

Press Release - OCTOBER 27, 2011

A.M. Best Affirms Ratings of Munich Reinsurance Company, Its Subsidiaries and Munich Re America Corporation

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FOR IMMEDIATE RELEASE

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A.M. Best Co. has affirmed the financial strength rating (FSR) of A+ (Superior) and issuer credit ratings (ICR) of "aa-" of **Munich Reinsurance Company** (Munich Re) (Germany) and its subsidiaries. Concurrently, A.M. Best has affirmed all debt ratings of Munich Re. The outlook for these ratings is stable.

Additionally, A.M. Best has affirmed the ICR of "bbb+" and senior debt rating of "bbb+" of **Munich Re America Corporation** (Princeton, NJ). The outlook for these ratings is positive. (See below for a detailed listing of the companies and ratings.)

Munich Re remains a leading global carrier in the reinsurance market with complementary primary and health insurance operations. The company has the ability to write and service reinsurance clients on a worldwide basis through an extensive distribution system. Over the past several years, Munich Re made several successful business acquisitions enabling the company to complement its numerous products and expand into new markets.

Munich Re's risk-adjusted capitalization remains at levels appropriate for its FSR. Capital levels increased in 2010 despite several large catastrophic losses but declined through June 30, 2011, due to operating results being affected by major catastrophic events occurring during the first half of the year.

Through the first half of 2011, Munich Re's operating results were affected by losses emanating from the Japan earthquake and tsunami, the New Zealand earthquake and Australian typhoon, which resulted in a combined ratio of 133.1%. However, the primary and health insurance segments performed better than breakeven with combined ratios of 96.5% and 99.7%, respectively.

A.M. Best considers Munich Re's risk management program to be strong. Along with a formal risk management structure, the company dedicates a significant level of personnel to monitor risk in all operating segments throughout the world. The company also makes extensive use of its proprietary capital model to analyze various stress scenarios.

Munich Re maintains an appreciable level of sovereign risk from holdings in Italy, Spain, Ireland, Portugal and Greece. Somewhat mitigating A.M. Best's concerns regarding this risk is that approximately 50% of those investments are within Munich Re's primary life and health operations where the risk is shared with policyholders. This reduces Munich Re's net exposure to manageable levels. Additionally, Munich Re benefits from the appreciation of the market value of its overweight position in high quality bonds, in particular German bunds. Munich Re also maintains some risk attributable to European banks. At present, these exposure levels also seem manageable.

The FSR of A+ (Superior) and ICR of "aa-" have been affirmed for **Munich Reinsurance Company** and its following core subsidiaries:

- **Munich Reinsurance America, Inc.**
- **American Alternative Insurance Corporation**
- **The Princeton Excess & Surplus Lines Insurance Company**
- **Great Lakes Reinsurance (UK) PLC**
- **New Reinsurance Company**
- **Munich Reinsurance Company of Canada**
- **Temple Insurance Company**
- **Munich American Reassurance Company**

The following debt ratings have been affirmed:

Munich Reinsurance Company—

- "a+" on GBP300 million 7.625% subordinated bonds, due 2028
- "a+" on EUR 1.5 billion fixed/floating rate undated subordinated bonds
- "a+" on EUR 3.0 billion 6.75% subordinated Eurobonds, due 2023
- "a+" on EUR 1.0 billion 6.0% subordinated fixed to floating rate bonds, due 2041

Munich Re America Corporation—

- "bbb+" on USD 500 million 7.45% senior unsecured notes, due 2026

The principal methodology used in determining these ratings is [Best's Credit Rating Methodology - Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include: "Risk Management and the Rating Process for Insurance Companies"; "Understanding BCAR for Property/Casualty Insurers"; "Natural Catastrophe Stress Test Methodology"; "Understanding Universal BCAR"; "Rating Members of Insurance Groups"; "Understanding BCAR for Canadian Property/Casualty Insurers"; "A.M. Best's Ratings & the Treatment of Debt"; and "Equity Credit for Hybrid Securities." Methodologies can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is the world's oldest and most authoritative insurance rating and information source.

[View a list of companies](#) related to this press release. The list will include Best's Ratings along with links to additional company specific information including related news and reports.

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