

Munich Re Group

Acquisition of Sterling Life Insurance Company
Important step for the International Health strategy

Media telephone conference

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Münchener Rück
Munich Re Group



Sterling acquisition

Milestone expansion into the fast-growing US senior healthcare market

Transaction highlights

- Purchase price US\$ 352m (~€243m)
- Transaction multiple of 10x P/E 2009e
- Significant synergy potential via capital optimisation and use of tax advantages
- EPS enhancement from 2008 onwards
- Transaction completion expected in Q1 2008, subject to required regulatory approvals
- Paid for through own funds
- No changes to Munich Re's capital management programme

Strategic rationale

- Sterling a leading provider of health benefits to US senior market (revenues >US\$ 800m)
- Strong brand for fast-growing market with large potential for private offerings
- Diversified product portfolio with focus on Medicare Private Fee for Service (PFFS)
- Perfect fit with Munich Re's International Health strategy in the US
- Solid platform for future growth of Sterling's business as well as match for Munich Re's existing health business in the US



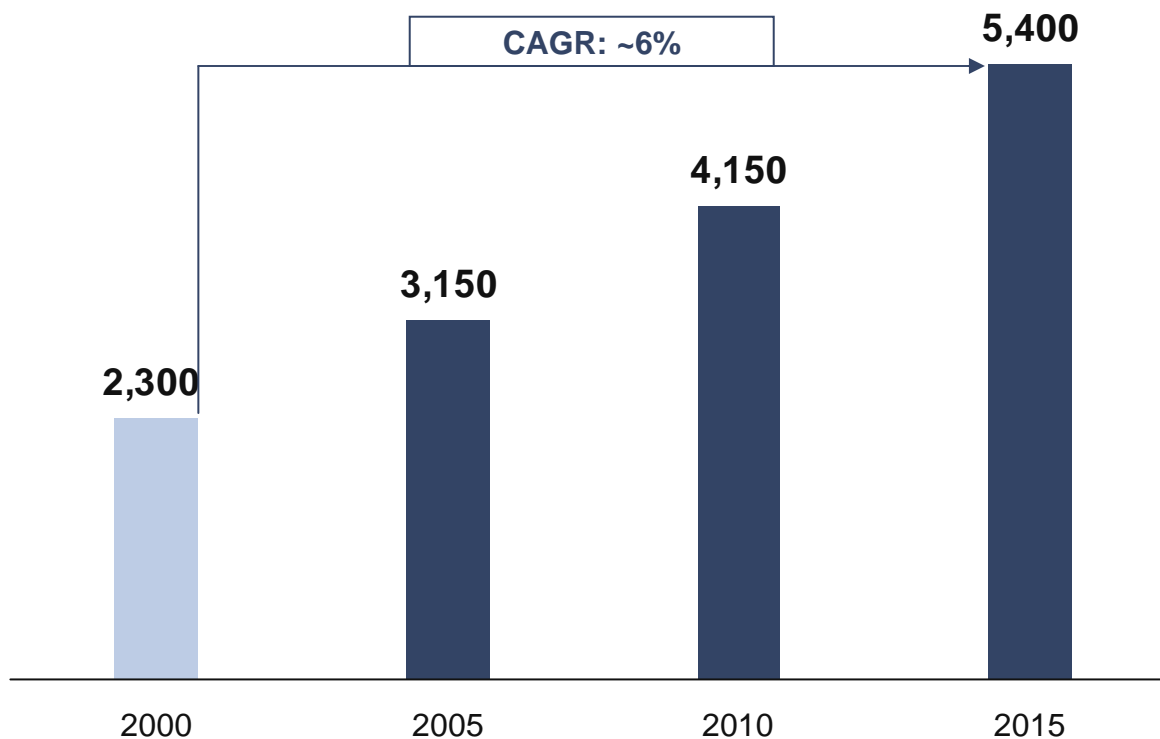
Strengthening of Munich Re's integrated healthcare capabilities

Our playing field – The global health market

Significant historical and expected growth

Global health market – Market volume

in €bn



Main growth drivers

Demographic development

Medical improvements

Lifestyle changes

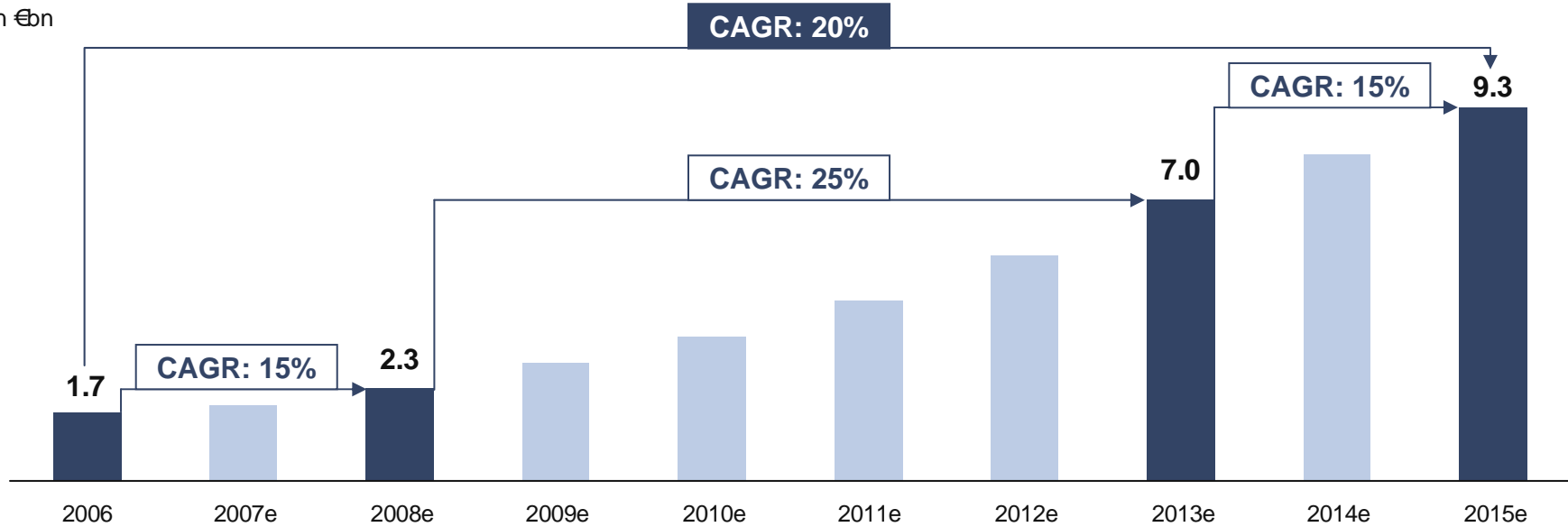
Economic situation

Our financial aspiration and strategic frame

Premium and profit growth of 20% p.a. until 2015 expected

GWP 2006 – 2015e

in €bn



"First Wave" 2005–2008

Seed

Mid- and long-term growth in emerging markets via start-up

"Second Wave" 2009–2012

Capture

Fast growth via building significant growth sources in mature markets

"Third Wave" 2013 & onwards

Consolidate

Sustain growth and profitability via integration and consolidation



Strategy for the US market

Leverage core reinsurance expertise in attractive product lines

- Employer Stop Loss
- Fully insured
- Excess
- Managed care
- Personal accident
- Innovative solutions

Establish sustainable platforms in attractive markets

- Medicare market

Synergy creation

Leverage Group's core capabilities and positioning in the US

- Risk management
- Actuarial and data management
- Underwriting
- Capital strength
- Platform leveraging

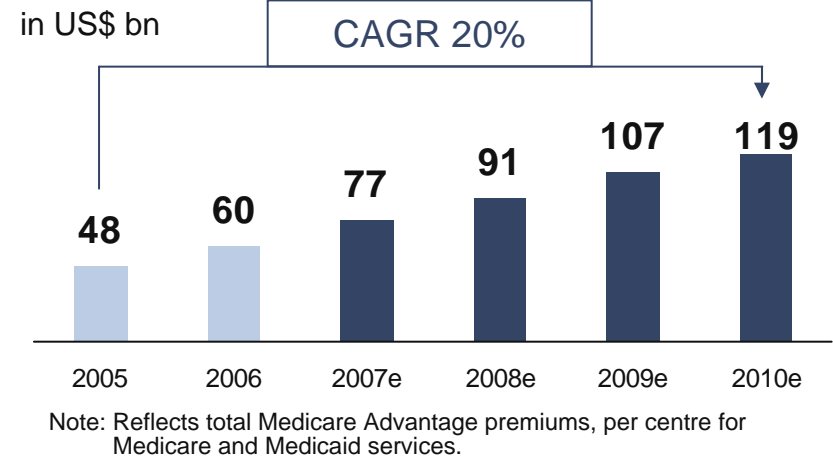
Value to investors and customers

Medicare advantage market

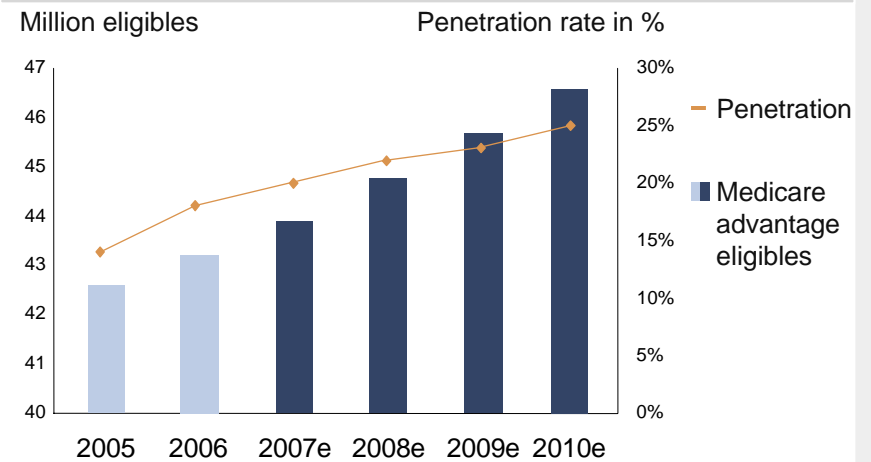
Right time for market entry

- Aging of US population projected to increase Medicare eligibles to 60 million by 2020
- Babyboomers especially demanding of differentiated health insurance products
- PFFS main driver for Medicare Advantage development
- Year-to-date, PFFS has experienced greatest enrolment gain of any Medicare product with an increase of nearly 830,000 members or 96% since December 2006

Medicare Advantage market



Medicare Eligible



Sterling company
Highlights

Business

- Providing various short-tail products to Senior (65+) and Mature (50+) US citizens
- Licensed in 49 US states and District of Columbia
- Major product lines:
 - Medicare Advantage
 - Medicare Supplement
- Complementary product lines
 - Long term care
 - Critical illness
- Approx. 155,000 members

Financial figures

in US\$ m		2007e
Total revenues		805
Thereof premiums		785
Policyholder benefits		658
Total expenses		120
Operating profit		27
Net profit		17
Equity US GAAP		202
Employees		1,200
Fully equity-funded operations		

Distribution / Operations

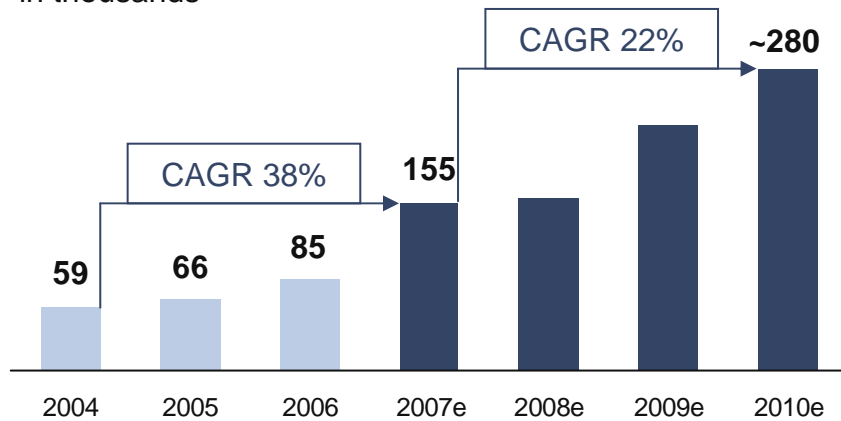
- Focused sales force with exclusive tied agents
- Growing premium generation through call centre sales
- Unique value proposition ("Real People – Wise Choices")
- Established Sterling brand
- Strong operational capabilities provided by Olympic Management System

Sterling operating summary

Strong historical and projected growth

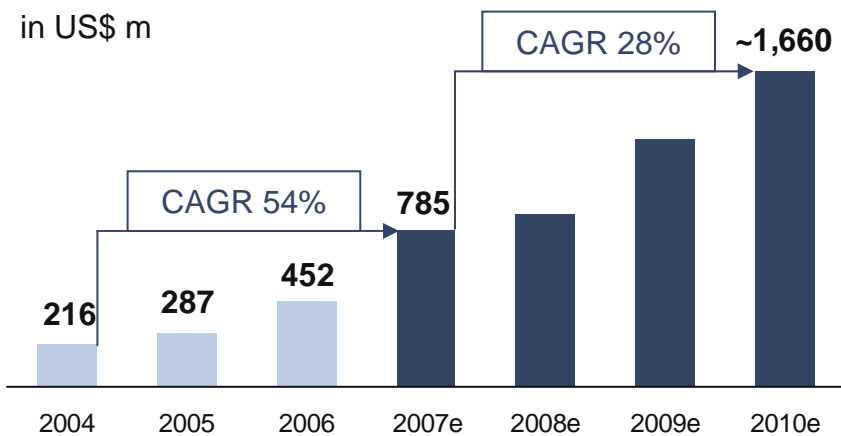
Member lives

in thousands



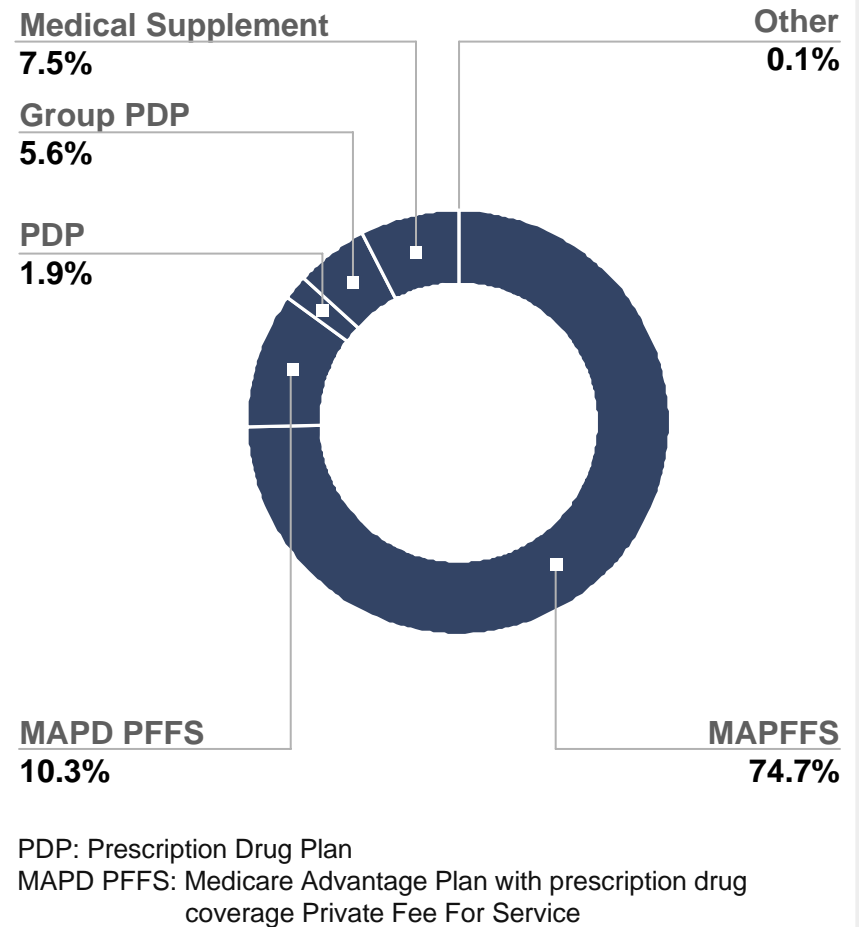
Premiums

in US\$ m



Premium sources – 2007e year-end

in %



Sterling acquisition

Transaction highlights

Attractive market


- Fast-growing market with expected CAGR of 20%
- 43 million individuals eligible for Medicare in 2006, growing to 60 million by 2020
- Only 8.7 million enrolled in any kind of Medicare Advantage plan (a 20% penetration rate)
- 1.6 million enrolled in PFFS plans, expected to double by 2009, triple over next ten years

Attractive target

- Provides meaningful, immediate presence in US senior market
- Strong brand with unique value proposition
- Demonstrated success in Medicare market
- Differentiated through industry-leading customer service

Strategic fit

- Complementary to existing health business in the US
- Significant revenue synergy potential
- Disciplined implementation of Munich Re's healthcare strategy in the US

 Sterling represents a unique opportunity to significantly broaden Munich Re's position in fast-growing US health market

Backup



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	Medicare Advantage PFFS	Medicare Supplement	Prescription Drug Plan	Complementary
Description	<ul style="list-style-type: none"> ▪ PFFS plan is a Medicare Advantage health plan offered by a private insurance company under contract to the public Medicare programme ▪ By law, a PFFS plan must provide enrollees with at least the same benefits they would receive under Original Medicare ▪ Members are not restricted to a network of providers 	<ul style="list-style-type: none"> ▪ Private health insurance designed to supplement Original Medicare plan ▪ Covers out-of-pocket costs (co-payments, deductibles, coinsurance) ▪ Standardised plan designs (A through L) ▪ Monthly premium required in addition to Part B premium 	<ul style="list-style-type: none"> ▪ Started in 2006 ▪ Known as Medicare Part D ▪ Prescription drug insurance coverage purchased only from private companies ▪ Monthly premium usually required in addition to Part B premium 	<ul style="list-style-type: none"> ▪ Business line not connected to Medicare coverage embracing Long term care (LTC), supplemental medical and life ▪ Supplemental medical and life products started in 2007
Product specifics	<ul style="list-style-type: none"> ▪ Multiple plans in place with different benefit structures <ul style="list-style-type: none"> ▪ Open-access PFFS plans ▪ Plans with different cost sharing options depending on premium ▪ Average annual premium US\$ 7,700 per member 	<ul style="list-style-type: none"> ▪ Seven different options in place <ul style="list-style-type: none"> ▪ Coverage of gaps in Medicare programmes C, F, and G ▪ Innovative F plan providing 24/7 nurse advice line, routine vision exam, preventive dental, annual physical ▪ Average annual premium US\$ 1,800 per member 	<ul style="list-style-type: none"> ▪ PDP plans available: <ul style="list-style-type: none"> ▪ Stand-alone PDP ▪ Group PDP ▪ Sterling Partners special MA PDP plan in Montana ▪ Annual premium US\$ 1,200 per member 	<ul style="list-style-type: none"> ▪ LTC benefits for nursing home, assisted living, adult day care ▪ Critical condition ▪ Life insurance ▪ Annual premiums (US\$): <ul style="list-style-type: none"> ▪ LTC 1,100 ▪ Critical condition 430 ▪ Life 360