

3/2001

Munich Re Group
Quarterly Report



Münchener Rück
Munich Re Group

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Dear Shareholders,

In this interim report we wish to inform you about the business performance of the Munich Re Group in the period from 1st January to 30th September 2001 and in the third quarter of 2001, our first-ever report on the third quarter of a business year.

The third quarter was completely overshadowed by the terrorist attack in New York, Washington and Pittsburgh on 11th September 2001. This resulted in the biggest loss in Munich Re's more than 120-year history – €2.1bn according to our estimates. The atrocity in the US revealed a completely new risk dimension. Insurers now have to face another aspect in their considerations of potential losses: terrorist attacks intended to cause as much damage as possible. This change compels the insurance industry to fundamentally reassess all exposed risks.

What the targets of such criminal energy may be; what means it may use; where, when and how often it will manifest itself: these risks defy the application of mathematical probabilities. Our readiness to underwrite terrorism risks on a responsible basis will therefore be subject to clear preconditions: even greater transparency for the acceptance of liabilities, strict limitation of these liabilities, and premiums based on the new risk situation. In the brochure "11th September 2001", published soon after the attack in the US, Munich Re presented a first survey of the losses, focusing on property and business interruption insurance. This special publication can be downloaded from our website at www.munichre.com.

Even before the terrorist attack, the overall economic environment was unfavourable. The downward trend of the preceding months continued into the third quarter. The climate in the capital markets was becoming gradually more gloomy. By 10th September the DAX 30 had fallen 22.9% compared with its position at 1st July; the Euro STOXX 50 was down 18.9% and Dow Jones Industrials 8.5%. In this bear market, Munich Re's registered shares suffered significant price losses at the beginning of the third quarter. Just before the atrocity on 11th September, the day's high for the share price was €285; on 12th September it crashed to an absolute annual low of €207. Between the day's high on 11th September and the annual low on 12th September, Munich Re's market capitalization fell by over €13bn. In the weeks that followed, however, the share price recovered strongly and was being quoted at €293.00 by the end of October.

Let me turn from the share price performance to our business figures: by the end of September our Group premium income had risen to €25.8bn, or by 14.7% compared with same period last year.

Premium volume in reinsurance grew by 18.4% to €15.5bn. This means that our reinsurance group, with its virtually unparalleled security, capacity and know-how, is continuing on its growth course. Part of the rise in premium income was due to the higher prices we were able to achieve in the preceding renewal negotiations. Mainly because of the loss event in the US, however, our combined ratio rose to 179.6% in the third quarter and to 133.9% for the period since 1st January 2001. The improvements in terms of trade that started to emerge in the last renewals of reinsurance treaties need to continue in the forthcoming renewals and in the years to come.

The primary insurers in our Group also increased their premium significantly to €11.5bn, representing a rise of 10.1%. The foreign subsidiaries acquired in the second half of 2000 contributed substantially to this premium growth.

Owing to the stock market situation, the book value of our investments has naturally fallen slightly since 31st December 2000. Our investment result totalled €7.7bn.

Altogether, on account of 11th September, we have to report a Group loss of €1,213m for the third quarter of the business year 2001 and a Group profit of only €85m for the first nine months of the year.

The weakness of the capital markets, the loss event of 11th September and its economic consequences have stretched many insurance companies to the limit. Following the terrorist attack, the US rating agencies A. M. Best and Standard & Poor's reviewed their assessments of insurance and reinsurance companies. Munich Re was reawarded the top ratings of A++ (Superior) and AAA (Extremely Strong). This is confirmation from the rating agencies of our unbroken exceptional capital strength and great financial flexibility.

The claims burdens from the event of 11th September, other major losses and the still unsatisfactory situation on the capital markets will certainly have a heavy impact on our income statement for 2001. Nevertheless, we are currently proceeding on the assumption that our Group result for 2001 will be positive, owing to the less deferred valuation of our shares in Allianz and one-off positive effects of the German tax reform. It is also our aim for the parent company, as last year, to pay a dividend of €1.25 per share. As far as the business year 2002 is concerned, in view of an upturn in the reinsurance markets, the overall signs are favourable.

Yours sincerely,



Overall economic development

- **Slowdown in macroeconomic activity**
- **High volatility on the financial markets**

The global economy was already slowing down in the third quarter before the terrorist attack. In the US, annualized and seasonally adjusted GDP fell by 0.4%. In Europe, growth expectations had to be revised downwards, quite markedly in some cases, although on an annualized basis the economy remained more dynamic than in the US. After the first tender buds of economic recovery in 2000, Japan has fallen back into a recession accompanied by deflationary tendencies.

So the event of 11th September hit the world economy in an unstable condition. Since then, worsening sentiment indicators have added further gloom to the economic outlook worldwide. Consumer confidence appears badly shaken.

The fall in inflation has created scope for monetary and economic policy measures: the US Federal Reserve has reduced its key interest rates ten times by a total of 450 basis points since January; at 2%, the Fed Funds Rate is at its lowest level for 40 years. The European Central Bank has lowered its key rates more moderately, by 150 basis points since the beginning of the year. On top of this, the US in particular is attempting to give the economy additional stimulus through big increases in government spending and tax reductions.

The performance of the capital markets in the third quarter was shaped by the deteriorating state of the economy. The terrorist attack on 11th September was initially followed by a collapse in share prices and especially by a pronounced increase in market volatility. However, from the end of September, the markets began to stabilize and the share price indices recovered from their lows. On the bond markets, long-term yields showed a slight downward trend, whilst short-term yields fell considerably.

The euro hovered around the US\$ 0.90 mark in the third quarter. Despite the relatively better development of the economy in Europe, the common currency was thus unable to make any real ground against the US dollar.

The US looks set to remain the engine of the world economy in the medium term. Following the turbulence in the aftermath of 11th September there are increasing signs that the markets there are stabilizing. In Europe, too, it can be assumed that economic growth will pick up again. Nevertheless, there continues to be the uncertainty of further political risks and the possibility that monetary and fiscal policy measures may not have the hoped-for effect. This would put further pressure on the global economy and the capital markets.

Business experience from 1st January to 30th September 2001

We report here for the first time on business experience in a third quarter and the first nine months of a business year.*

As the third quarter of 2001 confirmed, the quarterly results of insurance companies, including Munich Re, are not a reliable indicator for the results of the business year as a whole. The reasons for this are clear: losses from natural catastrophes and other major losses have a disproportionate impact on the result of the reporting period in which they occur. Late reported claims for major loss complexes can also lead to substantial fluctuations in individual quarterly results. Moreover, gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

REINSURANCE

- Reinsurance group continues on growth course
- Estimated net claims costs of €2.1bn for Munich Re Group from the terrorist attack on 11th September

The reinsurance group is continuing on its growth course. Our capacity and security are being sought more than ever.

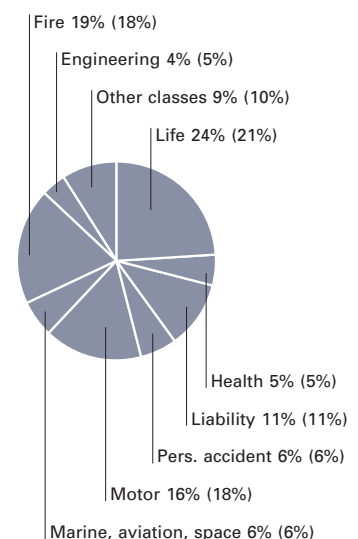
In the third quarter of 2001 we wrote gross premiums of €5.4bn (4.4bn) or 22.9% more than in the corresponding period last year. In the first nine months of the business year our premium income was up 18.4% to €15.5bn (13.1bn). Adjusted to eliminate changes in exchange rates and acquisitions, our premium growth would have still amounted to a notable 13.0%. This adjusted growth derives both from the increase of our shares in clients' reinsurance programmes and from the higher prices achieved by us in the preceding renewal negotiations as well as by our clients in their original business.

We continued to grow most strongly in life and health reinsurance. In this sector of our business we were able to expand our gross premium volume by 37.2% in the third quarter to €1.5bn (1.1bn). In the first nine months of the business year we achieved an increase of 36.4% to €4.6bn (3.4bn).

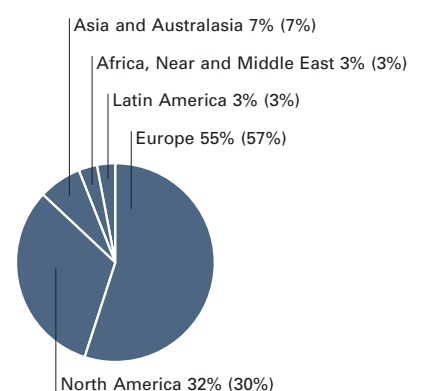
In property-casualty reinsurance we registered premium growth of 18.2% to €3.9bn (3.3bn) in the past quarter. From 1st January to 30th September we wrote gross premiums of €10.9bn (9.7bn), a plus of 12.2%.

* The reporting periods in this quarterly report are indicated as follows: figures for the third quarter, i.e. for the period 1st July to 30th September 2001, are shown in the tables under the column heading Q3 2001. Figures for the first nine months, i.e. from 1st January to 30th September, are shown under the column heading Q1–3 2001. Comparable figures for the third quarter of 2000 are only available for premiums. As a guide, we have therefore provided the figures for the whole of the business year 2000 (Q1–4 2000).

Gross premiums by class of business



Gross premiums by region



The terrorist attack in the US on 11th September gave rise to a burden of €2.1bn for our quarterly result before tax; in absolute figures this is by far the biggest loss that the Munich Re Group has ever had to reserve for. We were also hit by other major losses in the period under review, including the recall of Baycol/Lipobay by Bayer on 8th August, Typhoon Nari in Tapei (Taiwan) in mid-September, the severe explosion in a chemical plant in Toulouse on 21st September, and problems with the communications satellite PAS 7, on which part of the payload will have to be prematurely switched off, probably giving rise to a total loss.

In view of these major losses, our combined ratio leapt to 179.6% in the third quarter. For the period since 1st January 2001 it amounted to 133.9%.

Shortly after 11th September the rating organizations A. M. Best and Standard & Poor's reaffirmed their top ratings of A++ and AAA for the Munich Re Group. This is a clear, undisputed endorsement by neutral third parties of our Group's strategic orientation and financial strength.

Our reinsurers' investments increased to €69.7bn in the third quarter, up 7.4% on 31st December 2000. We have already made the first payments for losses caused by the terrorists in the US, but the vast majority of the claims will probably not be payable until next year, owing to the complex liability and coverage issues. We have made provision for this in our liquidity planning.

The reinsurers' investment result totalled €0.9bn for the third quarter and €3.5bn for the first nine months of the business year. This result includes net realized capital gains of €295m in the third quarter and €371m since the beginning of the year, as well as writedowns on shares of €105m and €221m respectively.

The result of the reinsurers in the Group, before amortization of goodwill, amounted to –€2,124m for the third quarter and to –€642m for the first nine months of the business year. The reinsurers' contribution to the third-quarter result after tax is –€1,183m, compared with €25m to the result of the first three quarters; €550m of this derives from the change to a less deferred valuation of our shares in Allianz, made in the first quarter of 2001 and explained in our report for that period.

Reinsurance		Q1-3 2001	Q1-4 2000
Gross premiums	€bn	15.5	18.3
Loss ratio non-life	%	104.0	85.0
Expense ratio non-life	%	29.9	30.3
Result before amortization of goodwill	€m	–642	1,525
		30.9.2001	31.12.2000
Investments	€bn	69.7	64.9
Net underwriting provisions	€bn	48.9	43.9

PRIMARY INSURANCE

- **Marked premium growth**
- **Pleasing amount of new business in life and health insurance**
- **Reduction in investment result**

11th September had no significant effects on the primary insurers in our Group. It resulted in claims for Europäische Reiseversicherung under travel cancellation expenses insurance and for ERGO under life and health policies. Otherwise developments on the claims front were normal.

The primary insurers in our Group – ERGO, Karlsruher and Europäische Reiseversicherung – increased their premium income appreciably in the third quarter. Gross premiums grew by 14.2% to €3.7bn (3.2bn). Since the beginning of the year the companies have written premium of €11.5bn (10.4bn), or 10.1% more than in the comparable period last year. Major contributors to this growth were ERGO's foreign subsidiaries, acquired in the second half of 2000. However, even without these companies, premium growth of 5.6% was achieved in the first three quarters, despite difficult market conditions.

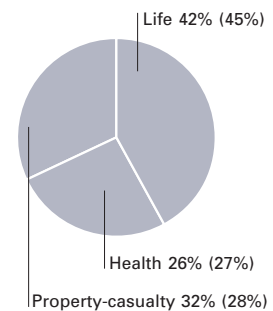
New life insurance business in Germany has shown double-digit growth since the beginning of the year; we have been able to expand our market share further. Our life insurers' premium income rose by 14.6% in the third quarter to €1.7bn (1.4bn). Premiums for the first nine months increased by 10.0% year on year, reaching €4.9bn (4.4bn). Policies tailored to meeting the special criteria for state subsidization under the German pension reform have already been taken out by more than 220,000 clients with our two major life insurers, Hamburg-Mannheimer and VICTORIA.

Our health insurers increased their premium income by 3.4% to €981m (949m) in the third quarter. Compared with the first nine months of last year, their premium in the first three quarters grew by 4.2% to €3.0bn (2.9bn). Since the beginning of the year our German companies have succeeded in winning 74,000 new clients in comprehensive health insurance.

In property-casualty insurance, we wrote premium income of €1.0bn (0.8bn) in the third quarter, or 25.7% more than in the same quarter last year; from January to September our subsidiaries recorded gross premium income of €3.6bn (3.1bn). This rise of 15.6% was due not only to ERGO's foreign acquisitions but also to growth above the market average in Germany, where motor insurance in particular developed very positively.

Our primary insurers' investments had a book value of €100.3bn as at 30th September 2001, 2.6% less than on 31st December 2000 – a consequence of the difficult situation on the capital markets, which is having an adverse effect on our primary insurers' investment results. In the year to date they have realized fewer capital gains than originally planned. In the third quarter their aggregate investment result totalled €1.6bn; in the period from 1st January to 30th September 2001 it amounted to €4.4bn.

Gross premiums by class of insurance



The result before amortization of goodwill totalled €66m for the third quarter; for the first three quarters it amounted to €411m. Our primary insurers' contribution to the result after tax amounted to –€32m in the third quarter and €72m in the first three quarters.

Primary insurance		Q1–3 2001	Q1–4 2000
Gross premiums	€bn	11.5	14.4
Result before amortization of goodwill	€m	411	1,342

		30.9.2001	31.12.2000
Investments	€bn	100.3	102.9
Net underwriting provisions	€bn	83.8	87.3

ASSET MANAGEMENT

- **Extreme price movements on the stock markets**
- **Significantly lower yields but good appreciation in value of fixed-interest securities**
- **Investment portfolio and risk management ensure Munich Re's solidity and liquidity**

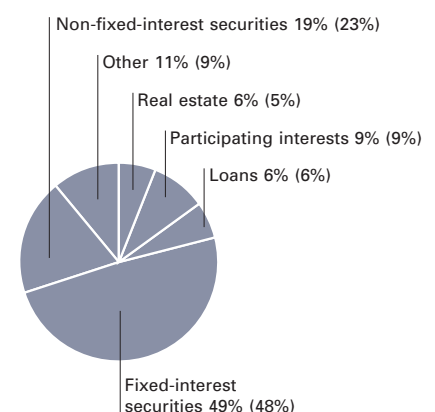
Since the beginning of the year, prices on the stock market had followed a downward trend before recovering briefly in April and then moving sideways. At the beginning of the third quarter they started to decline again. At this point we strengthened the defensive components in our equity portfolios, initially holding back with investments in view of the uncertain market situation. The collapse in prices following the terrorist attack led in the subsequent period to three-year lows in the most important share price indices. However, as a capially strong, long-term-oriented investor, we were not forced to sell shares during the days of extreme price losses. On the contrary, we exploited opportunities to enter the market and to further intensify and diversify internationally our investments in selected stocks. At the end of September an unexpectedly rapid and strong recovery began. By mid-November all the important indices had returned to or even climbed above the level they were at before the terrorists struck.

Even prior to the event of 11th September, the Western central banks had reacted to falling growth expectations in all the important economies by lowering interest rates several times, thus considerably strengthening the bond markets. Existing bond portfolios thus showed good appreciation in value. In view of the historic lows in yields – with the key interest rate in the US down to its lowest in 40 years at 2.0% – we only made new investments in the bond markets to a limited extent. Overall, we continued the shift in our portfolio from government bonds to mortgage-backed bonds, highly rated corporate bonds and asset-backed securities.

Thanks to an investment policy geared to sustainable appreciation in value and flexibility, we are well prepared for even the biggest loss scenarios, which had previously been restricted to the area of natural catastrophes. Although the insurance claims resulting from the terrorist attack were not yet payable in the third quarter, we have made sufficient provision to cover the expected liquidity requirements for payments to our clients. As a matter of general principle, we use currency matching to protect ourselves against the risk of serious foreign exchange losses.

As assets must be reported at market value under IAS, the weak state of the capital markets is directly reflected in our balance sheet. The value of the Group's investments fell by 0.7% to €158.3bn. The investment result for the third quarter was €2.4bn. In the first nine months it totalled €7.7bn, with realized capital gains contributing €1.1bn net and regular income from investments €7.3bn.

Investment mix



Prospects

- **Continued strong growth in reinsurance and primary insurance**
- **Group result clearly lower for 2001 than last year**
- **Big price increases and improvements in terms of trade in reinsurance**

For the business year 2001 as a whole, we currently expect a significantly increased Group premium income of more than €34bn (€31bn).

There have been growing signs in property-casualty business – and not only since 11th September – of a trend reversal towards more risk-commensurate prices and conditions. We expect there to be a rise in demand for reinsurance and an increasing concentration on reinsurers with top security, to the benefit of our Group. In order to take advantage of the major market upswing in the US and to exploit the related business opportunities, American Re is being given a capital injection of over US\$ 1bn.

In life reinsurance, the acquisition of CNA Financial Corporation's life business by our subsidiary Munich American Reassurance Company will have a positive effect. In order to position MARC Life even more strongly, we have given it a capital increase of US\$ 80m.

Our premium growth in primary insurance will again exceed that of the previous year. Major contributors to this dynamic development are the foreign subsidiaries acquired in the second half of last year (Bayerische Vita, ERGO Hestia and the Baltic companies). In Germany, growth in life insurance has been fuelled by pension reform, especially as state occupational disability cover has been reduced since 1st January 2001, causing people affected by the changes to make private provision. The retirement pension products concluded this year which are eligible for state subsidization will mostly not have an impact on premium income until after 1st January 2002.

When we reported our half-year figures to you and to the public on 30th August, we still assumed that we would be able to achieve double-digit growth in our Group profit for 2001, following on from the high profit of 2000.

After 11th September, however, this objective naturally moved out of reach as the vast extent of the losses caused by the terrorist attack in the US gradually became apparent: we announced as early as 20th September that this extreme event and other large losses in the third quarter would have a major impact on the Group income statement for 2001.

The Group result for 2001 will show a very big reduction compared with last year. However, owing to relief from the aforementioned special factors, it will still be positive – subject, of course, to normal development of both claims costs and the capital market over the rest of the year.

If there are no more spectacular large losses, we are currently proceeding on the assumption that the Munich Reinsurance Company will, as last year, pay a dividend of €1.25 per share.

For the forthcoming renewals of reinsurance treaties and for the year 2002, our business environment has changed dramatically for the better since 11th September. We are working on the basis of marked price increases in our clients' original business, since the weak state of the capital markets means they are dependent on risk-commensurate premiums and good underwriting results. It is the conviction of all market players and observers that there will also be significant rate increases in reinsurance business. We cannot put a serious figure on the effects at this stage, however, since the renewal negotiations are only just beginning.

For the forthcoming business year 2002 as a whole, we expect earnings in reinsurance to show a big increase. If we are not seriously hit by very large losses and natural catastrophes, this will be reflected in an appreciably higher profit for the year than in 2000.

Munich, November 2001

The Board of Management

Schneiders James G. Kelly 180013
 Michael Weyh I. Ullrich Hans-Joachim
 Schudel von Stockhausen J. H. H. H.

Consolidated balance sheet as at 30th September 2001

ASSETS	€m	€m	€m	31.12.2000 €m	Change	
					€m	%
A. Intangible assets						
I. Goodwill		4,365		2,625	1,740	66.3
II. Other intangible assets		1,151		843	308	36.5
			5,516	3,468	2,048	59.1
B. Investments						
I. Real estate		9,093		8,405	688	8.2
II. Investments in affiliated enterprises and associated enterprises		13,705		13,538	167	1.2
III. Loans		9,921		9,150	771	8.4
IV. Other securities						
1. Held to maturity	1,712			1,186	526	44.4
2. Available for sale	106,658			112,756	-6,098	-5.4
3. Held for trading	432			259	173	66.8
		108,802		114,201	-5,399	-4.7
V. Other investments						
1. Deposits retained on assumed reinsurance	12,878			12,010	868	7.2
2. Miscellaneous	3,340			1,523	1,817	>100.0
		16,218		13,533	2,685	19.8
			157,739	158,827	-1,088	-0.7
C. Investments for the benefit of life insurance policyholders who bear the investment risk			608	581	27	4.6
D. Ceded share of underwriting provisions			12,947	10,166	2,781	27.4
E. Receivables			10,753	9,145	1,608	17.6
F. Cash with banks, cheques and cash in hand			1,750	2,273	-523	-23.0
G. Deferred acquisition costs			5,889	6,361	-472	-7.4
H. Deferred tax			2,710	1,925	785	40.8
I. Other assets			883	821	62	7.6
Total assets			198,795	193,567	5,228	2.7

EQUITY AND LIABILITIES	€m	€m	31.12.2000 €m	Change	
				€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	3,165		3,165	–	–
II. Revenue reserves	11,362		9,174	2,188	23.9
III. Other reserves	4,992		9,513	–4,521	–47.5
IV. Consolidated profit	85		1,750	–1,665	–95.1
		19,604	23,602	–3,998	–16.9
B. Minority interests		668	2,354	–1,686	–71.6
C. Gross underwriting provisions					
I. Unearned premiums	5,716		5,376	340	6.3
II. Provision for future policy benefits	88,089		82,944	5,145	6.2
III. Provision for outstanding claims	37,692		31,248	6,444	20.6
IV. Other underwriting provisions	14,079		21,541	–7,462	–34.6
		145,576	141,109	4,467	3.2
D. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		570	583	–13	–2.2
E. Other accrued liabilities		2,485	3,061	–576	–18.8
F. Liabilities					
I. Notes and debentures	2,442		1,793	649	36.2
II. Other liabilities	22,909		16,237	6,672	41.1
		25,351	18,030	7,321	40.6
G. Deferred tax liabilities		4,454	4,780	–326	–6.8
H. Other deferred items		87	48	39	81.3
Total equity and liabilities		198,795	193,567	5,228	2.7

**Consolidated income statement for the periods
1st July to 30th September 2001 and
1st January to 30th September 2001**

	Q3 2001	Q1-3 2001	Q1-4 2000
ITEMS	€m	€m	€m
1. Gross premiums written	8,771	25,826	31,113
2. Net earned premiums	7,715	22,825	28,129
3. Investment result	2,404	7,717	12,166
4. Other income	186	645	501
Total income (2-4)	10,305	31,187	40,796
5. Net expenses for claims and benefits	10,332	24,919	29,770
6. Net operating expenses	1,739	5,691	7,340
7. Other expenses	300	824	1,071
Total expenses (5-7)	12,371	31,434	38,181
8. Result before amortization of goodwill	-2,066	-247	2,615
9. Amortization of goodwill	81	178	145
10. Operating result before tax	-2,147	-425	2,470
11. Tax	-918	-576	399
12. Minority interests in earnings	-16	66	321
13. Net profit	-1,213	85	1,750

	Q3 2001	Q1-3 2001	Q1-4 2000
	€	€	€
Earnings per share	-6.86	0.48	9.89
Earnings per share, diluted	-6.83	0.48	9.84

Consolidated cash flow statement for the periods 1st January to 30th September 2001

	Q1-3 2001 €m	Q1-4 2000 €m
Profit for the year, including minority interests in earnings	151	2,071
Net change in underwriting provisions	3,507	7,673
Change in deferred acquisition costs	-472	-372
Changes in deposits retained and accounts receivable and payable	1,336	517
Change in other receivables and liabilities	1,173	-480
Gains and losses on the disposal of investments	-976	-4,072
Change in securities held for trading	-173	-72
Change in other balance sheet items	327	-487
Other income/expenses without impact on cash flow	-107	-414
I. Cash flows from operating activities	4,766	4,364
Inflows from the sale of consolidated enterprises	56	-
Outflows for the acquisition of consolidated enterprises	-248	-910
Inflows from the sale and maturities of other investments	38,883	47,513
Outflows for the acquisition of other investments	-44,768	-50,055
Inflows from the sale of investments for unit-linked life insurance	37	2
Outflows for the acquisition of investments for unit-linked life insurance	-134	-174
Other inflows	453	47
Other outflows	-765	-514
II. Cash flows from investing activities	-6,486	-4,091
Inflows from increases in capital		4
Dividend payments	-259	-197
Inflows and outflows from other financing activities	1,459	1,711
III. Cash flows from financing activities	1,200	1,518
Cash flows for the business year (I + II + III)	-520	1,791
Effects of exchange rate changes on cash	-3	-5
Cash at the beginning of the business year	2,273	487
Cash at the end of the reporting period	1,750	2,273
Additional information		
Tax on earnings (net)	-6	444
Interest paid	194	215

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m
A. Intangible assets	266	264	2,140	2,182
B. Investments				
I. Real estate	974	808	1,238	1,206
II. Investments in affiliated enterprises and associated enterprises	7,138	4,759	7,779	6,059
III. Loans	64	158	44	165
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	11,920	11,459	21,957	22,859
3. Held for trading	47	31	130	137
	11,967	11,490	22,087	22,996
V. Other investments	8,178	7,100	10,188	10,146
	28,321	24,315	41,336	40,572
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	3,026	3,090	6,195	4,268
E. Other segment assets	3,660	2,832	8,320	7,113
Total segment assets	35,273	30,501	57,991	54,135

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m
2,037	419	1,053	461	21	10	-1	132	5,516	3,468
6,095	5,608	748	743	-	-	38	40	9,093	8,405
2,627	2,933	2,728	2,254	106	78	-6,673	-2,545	13,705	13,538
9,964	9,918	443	294	464	282	-1,058	-1,667	9,921	9,150
1,682	1,153	30	33	-	-	-	-	1,712	1,186
66,647	72,188	6,119	6,241	15	9	-	-	106,658	112,756
198	47	44	31	13	13	-	-	432	259
68,527	73,388	6,193	6,305	28	22	-	-	108,802	114,201
1,927	615	399	248	167	9	-4,641	-4,585	16,218	13,533
89,140	92,462	10,511	9,844	765	391	-12,334	-8,757	157,739	158,827
608	581	-	-	-	-	-	-	608	581
7,417	6,872	1,580	1,319	-	-	-5,271	-5,383	12,947	10,166
9,462	9,207	3,620	2,318	336	116	-3,413	-1,061	21,985	20,525
108,664	109,541	16,764	13,942	1,122	517	-21,019	-15,069	198,795	193,567

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m
A. Gross underwriting provisions				
I. Unearned premiums	116	68	4,074	3,844
II. Provision for future policy benefits	18,521	17,834	722	694
III. Provision for outstanding claims	2,586	1,874	30,496	25,490
IV. Other underwriting provisions	80	90	1,505	1,348
	21,303	19,866	36,797	31,376
B. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
C. Other accrued liabilities	270	392	691	1,134
D. Other segment liabilities	4,220	2,688	12,081	8,538
Total segment liabilities	25,793	22,946	49,569	41,048

		Primary insurance		Asset management		Consolidation		Total		
Life and health		Property-casualty								
30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	
592	768	1,158	881	–	–	–224	–185	5,716	5,376	
73,254	68,916	54	39	–	–	–4,462	–4,539	88,089	82,944	
1,147	1,065	3,978	3,620	–	–	–515	–801	37,692	31,248	
11,972	19,517	115	113	–	–	407	473	14,079	21,541	
86,965	90,266	5,305	4,653	–	–	–4,794	–5,052	145,576	141,109	
565	579	–	–	–	–	5	4	570	583	
583	538	922	983	40	29	–21	–15	2,485	3,061	
16,519	14,599	5,338	3,501	833	428	–9,099	–6,896	29,892	22,858	
104,632	105,982	11,565	9,137	873	457	–13,909	–11,959	178,523	167,611	
								Shareholders' equity*	20,272	25,956
								Total equity and liabilities	198,795	193,567

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1-30.9.2001	Reinsurance			
	Life and health		Property-casualty	
	Q1-3 2001 €m	Q1-4 2000 €m	Q1-3 2001 €m	Q1-4 2000 €m
1. Gross premiums written	4,576	4,701	10,946	13,624
Thereof:				
– From insurance transactions with other segments	508	820	704	806
– From insurance transactions with external third parties	4,068	3,881	10,242	12,818
2. Net earned premiums	4,162	4,260	9,135	11,717
3. Investment result	1,535	1,684	1,984	2,801
Thereof:				
– Income from associated enterprises	539	404	587	515
4. Other income	106	44	264	150
Total income (2-4)	5,803	5,988	11,383	14,668
5. Net expenses for claims and benefits	3,885	3,643	9,712	10,069
6. Net operating expenses	1,101	1,336	2,743	3,547
7. Other expenses	90	105	297	431
Total expenses (5-7)	5,076	5,084	12,752	14,047
8. Result before amortization of goodwill	727	904	-1,369	621
9. Amortization of goodwill	2	2	102	130
10. Operating result before tax	725	902	-1,471	491
11. Tax	-195	43	-579	13
12. Minority interests in earnings	-	2	3	14
13. Net profit	920	857	-895	464

		Primary insurance		Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1-3 2001 €m	Q1-4 2000 €m	Q1-3 2001 €m	Q1-4 2000 €m	Q1-3 2001 €m	Q1-4 2000 €m	Q1-3 2001 €m	Q1-4 2000 €m	Q1-3 2001 €m	Q1-4 2000 €m
7,877	10,304	3,639	4,110	-	-	-1,212	-1,626	25,826	31,113
-	-	-	-	-	-	-1,212	-1,626	-	-
7,877	10,304	3,639	4,110	-	-	-	-	25,826	31,113
7,108	9,226	2,420	2,926	-	-	-	-	22,825	28,129
4,041	7,339	392	881	34	22	-269	-561	7,717	12,166
50	89	43	28	21	15	-	-	1,240	1,051
473	707	404	520	90	122	-692	-1,042	645	501
11,622	17,272	3,216	4,327	124	144	-961	-1,603	31,187	40,796
9,736	14,287	1,575	1,776	-	-	11	-5	24,919	29,770
977	1,347	847	1,070	-	-	23	40	5,691	7,340
696	1,116	596	661	91	125	-946	-1,367	824	1,071
11,409	16,750	3,018	3,507	91	125	-912	-1,332	31,434	38,181
213	522	198	820	33	19	-49	-271	-247	2,615
40	1	34	6	-	-	-	6	178	145
173	521	164	814	33	19	-49	-277	-425	2,470
84	70	106	265	9	6	-1	2	-576	399
35	170	40	206	5	4	-17	-75	66	321
54	281	18	343	19	9	-31	-204	85	1,750

Segment reporting

INCOME STATEMENT 1.7-30.9.2001	Reinsurance		Primary insurance		Asset management	Consoli- dation	Total
	Life and health	Property- casualty	Life and health	Property- casualty			
	Q3 2001 €m	Q3 2001 €m	Q3 2001 €m	Q3 2001 €m			
1. Gross premiums written	1,511	3,908	2,642	1,030	–	–320	8,771
Thereof:							
– From insurance transactions with other segments	117	203	–	–	–	–320	–
– From insurance transactions with external third parties	1,394	3,705	2,642	1,030	–	–	8,771
2. Net earned premiums	1,370	3,088	2,413	842	–	2	7,715
3. Investment result	412	494	1,529	104	21	–156	2,404
Thereof:							
– Income from associated enterprises	21	–68	13	18	11	–	–5
4. Other income	39	85	133	129	35	–235	186
Total income (2-4)	1,821	3,667	4,075	1,075	56	–389	10,305
5. Net expenses for claims and benefits	1,408	4,838	3,506	570	–	10	10,332
6. Net operating expenses	312	945	186	292	–	4	1,739
7. Other expenses	20	89	326	204	40	–379	300
Total expenses (5-7)	1,740	5,872	4,018	1,066	40	–365	12,371
8. Result before amortization of goodwill	81	–2,205	57	9	16	–24	–2,066
9. Amortization of goodwill	–	35	38	22	–	–14	81
10. Operating result before tax	81	–2,240	19	–13	16	–10	–2,147
11. Tax	–262	–714	31	23	6	–2	–918
12. Minority interests in earnings	–	–	–4	–12	1	–1	–16
13. Net profit	343	–1,526	–8	–24	9	–7	–1,213

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m	30.9.2001 €m	31.12.2000 €m
Europe	39,873	40,557	95,486	98,577	237	33	135,596	139,167
North America	18,215	16,357	1,548	1,094	69	246	19,832	17,697
Asia and Australasia	1,443	1,375	384	426	–	–	1,827	1,801
Africa, Near and Middle East	597	480	66	49	–	–	663	529
Latin America	335	187	86	27	8	–	429	214
Total	60,463	58,956	97,570	100,173	314	279	158,347	159,408

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN*

1.1–30.9.2001	Reinsurers		Primary insurers		Total	
	Q1–3 2001 €m	Q1–4 2000 €m	Q1–3 2001 €m	Q1–4 2000 €m	Q1–3 2001 €m	Q1–4 2000 €m
Europe	7,272	8,824	11,331	14,253	18,603	23,077
North America	4,956	5,487	123	109	5,079	5,596
Asia and Australasia	1,112	1,224	23	21	1,135	1,245
Africa, Near and Middle East	515	707	28	23	543	730
Latin America	456	457	10	8	466	465
Total	14,311	16,699	11,515	14,414	25,826	31,113

* After elimination of intra-Group reinsurance across segments.

1.7–30.9.2001	Reinsurers	Primary insurers	Total
	Q3 2001 €m	Q3 2001 €m	Q3 2001 €m
Europe	2,482	3,642	6,124
North America	1,747	17	1,764
Asia and Australasia	506	3	509
Africa, Near and Middle East	183	8	191
Latin America	182	1	183
Total	5,100	3,671	8,771

* After elimination of intra-Group reinsurance across segments.

Notes

Accounting and valuation policies

This quarterly report as at 30th September 2001 has been prepared in accordance with International Accounting Standards and their interpretation by the Standing Interpretations Committee (SIC).

The same accounting, valuation and consolidation principles have been applied as in our consolidated financial statements as at 31st December 2000.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first nine months of 2001.

Foreign currency translation

Munich Re's reporting currency is the euro. The following table shows the exchange rates of the most important currencies for our business (exchange rate for €1 in each case):

	Balance sheet		Income statement	
	30.9.2001	31.12.2000	Q1-3 2001	Q1-4 2000
Australian dollar	1.84540	1.68970	1.72530	1.58884
Canadian dollar	1.43860	1.41020	1.37689	1.37123
Pound sterling	0.61970	0.62850	0.62209	0.60936
Rand	8.20340	7.10710	7.23280	6.39340
Swiss franc	1.47220	1.52140	1.52269	1.55780
US dollar	0.91070	0.93890	0.89550	0.92400
Yen	108.492	107.217	108.074	99.5370

Intangible assets

All figures in €m	30.9.2001	31.12.2000
I. Goodwill	4,365	2,625
II. Other intangible assets	1,151	843
Thereof:		
– Software	101	114
– Purchased insurance portfolios	951	657
– Other	99	72
Total	5,516	3,468

The increases in goodwill and purchased insurance portfolios stem mainly from the increase of our shareholding in the ERGO Insurance Group.

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
Status 31.12.1999	453	2,708	6,862	7,298	1,133	18,454
Changes in exchange rates	-	-	236	-5	-27	204
Capital increases	-	4	-	-	-	4
Allocation to revenue reserves	-	-	938	-	-938	-
Changes in the consolidated group	-	-	1,190	-1,152	-	38
Changes resulting from valuation at equity	-	-	-	847	-	847
Unrealized gains and losses on other investments	-	-	-	2,528	-	2,528
Consolidated profit for the year	-	-	-	-	1,750	1,750
Dividend	-	-	-	-	-168	-168
Other changes	-	-	-52	-3	-	-55
Status 31.12.2000	453	2,712	9,174	9,513	1,750	23,602
Changes in exchange rates	-	-	89	-23	-12	54
Allocation to revenue reserves	-	-	1,517	-	-1,517	-
Changes in the consolidated group	-	-	173	-	-	173
Changes resulting from valuation at equity	-	-	424	-427	-	-3
Unrealized gains and losses on other investments	-	-	-	-4,071	-	-4,071
Consolidated net profit	-	-	-	-	85	85
Share buy-backs	-	-	-53	-	-	-53
Dividend	-	-	-	-	-221	-221
Other changes	-	-	38	-	-	38
Status 30.9.2001	453	2,712	11,362	4,992	85	19,604

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.9.2001	31.12.2000
Unrealized gains and losses	-90	630
Consolidated profit	66	321
Other equity components	692	1,403
Total	668	2,354

The changes result for the most part from the increase of our shareholding in the ERGO Insurance Group.

Notes and debentures

All figures in €m	30.9.2001	31.12.2000
American Re Capital, Delaware 8.5%, US\$ 237.5m QUIPS 1995/2025 Rating: A+	260	253
American Re Corporation, Princeton 7.45%, US\$ 500m Senior Notes 1996/2026 Rating: AA	547	531
ERGO International AG, Düsseldorf 2.25%, €345m Bonds Exchangeable into E.ON Shares 2001/2006 0.75%, €345m Bonds Exchangeable into Aventis AG Shares 2001/2006 Rating: AA+	589	-
Munich Reinsurance Company, Munich 1.0%, €1,150m Bonds Exchangeable into Allianz AG Shares 2000/2005 Rating: AAA	1,046	1,009
Total	2,442	1,793

In September 2001 ERGO International AG issued two bonds, exchangeable into E.ON shares and Aventis AG shares respectively. The first may be exchanged into ordinary E.ON shares with an equivalent value of €75 per share; the yield to maturity is 2.25%. The second bond, with a yield to maturity of 0.75%, may be exchanged into ordinary Aventis shares with an equivalent value of €98.50 per share. If the bonds are not exchanged or redeemed beforehand, they will be redeemed on 14th September 2006 at 100% of the face value.

Investment result

1.1–30.9.2001

All figures in €m*	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000
	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000				
Investment income												
Regular income	1,318	1,316	1,841	2,211	3,685	4,589	389	508	36	28	7,269	8,652
Income from write-ups	71	9	91	67	64	31	12	5	–	–	238	112
Gains on the disposal of investments	348	509	447	875	1,982	4,768	190	459	3	–	2,970	6,611
Other income	–	–	1	–	7	2	3	2	8	–	19	4
	1,737	1,834	2,380	3,153	5,738	9,390	594	974	47	28	10,496	15,379
Investment expenses												
Writedowns on investments	66	20	168	62	138	91	46	21	–	–	418	194
Losses on the disposal of investments	180	214	244	355	1,329	1,722	157	248	–	–	1,910	2,539
Other expenses	45	59	82	115	290	267	19	23	15	16	451	480
	291	293	494	532	1,757	2,080	222	292	15	16	2,779	3,213
Total	1,446	1,541	1,886	2,621	3,981	7,310	372	682	32	12	7,717	12,166

* After elimination of intra-Group transactions across segments.

1.7–30.9.2001

All figures in €m*	Reinsurance		Primary insurance		Asset management	Total
	Life and health	Property-casualty	Life and health	Property-casualty		
	Q3 2001	Q3 2001	Q3 2001	Q3 2001	Q3 2001	Q3 2001
Investment income						
Regular income	191	335	1,127	96	21	1,770
Income from write-ups	57	62	41	6	–	166
Gains on the disposal of investments	218	258	895	77	3	1,451
Other income	–	–	–	–	–	–
	466	655	2,063	179	24	3,387
Investment expenses						
Writedowns on investments	14	97	78	21	–	210
Losses on the disposal of investments	83	98	356	61	–	598
Other expenses	15	28	128	4	–	175
	112	223	562	86	–	983
Total	354	432	1,501	93	24	2,404

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

1.1–30.9.2001

All figures in €m*	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–3 2001	Q1–4 2000
	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000		
Gross	3,687	3,188	11,734	10,743	10,603	15,223	2,385	2,639	28,409	31,793
Ceded share	325	357	2,564	1,301	333	114	268	251	3,490	2,023
Net	3,362	2,831	9,170	9,442	10,270	15,109	2,117	2,388	24,919	29,770

* After elimination of intra-Group transactions across segments.

1.7–30.9.2001

All figures in €m*	Reinsurance		Primary insurance		Total
	Life and health	Property-casualty	Life and health	Property-casualty	
	Q3 2001	Q3 2001	Q3 2001	Q3 2001	Q3 2001
Gross	1,146	6,465	3,954	861	12,426
Ceded share	66	1,879	112	37	2,094
Net	1,080	4,586	3,842	824	10,332

* After elimination of intra-Group transactions across segments.

Net operating expenses

1.1–30.9.2001	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1–3 2001	Q1–4 2000
	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000	Q1–3 2001	Q1–4 2000		
All figures in €m*										
Gross	1,164	1,333	2,855	3,620	1,224	1,789	1,258	1,399	6,501	8,141
Ceded share	119	304	282	318	180	115	229	64	810	801
Net	1,045	1,029	2,573	3,302	1,044	1,674	1,029	1,335	5,691	7,340

* After elimination of intra-Group transactions across segments.

1.7–30.9.2001	Reinsurance		Primary insurance		Total	
	Life and health	Property-casualty	Life and health	Property-casualty		
	Q3 2001	Q3 2001	Q3 2001	Q3 2001	Q3 2001	
All figures in €m*						
Gross		341	931	237	514	2,023
Ceded share		47	65	26	146	284
Net		294	866	211	368	1,739

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30th September 2001 totalled 27,846 (27,283) in Germany and 10,301 (9,198) in other countries.

	30.9.2001	31.12.2000
Reinsurance companies	5,767	5,422
Primary insurance companies	31,825	30,569
Asset management	555	490
Total	38,147	36,481

Contingent liabilities, other financial commitments

There are no financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the reporting period by the weighted average number of shares.

New shares created by the exercise of warrants are included pro rata temporis from the respective date of delivery. Shares acquired through share buy-backs are eliminated from the calculation pro rata temporis.

For the diluted earnings per share, the number of shares is increased by the weighted average of the potential number of shares that would have a diluting effect. Outstanding warrants are additionally included pro rata temporis up to the time they are exercised.

		Q3 2001	Q1–3 2001	Q1–4 2000
Net income	€m	-1,213	85	1,750
Weighted average number shares		176,791,879	176,856,945	176,922,611
Earnings per share	€	-6.86	0.48	9.89
Average share price	€	307.57	325.08	323.85
Warrant exercise price	€	163.61	163.61	163.61
Diluted number of shares		177,599,340	177,713,920	177,787,055
Diluted earnings per share	€	-6.83	0.48	9.84

Important dates

Provisional figures for consolidated financial statements 2001	22nd March 2002
Balance sheet meeting of Supervisory Board	23rd May 2002
Quarterly report as at 31st March 2002	27th May 2002
Balance sheet press conference	27th May 2002
Analysts' conference	28th May 2002
Annual General Meeting	17th July 2002
Dividend payment	18th July 2002
Quarterly report as at 30th June 2002	29th August 2002
Half-year press conference	29th August 2002
Quarterly report as at 30th September 2002	28th November 2002

The official German original of this interim report is also available from the company. In addition, you will find copies of our annual reports and interim reports, along with further current information about Munich Re and its shares, on our Internet website (<http://www.munichre.com>).

Service for investors and analysts

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