-
Additions	-	-	-	6,123	341,737	-	-	-
Exercised	70,690	85,652	84,329	-	-	-	-	-
Forfeited	-	-	3,892	8,514	503	-	-	-
Number of rights on 31 Dec. 2007	125,046	251,013	397,306	440,199	341,234	-	-	-
Additions	-	-	-	-	4,013	444,104	-	-
Exercised	40,045	31,582	31,716	-	-	-	-	-
Forfeited	-	1,069	-	5,388	5,848	3,063	-	-
Number of rights on 31 Dec. 2008	85,001	218,362	365,590	434,811	339,399	441,041	-	-
Additions	-	-	-	-	-	463	459,271	-
Exercised	24,085	8,906	19,213	-	-	-	-	-
Forfeited	-	-	715	2,904	2,804	4,194	-	-
Number of rights on 31 Dec. 2009	60,916	209,456	345,662	431,907	336,595	437,310	459,271	-
Additions	-	-	-	-	-	-	-	675,029
Exercised	60,916	120,331	72,662	-	-	-	-	-
Forfeited	-	1,833	1,936	1,653	1,379	1,462	1,287	-
Number of rights on 31 Dec. 2010	-	87,292	271,064	430,254	335,216	435,848	457,984	675,029
Exercisable at year-end	-	87,292	271,064	430,254	335,216	435,848	-	-

From 2002 to 2009, ERGO Versicherungsgruppe AG and some of its subsidiaries, as well as the MEAG companies, also set up long-term incentive plans at yearly intervals and with terms of seven years each. The persons eligible for participation – Board of Management members, managing directors and, in individual cases, also top executives – were granted a defined number of stock appreciation rights in respect of Munich Re shares. Since 2010, these share-price-related remuneration plans are only provided for senior management at the MEAG companies and for the managing directors of MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH. The design of the plans is identical to that of Munich Re's long-term incentive plans and they are accounted for in the same way. In the year under review, a total of 39,046 (148,834) stock appreciation rights were granted, of which – (112,764) were to members of the Board of Management. The future obligations arising from the long-term incentive plans are covered by Munich Re shares or options on Munich Re shares. In the year under review, provisions of €8.9m (9.4m) had to be posted for the ERGO and MEAG companies. The personnel expense/income recognised in the income statement corresponds to the change in the provision in the

year under review, taking into consideration any rights exercised. In 2010, this resulted in expenses of €0.8m (-7.6m). The weighted average share price for the stock appreciation rights exercised in 2010 was €111.13 for plan year 2003, €116.93 for plan year 2004, and €118.09 for plan year 2005. The intrinsic value of the exercisable stock appreciation rights amounted to €2.7m at the balance sheet date.

Long-Term incentive Plans 2003-2010 of ERGO and MEAG

	Incentive Plan 2003	Incentive Plan 2004	Incentive Plan 2005	Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2003	1.7.2004	1.7.2005	1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2010	30.6.2011	30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Old initial share price	€86.24	-	-	-	-	-	-	-
New initial share price after 2003 capital increase	€82.02	€88.65	€88.10	€108.87	€134.07	€121.84	€97.57	€109.11
Intrinsic value 2010 for one right	€31.28	€24.65	€25.20	€4.43	-	-	€15.73	€4.19
Fair value 2010 for one right	-	€24.75	€25.30	€10.25	€5.65	€9.15	€17.10	€14.22
Number of rights on 31 Dec. 2003	168,681	-	-	-	-	-	-	-
Additions	1,650	154,189	-	-	-	-	-	-
Forfeited	13,414	-	-	-	-	-	-	-
Number of rights on 31 Dec. 2004	156,917	154,189	-	-	-	-	-	-
Additions	87	-	211,941	-	-	-	-	-
Exercised	90,398	-	-	-	-	-	-	-
Forfeited	7,498	32,130	24,411	-	-	-	-	-
Number of rights on 31 Dec. 2005	59,108	122,059	187,530	-	-	-	-	-
Additions	-	-	-	173,682	-	-	-	-
Exercised	31,027	31,390	-	-	-	-	-	-
Forfeited	-	-	3,072	-	-	-	-	-
Number of rights on 31 Dec. 2006	28,081	90,669	184,458	173,682	-	-	-	-
Additions	-	-	-	-	121,821	-	-	-
Exercised	4,258	30,372	34,879	-	-	-	-	-
Forfeited	-	-	-	7,483	10,422	-	-	-
Number of rights on 31 Dec. 2007	23,823	60,297	149,579	166,199	111,399	-	-	-
Additions	-	-	-	-	-	173,153	-	-
Exercised	6,812	10,304	24,219	-	-	-	-	-
Forfeited	-	-	-	3,966	1,597	601	-	-
Number of rights on 31 Dec. 2008	17,011	49,993	125,360	162,233	109,802	172,552	-	-
Additions	-	-	-	-	-	-	148,834	-
Exercised	2,200	2,859	14,851	-	-	-	-	-
Forfeited	-	-	-	2,046	1,578	1,803	-	-
Number of rights on 31 Dec. 2009	14,811	47,134	110,509	160,187	108,224	170,749	148,834	-
Additions	-	-	-	-	-	-	-	39,046
Exercised	14,811	32,555	45,130	-	-	-	-	-
Forfeited	-	-	-	241	1,856	2,506	-	-
Number of rights on 31 Dec. 2010	-	14,579	65,379	159,946	106,368	168,243	148,834	39,046
Exercisable at year-end	-	14,579	65,379	159,946	106,368	168,243	-	-

Each stock appreciation right entitles the holder to draw in cash the difference between the Munich Re share price at the time when the right is exercised and the initial share price. The stock appreciation rights may only be exercised after a two-year vesting period and then only if the share price is at least 20% higher than the initial price. In addition, Munich Re shares must have outperformed the the EURO STOXX 50 twice at the end of a three-month period during the term of the plan. The gross amount that may be obtained from the exercising of the stock appreciation rights is limited to an increase of 150% of the initial share price.

When the stock appreciation rights are exercised, the cash payment is made (in the respective national currency) by the company that granted the rights. Stock appreciation rights not exercised on the last trading day of the plan term are exercised on the participant's behalf insofar as the prerequisites for this are met. If the prerequisites are not met, the stock appreciation rights are forfeited. If another company acquires control of Munich Reinsurance Company or if the latter's group of shareholders changes significantly due to a merger or comparable transaction or intended business combination ("change of control"), all plan participants from Munich Re may exercise their stock appreciation rights within 60 days after the change of control becomes effective, even if the prerequisites for exercising the rights are not yet met at that juncture.

45 // Mid-Term Incentive Plan

Since 1 January 2009, Munich Reinsurance Company has set up mid-term incentive plans, each with a term of three years. Entitled to participate in these cash-settled share-price-related remuneration plans are members of senior management in Munich, and - for 2009 only - the members of the Board of Management. ERGO Versicherungsgruppe AG and some of its subsidiaries, as well as MEAG MUNICH ERGO AssetManagement GmbH, established a similar plan for their Board members and company management for 2009 only. The participants receive performance share units (PSUs). In the fourth year after plan commencement, participants are entitled to a bonus payment dependent on the achievement of value-based performance targets and the increase in the total shareholder return (TSR).

The plan conditions are structured as follows:

The calculation factors are, on the one hand, value-based performance targets and, on the other, the total shareholder return of Munich Reinsurance Company shares.

The value-based performance targets are set in the form of an average target to be achieved over the years of the plan and are allocated according to responsibilities.

The share-based factor TSR represents the total return on Munich Re shares and comprises share price performance plus dividends paid over a certain observation period. The initial TSR value and the final TSR value are determined from the average of the last 60 days prior to plan commencement and plan termination respectively.

At plan commencement, the PSUs are granted as follows: the contractual target amount for 100% achievement of the performance targets is divided by the initial TSR value. The total return index of the Xetra listing of Munich Re shares, starting on 22 January 1996, is used for the TSR.

The final number of PSUs is calculated by multiplying the PSUs at plan commencement by the percentage achievement of the performance target at plan termination. The number of PSUs may fluctuate between 0 and 1.5 times the initially allocated number.

Payment is capped if the TSR doubles. The maximum amount payable is limited to 150% of the target amount for members of the Board of Management and company management, and to 300% of the target amount for senior management.

The basis for full and partial allocation of PSUs is the year of commencement (= first plan year). A pro rata temporis arrangement applies for participants joining or leaving the plan during the year.

The Mid-Term Incentive Plan at the reporting date is valued indirectly at the fair value of the liabilities. The fair value takes account of the value-based performance target and the total shareholder return (TSR) during the performance period. To this end, the