Munich Re Group

Dr. Torsten Jeworrek
Member of the Board of Management

Merrill Lynch Banking & Insurance Conference:
Managing Complexity

Münchener Rück
Munich Re Group

7 October 2004

Agenda

Agenda

Münchener Rück
Munich Re Group

Different views on risk assessement possible ...

Asset risks

- Asset allocation
- Concentration risk
- Market risks
- Credit risks

Liability risks

- Underwriting risks
- Reserve uncertainty
- Accumulation risks
- Pricing risk

Complexity due to

- un-/ correlated
- numerous

Risks on

- assets and
- liabilities in the balance sheet

... but our focus is a clear commitment to state-of-the-art risk assessment

Risk management

Asset-Liability-Management

Risk capital allocation

Risk adequate pricing

Risk adequate return

... but there are risks that are not insurable at any price (e.g. war) or only insurable to a very limited extent (e.g. terrorism)

Integrated risk management
Our approach to manage risks

Protect and optimise the return on shareholder capital

Asset and liability management

- Strategy to derisk the balance sheet
- Investment management mandates dictated by nature of liabilities
- Early-warning system and hedging of equity exposure

Active capital management

- Dynamic process of allocating capital
- Management of rating agency and regulatory requirements
- Use of retrocession and hybrid instruments

Accumulation control

- State-of-the-art controls for natural catastrophe risks
- Recognition of increasing interconnected-ness of risks
- Monitoring of cross balance-sheet exposures

Operational risks

- Comprehensive survey of risks across all legal entities
- Targeted review of high-impact risk-control processes
- Specialist continuity management unit

Munich Re capital model

Integrated risk management
Proven track record

Protect and optimise the return on shareholder capital

Asset and liability management	Active capital management	Accumulation control	Operational risks

▪ ALM concept is on hand: Liabilities are a trigger for asset allocation
▪ Lowered equity exposure and reduced exposure to German financials
	▪ VBM in place
	▪ Strong financial flexibility:
	  ▪ Hybrid issue
	  ▪ Rights issue
		▪ Limited exposure to hurricane season 2004	▪ Project "Gloria"

Munich Re capital model

Next steps:

- Determination of equity exposure
- Control of emerging risks

Agenda

Münchener Rück
Munich Re Group

Reinsurance
Triggering our reinsurance business model

Münchener Rück
Munich Re Group

Risk Management

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

Pricing

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

Delivering sustainable profitability

Hurricane season 2004

9.8. – 15.8.2004

2.9. – 24.9.2004

25.8. – 9.9.2004

13.9. – 28.9.2004

Münchener Rück
Munich Re Group

- Total insured loss: US$ 20 – 30bn
- Four hurricanes made it to landfall in the US (last occurrence in 1886)

Hurricane season 2004
Munich Re Group exposure limited

Münchener Rück
Munich Re Group

	Total insured loss	Munich Re loss (Estimates)***
Charley	US$ 7bn*	€75m
Frances	US$ 4,4bn*	€65m
Ivan	US$ 5 – 12bn**	€214m
Jeanne	US$ 4,5 – 9bn**	€86m

- Sophisticated tools and disciplined underwriting limit exposure to natural catastrophes
- Munich Re Group loss incl. Typhoon Songda and Chaba: Around €500m

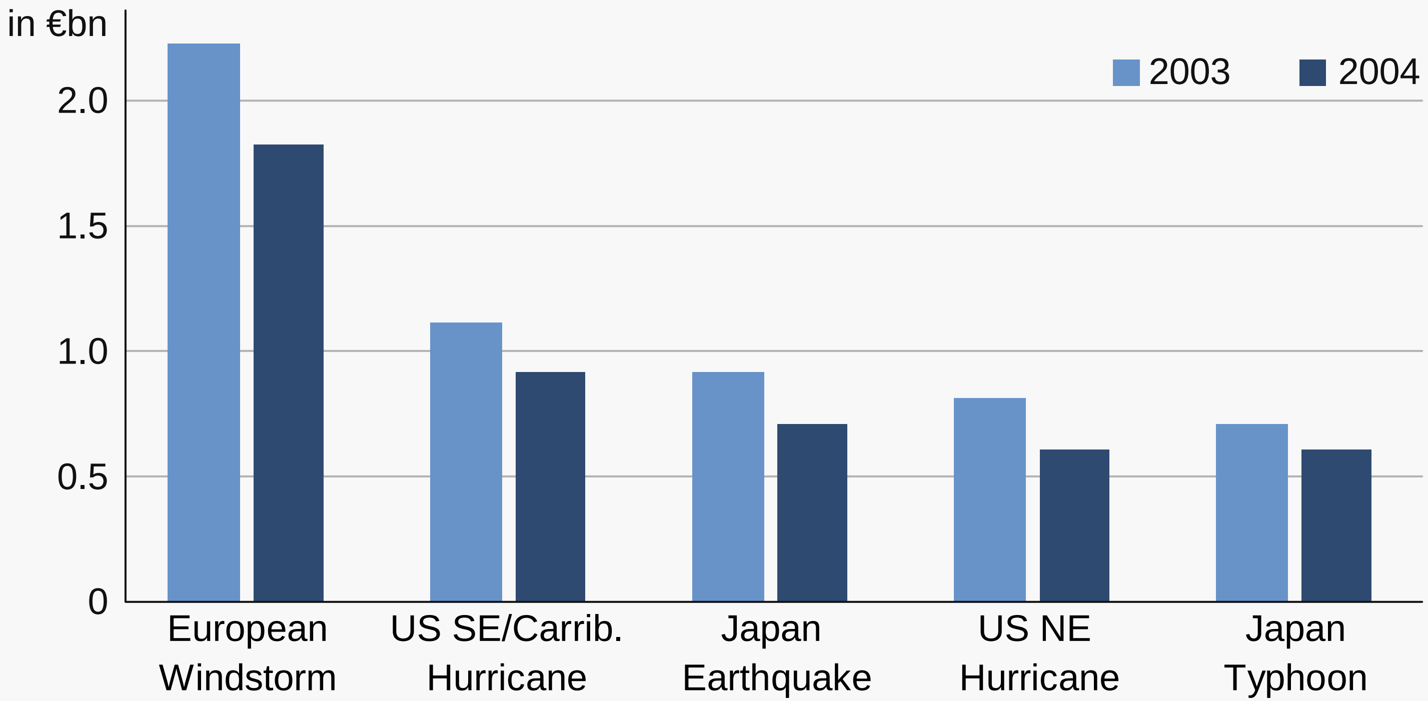
*PCS Estimates **Munich Re Estimates ***as of 28 September 2004

Segment information on capital requirements – Reinsurance non-life: Natural catastrophe exposures

Münchener Rück
Munich Re Group

Non-life reinsurance: Top 5 natural catastrophe exposures –

Gross estimated hundred-year losses



Reduced exposure of shareholder capital – largely explained by portfolio changes and currency effects

Strict Group-wide accumulation control process:

- Rigorous assessment of risks
- Board approved budgets by scenario
- Allocation of Group budget to business unit
- Intra-Group trading of budgets

Handling emerging risks
IRM and Knowledge management complement each other

Münchener Rück
Munich Re Group

Emerging Risks

Environmental damage	**Life Style risks** e.g. functional food	**IT risks** e.g. e-commerce liability
Biotech risks e.g. gentechnology	**Health risks** e.g. toxic mold	**New Technologies** e.g. nano

Business risks

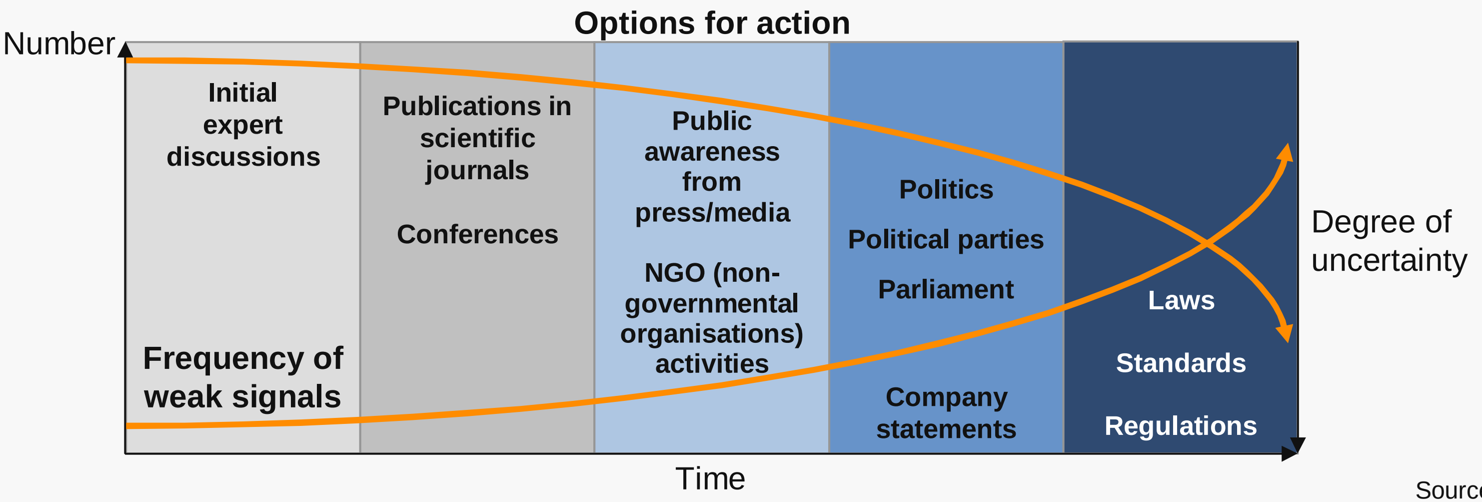
- Controlling of book of business
- Assessment

Opportunities

- Expertise
- Evaluation

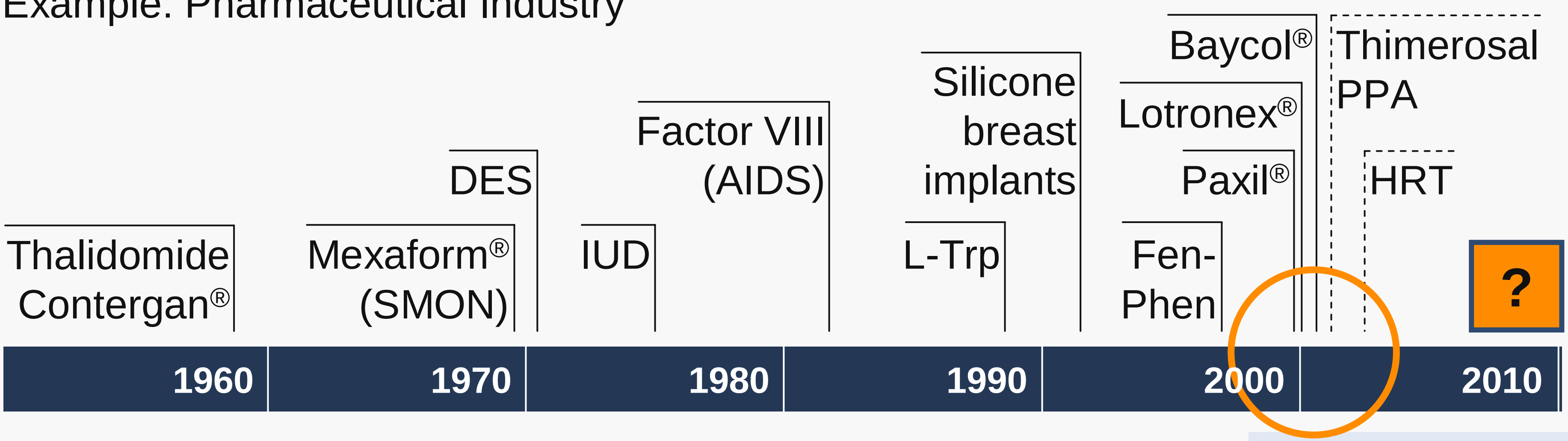
Integrated Risk Management Knowledge Management

Identification of emerging risks



Source:Allianz Global Risks Report 1/02

Example: Pharmaceutical Industry



US casualty
Key project results

- Detailed analysis of key drivers (past and future) of US casualty insurance and reinsurance, and identification of future appetite for workers' comp., general liability/umbrella, professional liability/D&O, auto and homeowners:
  - Legal system is a key driver, but not solely responsible for the problems in the US casualty market
  - Competitive behaviour of the industry is a key driver of the historically poor results
  - (Superimposed) inflation and emerging risks are other key drivers
- Consequences:
  - Need for a collaborative technical approach to manage key drivers: Competitive advantage of American Re and the Munich Re Group
  - Enhanced cooperation and better integration of processes and systems: Head of American Re Corporate Underwriting, in addition to his present responsibilities, will become a member of Group Corporate Underwriting

Munich Re convinced US casualty can be written profitably in the future, with American Re as main underwriter to write this business

Need for risk adequate price is an industry issue

Münchener Rück
Munich Re Group

More complex & changing risks

- Risks of random fluctuations and change
- Emerging risks
- Affect assets & liabilities

Global competition & disposition of fresh capital

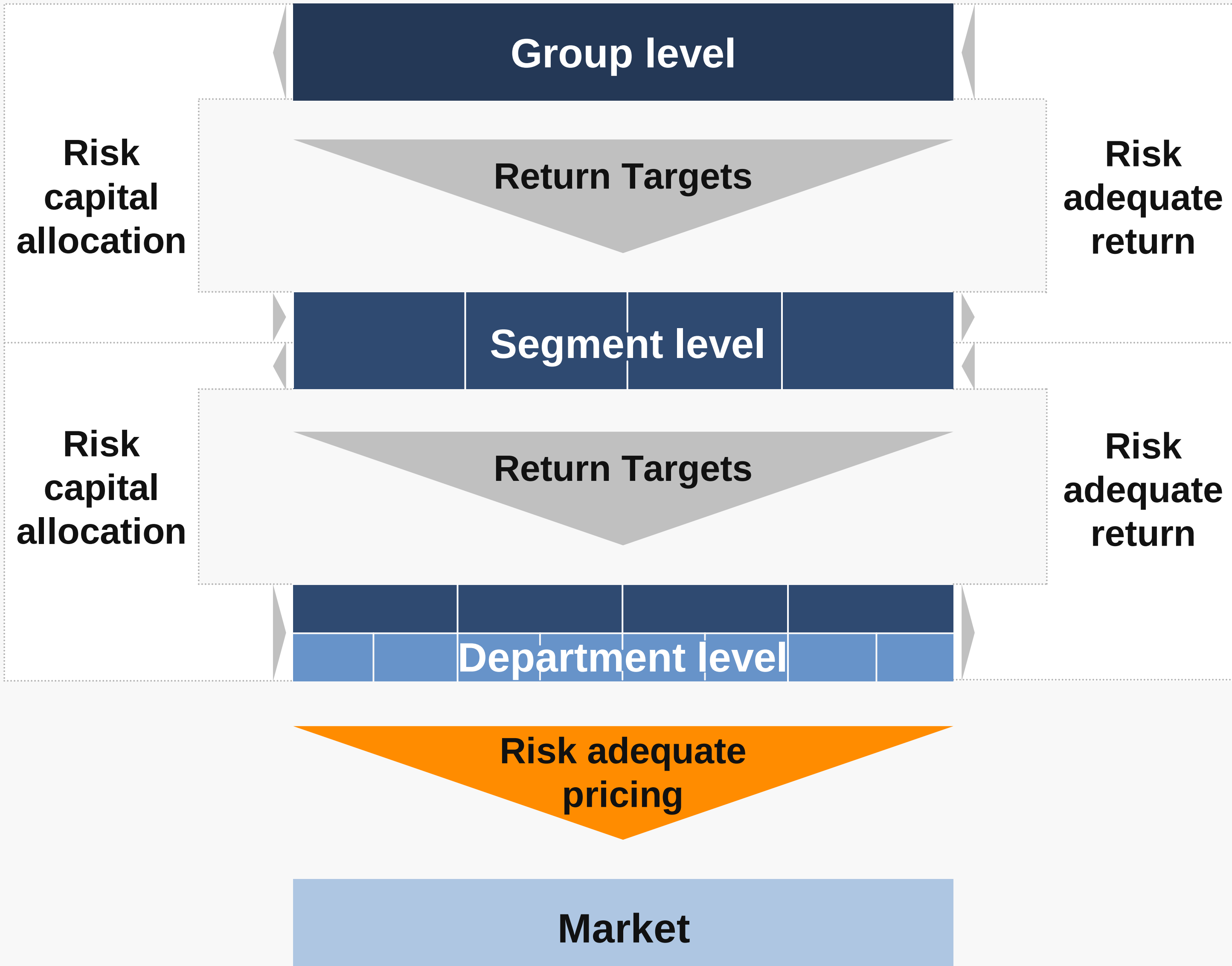
- On balance, reinsurance industry capital rising, but not excessive

Risk adequate pricing means anticyclical behaviour

- Only possible with outstanding knowledge
- For each and every account and all lines of business at any time

Munich Re has implemented rigid policy towards risk adequate pricing

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

Münchener Rück
Munich Re Group

Agenda

Our programme
Firm focus on profitability

Münchener Rück
Munich Re Group

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

Derisking:
Reduced concentration risk,
Allianz stake <10%

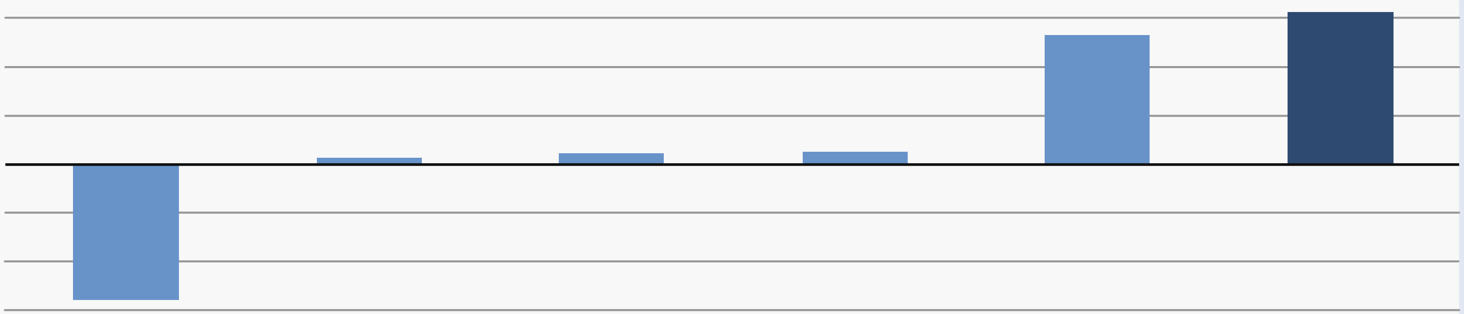
Net profit in Q1-2 2004 of €1,162m

Development of group result
Strict execution of underwriting guidelines boost profits

Münchener Rück
Munich Re Group

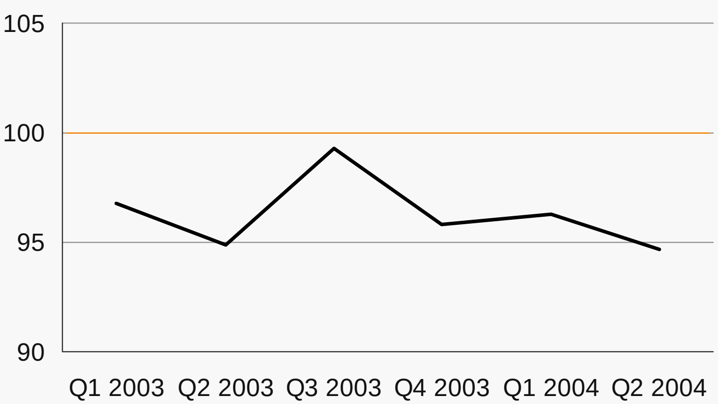
Group result
in €m

Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
–557	**28**	**42**	**53**	**534**	**628**



Group result in H1 reflects a positive upswing of more than €1.6bn

Combined ratio non-life reinsurance
Development from Q1 2003 to Q2 2004
in %



in %	2004	2003
Q1	96.3	96.8
Q2	94.7	94.9
Q3		99.3
Q4		95.8

Expectations for 2005 Renewals
Impressions from Monte Carlo

Münchener Rück
Munich Re Group

- 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 demonstrate the necessity of sustainable insurance cover
- Certainly not one single, global reinsurance cycle: Different 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

Key investment considerations

- 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

Appendix

Financial calendar

Contacts

Disclaimer

Financial calendar

Münchener Rück
Munich Re Group

- **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

Münchener Rück
Munich Re Group

Pedro Janeiro Martins

Head of Investor Relations
Tel.: +49 (0) 89/38 91-39 10
E-mail: pmartins@munichre.com

Ralf Kleinschroth

Tel.: +49 (0) 89/38 91-45 59
E-mail: rkleinschroth@munichre.com

Robert Kinsella

Tel.: +49 (0) 89/38 91-30 19
E-mail: rkinsella@munichre.com

Ingrid Grunwald

Tel.: +49 (0) 89/38 91-35 17
E-mail: igrunwald@munichre.com

Frank Kopfinger

Tel.: +49 (0) 89/38 91-28 94
E-mail: fkopfinger@munichre.com

Fax: +49 (0) 89/38 91-98 88
E-mail: InvestorRelations@munichre.com
Internet: www.munichre.com

Disclaimer

Münchener Rück
Munich Re Group

The information given here, in particular the “Outlook” section, refers to statements relating expressly and implicitly to the future and contains words such as “expect”, “believe”, “assume”, “targets” and other similar expressions. Such forward-looking statements are based on current expectations, estimates, forecasts and prognoses concerning the development of the market as well as management estimates and assumptions. Such forward-looking statements are no guarantee that events or results will actually materialise in the future and are subject to risks, uncertainties, assumptions and other factors that could lead to actual events or results deviating substantially from those anticipated in these forward-looking statements. Other factors include in particular catastrophes that could lead to extraordinary loss burdens as well as considerable price changes on the capital market, namely share price changes which may have an impact on the financial situation of the Munich Re Group.