



CREATING VALUE IN A VOLATILE ENVIRONMENT

Cheuvreux – German Corporate Conference 2012

Frankfurt, 18 January 2012

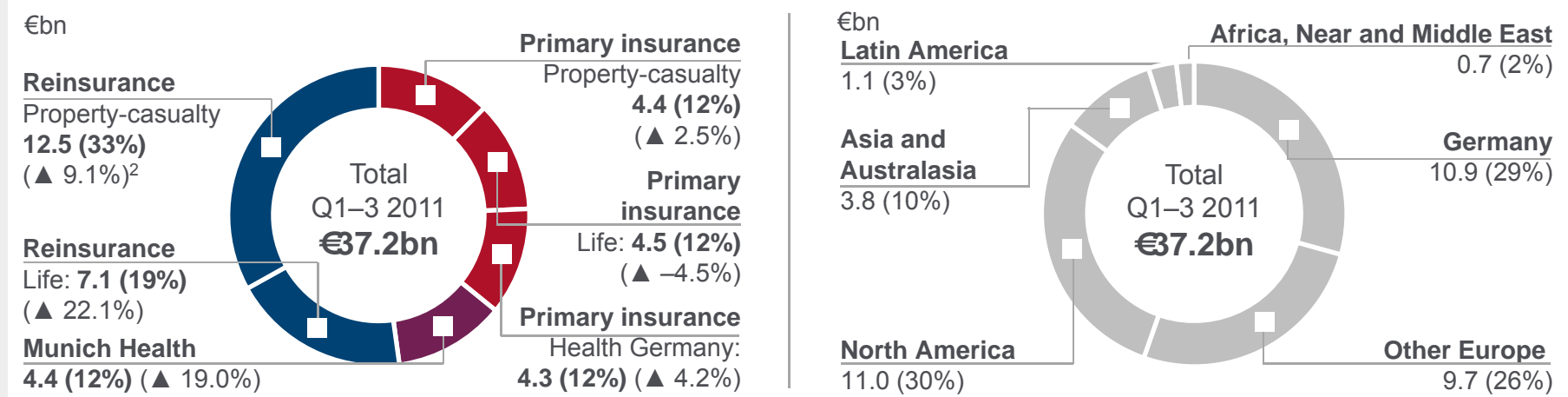
Christian Becker-Hussong

Munich RE 

Munich Re: A leading global (re)insurer with strong presence in German primary insurance



Premium breakdown by segment and region¹



Reinsurance

- Leading expertise worldwide for 131 years
- Full range of products: traditional reinsurance, specialty commercial/personal solutions, alternative risk transfer
- Diversification – A key success factor

Primary insurance

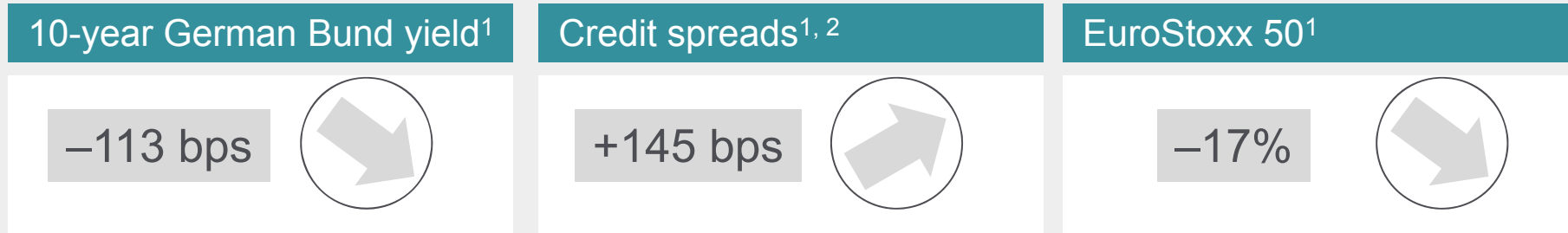
- Germany-based with presence in attractive growth markets in Eastern Europe and Asia
- Offers P-C, life and German health insurance
- Multi-channel sales strategy

Munich Health

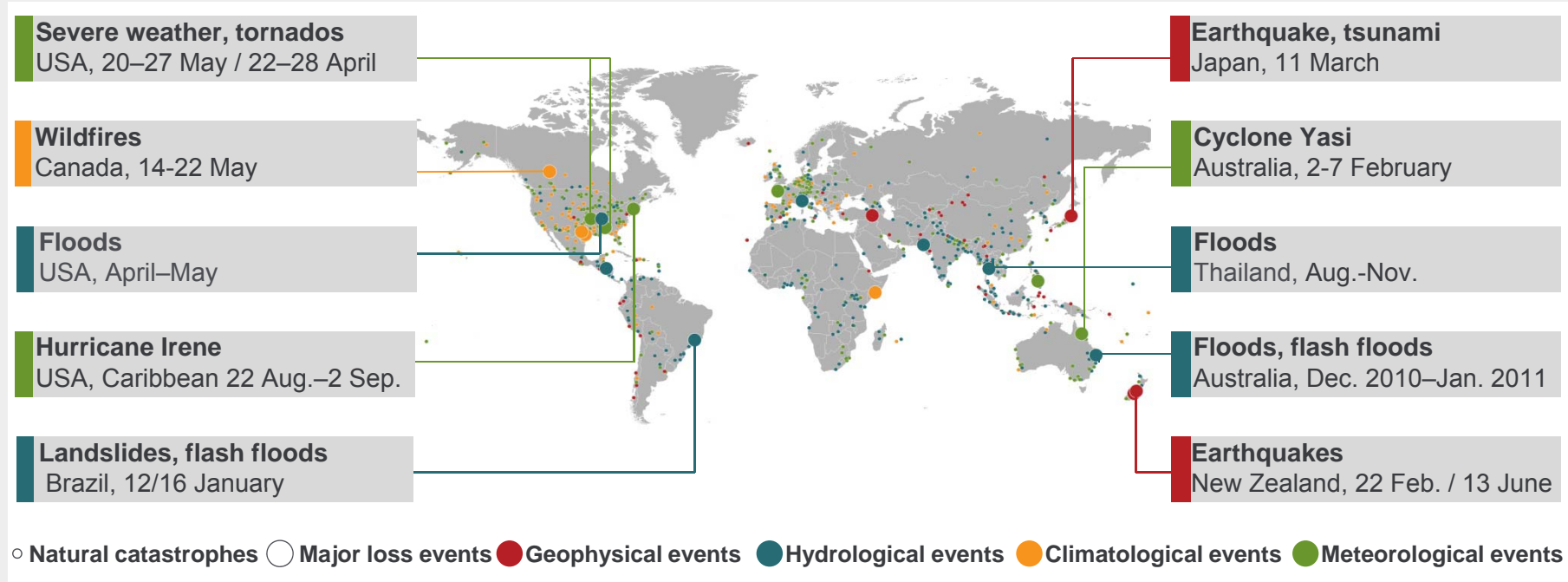
- A leading specialised risk carrier in selected international health insurance markets
- Flexible combination of business models and products across healthcare-sector value chain

¹ Consolidated figures.
² Q1-3 2011 compared to Q1-3 2010.

2011 was as a year of extremes with historically high nat cat claims and severe capital market disruption ...



Natural catastrophes³ – economic losses of US\$380bn, thereof US\$105bn insured



¹ Change between 31.12.2011 and 31.12.2010. ² IBOXX EURO Corporate vs. BofAML German Government 7-10 years

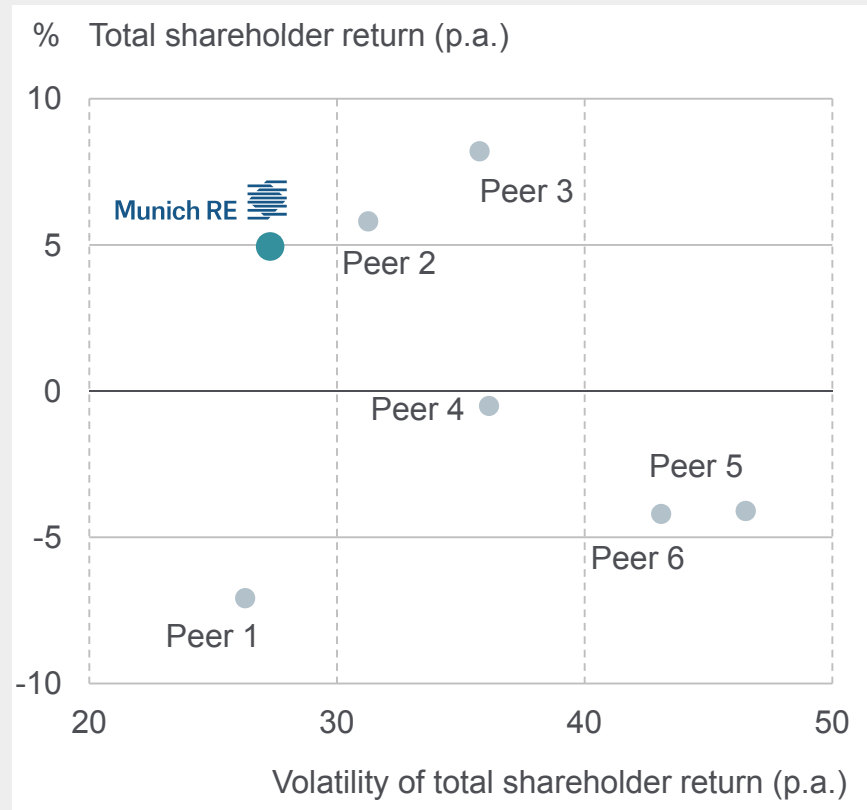
³ Source: Geo Risks Research, NatCatSERVICE.

... leaving their mark on Munich Re's results, but long-term shareholder return remains sound

Achievements in 2011

1	Reliable risk management	Proven successful – well prepared for Solvency II
2	Prudent investment management	Diversification paying off
3	Robust capital base	Preserving dividend capacity
4	Sound underlying financial performance	Integrated business model facilitating earnings resilience

Risk-/return profile¹

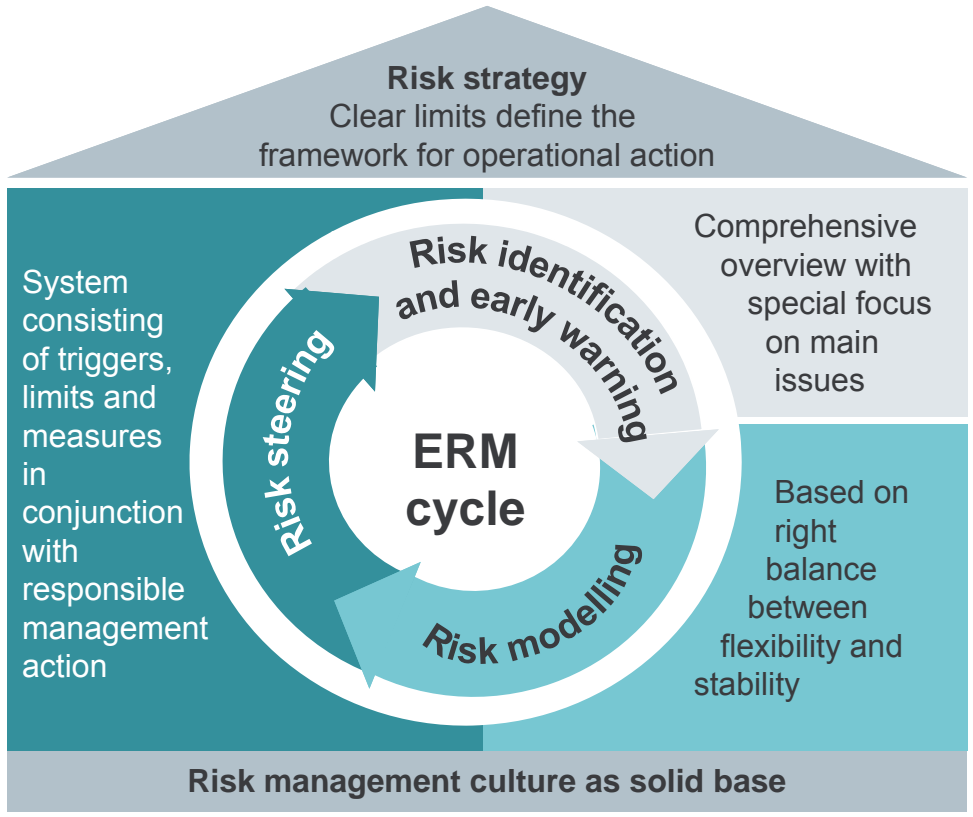


Despite major financial burden in 2011, Munich Re continues to successfully navigate through challenging environment

¹ Annualised total shareholder return defined as price performance plus dividend yield over the period 1.1.2005–31.12.2011; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

Munich Re's enterprise risk management (ERM) safeguards investors' interests and clients' protection

Components of Munich Re's ERM



Objectives

- Protect and generate sustainable shareholder value
- Ensure the highest degree of confidence in meeting policyholders' and cedants' claims
- Protect Munich Re's reputation

Business embedding

- Risk steering
- Pricing/underwriting
- Liability-driven investment strategy
- Performance measurement
- Management compensation

Risk management is a key part of our corporate management – already in line with new regulatory regime Solvency II

Munich Re well positioned to manage changes and capture opportunities arising from new Solvency II regime

Main implications of Solvency II

Convergence of enterprise risk management standards in the industry

Impact on product design and pricing

Market discipline strengthened by increased transparency requirements



Impact on Munich Re

- Harmonisation between internal steering and regulatory requirements
- Some convergence with financial reporting
- Approval of internal model
- Additional reinsurance business potential

Capitalising on already existing enterprise risk management framework

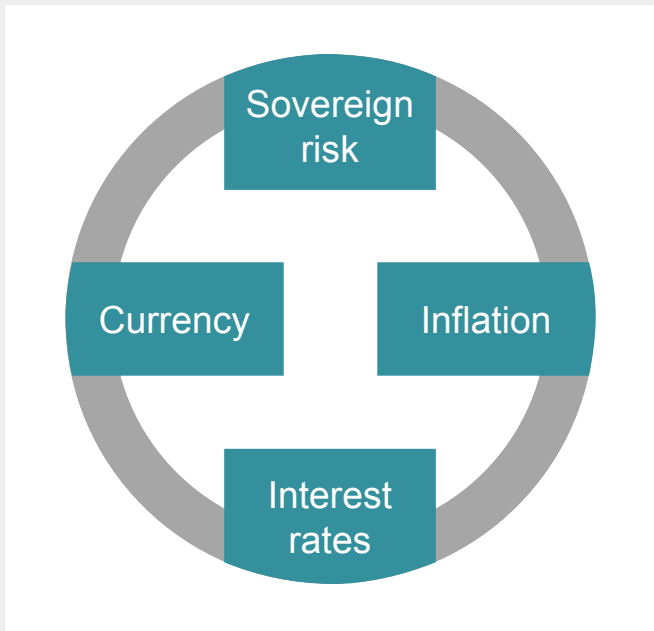
Impact on insurance industry

- Enhanced comparability between insurance companies
- Shift towards less capital-intense products
- Changes in asset allocation
- Increased interaction with supervisors

Increased focus on risk and capital management

Strong risk management focus also reflected in the management of our investment portfolio

Investment topics



Considering a variety of capital market scenarios

Risk management impulses

Investment strategy

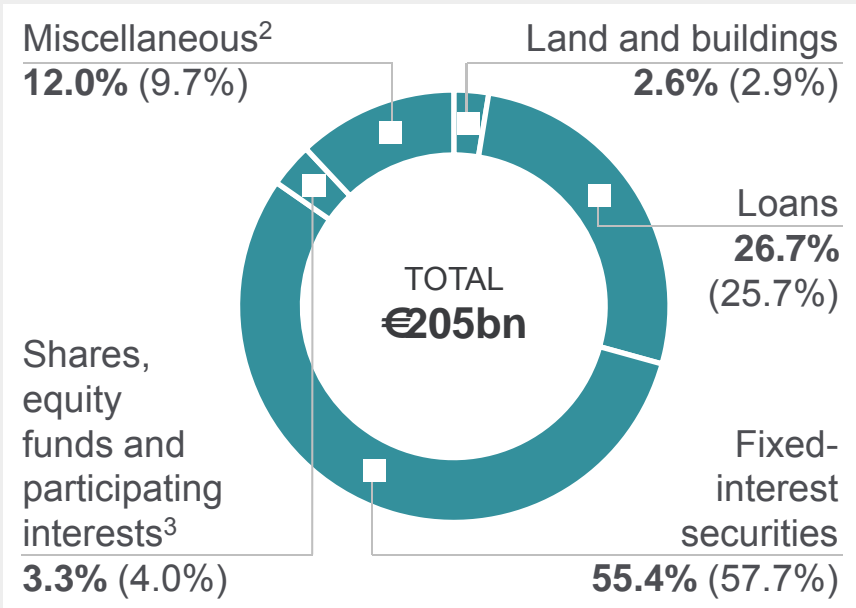
- Duration management: Keeping the asset-liability mismatch tight
- Diversification of government bond portfolio
- Slight shift to high-quality corporate bonds
- Interest hedging in primary life
- Expansion of inflation-linked bonds and inflation swaps
- Investments in renewable energies

Good track record within tight risk framework

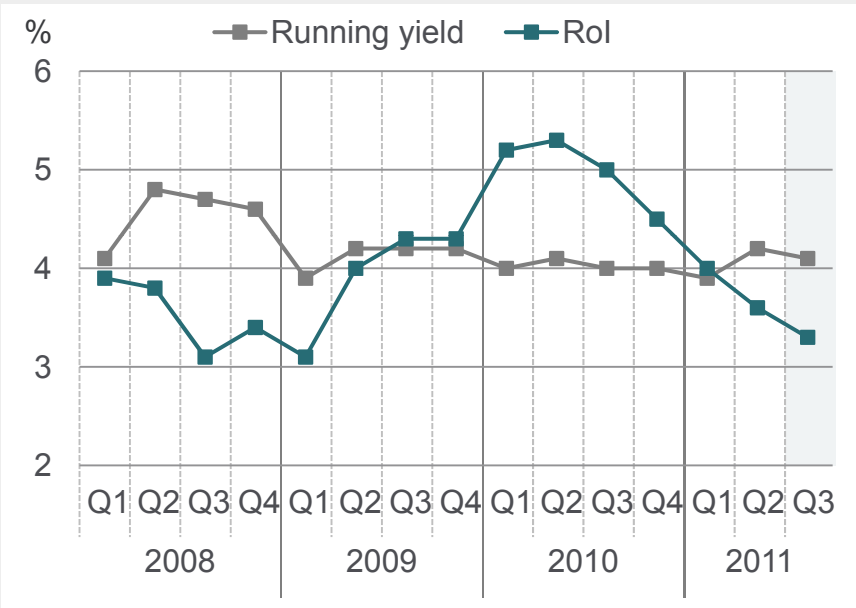
Broad diversification remains paramount to be prepared for all kinds of capital market scenarios

High level of portfolio diversification while delivering solid returns

Investment portfolio¹



Return on investment / running yield⁵

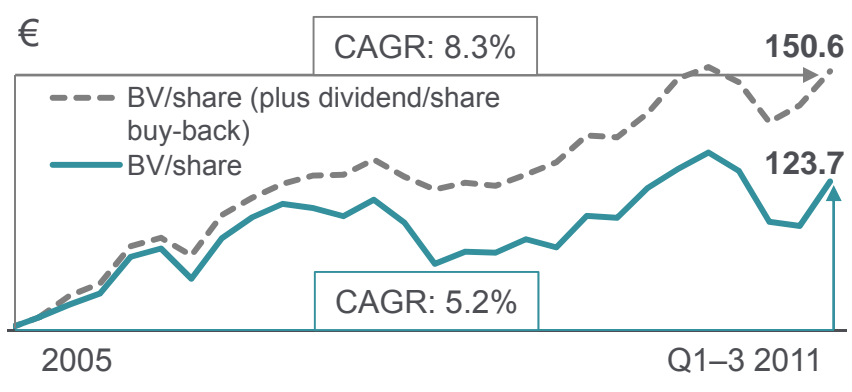


¹ Fair values as at 30.9.2011. ² Deposits retained on assumed reinsurance, investments for unit-linked life, deposits with banks, investment funds (bond, property), held for trading derivatives with non-fixed-interest underlying and tangible assets in renewable energies. ³ Net of hedges: 2.0% (4.4%). ⁴ As at 30.9.2011. Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size. ⁵ Annualised.

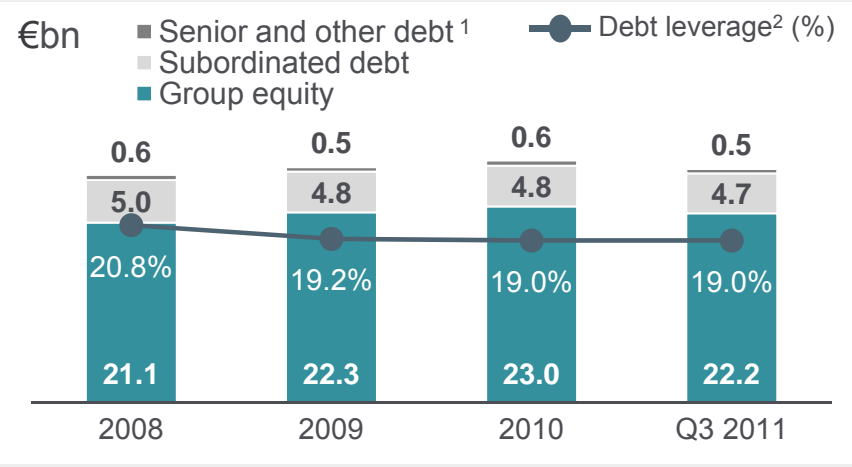
3 Robust capital base

Sound capital position reflected in low CDS spread

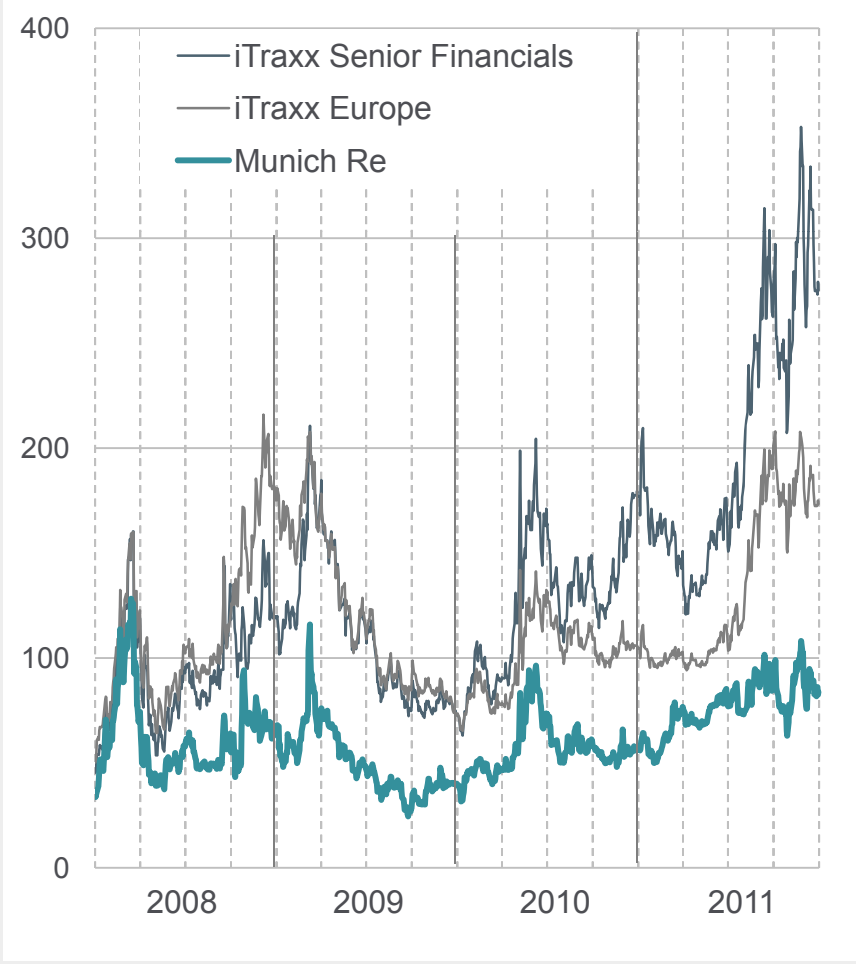
Book value per share



Capital quality

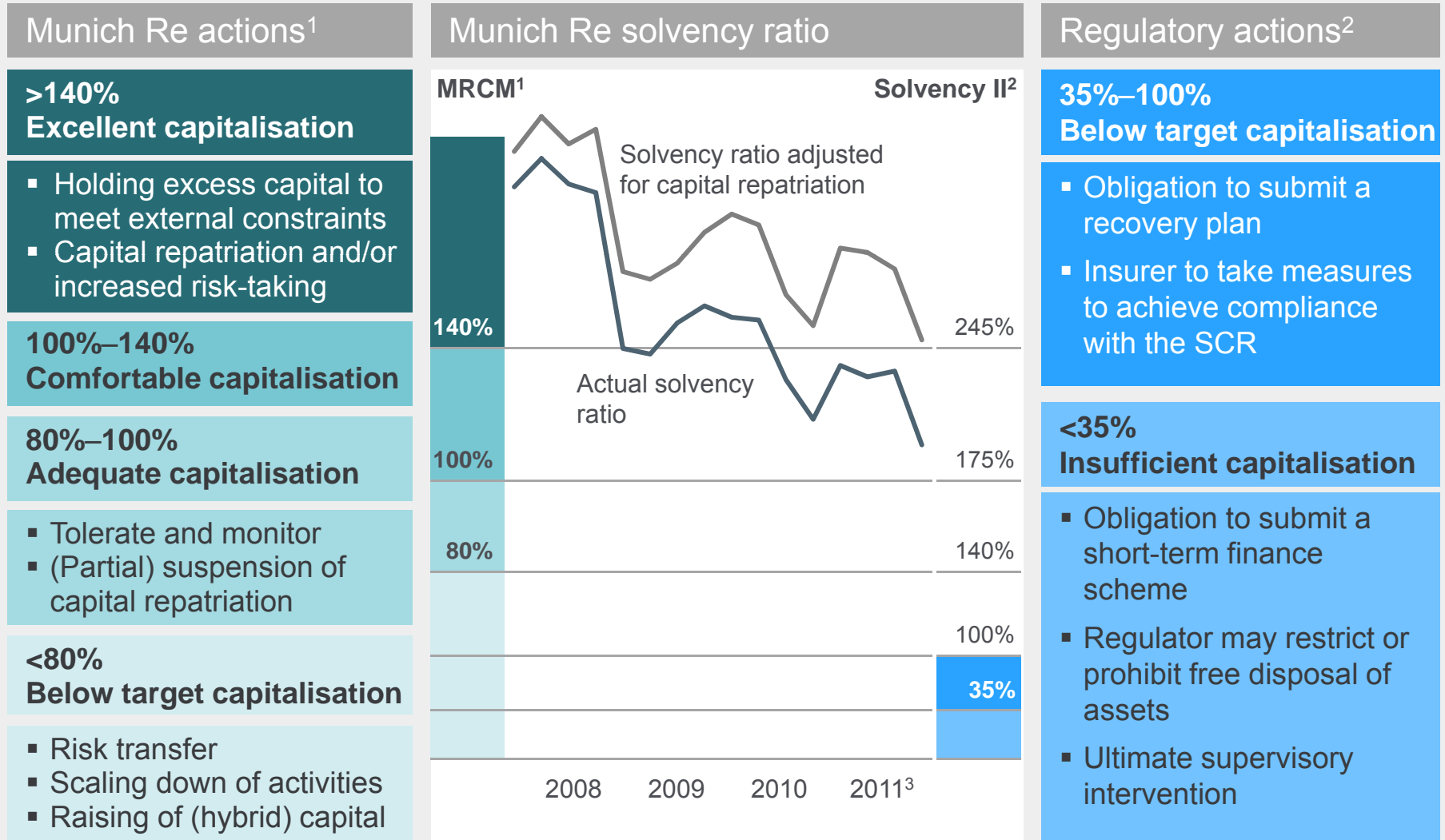


CDS spread



¹ Other debt includes bank borrowings of Munich Re and other strategic debt. ² Strategic debt (senior, subordinated and other debt) divided by total capital (= sum of strategic debt + shareholders' equity).


Munich Re able to withstand another extreme economic stress like this year's without breaching critical limits



¹ Based on Munich Re capital model (MRCM): 175% of VaR_{99.5%}.
² Based on Solvency II calibration: VaR_{99.5%}. ³ as at 30.09.2011.

Limited impact of economic cycle on core non-life and health business – Countervailing effects in life



Lower Sensitivity to negative changes in macroeconomic environment Higher 

Non-life	Property (esp. fire) <ul style="list-style-type: none"> ▪ Relatively low impact on premium and claims ▪ Nat cat business hardly correlated with GDP 	Casualty (esp. D&O ¹ , PI ² , workers comp.) <ul style="list-style-type: none"> ▪ Potential increase of loss frequency
	Robust technical profits	Credit <ul style="list-style-type: none"> ▪ Might face increased claims due to higher default rates
Life and health	Health <ul style="list-style-type: none"> ▪ Countervailing developments dependent on product design ▪ Trend to claims frequency increase mitigated through stronger risk management 	Life <ul style="list-style-type: none"> ▪ Reduced new business, especially products with investment component ▪ Higher lapse rates, more suicide and disability claims
	Impact dependent on duration and severity of recession	Potentially more client demand for capital relief (life reinsurance)

Uncertain economic prospects providing challenges and opportunities – Munich Re well-set to perform in any market environment

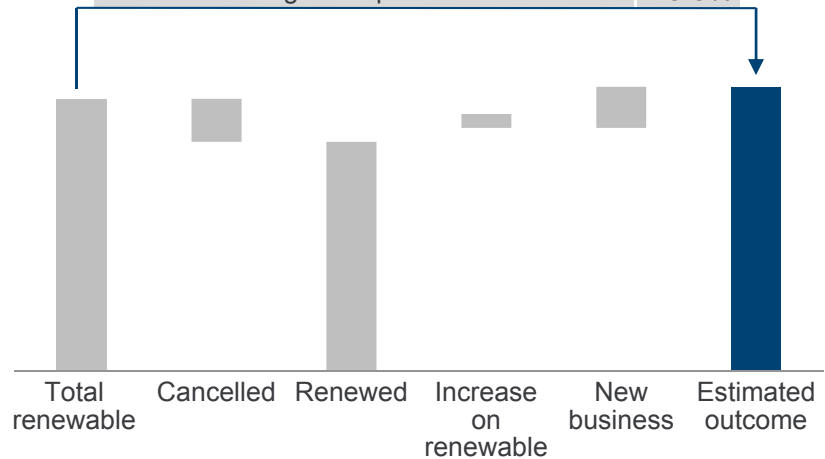
¹ D&O = Directors & Officers, ² PI = Professional Indemnity.

Non-life reinsurance – Actively managing the cycle while expanding in strategic growth areas

Renewals 2011 – First evidence of improved prospects

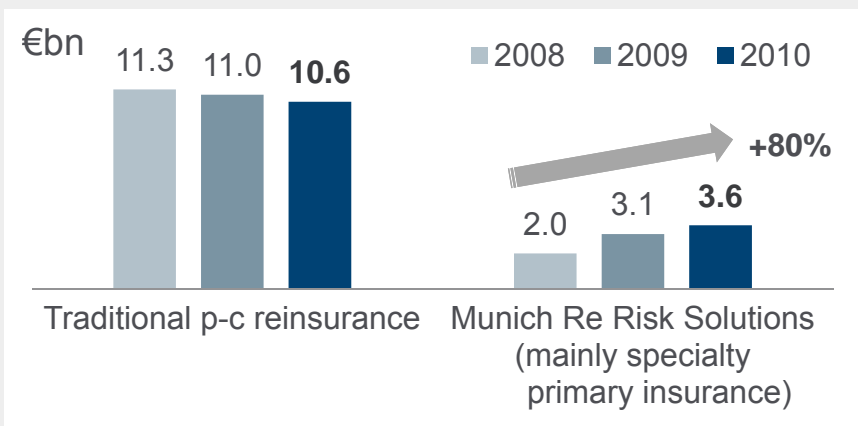
%	100	-15.8	84.2	5.1	15.1	104.3
€m	10,596	1,678	8,918	540	1,595	11,052

Change in premium:	+4.3%
▪ Thereof price movement:	+1.0%
▪ Thereof change in exposure for our share:	+3.3%



Strict cycle and portfolio management – also reflected in 01/01/12 renewals

Leveraging expertise in specialty business¹



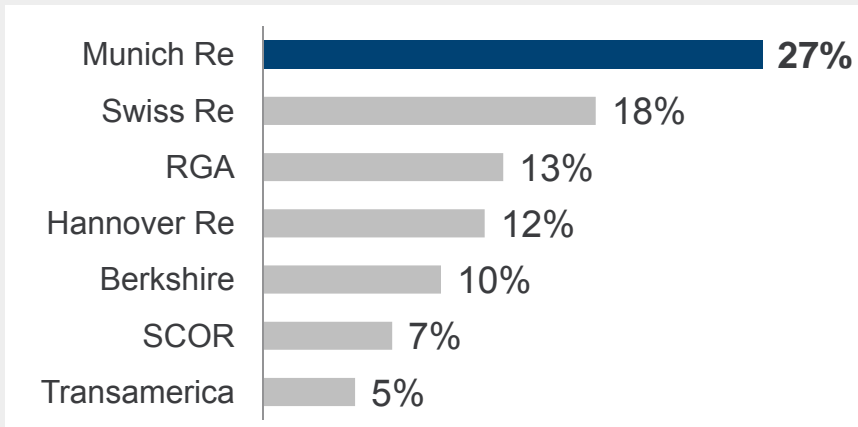
Increasing demand in capital relief deals

- Since 2009, significant growth of capital relief deals in life and health...
- ... and also in property-casualty in recent quarters
- Munich Re capitalising on financial strength and know-how in structuring complex deals

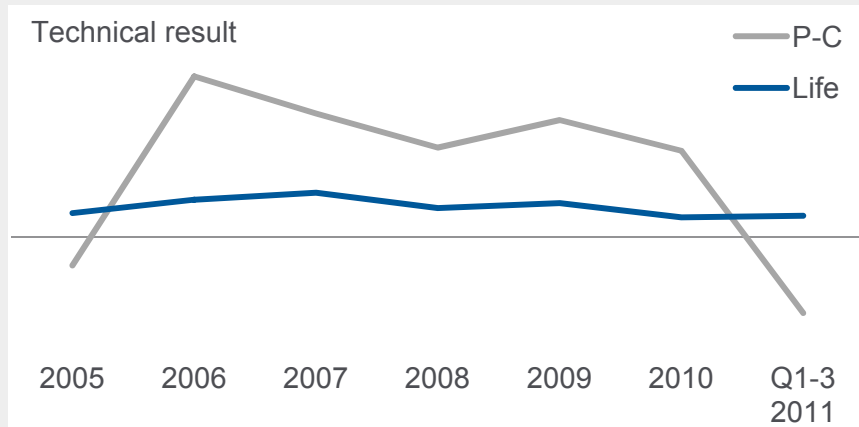
¹ Net earned premium. Management view, not comparable with IFRS reporting. Munich Re Risk Solutions includes specialised primary insurance solutions out of reinsurance. Figures for acquired companies only included since consolidation: Midland as from April 2008, Roanoke as from May 2008, and HSB as from April 2009.

Life reinsurance – Stabilising component with growing importance within reinsurance segment

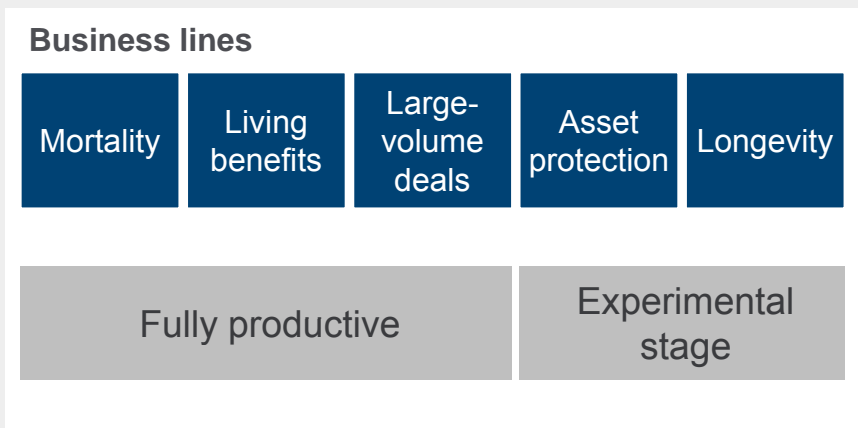
Global market leader (market share)¹



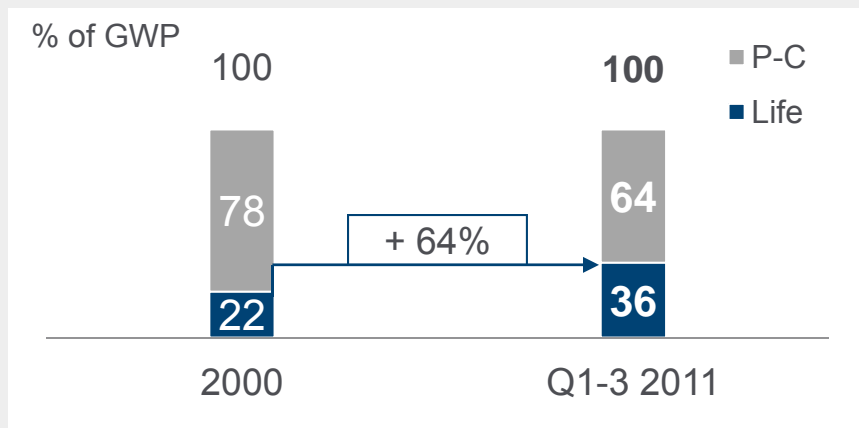
Life smoothing volatile P-C earnings



Strategic focus on biometric risk



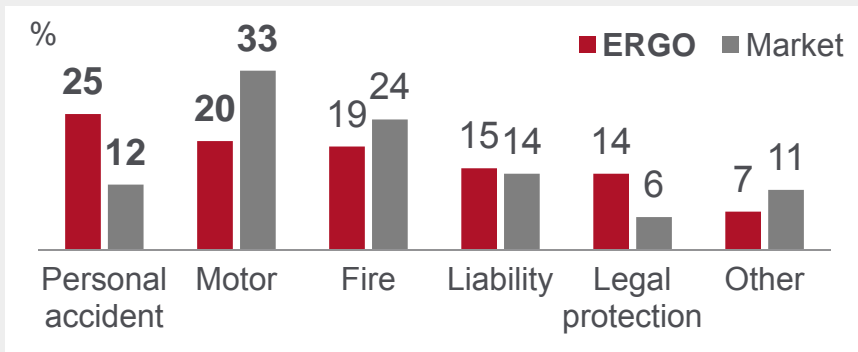
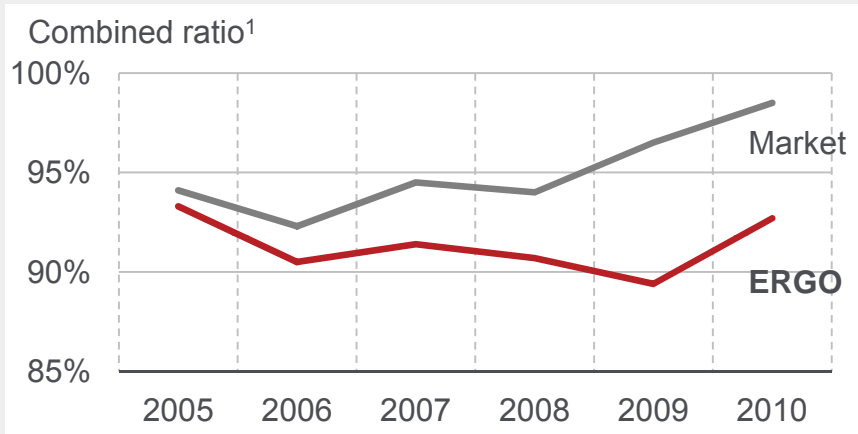
Increasing share within reins. segment



¹ Global life and health market share. Estimates based on 2010 net earned premiums as reported in company reports. Source: Munich Re Economic Research.

Primary insurance with very strong focus on economically sound Germany

P-C Germany – Strong performance



Attractive business mix² generating strong and stable earnings

Portfolio with high degree of stability and low capital requirements

Life – Difficult market conditions

- ### Burdening factors
- "Lower for longer" yields
 - Industry highly competitive ...
 - ... not fully committed to economic steering

- ### Management action
- Hedging mitigating impact of low yields
 - Development of new product generation
 - Improving cost efficiency

Health Germany – Stable earnings contributor

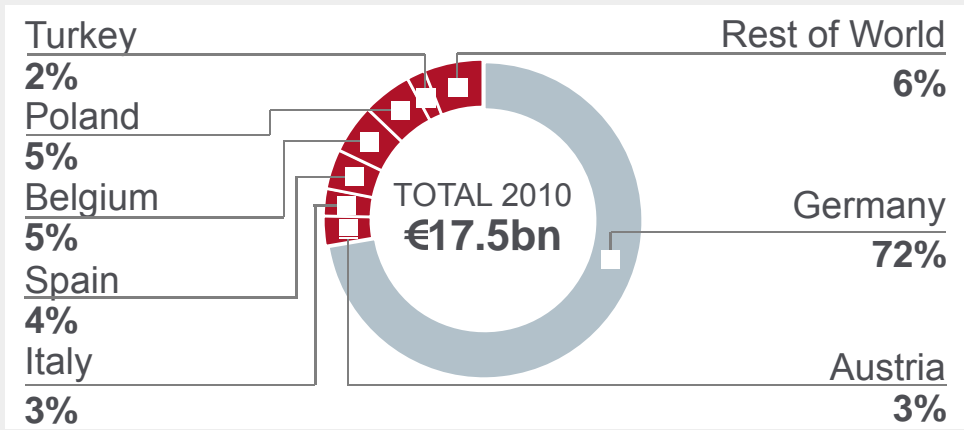
- Capturing growth prospects in supplementary health insurance
- Changing political climate providing challenges and opportunities

Shift from comprehensive to supplementary products

¹ Combined ratio (local GAAP, excluding travel insurance). Sources: Annual reports 2010, GDV year-end statistics.
² Split of gross written premiums ERGO vs. German market as at 2010.

Turnaround programmes in international business starting to bear fruit

Gross premiums written 2010 by region



P-C International



¹ Combined ratio (IFRS).

Poland – On track

- Recovery from nat cat losses 2010
- Higher premium rates and cost reduction
- Among top 3 in the Polish market ranking

Turkey – Still challenging

- Rate increases and new tariff in motor
- Improvement of claims management
- Higher operational efficiency

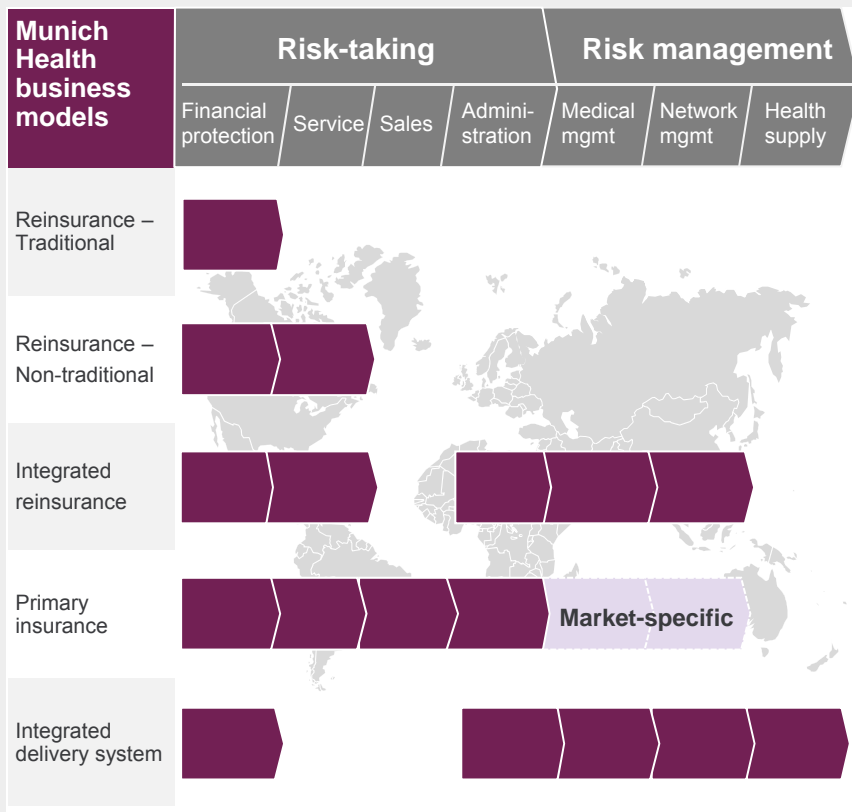
South Korea – Still challenging

- Motor market difficult: Strong political intervention (no permission for price increase)
- Expansion of profitable non-motor business
- Check all options

Portugal – Units sold

Munich Health – After consolidation, prepared for further growth

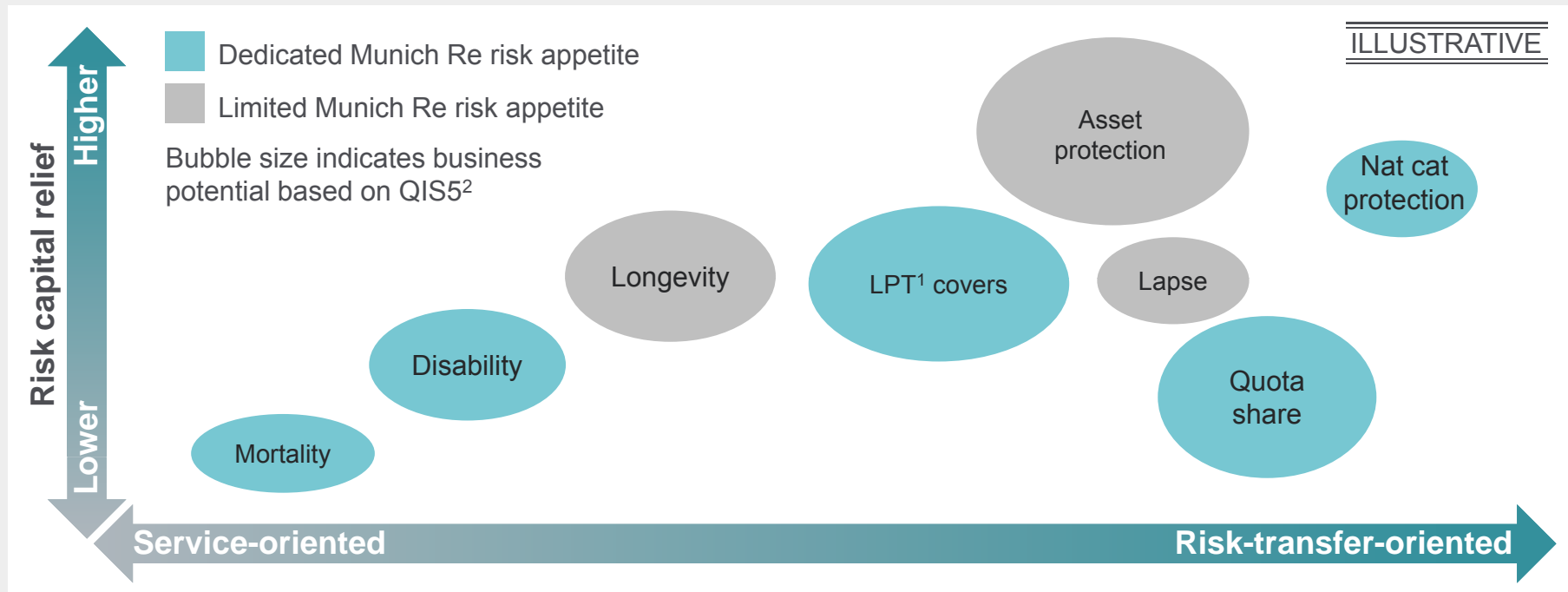
Health risk service provider – Examples



Portfolio management allowing participation in future market growth

- Disposal of unprofitable Italian unit
 - Reorientation of US business in line with new political landscape (including acquisition of Windsor Health)
 - Efficiency improvement in European primary insurance entities
 - Further expansion in the Middle East
-
- Munich Health well-prepared to profitably grow the business ...
 - ... participating in attractive market prospects

Global health markets will continue to grow in excess of GDP – Munich Health to participate with focus on organic business expansion



Life business

- Largest potential for products covering market risk
- Underwriting risks less important and generally written in connection with services

Non-life business

- Largest potential for nat cat, retrospective covers and quota share treaties depending on client risk profile
- Standard formula favours proportional treaties

... but careful selection will be required

¹ LPT = Loss Portfolio Transfer
² Solvency II EU quantitative impact study No. 5

Munich Re – Crisis-proven and aligned to sustainable value generation

Key takeaways

Good track record of dealing with challenging economic conditions

We remain a strong partner for clients and reliable for shareholders in times of crisis

Highly diversified business model

Focus on insurance risks – Limited correlation to economic cycles and capital markets

Rigorous approach to risk management – Clear limits for market and credit risk

Ensuring high level of investment diversification – Able to cope with all kinds of scenarios

Well prepared for Solvency II development

Internal model and management intervention much more granular than supervisory scheme

Growth prospects

Financial strength the basis for further growth – additional business potential from Solvency II



FINANCIAL CALENDAR

2 February 2012	Preliminary key figures 2011 and renewals
13 March 2012	Balance sheet press conference for 2011 financial statements
14 March 2012	Analysts' conference, London
26 April 2012	Annual General Meeting, Munich
8 May 2012	Interim report as at 31 March 2012



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