Munich Re Group

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German Investment Conference
HVB Corporates & Markets

Münchener Rück
Munich Re Group

29 September 2004

Agenda

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Risk is our business

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Reinsurance

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AMERICAN RE
A Member of the Munich Re Group

- Leading global reinsurer
- Gross premiums written 2003: €25bn
- 5,000 clients worldwide

Primary insurance

ERGO Versicherungsgruppe AG

Hamburg Mannheimer · DKV · D.A.S. · Victoria · KarstadtQuelle Versicherungen · Karlsruher Versicherungen · Die Europäische.

- Germany's second-largest primary insurer
- Gross premiums written 2003: €18bn
- 31 million clients in Europe, thereof 18 million in Germany

Asset management

MEAG

- Professional asset management for Munich Re Group and third parties
- Assets under management as at 30 June 2004: €142.7bn managed by MEAG

Vision: To be one of the leading risk carriers and providers of financial services

Key investment considerations

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- Property-casualty reinsurance: No. 1 in the world
  Excellent business model
- Life reinsurance: No. 2 in the world
  Long-term organic growth potential, portfolio deals
- Primary insurance: No. 2 in Germany, strong in Poland, Baltic states and Italy; Profiting from European convergence and urgent demand for old-age provision
- Consolidating strong operating performance

Our business model
Primary and reinsurance in one group

- Carrying, managing and financing risks
- Synergies between different risk segments
- Command of the crucial added-value stages of all risk segments
- Direct market access to all clients in all segments (retail and wholesale)
- Diversification as an important value proposition

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Our programme
Firm focus on profitability

Leading primary insurance back to sustainable profitability

Primary insurance
Net profit of €71m
in Q1–2 2004

Enhancing and sustaining reinsurance profitability

Reinsurance
CR at 95.5%
in Q1–2 2004

Realising integrated risk management

Derisiking:
Reduced
concentration risk,
Allianz stake <10%

Net profit in Q1-2 2004 of €1,162m

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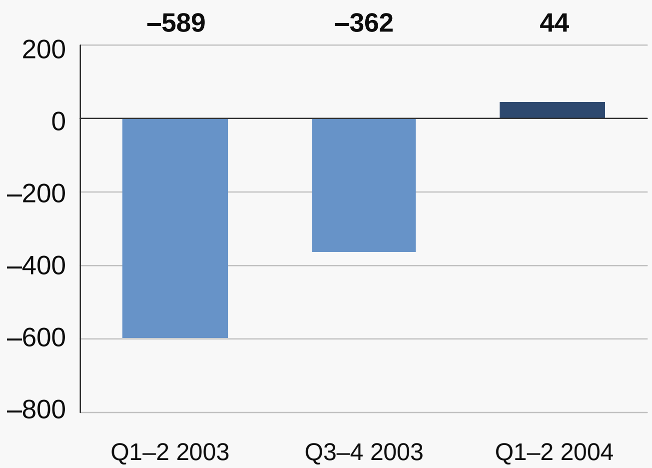
Primary Insurance
Building on our core strengths…

Leading primary insurance back to sustainable profitability

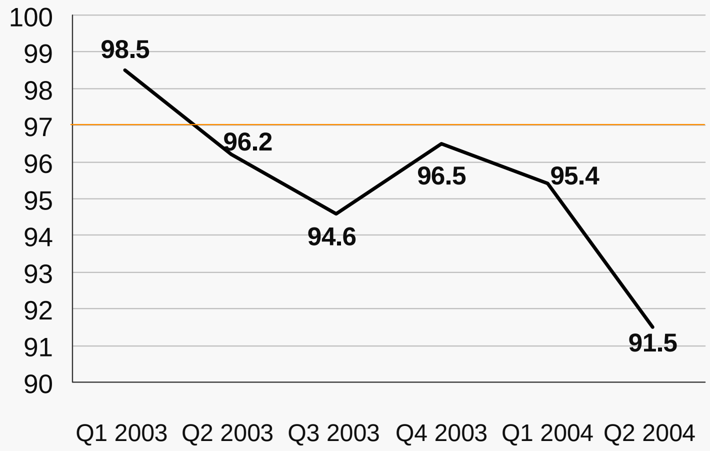
Net profit primary insurance life and health

in €m



Combined ratio primary insurance property-casualty*

in %



- Further extension of the numerous sales channels
- Using cross-selling potential from large customer base
- Well positioned provider for growing company pension scheme business

*Inclusive legal protection

- Primary insurance in Q1–2 2004:
- Profit of €71m
- Combined ratio of 93.4%
- Improving operative profitability
- Profitable growth

Primary Insurance
… and adressing our challenges

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▪ Reduced investment risk and improved ALM activities ▪ Focus on technical profits	Derisking the business
▪ Balancing risk / return between policy- and shareholder ▪ Lower guaranteed interest rate for new business ▪ Reduced impact of equity markets	Measures initiated to increase profitability in life
▪ Clear leadership and responsibilities by segments ▪ Realisation of economies of scale and specialisation	New ERGO management structure
▪ ERGO to reach cost savings of €300m p.a. by 2005 ▪ Single-back-office strategy within ERGO Group	Synergies

Reinsurance
Delivering on our targets

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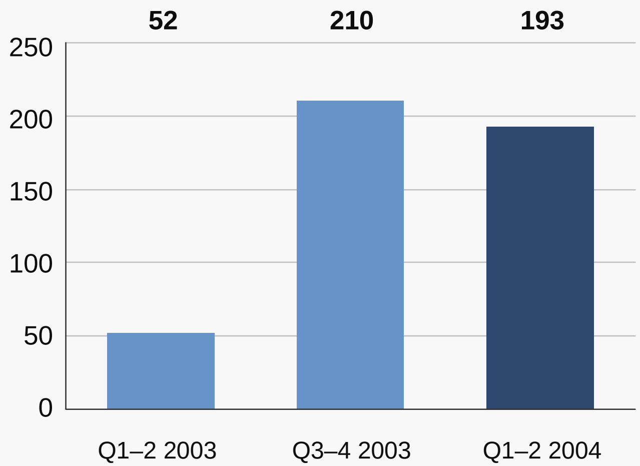
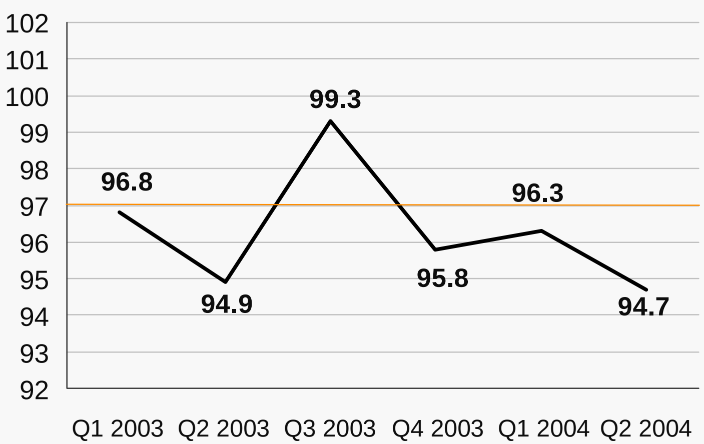
Enhancing and sustaining reinsurance profitability

Net profit
life and health reinsurance
in €m



Combined ratio
non-life reinsurance
in %



- Reinsurance in Q1–2 2004:
- Profit of €1,093m
- Combined ratio of 95.5%

- Diversified portfolio (regional / lines of business)
- High underwriting expertise
- Worldwide access to clients

Well balanced business

Reinsurance
Triggering our business model of reinsurance

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Pricing

- Strict application of risk-adequate pricing
- Elimination of inadequately priced business
- Close monitoring of price developments
- US casualty project

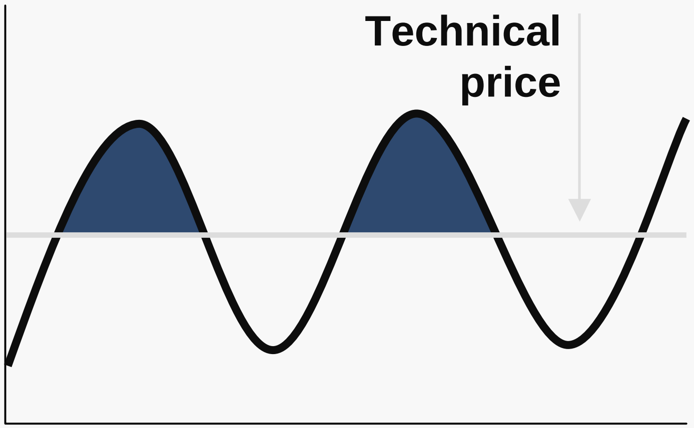
Risk Management

- Improvement of terms & conditions
- Diversification
- Limitations / exclusions
- Retrocession
- Accumulation control

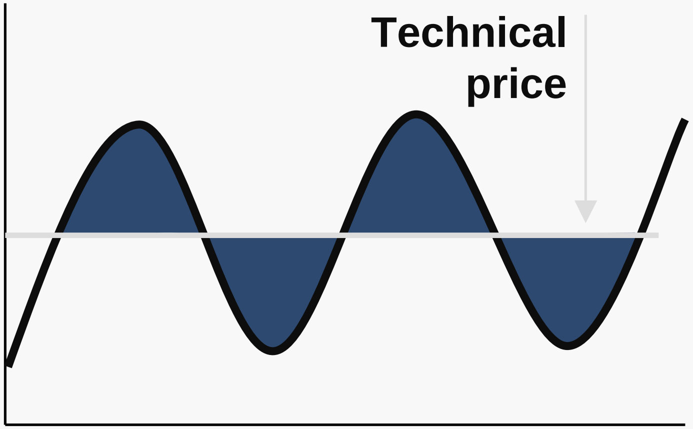
Delivering sustainable profitability

Pricing
Focus on risk-adequacy

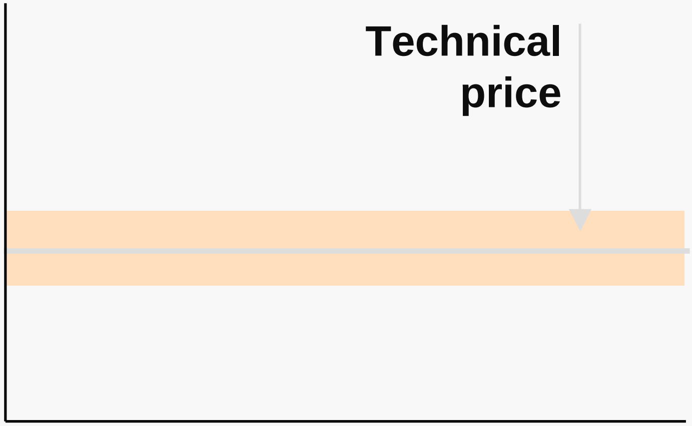
1) The opportunistic view



2) Follow the fortunes



3) Focus on risk-adequate price



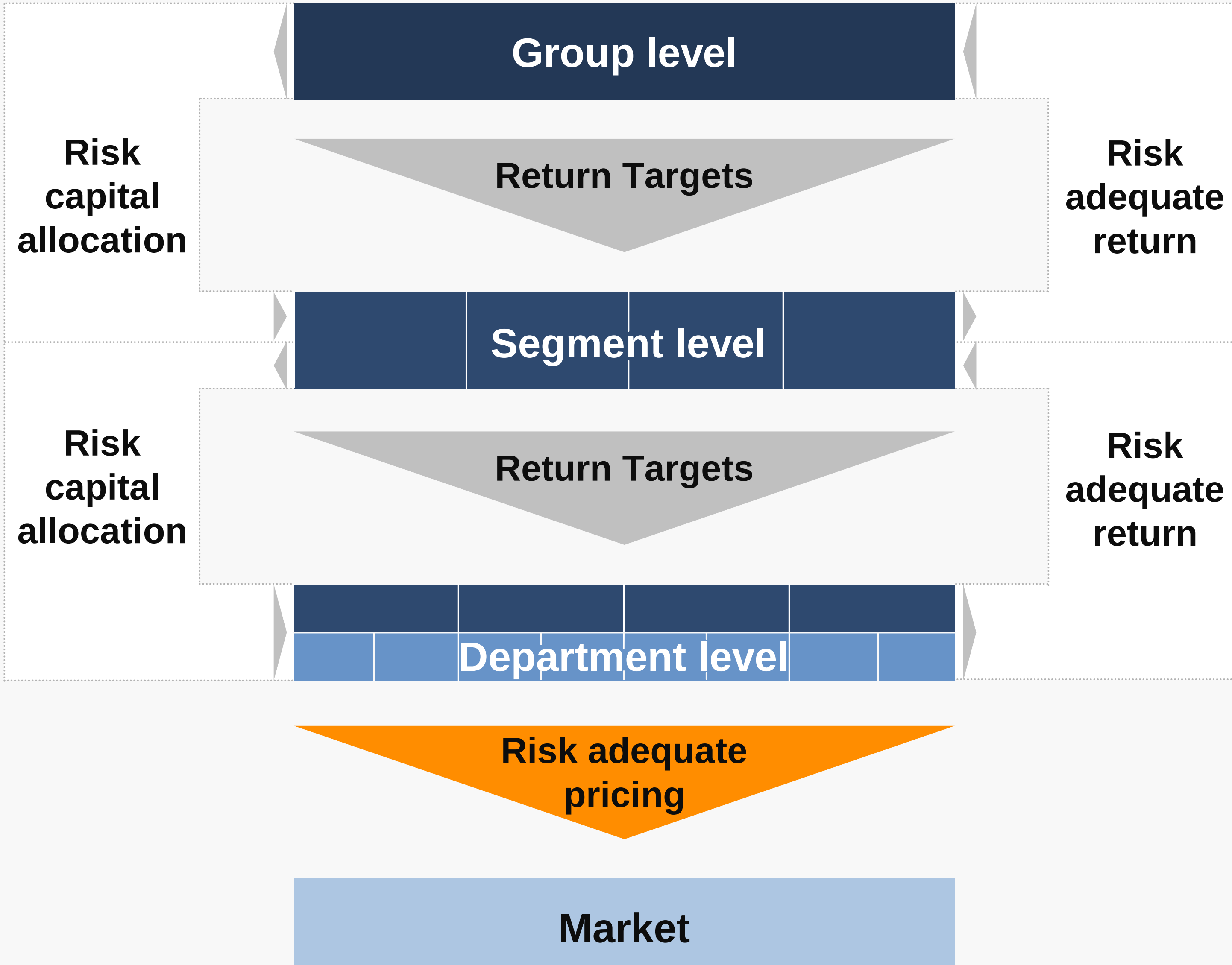
We have learned our lesson and are well prepared for the future

For each and every account and all lines of business at any time:

Risk adequate pricing => anti-cyclical behaviour

Only possible with steering tools, out-standing knowledge and management behaviour

Value Based Management
Competition for capital



Cascading down targets and capital

Managers' compensation strictly aligned to achieving targets

Structured planning process incl. competition for capital

Sophisticated tools to monitor renewal progress

Integrated Risk Management
Munich Re Capital Model

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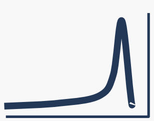
Realising integrated risk management

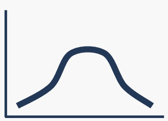
RISK

- **Asset risk**
  - **Credit risk**
  - **Market risk**
- **Liability risk**
  - **Non-life**
  - **Life**
- **Operating risk**
  - **Business risk**
  - **Event risk**

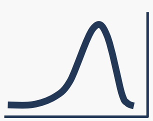
Credit risk
- Corporate bonds
- Retrocession ceded
- Other receivables



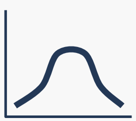
Market risk
- Equities, property
- Interest rate risk (ALM)
- Derivatives
- Foreign exchange



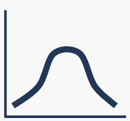
Non-life
- Nat cat. and other large losses
- Loss due to premium insufficiency
- Reserve uncertainty



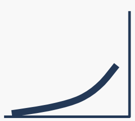
Life
- Mortality/ longevity
- Morbidity
- Persistency



Business risk
- Changes in volume
- Changes in pricing margins and expenses



Event risk
- Fraud
- Errors
- Systems interruption



Integrated risk management
Objectives of capital models

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- To represent the current overall risk profile of a company
- To represent all risk factors of the underlying business from an economic point of view: for each individual business segment and overall
- Important management tool:
  - Direct influence of results on management decisions (i.e. to incur more or less risk)

Integrated risk management
Focus on shareholder requirements

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Protect and optimise the return on shareholder capital

Asset and liability management	Active capital management	Accumulation control	Operational risks
▪ Strategy to derisk the balance sheet ▪ Investment management mandates dictated by nature of liabilities ▪ Early-warning system and hedging of equity exposure	▪ Dynamic process of allocating capital ▪ Management of rating agency and regulatory requirements ▪ Use of retrocession and hybrid instruments	▪ State-of-the-art controls for natural catastrophe risks ▪ Recognition of increasing interconnected-ness of risks ▪ Monitoring of cross balance-sheet exposures	▪ Comprehensive survey of risks across all legal entities ▪ Targeted review of high-impact risk-control processes ▪ Specialist continuity management unit

Munich Re capital model

Achieved results:

- Lowered equity exposure (14.8% per 06/2004)
- Reduced exposure to German financials (AZ < 10%; HVB 18.4% per 08/2004)

Next steps:

- Determination of equity exposure
- Control of emerging risks

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Expectations for 2005 Renewals
First impressions from Monte Carlo

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- Still favourable underwriting conditions and persistent market discipline in many markets
- Capitalisation of reinsurance industry increased, but less than in former cycles
- Remarkable losses like hurricanes in Florida support Munich Re’s approach to keep prices at technically adequate levels
- Certainly not one single, global reinsurance cycle: Differentiated picture as far as geographical regions and/or lines of business are concerned

Munich Re will rigidly stick to risk and exposure oriented pricing as well as to risk adequate terms and conditions

Appendix

Financial calendar

Contacts

Disclaimer

Financial calendar

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- **8 November 2004**
  Interim report as at 30 September 2004
- **15 March 2005**
  Annual Report 2004
  Balance sheet press conference
  Analysts' conference, Munich
- **28 April 2005**
  Annual General Meeting, Munich
- **29 April 2005**
  Dividend payment
- **9 May 2005**
  Interim report as at 31 March 2005
- **4 August 2005**
  Interim report as at 30 June 2005
- **7 November 2005**
  Interim report as at 30 September 2005

For information please contact

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