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The Registrar of Companies
Companies Office
Ministry of Economic Development
Private Bag 92061
Auckland Mail Centre

22 June 2011

Dean G. Phillips
Accounts and Finance Manager
Tel.: +64 (9) 306 3461
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Dear Sir

Munichre New Zealand Service Limited
Level 30
The ANZ Centre
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Munich Reinsurance Company
Ref: 283533

I refer to your letter, copy attached, dated 20 June 2011.

I am please to provide the following additional information as requested in your letter.

I certify that the overseas company financial statements, Munich Reinsurance Company Annual Report 2010, do not require a Cash flow to comply with the laws in force in Germany under which they were prepared.

If you have any questions regarding this matter please do not hesitate to contact me.

Yours faithfully,

Dean G. Phillips
Munichre New Zealand Service Limited

Munich Reinsurance Company
New Zealand Branch
(Münchener Rückversicherungs-Gesellschaft
New Zealand Branch)

Annual Financial Report
31 December 2010

Registered Office
Level 30, 23-29 Albert Street Auckland New Zealand

Munich Reinsurance Company – New Zealand Branch

Directors' Declaration

The Board of Directors is pleased to present the financial statements of its New Zealand Branch for the year ended 31 December 2010, and the auditor's report thereon.

In the Directors' opinion, the financial statement and notes set out on pages 2 to 19:

(a) comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Branch as at 31 December 2010 and the results of operations for the year ended on that date.

(b) have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Branch and facilitate compliance of the financial statements with the Financial Reporting Act 1993 and the Companies Act 1993. There are reasonable ground to believe that, as at the time this statement is made, the Branch will be able to pay all debts or claims as and when they are due.

The shareholders of the Company have exercised their right under Section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of Section 211(1) of the Act.

Signed in Munich on 26 April 2011 in accordance with a resolution of the Directors.

For and on behalf of the Board of Management:

Member, Board of Management

Member, Board of Management

Munich Reinsurance Company – New Zealand Branch

Statement of comprehensive income for the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Revenue from operating activities	4	108,197	104,980
Expenses from operating activities	5	470,096	80,030
(Loss)/profit from operating activities before income tax		(361,899)	24,950
Income tax (credit)/expense attributable to operating (loss)/profit	6	(79,358)	7,498
Total comprehensive (expense)/income for the year		(282,541)	17,452

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 5 to 19

Munich Reinsurance Company – New Zealand Branch
Balance sheet as at 31 December 2010

	Note	2010 *$'000*	2009 *$'000*
Current assets			
Cash and cash equivalents	9	3,879	2,568
Outstanding premiums	10	32,948	27,341
Deferred acquisition costs	13	10,239	5,855
Financial assets	11	357,060	64,847
Current tax receivable	6(c)	3,603	-
Other	12	3,270	1,277
Total current assets		410,999	101,888
Non-current assets			
Financial assets	11	189,294	121,854
Deferred tax assets	14	78,232	-
Total non-current assets		267,526	121,854
Total assets		678,525	223,742
Current liabilities			
Trade and other payables	15	11,617	8,914
Income tax payable	6(c)	-	465
Outstanding claims	16	294,179	60,045
Unearned premiums	17	49,470	40,626
Provisions	18	1,160	1,852
Total current liabilities		356,426	111,902
Non-current liabilities			
Outstanding claims	16	231,140	79,595
Deferred tax liabilities	19	-	1,126
Total non-current liabilities		231,140	80,721
Total liabilities		587,566	192,623
Net assets		90,959	31,119
Head Office account			
Accumulated surplus – Head Office		90,959	31,119
Total Head Office account		90,959	31,119

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 5 to 19

Munich Reinsurance Company – New Zealand Branch

Statement of changes in equity for the year ended 31 December 2010

	Head Office Account $'000
Balance at 1 January 2009	23,154
Total comprehensive income for the year	
Profit after tax for the year	17,452
Transactions with owners in their capacity as owners	
Transfer of surplus to Head Office	(9,487)
Balance at 31 December 2009	31,119
Total comprehensive expense for the year	(282,541)
Transactions with owners in their capacity as owners	
Transfer to Head Office – capital repatriation	(27,619)
Transfer from Head Office – capital injection	370,000
Balance at 31 December 2010	90,959

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 5 to 19

Munich Reinsurance Company – New Zealand Branch
Notes to the financial statements for the year ended 31 December 2010

1. Summary of significant accounting policies

Munich Reinsurance Company – New Zealand branch ("the Branch") is registered to carry on inward reinsurance business in New Zealand for a foreign company, Münchener Ruckversicherungs-Gesellschaft AG, which is domiciled and incorporated in Germany. The Branch's principal activity is general reinsurance.

The financial report was authorised for issue by the directors on 26 April 2011.

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions. The Branch is a profit-orientated entity. The Branch is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The Branch qualifies for differential reporting exemptions as it has no public accountability, and all its owners are involved in the governing of the Branch. The Branch has elected not to adopt the exemption available under NZ IAS 12 *Income Taxes* which allows a qualifying entity to account for income tax using the taxes payable method. All other available exemptions allowed under the Framework for Differential Reporting have been adopted.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars.

The financial statements are prepared in accordance with the fair value basis accounting unless otherwise stated below.

The accounting policies set out below have been applied consistently by the Branch to all periods presented in the financial statements.

(c) Premium revenue

The earned portion of premiums received and receivable including unclosed business is recognised as revenue.

The pattern of recognition of premium revenue over the policy or indemnity periods is based on time, where this closely approximates the pattern of risk underwritten. Where time does not approximate the pattern of risk previous claims experience has been used to derive the incidence of risk.

(d) Unexpired risk liability

At each reporting date the Branch performs a liability adequacy test and immediately recognises any deficiencies if the carrying amount of unearned premium less any related deferred acquisition costs does not meet estimated future cash flows relating to future claims covered by current reinsurance contracts.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The entire deficiency, if any, gross and net of reinsurance, is recognised immediately in the statement of comprehensive income. The deficiency is recognised first by writing down the related deferred acquisition costs with any excess being recorded in the balance sheet as an unexpired risk liability.

The liability adequacy test performed as at 31 December 2010 identified a surplus.

(e) Outwards reinsurance

There were no outwards reinsurance arrangements placed during the financial year.

(f) Claims

Claims incurred expense and a liability for outstanding claims are recognised in respect of the inwards reinsurance business. The liability covers claims incurred but not yet paid, incurred but not reported, incurred but not enough reported and the anticipated direct costs and where material indirect costs of settling those claims.

The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. The expected future payments are then discounted to a present value at the balance date using a discount rate.

1. Summary of significant accounting policies (continued)

(f) Claims (continued)

A risk margin is added to the outstanding claims provision to increase the probability that the liability is adequate at an adequacy level deemed appropriate by the management and set at a minimum confidence level of 75%.

(g) Acquisition costs

A portion of direct acquisition costs relating to unearned premium revenue is deferred where it represents future benefits to the Branch and can be reliably measured. Deferred acquisition costs are stated at the lower of cost and recoverable amount. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure.

(h) Foreign currency translation

The financial statements are presented in New Zealand dollars, which is the Branch's presentation and main functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Assets and liabilities expressed in other currencies are translated to the functional currency using the closing exchange rate at the reporting date. Unrealised foreign exchange gains and losses resulting from this translation are recognised in the balance sheet. Income and expenses are translated using the average exchange rate for the year. Realised foreign exchange gains and losses resulting from this translation are recognised in the Statement of comprehensive income.

(i) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

(j) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars.

(k) Financial assets backing insurance contract liabilities

The Branch has determined that all financial assets are deemed to back insurance contract liabilities and are measured at fair value through profit or loss at each balance date as they meet the criteria under NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Unrealised profits and losses on subsequent measurement to fair value are recognised in the statement of comprehensive income.

Fair value is measured as follows:

- Cash assets are carried at face value of the amounts deposited. The carrying amounts of cash assets approximate their fair value. Cash includes cash on hand, deposits held at call with banks and investments in money market instruments, such as Bills of Exchange.
- Fair value of fixed interest securities is taken as the bid price of the instrument.
- Receivables are carried at book value, which is the best estimate of fair value, as they are settled within a short period.

Interest income is brought to account as it is earned.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(l) Impairment of assets

All assets other than those which are set outside the scope of NZ IAS 36 *Impairment of Assets* are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(m) Receivables

Receivables are initially recognised and subsequently measured at book value less provision for doubtful debts, which is the best estimate of fair value. The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the

1. Summary of significant accounting policies (continued)

(m) Receivables (continued)

Branch will not be able to collect all amounts that are due in accordance with the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate.

(n) Payables

These amounts are carried at book value, which approximates fair value and represents liabilities for goods and services provided to the Branch prior to the end of the financial year that were unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

2. Summary of significant actuarial methods and assumptions

The effective date of the actuarial valuation on outstanding claims liability is 31 December 2010. The liability valuation report was prepared by the Appointed Actuary, Mr. Kaise Stephan FIAA, FNZSA. The report indicates that the Appointed Actuary is satisfied with the nature, sufficiency and accuracy of the data provided upon which the outstanding claims liabilities have been determined. Methods utilised and assumptions made in determining the outstanding claims liability are in accordance with the requirements of NZ IFRS 4 *Insurance Contracts* and consistent with the New Zealand Society of Actuaries Professional Standard Number 4, "General Insurance Business".

(a) Key actuarial valuation methods and assumptions

(i) Outstanding claims liabilities

Provision is made at the end of the year for the estimated cost of claims incurred but not settled at balance date. These reserves include estimates for claims that have been reported, claims that have been incurred but not reported (IBNR), and claims that have been incurred but not enough reported (IBNER), and include estimates of expenses associated with processing and settling these claims.

The process of establishing reserves is subject to considerable variability as it requires the use of informed estimates and judgements. These estimates and judgements are based on numerous factors, and may be revised as additional experience and other data become available or as regulations change.

Outstanding claims liability is estimated by class of business. Historical experience and other statistical information are used to estimate the ultimate claim costs. To determine outstanding claims provision for a particular line of business, more than one method may be used to estimate ultimate losses and loss expenses and use the results to select a single point estimate. These methods may include, but are not necessarily limited to, extrapolations of historical reported and paid loss data, application of industry loss development patterns to the reported or paid losses, expected loss ratios developed by management, and historical industry loss ratios. Underlying judgements and assumptions that may be incorporated into these actuarial methods include, but are not necessarily limited to, adjustments to historical data used in models to exclude aberrations in claims data such as catastrophes that are typically analysed separately, adjustments to actuarial models and related data for known business changes and the effect of recent or pending litigation on future claims settlements.

(ii) Key actuarial assumptions

The following key assumptions have been made in determining the outstanding claims liabilities:

	2010	2009
Weighted average term to settlement (years)	1.0	1.7
Inflation rate	2.5%	2.5%
Discount rate	3.4%-7.3%	4.3% - 7.0%
Claims handling expense ratio	1.1%	1.5%
Risk margin	8.2%	7.8%

2. Summary of significant actuarial methods and assumptions (continued)

(a) Key actuarial valuation methods and assumptions (continued)

(ii) Key actuarial assumptions (continued)

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

- **Weighted average term to settlement**

The weighted average term to settlement relates to the number of years or duration until the payments are made on average (inflated and discounted). The payment pattern is selected based on historical settlement patterns. The weighted average term to settlement, while not itself an assumption, provides a summary indication of the future cash flow pattern.

- **Inflation rate**

Insurance costs are subject to inflationary pressures. The inflation assumptions for the outstanding claim liabilities are set with reference to economic indicators such as Labour Cost Index and Consumer Price Index.

- **Discount rate**

In order to determine the interest rates used to discount the undiscounted liabilities, an analysis of the term structure of risk-free interest rates was prepared. The yield structure of New Zealand government bonds as at 31 December 2010 (the last business day in 2010) is used to derive the future effective annual interest rates.

- **Claims handling ratio**

New Zealand and International Financial Reporting Standards require insurers to establish a provision for outstanding claims, which includes an allowance for claims handling expenses (CHE). The claims handling ratio is determined by conducting an expense analysis on the running costs related to claims personnel.

- **Risk margin**

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes. The uncertainty margins were determined for each line of business and then reductions were applied on account of diversification across the various lines of business. The overall position is intended to approximate the 75% probability of sufficiency scenario.

(b) The effect of changes in key actuarial assumptions

Sensitivity analyses are conducted to quantify the impact of changes in the key underlying variables. The variations included in the reported results are calculated using certain assumptions about the variables as disclosed below. The movement in any key variable will impact the financial position and performance for a period. The following information describes how a change in each assumption will affect claims liabilities and provides an analysis of the sensitivity of the outstanding claims liabilities to changes in these assumptions.

- **Weighted average term to settlement**

A decrease in average term to settlement would imply that claims are being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the weighted average term would have a opposite effect on outstanding claims liabilities.

- **Inflation rate**

Expected future payments are inflated. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding change on outstanding claims liabilities.

- **Discount rate**

The outstanding claims liability is calculated with reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposite impact on the overall outstanding claims liabilities.

- **Claims handling ratio**

An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding change on outstanding claims liabilities.

- **Risk margin**

The outstanding claims liability includes a risk margin to allow for the inherent uncertainty in the estimates of future claims cost. An increase or decrease in the percentage risk margin will have a corresponding change in the overall outstanding claims liabilities.

2. Summary of significant actuarial methods and assumptions (continued)

(c) Sensitivity analysis of changes in key actuarial assumptions

Sensitivity analyses are conducted to quantify the impact of changes in the key underlying variables. The variations included in the reported results are calculated using certain assumptions about the variables as disclosed below. The movement in any key variable will impact the financial position and performance for a period. The following information describes how a change in each assumption will affect claims liabilities and provides an analysis of the sensitivity of the outstanding claims liabilities to changes in these assumptions.

The impact of changes in key actuarial assumptions is summarized below. Each change has been calculated in isolation of the other changes.

The movements are stated in absolute terms where the base assumption is a percentage, for example, if the base inflation rate assumption was 2.5%, a 1% increase would mean a 3.5% inflation rate. The movements in the net outstanding claims liability would have an opposing net impact on the profit before tax for a year.

Variable	Movement in variable	Change in discounted outstanding claim liability ($'000)
Weighted average term to settlement	+10%	(3,043)
	-10%	3,050
Inflation rate	+1%	3,413
	-1%	(3,525)
Discount rate	+1%	(3,413)
	-1%	3,525
Claims handling expense ratio	+1%	4,835
	-1%	(4,835)

3. Risk management policies and procedures

The Branch carries on inward reinsurance business in New Zealand in the non life insurance segment.

The financial condition and operating results of the Branch are affected by a number of key financial and non-financial risks. Risk management is the process of identifying, analysing, controlling, monitoring, and reporting risks that could have a material impact on the operations of the Branch. Insurance risk involves the consideration of the market, product design, pricing, underwriting, claims management and valuation risk. The Branch's disclosed objectives and policies in respect of managing these risks are set out in the remainder of this note.

(a) Risk management objectives and policies for mitigating financial risks

Objectives

Through its insurance operations the Branch is exposed to financial risks such as credit risk, liquidity risk and market risk. The Branch's risk management framework seeks to minimise the potential adverse effects of these risks on its financial performance.

The key objective of the Branch's financial management strategy is to ensure sufficient liquidity is available at all times to meet its financial obligations, including settlement of insurance liabilities, and to optimise the Branch's investment returns.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Branch's exposure to credit risks and concentration:

- A mandate is in place that limits all New Zealand dollar investments to be in New Zealand government bonds or deposits with major banks.
- The credit risk in respect of client balances: Premium paid by cedants are paid net of commission so that no commission liability exists until a premium is paid. Additionally claim payments may be deferred where there are outstanding client balances.

The carrying amounts of financial assets represent the maximum credit exposure. The table below provides information regarding the maximum exposure to credit risk for the components of the balance sheet.

		Carrying amount	
		2010	2009
	Note	$'000	$'000
Cash and cash equivalents	9	3,879	2,568
Financial assets at fair value through profit or loss			
- Debt securities	11	238,354	186,701
- Term deposits with banks	11	308,000	-
Amount due from ceding companies in respect of outstanding premium	10	32,948	27,341
Income tax receivable	6(c)	3,603	-
Accrued income	12	3,270	1,277
Total		590,054	217,887
No financial assets are either past due or impaired			
Grade 1-3 (Standard & Poor's A- to AAA)		584,295	205,349
Grade 4-5 (Unrated or Standard & Poor's BB+ to BBB+)		5,759	12,538
Total		590,054	217,887

All financial assets carried at fair value through profit or loss are categorised as level 2 of the fair value measurement hierarchy. The fair value of level 2 financial assets are measured by using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). There were no transfers between levels in the current or prior year.

Other than with the New Zealand government, the Branch has no significant concentration of credit risk.

3. Risk management policies and procedures (continued)

(a) Risk management objectives and policies for mitigating financial risks (continued)

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policy and procedures are in place to mitigate the Branch's exposure to liquidity risk:

- The Branch maintains a sufficient portfolio of liquid financial assets that are readily converted to cash to meet the needs of the business, without incurring unacceptable losses or risking damage to the Branch's reputation.
- The Branch maintains financial assets with similar duration as the underlying reinsurance contract liabilities of the business in order to ensure sufficient funding is available to meet reinsurance contract obligations.

The table below summarises the maturity profile of the financial liabilities of the Branch based on remaining undiscounted contractual obligations.

	Note	Up to a year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2010					
Amount due to ceding companies	15	10,071	-	-	10,071
GST payables	15	1,524	-	-	1,524
Other creditors	15	22	-	-	22
Outstanding claims	16	294,179	220,634	10,506	525,319
Total		305,796	220,634	10,506	536,936
2009					
Amount due to ceding companies	15	8,371	-	-	8,371
GST payables	15	543	-	-	543
Other creditors	15	-	-	-	-
Tax payable	6(c)	465			465
Outstanding claims	16	60,045	68,424	11,171	139,640
Total		69,424	68,424	11,171	149,019

3. Risk management policies and procedures (continued)

(a) Risk management objectives and policies for mitigating financial risks (continued)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The following policy is in place to mitigate the Branch's exposure to market risk:

- The Branch manages its risk within an Asset and Liability Management (ALM) framework. The ALM framework forms an integral part of the reinsurance risk management policy and ensures the Branch maintains financial assets with similar duration and cash flow characteristics as the underlying reinsurance contract liabilities of the business. This minimises the risk of interest rate movements resulting in a mis-match between the value of the assets and the liabilities.
- The Branch does not trade in derivatives or use derivatives to manage exposures to interest rate risk, foreign currency risk and other price risk.

Interest rate risk

The Branch has determined that all assets held are assets backing insurance contract liabilities. The investment income of the Branch will decrease as interest rates decrease. This is offset to an extent by corresponding changes in the market value of fixed interest investments. The impact on profit and shareholder equity will be minimal for investment assets backing most insurance contract liabilities, as the asset and liability profile is closely matched.

The Branch's exposure to interest rate risk and the effective weighted average interest rate for each significant class of interest bearing financial asset are set out below:

	Weighted average interest rate	Floating interest rate $'000	---- Fixed interest maturing in:---- Up to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2010						
Cash	2.5%	1,529	-	-	-	1,529
Deposits at call	3.5%	2,350	-	-	-	2,350
Investments						
Government bonds	6.23%	-	49,060	158,317	30,977	238,354
Term deposits	4.58%	-	308,000	-	-	308,000
Total		3,879	357,060	158,317	30,977	550,233
2009						
Cash	2.23%	2,568	-	-	-	2,568
Bills of exchange – bank endorsed	2.86%	-	64,847	-	-	64,847
Investments						
Government bonds	6.24%	-	-	121,854	-	121,854
Total		2,568	64,847	121,854	-	189,269

Currency risk

The Branch operates in New Zealand but may have some incidental international reinsurance exposures. Assets are maintained in the local currency to match all expected liabilities. Hence the Branch's currency risk is not considered to be of a material nature.

Other price risk

The Branch does not trade derivatives or hold equity securities in another entity, therefore there is no material exposure to other price risk.

3. Risk management policies and procedures (continued)

(b) Risk management objectives and policies for mitigating insurance risks

Objectives

The Branch's objectives and policies in respect of managing insurance risks are:

- Understanding insurance risk as the risk of loss, of inadequate claims handling, or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
- Measuring the frequency and severity of possible insurance risk loss events.
- Treating insurance risk with controls designed to assure:
  - Adherence to competency based underwriting guidelines and limits.
  - Improving underwriting platform and pricing tools.
  - Sufficient business pricing peer-reviews.
  - Competency based peer reviewing of all business.
  - Rigorous analysis of: Contemporaneous & Periodic Renewal Monitoring Reports.
- Monitoring insurance risk by reporting and responding to incidents.

(i) Concentrations of insurance risk

The Branch's exposure to concentrations of insurance risk is lessened by diversification across a number of different portfolio segments . The Branch conducts significant analysis of single-event exposures on an ongoing basis and continues to be well within the limits mandated by its head office.

(ii) Exposure to risk

The Branch actively manages its exposure to risks by applying prudent underwriting controls to renewals and new business and in managing claims in order to enhance its financial performance. The key policies in place to mitigate insurance risk include:

Management reporting

The Branch utilises comprehensive management information systems and actuarial models using historical information to calculate premiums and monitor claims.

Underwriting and claims management procedures

Underwriting procedures are documented and include limits to delegated authorities and signing powers. Internal auditors review the underwriting and claims management processes to ensure adequate controls are in place and that they are effective. Strict claims management procedures ensure the timely and correct payment of claims in accordance with treaty conditions.

(c) Capital management

(i) Regulatory capital

There is no prescribed capital standard for general insurers operating in New Zealand. The level of capital held by the Branch is regularly monitored relative to a Board approved buffer capital policy. It also takes into account the fit of the activity with the longer term strategic objectives of its head office in Munich (refer note 25) in order to maximise shareholder value.

The goal of the current capital management plan for the Branch is to keep positive net assets at all times and to have a buffer of approximately $3.0 million over and above the compulsory minimum statutory deposit of $500,000. The capital structure is maintained or adjusted by the amount of capital repatriations/(injections) to/(by) its head office in Munich.

(ii) Ratings capital

The Branch maintains the capital strength by reference to a target financial strength rating from an independent ratings agency. The ratings help to reflect the financial strength of the Branch and demonstrate to the stakeholders the ability to pay claims for the long term. Rating agencies assess the financial strength of the Munich Re Group.. Therefore the Branch obtained the same rating as Munich Re Group based on ratings published by Standard & Poor's Ratings services as 31 December 2010. The Branch manages its capital rating by performing periodical analysis using Standard & Poor's Capital model.

3. Risk management policies and procedures (continued)

(d) Development of claims

Information about actual claims compared to previous estimates is provided below for claims for business for which uncertainty about the amount and timing of claim payments is not typically resolved within one year.

	Underwriting Year					
	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	Total $'000
Estimate of net ultimate claims cost						
At end of underwriting year	50,346	74,447	49,897	57,776	416,855	
One year later	53,020	92,554	52,019	81,093		
Two years later	53,248	85,909	48,625			
Three years later	51,443	78,579				
Four years later	49,497					
Current estimate of ultimate claims cost	49,497	78,579	48,625	81,093	416,855	674,649
Cumulative net payments	(41,906)	(54,155)	(29,376)	(17,602)	2,040	(140,999)
Net undiscounted outstanding claims for the five most recent underwriting years	7,591	24,424	19,249	63,491	418,895	533,650

4. Revenue from operating activities

	2010 $'000	2009 $'000
Reinsurance revenue		
Inwards reinsurance premium revenue	96,722	94,841
Reinsurance recoveries revenue	-	-
Total reinsurance revenue	96,722	94,841
Investment revenue		
Interest	11,261	10,075
Net realised and unrealised gains	139	-
Total investment revenue	11,400	10,075
Other revenue		
Other income	75	64
Total other revenue	75	64
Total revenue from operating activities	108,197	104,980

5. Expenses from operating activities

	2010 $'000	2009 $'000
Reinsurance expense		
Inwards reinsurance claims expense (notes 7 & 26)	445,787	52,366
Outwards reinsurance expense	-	-
Acquisition expenses	18,540	16,904
Total reinsurance expense	464,327	69,270
Investment expense		
Net realised and unrealised losses on investments	-	4,548
Investment management expenses	130	151
Total investment expense	130	4,699
Other expense		
General and administration expenses	5,639	6,061
Total other expense	5,639	6,061
Total expenses	470,096	80,030

6. Income tax

(a) Income tax expense

	2010 $'000	2009 $'000
Current taxes	-	7,854
Deferred taxes	(79,358)	(356)
Over provided in prior year – current tax	-	(9)
Under provided in prior year – deferred tax	-	9
Income tax (credit)/expense	(79,358)	7,498

(b) Reconciliation of prima facie tax payable to income tax expense

	2010 $'000	2009 $'000
(Loss)/profit from operating activities before income tax	(361,899)	24,950
Prima facie income tax (benefits) / payable at the tax rate of 30%	(108,570)	7,485
Unrecognised tax losses at the tax rate of 30%	23,607	-
Non-deductible expenses	17	13
Effect of change in corporate tax rate	5,588	-
Income tax (credit)/expense	(79,358)	7,498

(c) Income tax receivable/(payable)

	2010 $'000	2009 $'000
Opening balance at 1 January	(465)	(24)
Additional provisions recognised	-	(7,854)
Liabilities paid	3,603	7,404
Tax loss transfer	465	-
Over provision prior year	-	9
Closing balance at 31 December	3,603	(465)

(d) Tax rate change

Income tax legislation has been passed reducing the corporate tax rate from 30% to 28% which will have effect for the Branch from 1 January 2011. The deferred tax assets and liabilities recognized in the financial statements for the year ended 31 December 2010 have been calculated using the new corporate tax rate.

7. Net claims incurred

	2010			2009		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expenses						
Gross claims incurred - undiscounted	436,457	5,225	441,682	73,699	(21,649)	52,050
Discount movement	4,056	49	4,105	447	(131)	316
Discounted gross claims expenses	440,513	5,274	445,787	74,146	(21,780)	52,366
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	-	-	-	-	-	-
Discount movement	-	-	-	-	-	-
Discounted reinsurance and other recoveries revenue	-	-	-	-	-	-
Net claims incurred	440,513	5,274	445,787	74,146	(21,780)	52,366

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

The increase in net claims incurred relating to a reassessment of risk borne in previous financial years is mainly due to changes to some actuarial assumptions which resulted in a strengthening of reserves in some long- tail classes.

8. Underwriting result

	2010 $'000	2009 $'000
Inwards reinsurance premiums revenue (note 4)	96,722	94,841
Reinsurance recoveries revenue	-	-
Total reinsurance revenue	96,722	94,841
Inwards reinsurance claims expense (notes 5 & 26)	445,787	52,366
Outwards reinsurance expense	-	-
Acquisition expenses (note 5)	18,540	16,904
Total reinsurance expense	464,327	69,270
Underwriting result	(367,605)	25,571

9. Current assets – cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank	1,529	1,268
Deposits at call	2,350	1,300
Total	3,879	2,568

(a) Cash at bank

Cash at bank is bearing floating interest rates between 2% to 2.5% during the financial year (2009: 2% to 4.5%).

(b) Deposits at call

The deposits at call are bearing floating interest rates between 2.45% to 3.5% during the financial year (2009: 2.5% to 5%).

10. Current assets – outstanding premiums

	2010 $'000	2009 $'000
Amounts due from ceding companies	32,948	27,341

11. Financial assets

Financial assets – fair value through profit or loss

	2010 $'000	2009 $'000
Debt securities – unsecured	238,354	186,701
Deposits with banks	308,000	-
Total financial assets – fair value through profit or loss	546,354	186,701
Current financial assets	357,060	64,847
Non-current financial assets	189,294	121,854
Total financial assets – fair value through profit or loss	546,354	186,701

Changes in the fair value of financial assets through the profit or loss are recorded as revenue/ expense in the statement of comprehensive income (note 1(k)).

12. Current assets – other

	2010 $'000	2009 $'000
Accrued income	3,270	1,277
Total	3,270	1,277

13. Deferred acquisition costs

	2010 $'000	2009 $'000
Total	10,239	5,855
Reconciliation of movement in deferred acquisition costs		
Balance brought forward	5,855	7,001
Costs deferred in financial year	9,482	4,980
Amortisation of costs deferred in previous financial years	(5,098)	(6,126)
Balance carried forward	10,239	5,855

14. Non-current assets – deferred tax assets

Deferred tax assets relate to timing differences and comprises the tax effect of the following amounts recognised in the profit or loss:

Carry forward tax loss	79,487	-
Deferred acquisition costs	(2,866)	-
Insurance provisions	1,611	-
Deferred tax assets/(liabilities)	78,232	-
Movements:		
Opening balance at 1 January (note 19)	(1,126)	-
Charged to the statement of comprehensive income	79,358	-
Closing balance at 31 December	78,232	-

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses amounting to $22,033,000 because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits therefrom.

15. Current liabilities –payables

Amount due to ceding companies	10,071	8,371
Sundry creditors and accrued expenses	1,546	543
Total	11,617	8,914

16. Outstanding claims liability

(a) Outstanding claims liability

Central estimate	494,927	138,227
Claims handling cost	5,483	2,112
Risk margin	39,991	10,278
Total outstanding claims liability – undiscounted	540,401	150,617
Discount to present value	(15,082)	(10,977)
Discounted outstanding claims liability	525,319	139,640
Current	294,179	60,045
Non-current	231,140	79,595
Total	525,319	139,640

The increase in outstanding claims liability is predominantly as a result of the Christchurch Earthquake occurring on 4 September 2010. Refer note 26.

(b) Reconciliation of movement in discounted outstanding claims liability

Balance brought forward	139,640	133,740
Incurred claims recognised in the statement of comprehensive income (note 7)	445,787	52,366
Claim payments during the year	(60,108)	(46,466)
Balance carried forward	525,319	139,640

17. Unearned Premium

	2010 $'000	2009 $'000
Unearned Premium	49,470	40,626
Total	49,470	40,626
Reconciliation of movement in unearned premium		
Balance brought forward	40,626	46,933
Deferral of premium on contracts written in the period	28,852	21,078
Earning of premium written in previous periods	(20,008)	(27,385)
Balance carried forward	49,470	40,626

18. Current liabilities – provisions

Profit commissions	1,160	1,852
Total	1,160	1,852

19. Non-current liabilities – deferred tax liabilities

Deferred tax liabilities relates to timing differences and comprises the tax effect of the following amounts recognised in the profit or loss:

Deferred acquisition costs	-	1757
Insurance provisions	-	(631)
Deferred tax liabilities	-	1,126
Movements:		
Opening balance at 1 January	1,126	1,473
Set off of tax (note 14)	(1,126)	(347)
Closing balance at 31 December	-	1,126

20. Liability adequacy test

The liability adequacy test has been conducted using the central estimate of the present value of expected future cash flows and has identified a surplus.

	$'000	$'000
Central estimate of the present value of expected future cash flows	33,548	30,002
Risk margin	4,858	3,703
Percentage risk margin	14.5%	12%
Probability of adequacy to be achieved through adoption of the risk margin	75%	75%

The risk margin has been arrived at by determining margins for each line of business and then applying reductions on account of diversification over the various lines of business. This was done by applying a suitable correlation matrix to the expected values and uncertainties of the individual unexpired risk liabilities.

21. Remuneration of auditors

Amounts received or due and receivable by the auditors for the audit and assurance services provided to the Branch for the current year was $43,598 (2009: $40,745).

22. Contingencies

The Branch has no known contingent liabilities or contingent assets at the reporting date or the previous reporting date.

23. Commitments

(a) Capital commitments

There have been no capital commitments contracted for at the reporting date or the prior year reporting date that have not been recognised as a liability.

(b) Lease commitments

There have been no lease commitments contracted for at the reporting date or the prior year reporting date that have not been recognised as a liability.

(b) Guarantees

No guarantees have been given to or received from any related parties that are outside the normal trading arrangements involving the retrocession of reinsurance contracts.

24. Events occurring after the balance sheet date

On 22 February 2011 in and around Christchurch, an earthquake or aftershock to the September 2010 earthquake occurred. The value of losses incurred is estimated at $653 million. On 24 March 2011, an additional $653 million of capital was transferred to the Branch.

No other significant events have occurred subsequent to the balance sheet date.

25. Credit rating

The Branch does not have a separate credit rating on its own. At the date of this report, Münchener Rückversicherungs-Gesellschaft has a credit rating of AA- from Standard & Poor's (2009: AA-)

26. Significant event

On 4 September 2010 the Branch's results were impacted by the Christchurch earthquake. As the Branch does not have retrocession protection, the capital management plan triggered an injection in capital of $370 million which was effected prior to 31 December 2010.

Audit report

To the shareholders of Munich Reinsurance Company – New Zealand Branch

Report on the Financial Statements

We have audited the financial statements of Munich Reinsurance Company – New Zealand Branch ("the Branch") on pages 2 to 19. The financial statements comprise the balance sheet as at 31 December 2010 and the statements of comprehensive income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, the Branch.

KPMG

Opinion

In our opinion the financial statements of Munich Reinsurance Company – New Zealand Branch on pages 2 to 19:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Branch as at 31 December 2010 and of its financial performance for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Munich Reinsurance Company – New Zealand Branch as far as appears from our examination of those records.

KPMG

KPMG

Sydney

9 May 2011

Munich RE

MUNICH REINSURANCE COMPANY
ANNUAL REPORT 2010

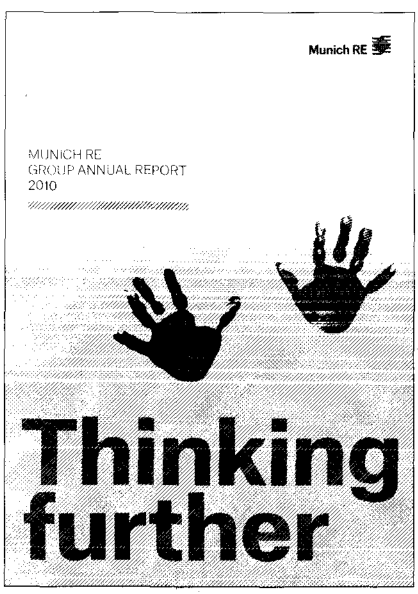
Thinking further

Key figures

Munich Reinsurance Company

€m	2010	2009	2008
Gross premiums written	20,410	18,322	16,495
Investments	72,661	70,204	70,763
Net technical provisions	53,395	51,791	53,252
Shareholders' equity	10,265	10,760	9,782
Profit/loss for the year	1,360	2,458	2,987
Dividend	1,118	1,088	1,073
Dividend per share in €	6.25	5.75	5.50
Share price at 31 December in €[1]	113.45	108.67	111.00
Market capitalisation at 31 December	21,382	21,452	22,910

[1] Source: Datastream



"Thinking further" is the motto of our latest Group annual report, in which we present eight children born in 2010 to Munich Re employees – in Germany, India, Senegal, Poland, the USA and China.

Read about what their lives may be like in the near and distant future and what this has to do with our business of evaluating and insuring risks. The report also contains all the important data and facts on the past financial year and our shares.

More at
www.munichre.com/annualreport2010

MUNICH REINSURANCE COMPANY REPORT ON THE 131ST YEAR OF BUSINESS 1 JANUARY TO 31 DECEMBER 2010

Ladies and Gentlemen,

In the 2010 financial year, the Supervisory Board fulfilled all the tasks and duties incumbent upon it under the law, the Articles of Association and its rules of procedure. We regularly advised the Board of Management in its running of the Company and supervised its activities. Inspection measures in accordance with Section 111 para. 2 sentence 1 of the German Stock Companies Act were at no time required.

Dr. Hans-Jürgen Schinzler
Chairman of the Supervisory Board

The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects. It consulted us in good time on all decisions of fundamental significance and regularly briefed us both verbally and in writing about all important business transactions. At the scheduled meetings, the Board of Management kept the Supervisory Board up to date on the competitive position, strategic development, corporate planning, and the current situation in the Group. The Supervisory Board requested detailed explanations for any deviations in business performance from the planning. We always had sufficient opportunity to critically review the reports of the Board of Management and submit suggestions and proposals for improvement. The collaboration between the Supervisory Board and the Board of Management was constructive and characterised by a spirit of mutual trust. The shareholder representatives and employee representatives had the chance prior to the Supervisory Board meetings to discuss important topics separately with the Chairman of the Board of Management.

The Chairman of the Supervisory Board and the Chairman of the Board of Management maintained an ongoing dialogue, particularly in connection with key issues of strategy, corporate risk management and current business performance. Where necessary, the Chairman of the Board of Management informed me promptly of significant events and developments in the Group. Prof. Dr. Henning Kagermann, Chairman of the Audit Committee, also remained in close contact with Dr. Jörg Schneider, member of the Board of Management responsible for Group reporting.

To better fulfil its supervisory and consulting activities, the Supervisory Board had agreed to hold two additional regular meetings from 2010 onwards. 2010 was therefore the first year in which six ordinary meetings of the full Supervisory Board took place. A representative of the German Federal Financial Supervisory Authority (BaFin) took part as a guest in the July meeting.

Focal points of the meetings of the full Supervisory Board

The performance of Munich Re featured on the agenda of every meeting but one. In this context, we regularly engaged in in-depth discussions with the Board of Management about business opportunities and risks, including the situation of life insurance in Germany. The Board of Management briefed us in each quarter on the performance of investments. At every meeting, we discussed in detail with the Board of Management its reports to us on topics of current interest, including the introduction of the new ERGO brand, the progress on Solvency II and its implications for business, the exceptional Deepwater Horizon oil rig loss and the liability coverage concept developed by Munich Re in its aftermath for individual offshore oil drilling operations.

At our first meeting in 2010, we concerned ourselves with the Company and Group financial statements for the financial year 2009 and prepared the motions for resolution by the 2010 Annual General Meeting. We took the decision to extend the appointment of a Board of Management member and established for the first time in full session the individual objectives for the Board members' variable remuneration components for 2010. We also concerned ourselves with BaFin's requirements regarding remuneration systems in the insurance industry and with the establishment of a Group-wide remuneration committee. We obtained reports on important developments at ERGO, in particular the realignment of its brand and new set-up of the life segment, and on issues of compliance and anti-fraud management. And finally, we appointed the external auditors for the 2010 financial year.

In April, we decided for the first time in full session on the extent to which the Board of Management had achieved its objectives and on the amount of bonus payments for the members of the Board of Management from the 2009 annual bonus. At another meeting immediately prior to the Annual General Meeting, the Board of Management gave us an account of business performance thus far in the year under review.

At our July meeting, besides covering the topics routinely included on the agenda, we looked into the strategy for expanding agricultural covers in the reinsurance segment and addressed focal points of the Group's human resources work.

In October, we mainly discussed issues of corporate governance. In response to the new recommendations of the German Corporate Governance Code, we probed the subject of diversity, in particular the promotion of equal opportunities in the Group. We decided on amendments to the Board members' contracts, necessitated by the German Pension Rights Adjustment Act and the new regulation on remuneration schemes in the insurance sector. Moreover, we obtained detailed reports on the performance of Munich Health and on earnings and growth in ERGO's commercial and industrial insurance.

At its last meeting in December, the Supervisory Board dealt with the Board of Management's remuneration from 2011 onwards and decided on the weightings of the individual target categories and measurement bases for the financial objectives in connection with the variable remuneration for 2011. We adjusted the plan conditions of all ongoing long-term incentive plans (LIPs) of the Board of Management in order to treat retiring Board members and heirs equitably with regard to LIPs and the variable remuneration component restructured in 2010. And we concerned ourselves with the Group planning for 2011 and 2012 presented by the Board of Management. We debated the Group's risk strategy with the Chief Risk Officer and thoroughly analysed the Group's risk situation and profitability in the currently still difficult capital market environment. We satisfied ourselves that risk management is well organised and practised, i.e. that it is effective in all parts of the Group.

Between the meetings, the Board of Management reported to us on an ad-hoc basis concerning important matters in the Group – for example, the claims burden from Winter Storm Xynthia and the earthquake in Chile, the share buy-back programme and a court ruling on a substantial US asbestos-related claim.

Work of the committees

The Supervisory Board has a total of five committees in place that enable us to perform our tasks efficiently. The committees' main tasks include preparing resolutions to be taken by the full Supervisory Board and handling the topics assigned to them. Details regarding the responsibilities of the respective committees are available in the corporate governance report on page 48. The membership of the Supervisory Board committees is shown in the overview on page 117. The chairmen of the committees provided detailed reports on their work at all meetings of the full Supervisory Board.

The Personnel Committee held six meetings in 2010. It prepared the proposals to be submitted to the full Supervisory Board regarding the individual variable remuneration targets for the members of the Board of Management in the year under review. Moreover, it submitted proposals to the Supervisory Board regarding the extension of a Board member's contract and the assessment of objectives and amount of bonus payments for the members of the Board of Management from the 2009 annual bonus. The committee obtained comprehensive reports on the 2009 fringe benefits and remuneration in kind for the Board of Management and made adjustments to the guidelines for gifts and for company cars. It prepared a proposal for a resolution by the full Supervisory Board on the adjustment of the Board members' contracts, which had been necessitated by the German Pension Rights Adjustment Act and the new regulation on remuneration schemes. At the last meeting of the year, the Personnel Committee prepared proposals to be submitted to the full Supervisory Board regarding the Board of Management's remuneration from 2011 onwards and the weightings of the individual target categories and financial objectives for the Board of Management's variable remuneration for 2011. Moreover, it suggested to the full Supervisory Board that the conditions of all current long-term incentive plans (LIPs) for the Board of Management be adjusted in order to ensure that retiring Board members and heirs receive largely the same treatment with regard to LIPs and the variable remuneration component restructured in 2010. In individual meetings, the Personnel Committee also approved the acceptance of seats on supervisory, advisory and similar boards by members of the Board of Management. Before being submitted to the full Supervisory Board, the topics of the BaFin circular on the requirements for remuneration schemes in the insurance industry, the establishment of a remuneration committee and the amendments to the German Corporate Governance Code were studied thoroughly by the Personnel Committee.

The Standing Committee met four times in the year under review. Its essential tasks comprised preparing the meetings of the Supervisory Board and attending to corporate governance issues. It also received regular reports on developments in the shareholders' register.

The Audit Committee held five meetings in 2010. At two meetings, it discussed in detail the Company and Group financial statements, the Company and Group management report, the auditor's report and the Board of Management's proposal for the appropriation of the net retained profits for the financial year 2009. At one of the two meetings, the annual financial statements were discussed in the presence of the external auditor. The Chief Risk Officer closely discussed with the Audit Committee the main components of the risk capital model, and reported on the Group's risk situation. The Head of Internal Audit provided information on the result of the 2009 audits and the audit planning for 2010. Topics of compliance were dealt with by the Audit Committee at every meeting. Additionally, the committee had the Compliance Officer report personally on focal points of his work and on the compliance organisation. The development of the embedded values in life reinsurance business and in life and health primary insurance business was also an item of discussion.

The committee reviewed and monitored the auditor's independence. In this context, the Audit Committee took delivery of reports from the auditor on its auditing and non-audit-related services. Likewise, the Audit Committee prepared for the full Supervisory Board the appointment of the external auditor for the financial year 2010, determined the main points of the audits and set the auditor's fees. Following a resolution by the full Supervisory Board, the Chairman of the Audit Committee commissioned the audit for the financial year 2010. Furthermore, it commissioned the external auditor with a review of the half-year financial report 2010. In addition, the Audit Committee considered the 2010 quarterly reports and the 2010 half-year financial report, which it discussed in the presence of the auditor. Besides this, it assured itself of the comprehensiveness of Munich Re's internal control system on the basis of a presentation by the external auditor.

The Audit Committee looked into the impact of the financial crisis on Munich Re again in the financial year ended. A recurrent item of discussion was asset management. The Group's risk situation was debated and monitored regularly. Finally, the Audit

Committee discussed risk management and risk strategy developments with the Chief Risk Officer. In accordance with the agreed guidelines, the Chief Risk Officer also informed the Audit Committee directly of individual risk-relevant decisions, and the Board of Management promptly informed the committee whenever limits were exceeded.

In three meetings in 2010, the Nomination Committee conferred about a successor to Dr. Thomas Wellauer, who left the Supervisory Board as at 30 September 2010. At the same time, it adjusted the set of criteria for selecting suitable Supervisory Board members to incorporate the new recommendations by the German Corporate Governance Code and the objectives decided on by the full Supervisory Board regarding future appointments to the Supervisory Board. This set of criteria served as a basis for selecting suitable candidates. At the committee's suggestion and with the consent of the shareholder representatives, the Supervisory Board proposes that Annika Falkengren, President and CEO of Skandinaviska Enskilda Banken (SEB) be elected by the 2011 Annual General Meeting for the Supervisory Board's remaining term of office.

The Conference Committee as per item 7.5 of the rules of procedure for the Supervisory Board did not need to be convened in the financial year ended.

Corporate governance and declaration of conformity
The Supervisory Board concerned itself intensively with the amendments to the German Corporate Governance Code, in particular the subject of diversity. It formulated objectives for the future composition of the Supervisory Board, further details of which are available in the corporate governance report on page 48. Furthermore, it agreed that all Supervisory Board members would be offered annual internal briefing sessions similar to those conducted for new Supervisory Board members in 2009.

The Standing Committee analysed the efficiency of the Supervisory Board's work in the year under review using an extensive questionnaire. The outcome of the survey and proposals for implementing improvements were presented to the full Supervisory Board.

In November 2010, the Board of Management and Supervisory Board submitted their annual declaration of conformity with all the recommendations of the German Corporate Governance Code as per Section 161 of the German Stock Companies Act and their intention to continue complying with it in future. Further information on corporate governance in general is available in the joint report of the Board of Management and Supervisory Board on page 44.

Changes on the Supervisory Board
As at 12 February 2010, Dr. Benita Ferrero-Waldner was appointed by the Registration Court to the Supervisory Board to replace the late Prof. Karel Van Miert, who died on 23 June 2009. The Annual General Meeting on 28 April 2010 elected her for the Supervisory Board's remaining term of office.

Dr. Thomas Wellauer, who had been a member of Munich Re's Supervisory Board since 22 April 2009, resigned from office for professional reasons as at 30 September 2010. We thank him for his valuable – unfortunately only brief – contribution to the work of the Supervisory Board.

Company and Group financial statements
KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the following documents and gave them an unqualified auditor's opinion: the Company and Group management reports and financial statements as at 31 December 2010. The respective reports

and the Board of Management's proposal for appropriation of the net retained profits were submitted directly to the members of the Supervisory Board. At its meeting on 2 February 2011, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2010. On 8 March 2011, they prepared the Supervisory Board's resolution on the adoption of the Company financial statements and the approval of the Group financial statements. To this end, the Audit Committee examined the Company and Group financial statements, the management reports and the Board of Management's proposal for appropriation of the net retained profits. It discussed these at length with the auditor present at the meeting and also gave detailed consideration to the auditor's reports. The Chairman of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting on 9 March 2011.

The Supervisory Board also checked the Company and Group financial statements and management reports and the proposal of the Board of Management for appropriation of the net retained profits. After conducting its own concluding examination and having heard the auditor's report, the Supervisory Board had no objections and agreed to the outcome of the external audit. It approved the Company and Group financial statements on 9 March 2011. The financial statements were thus adopted. Having carefully weighed all the relevant aspects, the Supervisory Board also agreed with the Board of Management's proposal for appropriation of the net retained profits.

Words of thanks to the Board of Management and employees
The Supervisory Board wishes to thank all the members of the Board of Management and staff for their personal commitment and excellent work, which is reflected in a gratifying business result for Munich Re.

Munich, 9 March 2011

For the Supervisory Board

Dr. Hans-Jürgen Schinzler
Chairman

Management report

Munich Reinsurance Company

In order to make the global spectrum of their business model clearer, all our reinsurance units throughout the world generally appear under the uniform brand of Munich Re. We use the brand for the Group as well, and thus refer to the Munich Re Group as Munich Re. When we report on Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, we refer to Munich Reinsurance Company. Our primary insurance activities are combined in ERGO Insurance Group (ERGO). Our international health reinsurance business and health primary insurance outside Germany are organised separately under the Munich Health brand.

Structure

Munich Re is one of the world's leading risk carriers. With its integrated business model consisting of insurance and reinsurance, Munich Re can cover large sections of the value chain in the risk market. The Group strives to leverage synergies in revenue and costs, whilst reducing the risk-based capital required through better diversification. Munich Re is also active in the field of asset management. Munich Reinsurance Company is Munich Re's parent company.

We conduct our business directly from our headquarters and also via a large number of branches. Since 2005, Munich Reinsurance Company and ERGO Versicherungsgruppe AG have been under unified control within the meaning of the German Stock Companies Act. The relevant statutory regulations and a Group directive govern the distribution of responsibilities and competences for key decisions between Group management and ERGO. The Board of Management of Munich Reinsurance Company, which for legal purposes continues to represent the Company externally, has divided its responsibilities between the Group Committee, the Reinsurance Committee, and the Munich Health Board. This structure is geared to maintaining clearly defined strategic management of the equal-ranking business segments and provides for clear assignment of responsibility.

This management report summarises the business operations of Munich Reinsurance Company.

Reinsurance business is handled by six divisions

Reinsurance is organised in six divisions and the Munich Health field of business.

Our international life and health reinsurance business is written in the Life Division and in Munich Health respectively. Their organisational structure reflects that of many of our clients, which conduct these two classes of business separately from property-casualty insurance, often through independent companies.

Our Europe and Latin America Division is responsible for the property-casualty business of our clients from Europe (except Germany), Latin America and the Caribbean.

The Germany, Asia Pacific and Africa Division conducts property-casualty business with our clients in Germany, Africa, Asia, Australia and the Pacific Islands.

Special and Financial Risks (SFR) is in charge of the classes of credit, aviation and space, agriculture, enterprise and contingency risks, and of alternative markets business. Insurance risk securitisation and risk transfer to the capital markets are handled by our Risk Trading Unit. In addition, the division attends to our own reinsurance requirements (retrocession).

Global Clients and North America handles our accounts with major international insurance groups (hence "Global Clients") and globally operating Lloyd's syndicates as well as Bermuda companies. It also pools our know-how in the North American market. It is responsible for our subsidiaries there, including Munich Reinsurance America, Munich Reinsurance Company of Canada, American Modern Insurance Group (AMIG) and the Hartford Steam Boiler Group (HSB Group) and for international special lines business such as workers' compensation and marine. The division additionally oversees the Watkins Syndicate.

The Corporate Underwriting Division performs an important function for our property-casualty reinsurance, without direct responsibility for operative business: its staff clarify fundamental issues of underwriting policy, oversee quality assurance, and integrate mathematical methods into our business processes. On the claims side, a similar function is performed by Corporate Claims.

The reinsurance units at a glance[1]

Division	Selected subsidiaries and branch offices outside Germany[2]
Life	American Modern Life Insurance Company, Amelia, Ohio Munich American Reassurance Company, Atlanta, Georgia Munich Re Japan Services K.K., Tokyo Munich Reinsurance Company Canadian Life Branch, Toronto Munich Reinsurance Company Life Reinsurance Eastern Europe/Central Asia, Moscow Munich Reinsurance Company of Australasia Limited – New Zealand Branch, Auckland Munich Reinsurance Company of Australasia Ltd., Sydney Munich Reinsurance Company UK Life Branch, London Southern Pioneer Life Insurance Company, Jonesboro, Arkansas
Europe and Latin America	Bell & Clements (London) Ltd., London Münchener Rück do Brasil Resseguradora S.A., São Paulo[3] Münchener Rückversicherungs-Gesellschaft A.G. Sucursal España y Portugal, Madrid[3] Münchener Rückversicherungs-Gesellschaft AG in München Rappresentanza Generale per l'Italia, Milan[3] Munich Re France Branch, Paris Munich Reinsurance Company UK General Branch, London
Germany, Asia Pacific and Africa	Great Lakes Australia Branch, Sydney Great Lakes Reinsurance (UK) PLC New Zealand Branch, Auckland Münchener Rückversicherungs-Gesellschaft Australian Branch, Sydney Munich Holdings of Australasia Pty. Ltd., Sydney Munich Mauritius Reinsurance Co. Ltd., Port Louis Munich Re Retakaful Malaysia Branch, Kuala Lumpur Munich Reinsurance Company Beijing Branch, Beijing[3] Munich Reinsurance Company Hong Kong Branch, Hong Kong[3] Munich Reinsurance Company Korea Branch, Seoul[3] Munich Reinsurance Company Malaysia Branch, Kuala Lumpur Munich Reinsurance Company New Zealand Branch, Auckland

	Munich Reinsurance Company of Africa Ltd., Johannesburg Munich Reinsurance Company Singapore Branch, Singapore[3]
Special and Financial Risks	Great Lakes Reinsurance (UK) Plc., London[3] Great Lakes Switzerland Branch, Zurich Munich Re of Malta p.l.c., Floriana[3] New Reinsurance Company Ltd., Zurich[3]
Global Clients and North America	American Alternative Insurance Corporation, Wilmington, Delaware[3] American Family Home Insurance Company, Jacksonville, Florida American Modern Home Insurance Company, Amelia, Ohio American Modern Insurance Company of Florida, Inc., Jacksonville, Florida American Modern Insurance Group, Inc., Amelia, Ohio American Modern Select Insurance Company, Amelia, Ohio American Modern Surplus Lines Insurance Company, Amelia, Ohio American Southern Home Insurance Company, Jacksonville, Florida American Western Home Insurance Company, Oklahoma City, Oklahoma Beaufort Underwriting Agency Ltd., London First Marine Insurance Company, Amelia, Ohio Global Standards, LLC, Wilmington, Delaware Groves, John & Westrup Limited, London HSB Engineering Insurance Limited, London HSB Group, Inc, Hartford, Connecticut HSB Solomon Associates LLC, Wilmington, Delaware HSB Professional Loss Control, Inc., Tennessee MSP Underwriting Ltd., London Munich Re Capital Limited, London Munich Re Holding Company (UK) Ltd., London Munich Reinsurance America, Inc., Wilmington, Delaware[3] Munich Reinsurance Company of Canada, Toronto N.M.U. Group Limited, London Roanoke Companies Inc., Schaumburg, Illinois Temple Insurance Company, Toronto The Boiler Inspection and Insurance Company of Canada, Toronto The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware The Midland Company, Cincinnati, Ohio Watkins Syndicate Hong Kong Limited, Hong Kong Watkins Syndicate Middle East Limited, Dubai Watkins Syndicate Singapore Pte. Limited, Singapore

1 A complete list of shareholdings can be found on page 122 ff. in the notes to the financial statements.
2 Only subsidiaries outside Germany with equity capital generally exceeding €5m are listed by name.
3 Units that also transact business in Munich Health and are therefore allocated proportionately to reinsurance.

Munich Health in charge of international healthcare business

The global health market is one of the fastest-growing sectors of the economy. This applies to healthcare and insurance alike. In order to maximise the opportunities involved, Munich Re in 2008 combined its health reinsurance worldwide and health primary insurance outside Germany, pooling it under the brand of Munich Health in 2009. Munich Health covers large stretches of the healthcare-sector value chain.

MEAG combines the investment activities of Munich Re. It also offers its comprehensive know-how to external institutional investors and private clients.

Important tools of corporate management

Our corporate management is based mainly on a Group perspective, in which Munich Reinsurance Company is a significant component. Since our fields of business are managed on a Group-wide basis, it is difficult to "extract" the Company from this overall concept. A description of the Group's and reinsurance group's management system is provided throughout the following. If Munich Reinsurance Company is not mentioned specifically, the Group or reinsurance group as such is meant. The implications of the Group's targets for the Company's key performance indicators are considered in the last paragraph.

Value-based management – Munich Re's management philosophy

Munich Re's objective is to analyse risks from every conceivable angle and to assess and diversify them, thereby creating lasting value for shareholders, clients, and staff. A guiding principle of our entrepreneurial thinking and activity is to increase Munich Re's share price on a sustained basis. This is also the aim of our active capital management, on which we report on page 35 f. The main features of our shareholder value approach in practice are the consistent application within the Group of value-based management systems, which we constantly refine.

The framework for any business activity is our risk strategy (see page 68 f.), from which we derive a detailed network of limitations. Besides value-based parameters, we observe a range of important additional conditions in managing our business. These conditions may be reflected in supplementary targets or may even determine a unit's short-term orientation in a particular situation. They include rules of local accounting systems, tax aspects, liquidity requirements, supervisory parameters, and rating agency requirements.

Our value-based management is characterised by the following aspects:
// We assess business activities not only according to their earnings potential but also relative to the extent of the risks assumed, which is material in measuring added value as well. That is why we have implemented high quality standards for underwriting, pricing, accumulation control and claims management. Only the risk-return relationship reveals how beneficial an activity is from the shareholder point of view.
// With value-based performance indicators we ensure the economic view and the necessary comparability of alternative initiatives and prioritise these.
// We clearly assign responsibilities and make the levers for adding value transparent for both management and staff.
// We closely link strategic and operative planning.

All initiatives are ultimately geared to the overriding financial objective of enhancing our corporate value.

Our value-based management system takes into account the individual characteristics of the business segments

Determining value added

Property-casualty insurance and reinsurance, and health reinsurance, are lines of business that are mainly of a short-term nature. For these, we employ the following simple formula for measuring the value added annually by our insurance business and for managing and monitoring our business activities:

Adjusted result	-	Cost of equity	=	Value added

The adjusted result consists of the technical result (derived from the income statement), the investment result, and the remaining non-technical result. In each case, value-based adjustments are made, including the smoothing of expenditure for major losses, the normalisation of investment income, and the recognition of future claims expenses at present value.

We compare the result adjusted in this way with the requisite cost of equity. A significant factor in calculating the cost of equity is the risk-based capital, which we determine using our internal model. For property-casualty business and health reinsurance, value is added to the extent that, measured on the basis of one calendar year, the adjusted result exceeds the cost of equity.

Embedded value as a performance indicator

The products of life primary insurance and the bulk of our health primary insurance business are characterised by their long-term nature and the distribution of results over the duration of the policies. For valuing such long-term portfolios, whose performance cannot be reasonably measured on the basis of a single year, we follow the Principles of Market Consistent Embedded Value (MCEV)©[1], the current version of which was published by the European Insurance CFO Forum in October 2009.

MCEV comprises a company's equity and the value of in-force covered business. The latter is the present value of future profits (where profits are post-taxation shareholder cash flows from the in-force covered business and the assets backing the associated liabilities) calculated using financial and actuarial methods, taking into consideration the time value of the financial options and guarantees and the explicitly determined costs of capital.

MCEV relates to the portfolio existing at the valuation date. It encompasses 100% of our life reinsurance business and more than 94% of our life primary insurance and long-term health primary insurance business. By contrast, MCEV does not include the value of future new business. However, the valuation is made under the assumption of continued operations, i.e. taking into account the related costs in particular. Options and guarantees – especially for the policyholders – are explicitly valued using stochastic simulations. MCEV reflects the present value of all cash flows for all important currency regions on the basis of the "swap rates" and the implicit volatilities at the valuation date of 31 December 2010. Assets that are traded on the capital markets are valued on the basis of the market values observed at the valuation date.

The development of the insurance portfolio is modelled by applying the current expectations for biometrics, lapses and costs. In primary insurance, the participation of policyholders in surplus is modelled according to the current planning and in line with the statutory regulations, and thus taken into account in the valuation. For the individual companies, the tax rates and calculations used are based on national regulations; in addition, tax loss carry-forwards are included in the calculation. Withholding taxes on

[1] ©Stichting CFO Forum Foundation 2008.

dividends paid by Group companies are disregarded. The cost of capital includes not only the taxes and costs of investment management but also the not explicitly modelled risks of the business and, for health primary insurance, the participation of policyholders in surplus.

The change in MCEV within one year, adjusted for effects of exchange rate fluctuations, acquisition or sale of companies, dividends and capital injections, is shown by us as the total embedded value earnings. Additional adjustments to eliminate the influences of changes in fiscal and capital-market parameters result in the operating embedded value earnings, which are a measure of the operative business performance for one year.

Assets reflect liabilities

Our steering of Munich Re's investments is strongly geared to the structure of the liabilities on our balance sheet. As part of our asset-liability management, we determine the economic neutral position. This synthetic investment portfolio best reflects the characteristics of our liabilities towards clients, taking into consideration significant additional parameters in the investment of capital.

In an optimisation process, a benchmark portfolio is developed that reflects our own risk-bearing capacity and other investor preferences on the basis of long-term expectations of capital market yields. Our asset manager MEAG is responsible for implementing this strategic benchmark portfolio into concrete investments, from which it deviates only within a carefully defined framework and taking into account its own market view for the respective financial year. The target return, i.e. the expected income from the benchmark portfolio, is compared with the return from the actual portfolio. MEAG's performance is measured in terms of the excess return it achieves, taking into consideration the risks incurred.

In addition to these purely financial performance factors, non-financial performance measures like innovation, speed of processes, staff-training level and client satisfaction play a part. In the long term, a firm can only be successful if it operates sustainably and takes account of such future-oriented qualitative factors as well.

We closely link strategy and operative planning by defining our strategies in structured overviews or "scorecards", from which we derive initiatives, performance measures and responsibilities. The scorecards have four perspectives: "financial", "market and client", "process" and "employee". We promote an entrepreneurial culture among our staff through the clear allocation of responsibility and accountability, recognising how much the individual, unit or field of business contributes to increasing value. Our incentive systems for staff, executives and Board support the clear orientation towards value creation. The higher a staff member or executive is positioned in the management hierarchy, the more strongly their remuneration is based on performance.

In order to also give more emphasis in external communication to Munich Re's value orientation – as implemented through our internal management tools – we have geared our Group return target to risk-adjusted performance indicators, which are explained in more detail below.

What we aim to achieve – Situation in 2010

Despite substantial major losses, Munich Re again posted a satisfying consolidated result of €2.4bn (2.6bn) in 2010. This profit is equivalent to a return on equity or RoE of 10.4% (11.8%) in terms of the average value of IFRS equity at the year-end and quarterly reporting dates. Moreover, we achieved a slight improvement to 4.5% (4.3%) in the return on investment, notwithstanding the low interest-rate environment. The return on investment is the ratio of the investment result of €8.6bn (7.9bn) to the average market value of the investment portfolio at the year-end and quarterly reporting dates, totalling €194bn (181bn). Despite reaching our result target of over €2bn for 2010, we fell short of our long-term return target of a 15% return on risk-adjusted capital after tax (RORAC) over the full cycle. With a RORAC of 13.5% (15.1%), we achieved a respectable result, given the major-loss events and low level of interest rates.

The combined ratio, which is calculated as the percentage ratio of the sum of net expenses for claims and benefits plus net operating expenses to net earned premiums, corresponds to the sum of the loss ratio and the expense ratio. Put simply, a combined ratio of 100% means that premium income was exactly sufficient to cover claims and costs. Net expenses for claims and benefits mainly include paid claims, the change in claims provisions, and the bulk of other underwriting expenses. Not included in the expenses are insignificant portions of other underwriting expenses such as German fire brigade tax. Net operating expenses chiefly comprise the costs arising in the acquisition of new business (e.g. commission) and for the ongoing administration of insurance contracts.

In the property-casualty reinsurance segment, there were net expenses for claims and benefits of €9,904m (9,243m) and net operating expenses of €4,437m (4,125m) in 2010, compared with net earned premiums of €14,193m (13,968m). The combined ratio thus amounts to 100.5% (95.3%) – a satisfactory figure considering that the impact of major losses from natural catastrophes in 2010 (€1,564m, or 11.0% of net earned premiums) was greater than in the previous year.

In 2010, paid claims and the change in claims provisions in the property-casualty primary insurance segment totalled €3,130m (2,856m) and net operating expenses €1,621m (1,502m), compared with net earned premiums of €4,813m (4,568m). At 96.8%, the combined ratio in primary insurance was higher than for 2009 (93.2%), but was still good.

When it comes to interpreting the combined ratio, the particular circumstances of the class of business in question have to be taken into account. The composition of the portfolio, for example, is of great significance. The following factors (among others) are important:

// The more the claims burden fluctuates over time, the greater the risk is and so the premiums needed to cover the risk must be higher. This means that the loss ratios in good years are low, as are the average loss ratios that provide the reinsurer with an adequate return for assuming the risk. This is particularly true in the case of natural catastrophes, which may occur rarely, but are often very severe when they do.

// Another important distinguishing feature relates to the time-lag between premiums being received and claims being paid. The longer these periods are, the longer the premiums received can be invested in the capital markets. High combined ratios in classes of business in which claims settlement takes a long time (e.g. casualty) therefore generally entail higher returns from investments with which the loss reserves are covered. These returns are not reflected in the combined ratio.

Therefore, while we aim to keep our combined ratio as low as possible, it is not our only target.

The key factor we consider is economic value added, which cannot be properly reflected by the combined ratio. We pursue this target internally through the performance indicator of value added, which measures value creation not only on the basis of current and forecast profits but also taking into account the size of the risks assumed. Thus, when considering Group performance, we gear targets (by way of a common, linking element) to a risk-adjusted return. Although this is not a direct performance measure, it is a strong indication of Munich Re's value creation.

Risk-based Group return target for the financial year 2011

Given the continued uncertainties involved in estimating possible implications of the financial and economic crisis, it remains difficult to define guidelines for our future entrepreneurial success. Against this background of continuing uncertainties, the targets we have set ourselves for 2011 must be regarded as ambitious. For this purpose, we are again employing a risk-based performance measure which we have used for external communication since 2006: RORAC. We derive this target by placing the profit achieved or aimed at, expressed in euros, in relation to the necessary risk capital, the amount of which we determine using our internal risk model and publish once a year. Information on the internal risk model is provided on page 79. We thus take into account the economic standards currently underlying (at least to some extent) the requirements of supervisory authorities and rating agencies – standards that are set to play a decisive role in future.

RORAC is defined as follows:

$$\textbf{RORAC} = \frac{\text{Net income} - \text{Interest rate} \times (1 - \text{Tax rate}) \times \text{Additional available economic equity}}{\text{Risk-based capital}}$$

The numerator in the formula comprises the published IFRS net income adjusted for post-tax income (interest rate x [1 – tax rate]) generated on capital not subject to risk within the given risk tolerance. The basis for the adjustment is the capital exceeding the necessary risk-based capital, which is referred to as additional available economic equity. It is also necessary for rating and solvency purposes, as well as for profitable growth, but we strive to keep it lean through our active capital management, because the additional available economic equity in the system presented here only earns a risk-free interest rate. This is due to the fact that all the risk components of the investment and underwriting are covered with risk-based capital by the internal risk model, and thus assigned return requirements. Even though we take a risk-adjusted return as our target, we aspire to meet the high, but fair, expectations of our investors with regard to the return on total capital placed at our disposal.

At what level should the RORAC target be set?

We are adhering to our long-term objective of 15% RORAC after tax across the cycle of insurance and interest-rate markets, although it will be difficult to achieve with the currently low interest rates. As soon as the requirements of Solvency II and the new IFRSs for insurance contracts and financial instruments have been finalised, we will gear our target performance measures to the key indicators from this new framework with its strong economic focus. We are aiming for a consolidated result of around €2.4bn for 2011. Considering the major-loss burden in the first two months of the year, however, this target can only be achieved if random major losses remain below expectations in the further course of the year.

What assumptions is this target based on?

In both primary insurance and reinsurance, we are proceeding on the basis of statistically expectable claims experience. Provided there are no significant shifts in the composition of our business portfolio, we reckon with a combined ratio in property-casualty reinsurance of around 97% of our net earned premiums over the market cycle as a whole, based on an expected average major-loss burden from natural catastrophes of 6.5%. Since we were affected by major losses at the end of February 2011, i.e. the floods in Brisbane and Cyclone Yasi (also in Australia) and the earthquake in New Zealand, we will only be able to achieve our target if random major losses remain below expectations in the further course of the year. In property-casualty primary insurance, we expect the combined ratio to be at a good level of under 95%.

Embedded value as an additional performance indicator

In life primary insurance and in German health primary insurance, MCEV is one of the foundations of our value-based management.

Our targets – Ambitious but attainable

In selecting suitable targets, contrasting aspects have to be considered and weighed. On the one hand, undue complexity should be avoided in order to ensure transparency for investors, staff, and the public. On the other hand, the challenge lies in reflecting economic realities as closely as possible, avoiding oversimplification, and enshrining added value as the Group's overriding guiding principle. As the above description shows, the background is multifaceted, especially as the parallel use of different performance indicators is unavoidable.

What do these Group targets mean for Munich Reinsurance Company's individual financial statements?

Munich Reinsurance Company is managed as part of the Group rather than as a separate entity. However, parallel to Group-related business management, individual financial statement specifics, such as the calculation of the claims equalisation provision or the application of the strict lower-of-cost-or-market principle to investments, and their impact on the German Commercial Code result, are regularly reviewed, and measures taken where needed in order to manage results. Nevertheless, indicators for the Company result are derived from the Group targets.

In underwriting, we are proceeding on the assumption that with the solid quality of our business and in line with our Group objectives, we can achieve a combined ratio of 98% on the basis of a major-loss burden from natural catastrophes of 6.5% of our net premiums earned. This would be likely to result in an allocation in 2011 to our claims equalisation provision, following the withdrawal made for 2010. Given the current capital market situation, our return on investment based on market values is unlikely to reach our previous target of 4%. All in all, as things stand at present, we therefore expect to achieve a similar German Commercial Code result to that for 2010.

Business environment

// Global economic recovery continues
// Market conditions for insurance and reinsurance remain challenging
// New Solvency II insurance regulations about to enter crucial implementation phase

General parameters

More complex environment poses challenge to underwriting

Our business environment is one of increasing complexity, with an upward trend in major insurance-relevant events. We are seeing a disproportionate rise in insured losses in relation to economic activity, for which we believe climate change is partly responsible, in addition to an increase in values in exposed regions. As a result, new risk potentials and accumulation hazards are emerging. Demographic shifts are also leading to fundamental changes in many parts of the world, confronting social security systems with enormous challenges. It is therefore imperative to carry on refining risk models and to translate new findings into actuarial practice. Munich Reinsurance Company, among the leaders in integrated risk management, can take long-term advantage of the resulting opportunities in reinsurance. Conversely, our prospects for generating short-term profits during booms are restricted by our fundamentally conservative business policy in certain areas, governed by our pronounced risk awareness.

Economic parameters

The year 2010 was marked by a global economic recovery. Nevertheless, great uncertainty persisted on the capital markets: fear of defaults on government bonds issued by countries on the periphery of the eurozone produced huge fluctuations in the euro exchange rate and a flight to the perceived safe havens of German and US government bonds. Interest rates remained low.

The recovery of the **global economy**, which had begun in mid-2009, continued in 2010 as expected, with momentum exceeding expectations in some industrialised countries. However, there were still major differences across the world. While growth in the economies of some industrial nations was weak, most emerging and developing countries showed high growth rates. Among the emerging countries, China recorded particularly strong economic expansion.

Varying developments in the eurozone

There were regional differences within the **eurozone** as well. Whereas Spain, Greece and Ireland remained in recession and the economies of France and Italy grew only slowly, Germany benefited from the upswing in the world economy. The annual average unemployment rate in **Germany** fell to 7.7%, with the number of jobless (3.2 million) at its lowest level since 1992.

The economic upswing in the **USA** lost momentum in the course of the year. Although the unemployment rate declined in comparison with year-end 2009, it was still high in the fourth quarter at a seasonally adjusted 9.6%.

With global demand recovering, inflationary pressure increased as expected, but in industrialised countries it remained slight, owing to low capacity utilisation and high unemployment. Despite a strong recovery driven by exports, **Japan** experienced a further year of deflation.

Capital markets

In the "Prospects" section of our 2009 management report, we mentioned the negative medium- to long-term effects of rising public debt on economic development. The heightened sensitivity of investors to default risks of government bonds was clearly evident in 2010, leading to volatility on the capital markets. After the beginning of the year, when Greece in particular grappled with the problem of rising risk premiums and had to seek financial support from the EU partner countries and the International Monetary Fund (IMF), capital market players' distrust spread to other countries on the eurozone's periphery. This initially caused the euro to fall substantially in value, not only against the US dollar but also against other leading currencies. To calm the capital markets and secure the stability of the single currency, the member countries of the eurozone, the European Commission and the IMF set up a "rescue umbrella" of loans and guarantees with a total volume of €750bn. Ireland then availed itself of this support with an amount of €85bn in November. In the second half of the year, muted growth prospects for the US economy triggered a fall in the dollar against the euro and the yen. Speculations about an imminent "devaluation race" between the currencies led to high volatility in exchange rates.

Rescue umbrella of €750bn set up

The combination of great uncertainty on the financial markets, low inflationary pressure and high unemployment in many industrialised countries caused the major central banks to adhere to their low-interest-rate policies. Key interest rates of the ECB and the Bank of England remained at 1% and 0.5% respectively, while the Japanese central bank lowered its rate from 0.1% to 0-0.1%. The US Federal Reserve left its key interest rate unchanged at 0-0.25% and, in autumn 2010, also decided on a further round of unconventional monetary policy measures to keep long-term interest rates low. As a result, our expectation of a moderate rise in the yields of long-term government bonds was not fulfilled. Yields at year-end were just below their start-of the-year level, although a distinct increase was evident in the last quarter.

Price volatility on the stock markets remained within reasonable bounds in 2010 compared with the two previous years, but at times reflected the remaining uncertainty about economic development and the stability of the financial system. Over the year as a whole, the markets moved differently, with the DAX in particular outperforming important comparative indices. The oil price at the end of December was 10% higher than at the beginning of the year.

Insurance industry

While vibrant economic development in many countries had a positive effect on the demand for insurance, price stagnation curbed premium growth in many segments of property-casualty insurance. Business in life and health insurance, on the other hand, increasingly recovered. Altogether, therefore, global premium volume grew moderately in the year under review, with demand for insurance cover in many emerging countries again rising very dynamically.

The capital base of reinsurers, which had already recovered from the consequences of the international financial crisis in the course of 2009, continued to strengthen and even surpassed its pre-crisis level in 2010.

In the first half of the year, high investment profits recorded by reinsurers contrasted with heavy losses from natural catastrophes. The market conditions for reinsurers did not improve. Prices moved sideways with a slight downward trend in the renewals at the turn of the year and at 1 April and 1 July. In the renewals at 1 January 2011, they showed a further fall on average.

According to preliminary estimates, the primary insurance industry in Germany increased its premium income by 4.7% in 2010, compared with growth of 4.2% in the previous year. Life insurance benefited considerably from single-premium business and posted a significant improvement of 6.8% in premium volume. Property-casualty business saw only marginal growth, with premium increasing by 0.7%. Premium income in private health insurance rose by 6.0%.

Regulatory changes

With a view to avoiding a new financial crisis, further changes were made to regulatory requirements for financial markets and institutions.

At European level, a system of authorities for financial market supervision (European System of Financial Supervision, ESFS) has been created. A new body is the **European System Risk Board** (ESRB), whose purpose is to identify macrorisks, serve as an early-warning system for the financial markets, warn of systemic risks within the EU financial market, and make suitable recommendations. As part of the ESFS, moreover, a strong European financial supervisory authority for insurance and occupational pensions has been created, which started work at the beginning of 2011. To this end, the existing European committee (CEIOPS) has been transformed into an authority (EIOPA) with certain rights of intervention vis-à-vis markets, insurance institutions and national supervisors. Parallel to this, the EU committees for the supervision of banking and securities trading are being converted into authorities. National supervisors will essentially retain their existing powers.

In the USA, the **Dodd-Frank Wall Street Reform and Consumer Protection Act** has strengthened regulation of the whole financial sector. Besides operating as the US central bank, the Federal Reserve may in future supervise insurers as well. In addition, there will be a Federal Insurance Office, which is to represent the USA internationally and be responsible for treaties with other states regarding the supervision of insurance companies.

As far as the new European insurance supervisory regime **Solvency II** is concerned, work in 2010 concentrated on the implementing measures to be issued, which will regulate numerous important details. Adoption of these measures is not expected before summer 2011.

In Germany, following the lead of international agreements, a **law on the supervisory requirements for remuneration systems** of financial institutions and insurance companies was passed. This regulation specifies that remuneration must always be appropriate, transparent and geared to a company's sustainable development. In addition, the German Federal Financial Supervisory Authority, BaFin, may prohibit or restrict the payment of variable remuneration components if the company in question does not fulfil minimum capitalisation requirements.

Overview and key figures

Overall, in the year under review, Munich Reinsurance Company's business performed satisfactorily. It was, however, affected by high claims costs from major losses, leading to a reduction in the underwriting result.

The Company wrote gross premiums totalling €20.4bn (18.3bn) in 2010, a year-on-year increase of 11.4% (11.1%). Premium income grew above all due to currency translation effects. If exchange rates had remained the same, gross premium would have risen by 3.9%. Approximately €15.6bn (13.0bn) or 77% (71.0%) of premium was written in foreign currency, of which 20% (23%) was in US dollars, 21% (16%) in Canadian dollars, and 11% (11%) in pounds sterling. 23% (29%) of our premium volume was transacted in euros, with some 91% (88%) coming from business with non-German clients. We adhered strictly to our underwriting policy of risk-based prices, terms and conditions. The ample market capacity, which for economic reasons was not matched by a corresponding increase in demand, caused prices on reinsurance markets unaffected by claims burdens to generally come under moderate pressure. Thanks to our active cycle management, however, the prices in our portfolios were maintained at a stable level in 2010.

In addition, we posted marked rises in premium income from large-volume transactions in life and health reinsurance. For the coming years, we see growth potential resulting from the introduction of Solvency II, particularly in Europe but also in some Asian markets. As solvency requirements increase, so should the demand for reinsurance solutions.

Our underwriting result before claims equalisation provisions amounted to –€9m in 2010, compared with a profit of €505m in the previous year. This deterioration is attributable to a rise of around €1.1bn in claims costs compared with the previous year. At €2.1bn (1.0bn), the total burden from major losses was far higher than the projected amount and the multi-year average, with €1.5bn (0.2bn) attributable to natural catastrophes. The average annual loss ratio from natural catastrophes (6.5%) was thus significantly exceeded, with a figure of 11.6% of net earned premiums for 2010. The earthquake in Chile was the largest single overall loss of 2010, costing us around €735m. Besides this, we were affected by other major natural catastrophes in the year under review, the most notable being the earthquake in New Zealand in September (€337m), the floods in Australia in December (€256m), two hailstorms in Australia in March (€171m), Winter Storm Xynthia in Europe at the end of February (€37m), and the damage from heavy snowfalls on the US East Coast in February (€29m). By contrast, the hurricane season in the North Atlantic was relatively benign in that the major tropical cyclones which formed seldom made landfall in densely populated coastal regions.

At €0.6bn (0.9bn), man-made major losses were lower than in the previous year, which had been burdened by default losses in credit and surety insurance due to the financial crisis. The loss that stood out in 2010 was the explosion of the oil rig Deepwater Horizon in April, for which Munich Reinsurance Company incurred a low three-digit million euro amount. A number of pharmaceutical liability cases impacted us with approximately €106m in the year under review. Other sizeable losses involved leaking tubes following refurbishment at a nuclear reactor (€51m), the solidifying of aluminium in the potlines of a plant in Qatar (€47m), a satellite failure (roughly €46m), and an explosion at a US power plant (around €44m).

The combined ratio, which reflects the relation of claims and costs to net earned premiums, came to 101.4% (98.2%). Excluding claims burdens from natural catastrophes, it amounted to 89.8% (96.8%).

The following table shows our expenditure for major losses in the past five years (with the percentage for natural catastrophe losses):

Major losses over €10m (net)[1]

€m	**2010**	**2009**	**2008**	**2007**	**2006**
Major losses total	2,097	1,037	1,286	1,006	605
Thereof natural catastrophes	1,510	171	622	537	158

1 2007 and prior years adjusted owing to an increase in the threshold for major losses.

After withdrawing €720m from the claims equalisation provisions owing to negative claims experience in the previous year, we additionally withdrew €114m in the year under review. The reduction in provisions in the year under review was necessitated by the negative result and adjustment of the claims equalisation provision to the maximum amounts permissible. After the changes in claims equalisation provisions, our underwriting result showed a profit of €104m (1,225m).

Despite pronounced volatility on the capital markets, we achieved a very good investment result of €3,067m (3,104m). In accordance with German commercial law, some €528m (653m) of the investment result is incorporated in the technical result as interest on technical provisions. We report on our investment performance on page 29 ff.

The Company's return on investment (including deposits retained on assumed reinsurance) totalled 4.2% (4.4%) on the basis of carrying amounts. Based on market values, the return was 3.8% (4.0%).

Munich Reinsurance Company's results

€m	2010	2009	2008	2007	2006
Technical result	104	1,225	520	-337	-122
Investment result without interest on technical provisions	2,539	2,450	3,566	2,894	2,339
Other result	-451	-297	-439	-465	-301
Taxes	-832	-920	-660	-649	-221
Profit/loss for the year	1,360	2,458	2,987	1,443	1,695
Net retained profits	**1,178**	**1,291**	**1,567**	**1,198**	**1,033**

In the financial year 2010, we posted a profit for the year of €1,360m. After the transfer of €245m to our revenue reserves and consideration of the profit of €63m carried forward, net retained profits totalled €1,178m. Subject to the approval of the Annual General Meeting, we intend to pay our shareholders a dividend of €6.25 per share from the net retained earnings for the financial year 2010.

Events after the balance sheet date

The floods triggered by heavy rains in Australia continued into the new year. On top of this, in February 2011, Australia was hit by Cyclone Yasi. For 2011, we currently expect a claims burden for the Company in the low to mid three-digit million euro range after retrocession for these events. In addition, a severe earthquake of magnitude 6.3 occurred on 22 February 2011 near the city of Christchurch in New Zealand, with resulting exposure for Munich Re.

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management on 7 May 2010, we repurchased a further 1.7 million Munich Re shares with a volume of €195m after the balance sheet date up to 25 February 2011.

Classes of business

In **life reinsurance** we posted a gratifying increase in gross premium volume, which additionally benefited from the development of exchange rates in the year under review. The rise was mainly due to a number of large-volume reinsurance treaties where life reinsurance primarily serves as a capital substitute. These treaties, most of which were concluded in 2009 with clients in North America, Asia and continental Europe, gave rise to further premium growth in 2010. On the other hand, growth was curbed by the consequences of the global recession, which had a partial impact on our clients' business development and thus also reduced the volume of business available in reinsurance.

An important part of our life reinsurance business in Germany is occupational disability risk coverage. Our market and product expertise enables us to support our clients, particularly in developing future-oriented product concepts. It is in this segment that the effects of the financial crisis had to be given special consideration. Claims experience was not subject to any exceptional burdens, thanks to the consultancy we provided to our clients in the area of claims management and the now noticeable economic recovery. Moreover, the Asian life insurance markets became one of the main premium and result drivers in life reinsurance business in 2010. We introduced various forward-looking products in the area of living benefits, along with other consulting services geared to client requirements, enabling us to significantly advance our clients' business development and participate in this via reinsurance. In addition, we have had success with transactions aimed primarily at strengthening client solvency, particularly in Asia. Our global transfer of know-how allows us to consolidate our competitive advantage in the developing markets. In 2010, we continued to expand our involvement in the region.

Although we posted a satisfactory result in life reinsurance in the year under review, it did not reach last year's level. The generally good development in life reinsurance was partially reversed by reserve strengthening in US long term care business. We expect fundamental growth impulses for our future new business to come from such developments as the continuing privatisation trends in provision for old age, long term care and disability, and the dynamic expansion of the insurance markets in Asia. We see increasing demand in the management of investment risks in life insurance products,

In **health reinsurance**, premium volume showed a strong increase in the year under review, mainly due to new, large-volume treaties providing capital relief to our clients in North America and Asia. The development of the euro amplified this growth even further in 2010. Given that some treaties commenced during 2009, only a portion of the premium was accounted for as earned in that year, a fact that had a clearly positive effect on premium growth in 2010.

In recent years, the global health market has become one of the fastest-growing sectors of the economy in terms of both insurance and care provision. This trend will become even more pronounced in future due to advances in medicine, improved life expectancy and the development of healthcare markets in emerging countries. Statutory and private health insurance are expected to show a greater need for reinsurance protection as new advances are made in medicine.

However, despite high claims expenditure for individual reinsurance accounts in Asia, the Middle East and Italy, the result for 2010 was only slightly down on the previous year, just slipping into the red.

In **accident reinsurance**, we recorded a decrease in premium volume in the year under review, primarily owing to the restructuring of an intra-Group retrocession.

Our result before claims equalisation provisions showed a strong improvement compared with the previous year: following the negative figure for 2009, we recorded a significant profit for the financial year. The main reason for the high loss in the previous year had been the need to further strengthen the reserves in the loss portfolio taken over in 2005 from our US subsidiary Munich Re Amerca.

Our premium income in **liability reinsurance** showed a modest decrease in the year under review. We consistently adhered to our profit-oriented pricing and underwriting discipline and withdrew from unprofitable business.

As in the previous year, our underwriting result was negative but nevertheless showed a major improvement on the previous year, essentially owing to the absence of prior-year effects, e.g. reserve strengthening for claims expenditure in the area of medical malpractice.

In **motor reinsurance**, we posted a clear rise in premium in the year under review, mainly because of the business expansion we generated in the Asian market. Moreover, we increased the number of policies covered and obtained better prices in Europe. The favourable development of exchange rates bolstered these positive effects even further.

The result improved somewhat and, as in the previous year, was positive. As in 2009, there was no need to strengthen reserves for motor liability claims due to unexpectedly high losses reported. In addition, we withdrew from business that did not meet our profitability requirements.

Premium income in **marine reinsurance** declined moderately compared with the previous year, mainly because this class of business was hit by recession-related declines in prices and volume and we did not renew unprofitable business.

The result was marginally up on 2009. Major-loss expenditure was higher, particularly because of the Deepwater Horizon loss, but the basic loss burden decreased.

In **aviation reinsurance**, premium income showed a modest rise in the two volatile classes, aviation and space. In space business, our position as market leader and the conclusion of long-term treaties enabled us to largely avoid the consequences of the pressure on rates. The rate increase in aviation business that started to emerge in the previous year did not continue in 2010.

The result in aviation reinsurance improved marginally compared with the previous year. The market for aviation and space risks was again impacted by major losses in the year under review, although the increase was small compared with the previous financial year.

In **fire reinsurance**, we were able to roughly maintain last year's high premium level, mainly owing to better rates for natural catastrophe treaties (especially with US hurricane exposure), and favourable exchange rate effects. As in the past, we systematically refrained from writing business that did not meet our requirements for risk-based prices, terms and conditions.

Since major-loss expenditure in the period under review was higher than expected owing to losses from natural catastrophes, we were not able to repeat the high profit achieved in the previous year and only posted a just about positive result.

We recorded a decline in premium volume in **engineering reinsurance** (machinery, EAR, CAR, EEI, etc.), mainly due to a recession-related decline in premium income mitigated by positive currency translation effects.

The result was down on the previous year, owing to reserve strengthening in the low three-digit million euro range.

Under **other classes of business**, we subsume the remaining classes of property reinsurance – burglary, plate glass, hail (including agricultural reinsurance), water damage, contingency, windstorm, livestock and householders' and homeowners' comprehensive reinsurance – as well as credit and fidelity guarantee reinsurance.

Premium volume in these classes was higher than in 2009, rising mainly on account of business growth in credit reinsurance.

While the combined underwriting result of these classes of business had been highly negative in the previous year, we were able to post a gratifying profit for the year under review. The main reason for the trend reversal was credit reinsurance, where defaults had led to high claims expenditure in credit and surety business in the previous year. Since we were able to release reserves in the financial year, the result was further improved.

	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions	
€m	***2010***	*2009*	***2010***	*2009*
Life	6,299	5,415	183	303
Health	3,056	1,964	-21	19
Accident	261	354	99	-160
Liability	1,378	1,465	-582	-786
Motor	2,024	1,618	100	70
Marine	857	960	72	63
Aviation	615	590	63	56
Fire	3,245	3,282	60	1,356
Engineering	960	1,061	-153	150
Other classes	1,715	1,613	170	-566
Non-life combined	*14,111*	*12,907*	*-192*	*202*
Total	**20,410**	**18,322**	**-9**	**505**

Claims equalisation provision and similar provisions

The **claims equalisation provision and similar provisions**, whose calculation and recognition are largely governed by law, can substantially influence the underwriting result shown.

The claims equalisation provision is established for individual classes of property-casualty business and serves to equalise significant fluctuations in loss experience in individual classes of business over a number of years. The target or maximum amount allowed for the claims equalisation provision, which is essentially calculated on the basis of earned premiums and the standard deviation of the loss ratio in the respective class of insurance, determines the amount of the annual non-performance-related allocation to the claims equalisation provision. The performance-related change in the claims equalisation provision is added to this figure in years in which claims experience is favourable, i.e. when the random occurrence of claims is below average, whereas amounts are withdrawn in years in which claims experience is adverse, i.e. the random occurrence of claims is above average. The adjustment is calculated based on the difference between the actual and average loss ratio and determined separately for each class of business. The amount of the claims equalisation provision for each class of business is limited by a legally stipulated maximum amount.

In classes of business showing high fluctuations in claims experience in the current accounting period (despite a homogeneous portfolio), a stabilisation of results is achieved through the performance-related changes in the claims equalisation provision. Based on past statistics, the provision thus smooths the financial effects of the random occurrence of above-average and below-average claims in individual financial years.

The item "similar provisions" combines provisions for major risks established for exceptional cases in underwriting where it is not possible to form a risk community that is sufficiently large and homogeneous to balance the risk within a determinable period of time. Allocations to a provision for major risks have the character of advance claims payments and must be held in reserve until the maximum amount of a possible total loss or the maximum liability determined by actuarial models is reached. Major risks are only insurable if a balance of risks over time is provided through the establishment of reserves over several financial years. A provision for major risks therefore does not serve to balance annual fluctuations but to deal with very rare individual occurrences that have exceptional loss potential. This item embraces provisions for nuclear risks, pharmaceutical product liability risks and terrorism risks.

The balance-sheet item "claims equalisation provision and similar provisions" decreased by €114m (720m) to €7,911m (8,024m) in the financial year 2010. Significant withdrawals were made in engineering (€304m; previous year: €126m) and liability (€225m; previous year: €475m). The main reason for this was the negative performance in these classes of business. In addition, the maximum amounts allowed for the claims equalisation provision in fire and marine had to be reduced by €101m (-208m) and €9m (-110m) respectively, owing to lower premium income. However, given the positive results in other lines, we were able to strengthen the claims equalisation provisions in accident, motor, aviation and credit business by €187m (13m), €74m (-82m), €93m (52m), and €92m (-431m) respectively. Further allocations made by the Company in the financial year 2010 were €13m (6m) to the provision for terrorism risks, €5m (4m) to the provision for pharmaceutical product liability risks, and €3m (1m) to the provision for nuclear risks.

Investments

Investment principles

Our investment strategy considers supervisory requirements aimed at ensuring optimum security and profitability, with sufficient liquidity at all times, and an appropriate mix and spread. We also comply with all other legal requirements. We only make investments in assets from which we expect an appropriate return, our asset managers paying strict attention to the Company's risk tolerance and the principle of sustainability. As far as possible, we reduce currency risks by matching our expected liabilities with assets in the same currencies. We also take care that the maturities of our fixed-interest securities are aligned with those of our liabilities. The methods we use to control investment risks are described in detail in the risk report on page 67 ff.; our approach to asset-liability management is explained on page 35.

Liquidity

Our **liquidity** is ensured at all times by means of detailed liquidity planning. As a rule, the Company generates significant liquidity from its premium income, from regular investment income and from investments that mature. We also attach great importance to the credit rating and fungibility of our investments. Given the maturity structure of the outstanding bonds and the credit facilities employed (which are, in any case, relatively insignificant in scope), there are no refinancing requirements.

Investment mix

€m	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Land, land rights and buildings, including buildings on third-party land	1,018	900	863	824	981
Investments in affiliated companies and participating interests	27,840	27,014	23,675	21,831	12,293
Loans to affiliated companies and participating interests	1,556	1,799	2,002	703	247
Shares, investment certificates and other non-fixed-interest securities	6,434	5,002	5,163	7,839	14,590
Bearer bonds and other fixed-interest securities	20,540	20,927	21,707	21,419	21,915
Other investments	1,200	717	815	919	458
Total	**58,588**	**56,359**	**54,225**	**53,535**	**50,484**

Development and structure of investments

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by 4.0% to €58.6bn in the financial year 2010. The following items involved significant changes:

Land, land rights and buildings, including buildings on third-party land

Our investments in real estate are geared to generating an appropriate yield from regular income and growth in value, which requires continually monitoring existing properties and property funds with regard to their long-term profitability, and their location- and property-specific risks. The increase of €0.1bn in the reporting period derives mainly from the purchase of an office property in London.

Investments in affiliated companies and participating interests

Carrying amounts increased by €0.8bn. In the year under review, €1.2bn was withdrawn from investment companies holding special funds for fixed-interest securities. In addition, €0.5bn was taken from the annual profits earned in 2010 and reinvested. Taking into account currency gains of €0.5bn, the carrying amount of participating interests thus decreased by €0.2bn. Capital increases totalling €0.7bn were carried out at Munich Re of Malta Holding in the financial year to finance expansion of business activities. In the case of Munich American Holding Corporation, there was a write-up of €0.4bn in the carrying amount of our participation. As part of a capital measure, a capital reduction of €0.2bn was carried out. The net result of these measures was thus an increase of €0.2bn in the carrying amount.

Loans to affiliated companies and to participating interests

The reduction in carrying amounts totalling €243m is mainly due to the redemption of loans to the ERGO Group.

Shares, investment certificates and other non-fixed-interest securities

In the period under review, we carefully expanded our portfolio of equities. The increase of €1.4bn concerns a rise in the equity portfolio we hold directly and indirectly via investment funds. The bulk of our equities portfolio comprises shares in European companies.

Bearer bonds and other fixed-interest securities

At €20.5bn, investments in fixed-interest securities show a slight fall compared with the previous year and account for 35% of total investments (excluding deposits retained on assumed reinsurance business). A reduction in our portfolio was counteracted by positive currency translation effects.

Over 75% of our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable, of which 14% are bonds of Portuguese, Italian, Irish, Greek, and Spanish issuers. Additionally, around 9% of our investments are in securities and debt instruments with top-quality collateralisation, namely German and European pfandbriefs.

In the period under review, we switched from corporate bonds into equities. At the reporting date, corporate bonds made up 4% of our bearer bonds and other fixed-interest securities.

As protection against the risks of future inflation and the rise in interest rates typically associated with this, some 10% of our investments are held in bonds for which the interest and redemption amounts are linked to the rate of inflation (inflation-indexed bonds).

Our portfolio of interest-bearing investments has a very good rating structure. As at 31 December 2010, 98% of our fixed-interest securities were investment grade and approximately 96% were rated "A" or better.

Deposits retained on assumed reinsurance business

Deposits retained on assumed reinsurance rose slightly by €228m to €14.1bn year on year, the decrease being mainly attributable to the withdrawal of an intra-Group quota share treaty.

Valuation reserves

In accordance with Section 54 of the German Accounting Regulations for Insurance Companies, investments recognised at nominal value are included in the valuation reserves as well as investments at amortised cost. Our off-balance-sheet valuation reserves, i.e. the difference between the fair value of our investments and their book value, increased by 28.7%, or €2.1bn, compared with the previous year. A detailed breakdown of the reserves is provided in the notes on page 104.

Valuation reserves

€m	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2007**	**31.12.2006**
Real estate	1,338	1,344	1,303	1,309	1,632
Equity investments	6,849	4,920	3,878	9,009	8,884
Fixed-interest securities[1]	1,053	918	829	697	531
Total	**9,240**	**7,182**	**6,010**	**11,015**	**11,047**

[1] As from 2007, investments recognised at nominal value are taken into account as well as investments at amortised cost.

The increase in the valuation reserves on equity investments is due partly to a change in parameters for determining the discounted earnings value.

Result

Our investment result in the financial year 2010 was a very good €3,067m (3,104m). The reduction of €344m in gains on disposals was offset by an increase in regular income and write-ups.

Investment result

€m	2010	2009	2008	2007	2006
Regular income	2,655	2,480	3,751	3,797	3,166
Write-ups/write-downs	189	3	-643	-319	-152
Net capitalised gains	661	1,005	1,647	1,028	981
Other income/expenses	-438	-384	-726	-813	-687
Total	**3,067**	**3,104**	**4,029**	**3,693**	**3,308**

The table below shows the investment result for the past five business years broken down by type of investment:

Investment result by type of investment

€m	2010	2009	2008	2007	2006
Real estate	120	-3	35	32	70
Investments in affiliated companies and participating interests	1,425	718	1,350	285	265
Loans to affiliated companies and participating interests	48	69	73	9	6
Shares, investment certificates and other non-fixed-interest securities	142	900	1,507	1,835	1,489
Bearer bonds and other fixed-interest securities	1,019	1,132	724	793	576
Other investments	313	288	340	739	902
Total	**3,067**	**3,104**	**4,029**	**3,693**	**3,308**

Financial position

Analysis of our capital structure

Investments on the assets side of the balance sheet serve mainly to cover technical provisions (68.6% of the balance sheet total). Equity (13.2% of the balance sheet total) and subordinated bonds classified as strategic debt (5.9%) are the most important sources of funds.

Strategic debt has not changed significantly compared with the previous year. A detailed analysis of the structuring of this type of funding is provided in the section on strategic debt on page 34.

In the financial year 2010, there was a fall of €495m in equity, mainly due to the dividend payment and the share buy-back programme, which we report on in more detail on page 35.

Equity

In the year under review, our equity decreased by €495m to €10,265m, or by 4.6% compared with the previous year. Within the framework of the share buy-back programmes announced in October 2009 and May 2010, we bought back shares to the value of approximately €1,300m in 2010, which we offset against the revenue reserves. €1,072m of the net retained profits for the previous year was distributed as a dividend to shareholders and €156m allocated to the revenue reserves.

These withdrawals compare with a profit for the financial year 2010 of €1,360m. To strengthen our equity, a total of €245m from the profit for the financial year has been allocated to the revenue reserves. Of the remainder totalling €1,178m, €1,118m has been earmarked for the dividend payment.

Equity

€m	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Equity	10,265	10,760	9,782	9,306	11,155

Strategic debt

We define as strategic debt all financial instruments with the character of outside financing that do not have a direct link to our operative business. Strategic debt supplements our financial resources and is essentially designed to optimise the cost of capital and ensure that we have sufficient liquidity at all times.

Strategic debt

€m	**31.12.2010**
Subordinated bond 2003/2023, €2,900m[1]	*2,900*
Subordinated bond 2003/2028, £300m	350
Subordinated bond 2007/perpetual, €1,349m[2]	1,349
Bank borrowing, US$ 250m	186
Total	**4,785**

[1] With original nominal value of €3,000m (thereof €2,900m outstanding).
[2] With original nominal value of €1,500m (thereof €1,349m outstanding).

The subordinated bond with an initial volume of €1.5bn issued by Munich Reinsurance Company in June 2007 is a perpetual bond, but callable by us from ten years after the date of issue. The terms of the Munich Reinsurance Company subordinated bonds issued in 2003 are limited. These subordinated bonds with original nominal values of €3.0bn and £300m will mature in 2023 (euro subordinated bond) and 2028 (pound sterling subordinated bond) and are callable by us for the first time on 21 June 2013 and 21 June 2018 respectively.

The Company strengthens its capitalisation with these subordinated bonds, which are recognised in part as own funds by the German Federal Financial Supervisory Authority (BaFin).

Furthermore, in 2009 Munich Reinsurance Company assumed a strategic bank loan totalling US$ 250m from Munich Re America Corporation, which we show under amounts owed to banks. The residual term of this liability is 2012.

Technical provisions

In contrast to liabilities under loans and securities issued, we cannot foresee with certainty how high our liabilities from underwriting business will be and when they will arise. Whereas in property insurance a major portion of the provisions is generally paid out within two to three years, in life or liability insurance substantial amounts may still be due decades after the contracts were concluded. The currency distribution of our provisions reflects the global orientation of our Group. Besides the euro, our main currencies are the US dollar and the Canadian dollar. We ensure that our business is sufficiently capitalised at all times by monitoring the situation continuously and taking suitable measures, which are dealt with in the section on capital management.

Restraints on disposal

Since we are an international (re)insurance group, some of our financial resources are subject to restraints on disposal. Supervisory authorities in some countries, for example, require foreign reinsurers to establish premium and reserve deposits with primary insurers or set up trustee accounts with certain financial institutions. At the reporting date, this involved investments with a volume of €7.1bn (8.1bn).

Asset-liability management

The structure of our technical provisions and other liabilities is the basis for the Company's investment strategy, the main focus of which is asset-liability management: our aim is to ensure that economic factors influence the value of our investments and that of our technical provisions and liabilities in the same way, thus cushioning the effect of capital market fluctuations. For this purpose, we mirror important features of the liabilities, such as maturity patterns, currency structures and inflation sensitivities, on the assets side of the balance sheet by acquiring investments with similar characteristics if possible. In this approach, any deviations from the structure of our liabilities are made consciously, taking due account of our risk tolerance and the risk spreads. In 2010, for instance, we extended the maturities of our investments in relation to our liabilities and were able to benefit from the fall in interest rates. Besides this, to an increasing extent we are endeavouring in our asset-liability management to partially structure our investment portfolio in such a way that investments increase in line with rising inflation rates.

To configure our asset management as effectively as possible, we also use derivative financial instruments, which are described in the risk report on page 74 f.

Capital management

Through active capital management, we ensure that the Company's capital is maintained at an appropriate level. Our available financial resources must always be sufficient to cover the capital requirements determined both by our internal risk model and by the requirements of supervisory authorities and rating agencies. We aim to ensure that our financial strength is such that it enables us to take advantage of measured opportunities for growth, is not significantly affected by normal fluctuations in capital market conditions, and remains at a reasonable level even in the wake of major loss events or substantial falls in the stock markets. At the same time, we also define an appropriate level of Group economic capital as one which does not exceed that required for our operations. Such a needs-based, risk-commensurate capital level makes a decisive contribution to financial discipline in all our business processes.

We return surplus capital to equity holders mainly through attractive dividends, within the scope permitted by Munich Reinsurance Company's revenue reserves, and provided this does not impair our strategic flexibility or our overall capital strength. In addition to dividend payments, we use share buy-backs as a further instrument for returning capital.

At the balance sheet date on 31 December 2010, our revenue reserves amounted to €1,667m. In the financial year 2010, we bought back 11.8 million shares worth €1,300m, of which 5.7 million shares worth €650m were repurchased under the 2009/2010 share buy-back programme completed by the Annual General Meeting on 28 April 2010, and 6.1 million shares or a total of €650m under the 2010/2011 programme involving share buy-backs of up to €1bn. After the balance sheet date, we repurchased a further 1.7 million shares with a volume of €195m up to 25 February 2011. Since the beginning of the share buy-backs in November 2006, we have been able to return a total of over €10bn to our shareholders, including dividend payouts. After completion of the 2010/2011 share buy-backs, the revenue reserves shown as at 31 December 2010 will decrease to €1,473m. We intend to continue our attractive capital repatriation policy with a further share buy-back programme in 2011. Up to the Annual General Meeting in 2012, a buy-back volume of up to €500m is planned. In the interests of our shareholders, we will carefully weigh up the benefit of further buy-backs against the advantages of comfortable capitalisation, also with a view to opportunities for organic and possibly external growth. In addition, subject to the approval of the Annual General

Meeting, we intend to pay our shareholders a dividend of €6.25 per share from the net retained earnings for the financial year 2010.

Information in accordance with Section 289 para. 4 of the German Commercial Code and explanatory report of the *Board of Management*

Composition of the issued capital

As at 31 December 2010, Munich Reinsurance Company's share capital of €587,725,396.48 was divided into 188,468,471 registered, no-par-value, fully paid shares. These shares constitute a single category of stock. The rights and obligations deriving from them follow from the pertinent statutory requirements and Articles of Association. The shares are endowed with full voting and dividend rights, with the exception of the 8,089,888 registered, no-par-value, fully paid shares held by Munich Re itself at 31 December 2010 (Section 71b of the German Stock Companies Act). Each voting share carries one vote at the Annual General Meeting. With respect to the Company, the only parties deemed shareholders in accordance with the German Stock Companies Act (Section 67) are those entered as such in the Company's register of shareholders.

Restrictions on voting rights or the transfer of shares

The listed registered shares are subject to transfer restrictions. The issuing of restrictedly transferable registered shares by Munich Reinsurance Company dates back to the Company's foundation in 1880 and is a very common phenomenon in the insurance industry. Restricted transferability means that these shares may be transferred to another holder only with the Company's consent, which, according to Article 3 para. 2 of Munich Reinsurance Company's Articles of Association, is granted at the Company's discretion. Since the share-trading processes have been made very efficient, the consent requirement does not lead to any delays in entry in the register. In recent decades, it has been granted without exception.

Shareholdings exceeding 10% of the voting rights

Warren E. Buffett and companies in his group informed us in accordance with Section 21 of the German Securities Trading Act (WpHG) that they hold a total share of 10.244% of Munich Reinsurance Company's voting rights. They notified us, as at 12 October 2010, of the following direct or indirect shareholdings exceeding 10% of the voting rights:

Shareholdings exceeding 10% of the voting rights

%	Direct holding	Indirect holding
Warren E. Buffett, USA	0.053	10.191
Berkshire Hathaway Inc., Omaha, USA		10.191
OBH LLC, Omaha, USA		10.191
National Indemnity Company, Omaha, USA	10.191	

Warren E. Buffett and the aforementioned companies in his group informed us in a letter dated 15 October 2010 that the objective of the investment is to generate trading profits and not to implement strategic objectives.

Shares with special control rights

There are no shares with special control rights.

Statutory regulations and provisions of the Articles of Association regarding appointment and dismissal of members of the Board of Management and concerning amendments to the Articles of Association

The legal parameters for the appointment and dismissal of members of the Board of Management are specified in the Company's co-determination agreement, Articles 13 and 16 of the Articles of Association, Sections 84 and 85 of the German Stock Companies Act, and Sections 121a paras. 1 and 7a of the German Insurance Control Act. Munich Re's co-determination agreement and Articles of Association have taken over the legal tenets of the German Co-Determination Act. The Supervisory Board appoints the members of the Board of Management and may dismiss them at any time for good cause. On initial appointment, members of the Board of Management are usually given contracts for a term of between three and five years. Extensions of up to five years are possible and – in exceptional cases – members of the Board of Management may also be appointed by a court of law.

The German Stock Companies Act contains general provisions governing amendments to the Articles of Association (Sections 124 para. 2 sentence 2, and 179–181 of the Act). These state that only the Annual General Meeting can make resolutions on changes to the Articles of Association. In order to be carried, a resolution must receive at least three-quarters of the votes cast by the share capital represented in the vote. The Articles of Association may stipulate a different capital majority (higher or lower) or other requirements, but the Company's Articles of Association do not provide for any such special features.

The German Stock Companies Act contains special regulations on amendments to the Articles of Association where increases and reductions in share capital are concerned (Sections 182–240 of the Act). Under these regulations, all resolutions on capital measures are to be made by the Annual General Meeting. Within a self-determined scope, however, the Annual General Meeting can authorise the Board of Management to initiate certain (capital) measures. The authorisations relating to Munich Reinsurance Company are listed below. In all such cases, a resolution of the Annual General Meeting is required that has been adopted by at least a three-quarter majority of the share capital represented in the vote. Where these resolutions are concerned, the Company's Articles of Association again do not provide for other (i.e. higher) majorities or further requirements.

The Annual General Meeting is entitled to transfer to the Supervisory Board the authority to make amendments to the Articles of Association that affect only the wording (Section 179 para. 1 sentence 2 of the German Stock Companies Act). This is the case with Munich Reinsurance Company and has been regulated in Article 14 of the Articles of Association.

Powers of the Board of Management with particular regard to the option of issuing or buying back shares

The powers of the members of the Board of Management are defined in Sections 71 and 76 to 94 of the German Stock Companies Act. The Board of Management has the following powers to issue and buy back shares (the complete wordings of the relevant resolutions and provisions in the Articles of Association can be viewed on our website):

// The Annual General Meeting of 28 April 2010 authorised the Company under agenda items 7 and 8, pursuant to Section 71 para. 1 item 8 of the German Stock Companies Act, to buy back shares until 27 April 2015 up to a total amount of 10% of the share capital at the time of the Annual General Meeting resolution (€587,725,396.48). The shares acquired plus other own shares in the possession of the Company or attributable to the Company in accordance with Section 71a ff. of the German Stock Companies Act may at no time amount to more than 10% of the share capital. The shares may, in accordance with the provisions of the authorisation, be acquired in various ways: the Company may buy back shares amounting to a maximum of 5% of the share capital using derivatives. The Board of Management is authorised to use shares thus acquired for all legally admissible purposes, in particular those specified in the authorisation, whilst excluding subscription rights. Among other things, the Board of Management is empowered under Section 71 para. 1 item 8 sentence 6 of the German Stock Companies Act to retire the shares without requiring further approval from the Annual General Meeting. The Board of Management availed itself of this authorisation to buy back shares by resolution of 7 May 2010. By 31 December 2010, a total of approximately 6.1 million shares had been purchased for an overall price of €650m. As part of the 2009/2010 share buy-back programme, around 5.7 million shares were acquired between January and April 2010 for an overall price of €650m. As announced in April 2010, these shares and the approximately 3.2 million shares already repurchased in 2009 were retired in a simplified process.

// The Annual General Meeting of 28 April 2010 resolved to cancel the Contingent Capital 2005 of €100m and authorised the Board of Management to issue, with the consent of the Supervisory Board, convertible bonds or bonds with warrants on one or more occasions up to 27 April 2015 for a maximum nominal amount of €3bn with or without a limited maturity period. Shareholders are generally entitled to a subscription right in respect of these bonds, but the Board of Management is authorised, with the consent of the Supervisory Board, to exclude this subscription right in the cases specified in the authorisation. The holders of such bonds may be granted conversion or option rights in respect of shares issued by the Company up to a maximum amount of €117m of the share capital, in accordance with the respective bond or warrant conditions; as a precautionary measure, capital of €117m was conditionally authorised under Article 4 para. 3 of the Articles of Association (Contingent Capital 2010).

// Under Article 4 para. 1 of the Articles of Association, the Board of Management is authorised, with the consent of the Supervisory Board, to increase the Company's share capital at any time up to 21 April 2014 by an amount of up to €280m by issuing new shares against cash or non-cash contribution (Authorised Capital Increase 2009). In accordance with the above-mentioned provisions of the Articles of Association, it may exclude subscription rights.

// Under Article 4 para. 2 of the Articles of Association, the Board of Management is authorised to increase the share capital at any time up to 18 April 2011 by an amount of up to €5m by issuing new shares against cash contribution (Authorised Capital Increase 2006). The subscription right of shareholders is excluded insofar as this is necessary to allow the shares to be issued to employees of Munich Reinsurance Company and its affiliated companies.

The above-mentioned authorisations to issue or buy back shares are within the range of what is customary in the market and allow the Company to engage in active capital management. They enable it to cover any capital needs, even at short notice, for taking swift and flexible advantage of market opportunities in different fields of business. As demonstrated by the Company's share buy-backs, the authorisations also offer the opportunity to return to the equity holders capital that is no longer required.

Significant agreements which take effect, alter or terminate upon a change of control following a takeover bid, and resultant implications

Based on our underwriting guidelines, our reinsurance agreements generally include a clause that grants both parties to the agreement a right of extraordinary cancellation in the event that "the other party merges with another company or its ownership and control undergoes a material change". Such or similar clauses are typical of the industry. Munich Reinsurance Company's long-term incentive plan provides for special exercise conditions in the event of a change of control. This plan is for members of the Board of Management, senior management and top executives in Munich Re's international organisation, which is explained in detail in the remuneration report.

Compensation agreements concluded with members of the Board of Management or employees for the event of a takeover bid

There are no compensation agreements with members of the Board of Management or employees for the event of a takeover bid.

Solvency

Solvency in the case of insurance companies is generally understood to be the ability of an insurer to always meet the obligations assumed under contracts. In concrete terms, this means an insurance company must fulfil specific minimum capital requirements. To calculate solvency, the minimum equity required for the volume of business (required solvency margin) is compared with the eligible equity actually available (actual solvency margin) on the basis of the company's financial statements. In determining the eligible capital elements, the equity is adjusted; specifically, it is increased by portions of the subordinated liabilities and reduced by intangible assets, participations in banks, financial services institutions and financial services companies. Munich Reinsurance Company's equity capital still amounts to several times the statutory minimum requirement.

Analysis of the cash flow

Munich Reinsurance Company's cash flow is strongly influenced by our operating business. We generally first collect the premiums for the risks assumed and do not make payments until later, when claims need to be settled. Cash flow statements of insurance companies are therefore of limited relevance.

The **cash inflows from operating activities** remained clearly positive overall. Increased payments for major claims were almost fully offset by an expansion of premium volume. Moreover, regular income from investments was satisfactory, despite the low-interest-rate environment. Also, there was again a reduction in the balance of accounts receivable, deposits retained on assumed reinsurance, and related liabilities.

The cash outflows for investment activities were determined by **payments for the acquisition of investments**. In this context, there was a moderate expansion of our portfolio of equities and investment funds and a rise in interest-bearing deposits.

Munich Reinsurance Company's share buy-back programme, which continued as planned, and dividend payment for the past financial year resulted in **cash outflows for financing activities**.

In the year under review, cash – which encompasses cash with banks, cheques and cash in hand – rose by €312m to €528m overall.

Other success factors

// Munich Re as clients' first port of call for all risk matters
// Ongoing development of innovative coverage concepts for new and complex risks
// Corporate responsibility for our staff, society and the environment

Clients and client relationships

Munich Reinsurance Company works together with over 4,000 corporate clients from more than 160 countries.

Clients benefit from financial strength and risk knowledge

As reinsurers, we deploy our extensive risk knowledge to develop individual solutions for our clients to meet their diverse needs. We therefore provide our cedants with the full range of underwriting products. We regularly assume a pioneering role in the development of new coverage concepts, for instance for offshore oil drilling operations. We also offer our clients consulting and other risk-related services. Our client management is geared to providing premium solutions and intensifying cooperation with our clients.

With branches and subsidiaries around the world, we ensure that our clients can always find us where they need us.

Research and development

An in-depth understanding of risks is the basis of our business. That is why we analyse known risks on an ongoing basis to determine whether there have been any changes in their structure or occurrence probability. We focus on identifying new risks at an early stage and offering solutions for known risks that have hitherto been uninsurable.

Traditional liability and property covers also recurrently provide innovation opportunities. Munich Re has developed an insurance solution covering oil companies against liability risks from oil disasters during offshore drilling operations. Climate change and the necessary development of renewable energy technologies also allow scope for innovation. For instance, we have devised an insurance solution that covers the performance guarantees provided by solar module manufacturers – an important milestone for the funding of photovoltaic projects.

In many countries, we also work closely with governments and specialist insurance providers to set up catastrophe funds for insuring the agricultural sector against extreme weather events such as windstorm, drought, flood, and late frost.

Staff

The financial year saw a variety of cross-corporate initiatives. In reinsurance, we carried out the first performance and talent management process on a global scale and on the basis of uniform criteria, generating scope for activities that enable us to appraise, promote and flexibly deploy our top performers and talent within the Group worldwide in accordance with consistent and transparent processes.

The availability of competent, motivated staff and high-calibre talent continues to be an important feature of successful human resources work. The optimal utilisation of our staff's many qualifications, different ways of thinking, cultural and social backgrounds and their individual qualities are an important economic success factor for us. Our philosophy is unity through diversity, and the recognition and encouragement of variety and individuality in our employees is an essential element of our corporate culture. A Group-wide project on the subject of diversity management will open up new paths in this context.

An average of 4,145 (3,969) staff were employed at Munich Reinsurance Company in 2010, an increase of 4%. There was an average of 42 (37) trainees working at the Company last year, while twelve staff from four different years were enrolled on a training-integrated Master of Science course as at 31 December 2010.

Our overall remuneration system comprises a well-balanced package of components reflecting and underlining our corporate culture that recognises and rewards performance. In view of the successful 2009 financial year, Munich Reinsurance Company paid out the Company result bonus for the first time in Munich in 2010, a new variable salary component that allows all employees to share in the Company's good results. The distribution of this bonus payment is based on individual performance and demonstrates to staff that it pays to work hard.

Our business success is rooted in our excellent knowledge and its market-oriented implementation. Initiatives that promote staff training and professional development were therefore a focal point of attention in 2010. Expenditure on specialist and personal training measures rose by around 14% in 2010, totalling some €10.2m (8.9m). An average of €2,694 (2,462) was invested in training measures per employee. Our international graduate trainee programme was expanded by a further ten positions in 2010 to a total of 30 – an investment in young talent. Munich Re's career path for experts was further strengthened: outstanding experts in specialist areas relevant to business can now advance right up to senior-executive level. They have a set of suitable talent management measures to support them. This represents another step in putting expert and management career paths on an equal footing.

In accordance with our globally oriented human resources strategy, we are taking measures designed to promote international occupational mobility and development. A new programme prepares employees in our international organisation for appointments to management positions outside their home countries. High-quality leadership skills are one of our prime objectives. The latest international survey on leadership behaviour confirmed the previous year's positive result. At the same time, we conducted the first worldwide survey on employee satisfaction to determine what we refer to as the "engagement" index. The overall outcome (both on a national and international level) was good.

Corporate responsibility

Munich Re's business environment is constantly in flux, presenting ever new opportunities and risks. Defining factors, such as climate change, technological progress, the globalised financial markets and demographic trends, constitute major challenges. A forward-looking and responsible approach throughout the company is an integral part of our business model. This approach is specified in more detail in our corporate responsibility strategy, and was reinforced when Munich Re joined the United Nations Global Compact in 2007.

In primary insurance and reinsurance, we develop new solutions such as special cover concepts for renewable energy or rates for climate-friendly vehicles, and provide advice on holistic healthcare programmes. As a global risk carrier, we also offer microinsurance geared to the financial situation and living conditions of disadvantaged population groups. Internationally, we are actively involved in the United Nations Environment Programme (UNEP FI) and work together with a group of major international financial enterprises on Principles for Sustainable Insurance (PSI). Another example is the industry initiative of Dii GmbH, which Munich Re established in 2009 in conjunction with the Desertec Foundation and other international enterprises. The declared aim is to develop a suitable technical, economic, and political framework for carbon-free power generation in the deserts of North Africa and the Middle East.

The same premises regarding corporate responsibility also apply to investments, where our asset management company MEAG manages significant sums worldwide. In 2006, we became the first German company to sign the UN Principles for Responsible Investment (PRI). In addition, our globally binding General Investment Guidelines in place since 2005 specify that at least 80% of Group-wide investments in shares and government and corporate bonds should comply with sustainability criteria. Munich Re also systematically invests in renewable energy and new technologies. In mid-2010, we launched our investment programme RENT (renewable energy and new technologies). And we also attach great importance to high sustainability standards in new building projects and real estate acquisition.

With our own office buildings, we focus our activities on reducing greenhouse gas emissions
// by reducing travel, energy and heat consumption, and waste;
// by using water and paper sparingly;
// by increasingly replacing conventional sources of energy with renewable ones.

A fifth of Munich Re's staff works in buildings certified to the international environmental management standard ISO 14001. In 2009, our Munich site became climate-neutral, our declared aim being to achieve carbon-neutrality in the whole reinsurance group by 2012.

Our understanding of corporate responsibility also involves assuming responsibility for the community in which we live and work. In addition to systematically promoting education and science, Munich Re supports selected cultural and social projects. Health is another cornerstone of our activities, as exemplified by a range of prevention projects in which ERGO is engaged. Munich Re's commitment is backed by the various foundations we have set up, which contribute significantly to sustainable development.

Our shares have featured in the most respected sustainability indices, e.g. the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index. Both listings were successfully reaffirmed in autumn 2010. Corporate responsibility issues are gaining in importance in our communication with shareholders.

Corporate governance statement

Munich Reinsurance Company's corporate governance statement comprises (1) the declaration in accordance with Section 161 of the German Stock Companies Act and (2) the report of the Board of Management and Supervisory Board on the Company's corporate governance within the meaning of item 3.10 of the German Corporate Governance Code, including the remuneration report in accordance with item 4.2.5 of that Code and the disclosures as per Section 289a para. 2 items 2 and 3 of the German Commercial Code.

1. Declaration of the Board of Management and Supervisory Board of Munich Reinsurance Company in accordance with Section 161 of the German Stock Companies Act, dated November 2010

"Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München fulfils all the recommendations of the German Corporate Governance Code of 26 May 2010 (published on 2 July 2010) and will continue to do so in future. Since the last declaration of conformity in November 2009, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 18 June 2009 (published on 5 August 2009)."

The declaration of conformity is permanently accessible on our internet website (www.munichre.com).

2. Corporate governance report

It is our conviction that good corporate governance creates lasting value. We therefore apply the highest standards to our operations and activities, complying with all the recommendations and proposals of the German Corporate Governance Code.

Munich Re Code of Conduct

Beyond this, we have our own Munich Re Code of Conduct specifying high-level ethical and legal requirements that must be met by employees. This document is also published on our website.

Binding rules for employees

In our Code of Conduct we clearly state our views on corporate integrity, i.e. legally impeccable behaviour based on ethical principles. At the same time, the Code is an expression of our understanding of value management. The Code of Conduct contains regulations that are binding for all Munich Re employees, including management, particularly for dealing with conflicts of interest, maintaining confidentiality, preventing money laundering and fraud, complying with antitrust law and insider trading law, and adhering to specified practices for donations and sponsoring. Furthermore, the Code of Conduct outlines a procedure for reporting legal infringements or contraventions which allows the Company to respond promptly, even to the suspicion of irregularities, or to prevent any form of financial crime.

In this connection, employees have the option of contacting an external and independent ombudsman, who reports cases of suspected fraud to the Fraud Prevention Committee, comprising the Fraud Prevention Officer and the Compliance Officer, thus supporting Munich Re's anti-fraud management.

Global Compact

To make clear Munich Re's understanding of important values – and thus also its corporate responsibility – inside and outside our Group, Munich Re joined the United Nations Global Compact 2007. The ten principles of this declaration form the benchmark for our actions throughout the Group and thus provide the fundamental framework for our corporate responsibility. Our annual Communication on Progress for the UN Global Compact is integrated into the corporate responsibility portal on our website.

How we view corporate governance

Corporate governance stands for a form of responsible company management and control geared to long-term creation of value. One of our aims in this context is to foster the confidence of investors, clients, employees and the general public. Also of great significance for us are efficient practices on the Board of Management and Supervisory Board, good collaboration between these bodies and with the companies' staff, and open and transparent corporate communications.

Continually improving corporate governance is an important principle underlying our business activities.

What rules apply to Munich Re?

As a result of its international organisation, Munich Re has to consider corporate governance rules in different national legal systems. Clearly, we observe not only the respective national standards but also internationally recognised best practices. In Germany, where Munich Reinsurance Company has its headquarters, corporate governance rules are laid down above all in the German Stock Companies Act and the German Corporate Governance Code. The German Insurance Control Act standardises the "fit and proper" requirements for Board members of insurance companies. It also provides particular rules for insurance companies' remuneration systems. These rules formed the basis for the regulation on remuneration schemes in the insurance sector (VersVergV) issued by the German Federal Finance Ministry in October 2010.

Also applicable to Munich Reinsurance Company is the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG) and a co-determination agreement; these provisions supersede those of the German Co-Determination Act. The co-determination agreement is published on our website.

The German Corporate Governance Code, which entered into force in 2002 and has since been amended several times, contains the main legal rules that must be observed by German listed companies. In addition, it includes recommendations and proposals based on nationally and internationally recognised standards of good and responsible management. Every year, Munich Reinsurance Company's Board of Management and Supervisory Board publish a declaration stating how far the Code's recommendations have been and will be complied with. The current declaration of conformity can be found on page 121.

Corporate legal structure

Munich Reinsurance Company is a joint-stock company ("Aktiengesellschaft") within the meaning of the German Stock Companies Act. It has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. Their functions and powers derive from the relevant legal provisions, the co-determination agreement and the Articles of Association, which are published on our website.

The principle of parity co-determination on the Supervisory Board has been maintained in the co-determination agreement, and strengthened by taking into account staff employed in the rest of Europe.

Board of Management

Duties and responsibilities

The Board of Management is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a long-term increase in the Company's value. The Board of Management must ensure compliance with statutory requirements and internal company directives, and is responsible for effecting adequate risk management and risk control in the Company. The Chairman of the Board of Management provides for homogeneous management of the Company, which he represents vis-à-vis the authorities, the media and associations.

Pursuant to Article 16 of the Articles of Association, the Board of Management must comprise a minimum of two persons; beyond this, the number of members is determined by the Supervisory Board. Munich Reinsurance Company's Board of Management had nine members in the 2010 financial year. An overview of its composition and distribution of responsibilities can be found on page 116. Additional information on individual members of the Board of Management is available on our website. The Board of Management has two committees – one for Group matters and one for reinsurance – in order to enhance the efficiency of its work. Rules of procedure issued by the Supervisory Board regulate the work of the Board of Management, in particular the allocation of responsibilities between the individual Board members, matters reserved for the full Board of Management, and the required majority for Board of Management resolutions. The full Board of Management decides on all matters for which the law or the Articles of Association prescribe a decision by the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, for tasks which constitute fundamental management functions or are of exceptionally great importance, and finally for significant personnel issues at top management level.

Meetings of the Board of Management take place as required, but at least once a month. The members of the Board of Management cooperate closely to the benefit of the Company and aim to reach unanimous decisions.

Composition and working procedure of the Board of Management committees

The **Group Committee** comprises the Chairman of the Board of Management and at least one other member of the Board of Management, i.e. Nikolaus von Bomhard and Jörg Schneider. A further member is Munich Reinsurance Company's Chief Risk Officer, Joachim Oechslin. The Chairman of the Board of Management is also Chairman of the Group Committee. The Group Committee decides on all fundamental matters relating to its voting members' divisions unless the full Board of Management is mandatorily responsible. In addition, it prepares decisions that have to be taken by the full Board.

The **Reinsurance Committee** comprises those members of the Board of Management that do not sit on the Group Committee, i.e. Torsten Jeworrek, Ludger Arnoldussen, Thomas Blunck, Georg Daschner, Peter Röder, Wolfgang Strassl and Joachim Wenning. A further member is the Chief Financial Officer for Reinsurance, Hermann Pohlchristoph. The Chairman of the Committee is appointed by the Supervisory Board. This office is held by Torsten Jeworrek. The Reinsurance Committee decides on all fundamental matters relating to the business field of reinsurance except where the full Board of Management is mandatorily responsible.

The committee meetings are held as needed, and usually take place every two weeks. Only the members of the Board of Management are entitled to vote.

Subcomittees of the Board of Management committees

Both the Group Committee and the Reinsurance Committee have set up subcommittees, whose members include other senior executives from Munich Reinsurance Company and the Group. They comprise the Group Investment Committee, the Group Risk Committee and the Global Underwriting and Risk Committee. Only Board members of Munich Reinsurance Company have voting rights on these committees, each of which has its own written rules of procedure. The Group Investment Committee deals with all significant issues affecting the investments of the Group and the individual fields of business. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with the risk management process, albeit in different contexts.

Collaboration between Board of Management and Supervisory Board

The Board of Management and Supervisory Board cooperate closely to the benefit of the Company. The Board of Management coordinates the Company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with it at regular intervals. It reports regularly to the Supervisory Board about all questions relevant to the Company. The Supervisory Board has defined the Board of Management's information and reporting requirements in detail. Specific types of transaction such as investments and divestments of substantial size and individual capital measures (e.g. according to Article 4 of the Articles of Association) generally require the Supervisory Board's consent. Beyond this, the Board of Management reports to the Audit Committee on specific topics falling within the latter's scope of responsibility.

Supervisory Board

Duties and responsibilities

The Supervisory Board monitors the Board of Management and gives counsel where appropriate. Certain transactions require its approval, but it is not authorised to take management action. The Supervisory Board also appoints the external auditor for the Company and Group financial statements and for the half-year financial report.

In compliance with the Articles of Association, the Supervisory Board has 20 members. Half are representatives of the shareholders, elected by the Annual General Meeting, and half are elected representatives of the employees. Under the co-determination agreement, employees of Group companies in the European Union (EU) and European Economic Area (EEA) may also participate in the election of employee representatives.

An overview of the members of the Supervisory Board can be found on page 116. Additional information on the current members of the Supervisory Board is available on our website.

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate rules of procedure for the Audit Committee. As provided for in the German Co-Determination Act and included in the provisions of Article 12 of the Articles of Association, the Chairman of the Supervisory Board and his first deputy must be elected by a majority of two-thirds of its constituent members. If a second vote is needed, the shareholder representatives elect the Chairman of the Supervisory Board, and the employee representatives his first deputy, by a simple majority of the votes cast in each case.

The Supervisory Board is quorate if all its members have been invited to the meeting or called upon to vote and if ten members including the Chairman or alternatively 15 members participate in the vote. The Chairman of the Supervisory Board is authorised to make declarations on the Supervisory Board's behalf.

In accordance with item 5.4.1 para. 2 of the German Corporate Governance Code, the Supervisory Board has set itself the following objectives for its future composition:
// The main criteria focus on sustained corporate profitability, personal abilities, talents, experience (especially of an international nature), independence, professional knowledge and enterprise.
// All members of the Supervisory Board should be free of relevant conflicts of interest.
// In selecting candidates for membership, the Supervisory Board should pay due regard to diversity, especially in terms of age, internationality and gender. By the beginning of the next term of office (scheduled for 2014), at least 20% of the members should be female, with this figure increasing to at least 30% by the start of the following term of office (scheduled for 2019). Currently, three members of the Supervisory Board are women: two representatives of the employees (since the Supervisory Board elections in 2009) and one shareholder representative (since February 2010).

The above-mentioned objectives apply to the Supervisory Board as a whole. Shareholder and employee representatives will each contribute their share to meeting them, and the bodies responsible under the co-determination agreement for election proposals to the European Electoral Board are requested to take due consideration of the objectives within the framework of the current rules. The Nomination Committee has updated its list of criteria for nominating candidates for election to the Supervisory Board as shareholder representatives.

In addition, the Supervisory Board's rules of procedure provide for a recommended age limit of 70 for candidates.

Composition and working procedure of the Supervisory Board committees

Munich Reinsurance Company's Supervisory Board has set up five committees: the Standing Committee, the Personnel Committee, the Audit Committee, the Nomination Committee, and the Conference Committee. The full Supervisory Board is regularly informed about the work of the committees by their respective chairmen. The committees' main responsibilities are as follows:

The **Standing Committee** prepares Supervisory Board meetings and decides on matters of Company business requiring the Supervisory Board's approval insofar as the full Supervisory Board or another committee is not responsible. It makes amendments to the Articles of Association that only affect the wording, and decides on the attendance of guests at Supervisory Board meetings. Besides this, it prepares the annual declaration of conformity with the German Corporate Governance Code, in accordance with

Section 161 of the German Stock Companies Act, and the Supervisory Board's report about the Company's corporate governance in the annual report. Every year, it reviews the efficiency of the Supervisory Board's work and submits appropriate proposals to the full Supervisory Board where necessary. It also approves loan transactions of the Company with managers and Supervisory Board members or parties related to them, as well as Company contracts with members of the Supervisory Board. If the Chairman of the Supervisory Board is unable to attend, it determines the Chair of the Annual General Meeting.

Members of the Standing Committee are Dr. Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen, Wolfgang Mayrhuber and Dr. Bernd Pischetsrieder.

The **Personnel Committee** prepares the appointment of members of the Board of Management and, together with the Board of Management, concerns itself with long-term succession planning. It also prepares the Supervisory Board's resolution on the remuneration system for the Board of Management, including the total remuneration of the individual members of the Board of Management. The Personnel Committee represents the Company vis-à-vis the members of the Board of Management and is responsible for other personnel matters involving members of that Board unless these are issues that have been allocated to the full Supervisory Board. It approves loan transactions between the Company and members of the Board of Management or parties related to them, as well as any material transactions between the Company or its associated companies and members of the Board of Management or parties related to them. It also decides on secondary occupations that members of the Board of Management may pursue and seats they hold on the boards of other companies.

Members of the Personnel Committee are Hans-Jürgen Schinzler (Chairman), Herbert Bach and Dr. Bernd Pischetsrieder.

The **Audit Committee** prepares Supervisory Board resolutions on the adoption of the annual Company financial statements and approval of the Group financial statements, reviews the financial reporting, discusses the quarterly reports, and takes delivery of the audit reports and other reports and statements by the external auditor. The committee monitors the accounting process, including the effectiveness of the Company's internal control system, risk management system, compliance system, and internal audit system. Furthermore, it initiates the decision on the appointment of the external auditor and monitors the latter's independence and quality. It appoints the external auditor for the Company and Group financial statements, determines focal points of the audits and agrees the auditor's fee for the annual audit; the same applies to the review of the half-year financial report. In addition, together with the Board of Management, the Audit Committee prepares the annual discussion of the risk strategy held before the Supervisory Board and discusses any changes or deviations from the risk strategy with the Board of Management during the year.

Members of the Audit Committee are Prof. Dr. Henning Kagermann (Chairman), Christian Fuhrmann, Marco Nörenberg, Anton van Rossum and Dr. Hans-Jürgen Schinzler.

Comprising solely representatives of the shareholders, the **Nomination Committee** suggests suitable candidates to the Supervisory Board for the latter's election proposals to the Annual General Meeting. It has drawn up and adopted a list of criteria on which these proposals are to be based.

Members of the Nomination Committee are Dr. Hans-Jürgen Schinzler (Chairman), Prof. Dr. Henning Kagermann and Dr. Bernd Pischetsrieder.

The **Conference Committee** makes personnel proposals to the Supervisory Board if the requisite two-thirds majority is not achieved in the first vote when it comes to appointing or dismissing members of the Board of Management. Its responsibilities have remained the same after application of the co-determination agreement and are now laid down in the Articles of Association and the Supervisory Board's rules of procedure.

Members of the Conference Committee are Dr. Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen and Dr. Bernd Pischetsrieder.

More details of the work of the Supervisory Board committees in the financial year ended can be found in the report of the Supervisory Board to the Annual General Meeting, which is printed on page 3 ff.

Annual General Meeting

The regular responsibilities of the Annual General Meeting include reaching a resolution on the appropriation of profits and approving the actions of the Board of Management and Supervisory Board.

At the Company's Annual General Meeting, the principle of "one share, one vote" applies. Insofar as shareholders are entered under their own name as being the holders of shares which belong to a third party and exceed the upper limit of 2% of the share capital as stated in the Articles of Association, the shares entered do not carry any voting rights. The aim of this provision is greater transparency of the share register. Besides this, it is intended to facilitate direct contact with the shareholders, especially in connection with the convening of the Annual General Meeting and the exercising of voting rights.

Remuneration report

Structure of the remuneration system for the Board of Management
In conformity with the German Corporate Governance Code, we here explain the principles of the remuneration system for Munich Re's Board of Management and the structuring of the individual remuneration components.

In accordance with item 4 of the German Corporate Governance Code, the remuneration system for the Board of Management was determined by the full Supervisory Board. The necessary preparations for the resolution were made by the Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative.

The remuneration system for the Board of Management was revised with effect from 1 January 2010 on the basis of the remuneration-related amendments to the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the German Corporate Governance Code, with particular attention being paid to comprehensibility and transparency.

The new structure comprises only two remuneration components: basic and variable remuneration. The variable remuneration component contains both annual and three-year objectives, thus replacing the annual bonus and Mid-Term Incentive Plan. The Long-Term Incentive Plan has been done away with. The obligation to invest in Munich Re shares that must be held for at least a two- or four-year period means there continues to be a component geared to the development of Munich Reinsurance Company's share price. Overall, the new remuneration system focuses more strongly than before on long-term targets and thus creates an even greater incentive for sustainable corporate development.

Structure of the remuneration system for the Board of Management

Component	Share[1]	Assessment basis/ parameters	Corridor	Precondition for payment	Payment
Basic remuneration plus remuneration in kind/ fringe benefits (company car, healthcare, security measures, insurance)	**30%**	Function Responsibility Length of service on Board	Fixed	Contractual stipulations	Monthly
Variable remuneration	**70%**	Corporate performance Result contribution of organisational unit(s) Personal performance			
30% annual performance (for 100% achievement of objectives)		Group objective Company objective Divisional objectives Individual objectives	**0-200%** (fully achieved = 100%)	Achievement of annual objectives	In the **second** year, **on condition that 50% of the net amount paid out is invested by the Board member in Munich Re shares that must be held for at least a four-year period**
70% multi-year performance (for 100% achievement of objectives)		Objectives for the business fields - reinsurance - primary insurance - Munich Health Individual objectives	**0-200%** (fully achieved = 100%)	Achievement of three-year objectives	In the **fourth** year, **on condition that 25% of the net amount paid out is invested by the Board member in shares that must be held for at least a two-year period**
Pension				> Retirement > Insured event > Premature termination or non-extension of employment contract under certain circumstances	-
a) Defined benefits plan (Board members appointed before 2009 who had reached the age of 55 in 2008)	-	Pensionable basic remuneration (= 25% of target overall direct remuneration) Number of years on the Board	Fixed		
b) Defined contribution plan (Board members appointed before 2009 who had not reached the age of 55 in 2008 and Board members appointed since 2009)	-	Target overall direct remuneration	Pension contribution		-

[1] For the variable remuneration, the share shown presupposes 100% achievement of the objectives.

Fixed components

Basic remuneration

The fixed annual basic remuneration is paid in the form of a monthly salary.

Remuneration in kind/fringe benefits

Remuneration in kind and fringe benefits are granted according to function, and are commensurate with market conditions (DAX 30 companies). Income tax on the benefits in question is paid individually for each member of the Board of Management, with the Company bearing the amount due. Remuneration in kind and fringe benefits are valued on the basis of expenditure for disclosure in the annual report.

Variable remuneration
The variable remuneration component is geared to the overall performance of the Group and defined organisational units and to the personal performance of the individual members of the Board of Management. Its amount depends on the degree to which annually set objectives for annual and multi-year performance are met. Achievement of objectives is measured at the end of the performance terms, there being no adjustment of the targets during these periods. Payouts are made at the end of the one- and three-year periods under consideration. With a view to promoting a management approach that takes due account of the Company's long-term interests, the members of the Board of Management are obliged to invest 50% and 25% of the paid-out variable remuneration in Munich Reinsurance Company shares.

Variable remuneration based on annual performance
Annual performance targets for the variable remuneration component geared to annual performance are set on the basis of divisional results and individual objectives as well as the Company result (property-casualty) and Munich Re (Group) result. 30% of the target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for Group, Company and divisional objectives are geared to particular indicators, while individual objectives form the basis for the achievement of personal targets. The key indicator used for the Group result is RORAC (return on risk-adjusted capital), which is derived from key figures in external accounting and from other important portfolio and performance data. Information on the definition of RORAC is provided on page 15. The performance measures embodied in value-based management are used for the Company result and the divisional results. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for annual performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the one-year period under consideration. Payment is effected on condition that 50% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a four-year period.

Variable remuneration based on multi-year performance
For the multi-year performance remuneration component, three-year targets based on the performance of the reinsurance, Munich Health and primary insurance segments and on individual objectives are fixed every year. 70% of the target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for the business field targets are geared to VBM performance indicators, and the individual targets are based on individual objectives. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for the multi-year performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the three-year period under consideration. Payment is effected on condition that 25% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a two-year period.

Full and pro-rata calculation of the variable remuneration for annual and multi-year performance
The basis for the full and pro-rata calculation of the variable remuneration is the first year. Only the full "eligible" months in this year are taken into account (pro rata temporis). In the case of retirement, occupational disability, death or premature departure from the company for other reasons, the rules for the full and pro-rata calculation apply.

Share-based remuneration agreements in force during the reporting period

Mid-Term Incentive Plan 2009–2011

This plan is based on performance over a three-year period. It promotes the medium- and long-term increase in Munich Re's value in terms of internal value creation (value-based success factors) and improvement in the total shareholder return (TSR) of Munich Re shares. The plan provides for the granting of performance share units, free of charge, to members of the Board of Management for the first and last time for 2009. Plan participants have the opportunity to share in the development of Munich Re's value if they achieve their performance targets and increase the TSR.

For the value-based performance objectives, three-year average targets are set for each of the business fields reinsurance, primary insurance and Munich Health. Achievement of objectives is measured at the end of the plan's term, there being no adjustment of the targets during the course of the plan.

The TSR represents the total return on shares, comprising both the rise in the share price and the dividends paid over a period of three years. Further information on the Mid-Term Incentive Plan can be found in the notes to the financial statements under (20) Mid-Term Incentive Plan.

Long-Term Incentive Plan

This remuneration component, with a long-term perspective, is linked to the sustained appreciation of Munich Re's share price. The Long-Term Incentive Plan, launched every year since 1999, was set up for the members of the Board of Management for the last time in 2009. The participants were granted a certain number of stock appreciation rights. These can only be exercised if, after a two-year vesting period, Munich Re's share price has risen by at least 20% since inception of the plan and the shares have outperformed the EURO STOXX 50 at least twice over a three-month period during the term of the plan.

Whether the stock appreciation rights can be exercised and, if so, when, is not certain. The exercising and proceeds depend on the development of the share price and on fulfilment of the exercise conditions. The amount of income is limited. Up to now, it has only been possible to exercise stock appreciation rights under the plans set up in 1999 and 2003 to 2005. Further information on the Long-Term Incentive Plan can be found in the notes to the financial statements under (19) Long-Term Incentive Plan.

Weighting of remuneration components

In the case of 100% achievement of objectives (annual performance and multi-year performance), the weightings of the individual components in terms of total remuneration for 2010 were as follows: basic remuneration around 30% and variable remuneration around 70%, of which 30% was based on annual performance and 70% on multi-year performance. Annual objectives, multi-year objectives and investment in shares together form a well-balanced and economic, i.e. strongly risk-based, incentive system, designed to ensure that the targets set for the members of the Board of Management do not have undesirable effects. No guaranteed variable salary components are granted.

All in all, the remuneration system for members of the Board of Management was in conformity with the recommendations of the German Corporate Governance Code for 2010. In particular, it also complies with the German regulation of 6 October 2010 on the supervisory law requirements for remuneration schemes in the insurance sector (VersVergV), which in its material points largely corresponds to the German Federal Financial Supervisory Authority's Circular 23/2009 of 21 December 2009. In the circular in question, which was superseded by the VersVergV, the Supervisory Authority had specified in more detail for the German insurance industry the Financial Stability Board principles whose implementation the G20 states had agreed on at their summit meeting in Pittsburgh in September 2009.

Beyond the actual remuneration system, the level of total remuneration has been set and regularly monitored by the full Supervisory Board since 2010, acting on recommendations from the Supervisory Board's Personnel Committee. The consideration of what is appropriate remuneration takes into account data from peer-group companies and the relation to remuneration of other Munich Re employees. Criteria also include the respective Board member's duties, the Board member's personal performance, the performance of the Board as a whole and the financial situation, performance and future prospects of Munich Re. New Board members are generally placed at a level which allows sufficient potential for development in the first three years.

Continued payment of remuneration in the case of incapacity to work
In the case of temporary incapacity to work due to illness or for other cause beyond the Board member's control, the remuneration is paid until the end of the contract of employment. The Company may terminate the contract prematurely if the Board member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him (permanent incapacity to work). In this event, the Board member will receive a disability pension.

Other remuneration
In the case of seats held on other boards, remuneration for board memberships must be paid over to the Company or is deducted in the course of regular remuneration computation. Exempted from this is remuneration for memberships explicitly recognised by the Company as private.

The members of the Board of Management have no contractual entitlement to severance payments. If the Board member's activities on the Board are terminated prematurely without good cause within the meaning of Section 626 of the German Civil Code, payments due may not surpass the equivalent of two years' total remuneration (three years' total remuneration in the event of acquisition of a controlling interest or change of control within the meaning of Section 29 para. 2 of the German Securities Acquisition and Takeover Act) and may not cover more than the remaining period of the employment contract. The calculation is to be based on the overall remuneration for the past financial year and, if necessary, on the probable overall remuneration for the current financial year.

In the event of a change of control, only the conditions of the Long-Term Incentive Plan (under which stock appreciation rights were granted to members of the Board of Management for the last time in 2009) provide for special exercise options. Details of this are available in the notes to the financial statements under (19) Long-Term Incentive Plan.

Pensions
Up to and including 2008, the members of the Board of Management were members of a defined benefit plan, providing for payment of a fixed pension amount depending on their basic remuneration and years of service on the Board. The pension level started at 30% and could reach a maximum of 60% of annual basic remuneration.

Beginning in 2009, pension plans for Board members were changed to a defined contribution system. The main aim of this change was the fullest possible outsourcing of all pension-specific risks from the Company's balance sheet. This major risk transfer was achieved by financing increases in entitlements exclusively by paying premiums into insurance policies concluded to cover these benefit obligations. This means the Company is no longer liable for the pension benefits, as these are covered by the aforementioned insurance policies. The longevity risk, the biometric risks of premature occurrence of a pensionable event (e.g. disability or death of a member of the Board during active service), and the capital market risk were thus transferred to the insurer and the individual Board members.

As of 2009, newly appointed members of the Board thus become members of a defined contribution plan. For this plan, the Company provides the Board members with a pension contribution, which in 2009 was related to basic remuneration, for each calendar year (contribution year) during the term of their contract. The pension contribution is paid over to an external pension insurer. This insurer's guaranteed interest rate is 2.25%. The insurance benefits that result from the contribution payments to the external insurer constitute the Company's pension commitment to the Board member. For Board members newly appointed as from 1 January 2009, a uniform pension contribution rate has been set; the annual basic remuneration is multiplied by this rate to arrive at the pension contribution payable.

Board members who had not reached the age of 55 by the end of 2008 maintained as a vested pension their pension entitlement under the previous defined benefit plan (fixed amount in euros) existing at the point of transition on 31 December 2008. As of 1 January 2009, these Board members receive an incremental pension benefit generally based on the defined contribution plan for new Board members. Since the conversion of the pension system took place while Board members' contracts were in force, the pension contributions were calculated in such a way that the total of vested pension, pension-fund pension and incremental pension benefit results in an expected pension at age 60 equivalent to that of the previous pension benefit based on realistic estimates.

Board members who had already reached the age of 55 at the conversion date were not transferred to a defined contribution system and remain members of the previous system's defined benefit plan.

Owing to the increase from 25% to 30% in the share of basic remuneration in overall remuneration as at 1 January 2010, there has been a change in the assessment basis for the Board members' pensions. An unintended rise in the pensions would otherwise have been the consequence. From 1 January 2010 onwards, the defined benefits are fixed on the basis of "pensionable basic remuneration", which corresponds to 25% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). In the case of the defined contribution plan, the rate is fixed on the basis of the target overall direct remuneration.

Benefits on termination of employment

Occupational pension // Board members are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60 or, at the latest, 65.

Benefit amount:
// For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
// Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum
// For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and annuity or lump sum from the policy reserve under the defined contribution plan
// In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

Disability pension // Board members are entitled to a disability pension if, due to permanent incapacity to work, their contract ends by mutual agreement, is terminated by the Company, or their appointment is not extended or revoked. Permanent incapacity to work means if the Board Member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him.

Benefit amount:
// For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
// Under the defined contribution plan for new members as from 2009: 80% of the insured occupational pension up to the age of 59, with subsequent occupational pension
// For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and 80% of the insured occupational pension benefit up to age 59 with subsequent occupational pension based on the defined contribution plan
// In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

Reduced occupational pension on early retirement // Board members are entitled to an occupational pension if the contract of employment is terminated as a result of non-extension or revocation of the Board member's appointment without the Board member having given cause for this through a gross violation of his duties or at his own request. The precondition is that the Board member has already passed the age of 50, has been in the employment of the Company for more than ten years when the contract terminates, and has had his appointment to the Board of Management extended at least once.

Benefit amount:
// For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
// Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the pension benefit is claimed
// For Board members transferred from the old system to the new: Entitlement of between 30% and 60% of pensionable remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday; the Company assumes payment of the difference between the monthly occupational pension and the monthly incremental pension from the external insurance. The policy reserve available at the date the pension benefit is claimed can be paid out as an annuity or as a lump sum.
// In the case of defined benefit plans: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday

Vested benefits for occupational pension, disability pension and surviving dependants // Vested benefits are paid upon the Board member reaching the age of 60, in the case of incapacity to work, or in the event of the Board member's death.

Vested benefits under the German Employers' Retirement Benefits Act // Board members have vested benefits under the German Employers' Retirement Benefits Act if they leave the Company before reaching the age of 60 and the pension commitment has existed for at least five years before.

Benefit amount:

// Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the insured event occurs

// For members of the Board of Management transferred from the old system to the new: The entitlement under the vested pension is a proportion of the vested pension based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether up to the fixed retirement age (Section 2 para. 1 of the German Employers' Retirement Benefits Act). The entitlement from the incremental pension comprises the pension benefits fully financed under the insurance contract up to the occurrence of the insured event based on the pension contributions made up to the date of leaving the Company (Section 2 para. 5a of the German Employers' Retirement Benefits Act). This entitlement is paid out as an annuity or a lump sum.

// In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration The vested benefits are a proportion of the occupational pension, based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether until his 65th birthday (Section 2 para. 1 of the German Employers' Retirement Benefits Act)

Improved vested benefits // Improved vested benefits are granted if the contract ends owing to non-extension of the Board member's appointment (by the Company) but not due to gross violation of duties or to the Board member giving notice. A further precondition is that the Board member leaves the Board before reaching the age of 60 and has at least ten years' service with the Company.

The improved vested benefits do not apply to Board members appointed as from 2009. For Board members transferred from the old system to the new, the improved vested benefits apply only to that part of their pension resulting from the vested pension under the defined benefit plan.

Benefit amount:

// For a period of six months after leaving the Board, previous monthly basic remuneration (only for Board members appointed prior to 2006)

// For the share from the defined benefit plan: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 60th birthday

Provision for surviving dependants

In the event of the death of a Board member during active service, the surviving dependants receive the previous monthly basic remuneration for a period of six months if the deceased was appointed to the Board of Management before 2006. In the case of Board members appointed as from 2006, the previous monthly basic remuneration is paid to the beneficiaries for a period of three months. If the Board member's death occurs after retirement, the surviving dependants receive the previous monthly occupational pension for a period of three months, provided the marriage/registration of the civil partnership took place and/or the child was born before the Board member started drawing the occupational pension. If the Board member's occupational pension was reduced owing to early retirement, pensions for surviving dependants are based on the reduced occupational pension.

Subsequently, surviving dependants of a Board member who dies during active service or after retirement receive the following benefits:

// Widow(er)'s pension or pension for registered civil partner amounting to 60% of the defined benefit or insured occupational pension. If the spouse or registered civil partner is more than ten years younger than the Board member, the surviving

dependant's pension will be reduced by 2% for each year or part thereof of age difference, but by not more than 50%.
- // Orphan's pension amounting to 20% of the defined benefit or insured occupational pension per orphan.
- // Doubling of the orphan's pension if no widow(er)'s pension or pension for registered civil partner is payable.
- // Surviving dependants' pensions together may not exceed the occupational pension of the Board member. If necessary, the orphans' pensions will be reduced proportionally.

The benefits for surviving dependants are not payable for widow(er)s or registered civil partners if the marriage or registered civil partnership was not contracted until a point in time when the Board Member was already drawing the occupational pension, and for orphans if they were not born until after such a point in time. The entitlement for orphans ceases on their reaching the age of 18 (or 20 for orphans of Board members transferred from the old system to the new). For orphans who are in full-time education or vocational training, doing military or civilian service, or unable to support themselves owing to a physical or mental disability, the entitlement is extended until they reach the age of 25 (or 27 for orphans of Board members transferred from the old system to the new). The entitlement to a surviving dependant's pension under the defined contribution plan ceases if the Board member draws the pension in the form of a lump sum. Pensions for surviving dependants cease upon their death.

Pension adjustment

In the case of Board members appointed before 2009, occupational pensions and pensions for surviving dependants are reviewed for adjustment if salaries payable under pay-scale agreements in the insurance industry have increased by more than 12% (based on the average final salary of all pay-scale categories) since the pensions were last fixed or more than three years have passed since that date. The adjustment made will at least be in line with the increase in the cost of living in the meantime according to the consumer price index for Germany. This arrangement also applies to Board members newly appointed as from 2009 and receiving a pension commitment from the Company for the first time before 1 January 1999. For Board members appointed as from 2009 who did not receive a pension commitment from the Company before 1 January 1999, occupational pension and benefits for surviving dependants are adjusted by 1% annually from the date when the pension or benefit in accordance with Section 16 para. 3 item 1 of the German Employers' Retirement Benefits Act starts being drawn. Vested benefits are not adjusted.

Total remuneration of the Board of Management

The basis for reporting the remuneration of Board members is German Accounting Standard No. 17 (DRS 17, revised 2010), according to which the amount shown as remuneration for annual performance is the provision established for that remuneration, since the performance on which the remuneration is based has been completed by the balance sheet date and the requisite Board resolution is already foreseeable. Under the above-mentioned standard, remuneration for multi-year performance is not recognised until the year of payment. The members of Munich Reinsurance Company's Board of Management received remuneration totalling €11.7m (17.8m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Total remuneration thus shows a reduction of €6.1m compared with the previous year. The main reasons for this are that, firstly, no performance share units or stock appreciation rights were granted in 2010 and, secondly, provisions for multi-year performance 2010–2012 are not recognised in remuneration in the year under review, since the underlying performance has not yet been completed.

Remuneration of individual Board members as per DRS 17 (revised 2010)
(in accordance with Section 285 sentence 1 item 9a sentences 5–8 of the German Commercial Code and Section 314 para. 1 item 6a sentences 5–8 of the German Commercial Code)

Name	Financial year	Basic remuneration	Remuneration in kind/fringe benefits	Annual performance (2010) Annual bonus (2009)[1]	Value of performance share units granted[2, 3]	Value of stock appreciation rights granted[4]	Total	Number of performance share units	Number of stock appreciation rights
		€	€	€	€	€	€		
Dr. Nikolaus von Bomhard[5]	**2010**	**1,092,000**	**214,809**	**1,030,666**	-	-	**2,337,475**	-	-
	2009	910,000	35,490	1,240,750	728,000	505,651	3,419,891	4,306	30,333
Dr. Ludger Arnoldussen	**2010**	**519,000**	**37,136**	**685,040**	-	-	**1,241,176**	-	-
	2009	400,000	37,358	482,825	320,000	222,261	1,462,444	1,893	13,333
Dr. Thomas Blunck	**2010**	**519,000**	**27,829**	**640,923**	-	-	**1,187,752**	-	-
	2009	432,500	64,371	569,301	346,000	240,331	1,652,503	2,046	14,417
Georg Daschner	**2010**	**570,000**	**31,536**	**582,541**	-	-	**1,184,077**	-	-
	2009	475,000	33,604	911,418	380,000	263,936	2,063,958	2,247	15,833
Dr. Torsten Jeworrek	**2010**	**750,000**	**31,744**	**754,583**	-	-	**1,536,327**	-	-
	2009	600,000	32,948	986,202	480,000	333,400	2,432,550	2,839	20,000
Dr. Peter Röder	**2010**	**480,000**	**31,983**	**524,160**	-	-	**1,036,143**	-	-
	2009	350,000	28,488	612,815	280,000	194,489	1,465,792	1,656	11,667
Dr. Jörg Schneider	**2010**	**780,000**	**35,730**	**685,230**	-	-	**1,500,960**	-	-
	2009	650,000	39,458	873,950	520,000	361,189	2,444,597	3,075	21,667
Dr. Wolfgang Strassl	**2010**	**519,000**	**28,747**	**258,383**	-	-	**806,130**	-	-
	2009	432,500	26,600	516,652	346,000	240,331	1,562,083	2,046	14,417
Dr. Joachim Wenning	**2010**	**420,000**	**23,517**	**389,004**	-	-	**832,521**	-	-
	2009	300,000	92,732	471,240	240,000	166,700	1,270,672	1,419	10,000
Total	**2010**	**5,649,000**	**463,031**	**5,550,530**	-	-	**11,662,561**	-	-
	2009	4,550,000	391,049	6,665,153	3,640,000	2,528,288	17,774,490	21,527	151,667

1 At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2010. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted. For the 2009 annual bonus, a total of €271,830 more was paid out than had been reserved. The amounts for the 2010 annual performance have been increased accordingly.

2 Performance share units were granted for the first and last time for the financial year under the Mid-Term Incentive Plan 2009–2011.

3 The total expenditure recognised in 2010 (expenses for reserves due to the development in value of the performance share units from the 2009–2011 plan) for the Mid-Term Incentive Plan 2009–2011 breaks down as follows: von Bomhard €89,036, Arnoldussen €116,269, Blunck €125,586, Daschner €137,914, Jeworrek €174,208, Röder €101,639, Schneider €63,732, Strassl –€14,230, Wenning €86,999.

4 The total expenditure recognised in 2010 (expenses for/release of reserves due to the development in value of the stock appreciation rights from the 2003–2009 plans) for the long-term incentive plans breaks down as follows: von Bomhard €133,025.60, Arnoldussen €15,205.80, Blunck –€10,595.78, Daschner €48,892.63, Jeworrek €86,380.56, Röder €19,092.36, Schneider €77,035.80, Strassl –€37,320.55, Wenning –€3,799.37.

5 Remuneration in kind/fringe benefits including anniversary payment.

The Mid-Term Incentive Plan 2009–2011 and the Long-Term Incentive Plan 2009 are accounted for at fair value at the granting date. Details of the fair value are provided in the notes to the financial statements under (20) Mid-Term Incentive Plan and (19) Long-Term Incentive Plan. Whether these variable component amounts will actually be paid out to the Board members and, if so, how high the sums will be, is not yet certain and will depend on the degree to which individual objectives are achieved, on share-price development and on the fulfilment of the exercise conditions of the long-term incentive plans. Future obligations arising from the long-term incentive plans are safeguarded in such a way that the expenses resulting from a growth in value of the stock appreciation rights are neutralised as far as possible by an increase in the value of the share portfolio.

The following table shows the amounts payable for the variable remuneration under the newly structured remuneration system as at 1 January 2010.

Amounts payable for the variable remuneration of the individual Board members in the event of full achievement of objectives (= 100%) as per DRS 17 (revised 2010)
Corridor 0-200%

Name	Annual performance[1, 3]			Multi-year performance[2, 3]			Total amounts payable
	Set	for	€	Set	for	€	€
Dr. Nikolaus von Bomhard	**2010**	**2011**	**798,000**	**2010**	**2011**	**1,862,000**	**2,660,000**
	2009	2010	764,400	2009	2010	1,783,600	2,548,000
Dr. Ludger Arnoldussen	**2010**	**2011**	**363,300**	**2010**	**2011**	**847,700**	**1,211,000**
	2009	2010	363,300	2009	2010	847,700	1,211,000
Dr. Thomas Blunck	**2010**	**2011**	**378,000**	**2010**	**2011**	**882,000**	**1,260,000**
	2009	2010	363,300	2009	2010	847,700	1,211,000
Georg Daschner	**2010**	**2011**	**409,500**	**2010**	**2011**	**955,500**	**1,365,000**
	2009	2010	399,000	2009	2010	931,000	1,330,000
Dr. Torsten Jeworrek	**2010**	**2011**	**546,000**	**2010**	**2011**	**1,274,000**	**1,820,000**
	2009	2010	525,000	2009	2010	1,225,000	1,750,000
Dr. Peter Röder	**2010**	**2011**	**363,300**	**2010**	**2011**	**847,700**	**1,211,000**
	2009	2010	336,000	2009	2010	784,000	1,120,000
Dr. Jörg Schneider	**2010**	**2011**	**567,000**	**2010**	**2011**	**1,323,000**	**1,890,000**
	2009	2010	546,000	2009	2010	1,274,000	1,820,000
Dr. Wolfgang Strassl	**2010**	**2011**	**378,000**	**2010**	**2011**	**882,000**	**1,260,000**
	2009	2010	363,300	2009	2010	847,700	1,211,000
Dr. Joachim Wenning	**2010**	**2011**	**336,000**	**2010**	**2011**	**784,000**	**1,120,000**
	2009	2010	294,000	2009	2010	686,000	980,000
Total	**2010**	**2011**	**4,139,100**	**2010**	**2011**	**9,657,900**	**13,797,000**
	2009	2010	3,954,300	2009	2010	9,226,700	13,181,000

1 At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2010. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted in the table on page 59.
2 The remuneration set for multi-year performance for 2010 is payable in 2013, that for 2011 in 2014.
3 The information on the calculation bases and parameters on page 52 for the amounts set for 2010 also apply to the amounts set for 2011.

Pension entitlements

Personnel expenses of €4.1m (4.0m) were incurred in the financial year 2010 to finance the pension entitlements for active members of the Board of Management. Of these, €1.0m was apportionable to defined benefit plans and €3.1m to defined contribution plans. As a consequence of the risk transfer to an external insurer under the defined contribution system, the visible pension costs since 2009 are noticeably higher. The Company accepts this increase in order to avoid higher costs in future and to eliminate long-term pension-specific risks. The following defined benefits, present values, contribution rates and personnel expenses result for the individual members of the Board of Management:

Pension entitlements

		Defined benefit plan		
Name	**Financial year**	**Defined benefit[1]**	**Present value of defined benefit as at 31 December**	**Personnel expenses for provisions[2]**
		€/year	€	€
Dr. Nikolaus von Bomhard[3, 8]	**2010**	**407,100**	**7,334,181**	**-684,308**
	2009	407,100	6,549,884	6,414
Dr. Ludger Arnoldussen[4, 8]	**2010**	**157,500**	**866,032**	**-345,796**
	2009	157,500	796,419	-227,435
Dr. Thomas Blunck[5, 8]	**2010**	**120,000**	**1,049,449**	**-129,095**
	2009	120,000	883,757	43,624
Georg Daschner[6, 8]	**2010**	**199,500**	**5,219,022**	**40,507**
	2009	190,000	4,565,015	353,178
Dr. Torsten Jeworrek[7, 8]	**2010**	**171,000**	**2,278,144**	**-227,368**
	2009	171,000	1,987,220	87,921
Dr. Peter Röder[3, 8]	**2010**	**90,000**	**1,241,841**	**-152,339**
	2009	90,000	1,107,930	105,708
Dr. Jörg Schneider[3, 8]	**2010**	**275,000**	**4,298,787**	**-434,400**
	2009	275,000	3,811,266	52,340
Dr. Wolfgang Strassl[3, 8]	**2010**	**120,000**	**2,201,334**	**-186,235**
	2009	120,000	1,948,445	110,423
Dr. Joachim Wenning[4, 8]	**2010**	**-**	**-**	**17,613**
	2009	-	-	11,741
Total	**2010**	**1,540,100**	**22,488,790**	**-2,101,421**
	2009	1,530,600	21,649,936	543,914

See table on next page for footnotes.

Pension entitlements

→				Defined contribution plan	
Name	Financial year	Pension contribution rate for target total direct remuneration	Entitlement as at 31 December	Present value of entitlement as at 31 December	Personnel expenses for provisions
		%	€/year	€	€
Dr. Nikolaus von Bomhard[3, 8]	**2010**	**17.00**	**51,480**	**937,942**	**553,187**
	2009	17.00	25,978	476,301	579,029
Dr. Ludger Arnoldussen[4, 8]	**2010**	**14.75**	**22,144**	**366,314**	**237,839**
	2009	14.75	10,742	181,900	216,319
Dr. Thomas Blunck[5, 8]	**2010**	**16.25**	**26,504**	**403,638**	**247,819**
	2009	16.25	13,375	209,640	256,762
Georg Daschner[6, 8]	**2010**	**-**	**-**	**-**	**-**
	2009	-	-	-	-
Dr. Torsten Jeworrek[7, 8]	**2010**	**19.50**	**42,890**	**702,962**	**448,612**
	2009	19.50	21,215	354,248	435,390
Dr. Peter Röder[3, 8]	**2010**	**20.25**	**26,606**	**467,215**	**313,073**
	2009	20.25	12,547	224,214	260,752
Dr. Jörg Schneider[3, 8]	**2010**	**16.50**	**36,759**	**638,141**	**377,839**
	2009	16.50	18,566	324,891	397,130
Dr. Wolfgang Strassl[3, 8]	**2010**	**21.00**	**30,221**	**550,621**	**324,775**
	2009	21.00	15,249	279,590	339,944
Dr. Joachim Wenning[4, 8]	**2010**	**25.50**	**26,089**	**344,088**	**348,063**
	2009	25.50	12,159	163,614	278,755
Total	**2010**		**262,693**	**4,410,921**	**2,851,207**
	2009		129,831	2,214,398	2,764,081

[1] In the case of Board members transferred from the old system to the new, the amount corresponds to the value of the vested pension at 31 December 2008; in the case of Mr. Daschner, it corresponds to the defined benefit at 31 December.
[2] Expenses for defined benefit plan, including provision for continued payment of salary for surviving dependants.
[3] Entitled to a reduced occupational pension on early retirement in the event of premature or regular termination of employment.
[4] Entitled to vested benefits under the German Company Pensions Act in the event of premature or regular termination of employment.
[5] Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to improved vested benefits in the event of regular termination of employment.
[6] No transfer to defined contribution system, as Board member had already reached 55 at the conversion date. Entitled to an occupational pension in the event of premature or regular termination of employment.
[7] Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to a reduced occupational pension on early retirement in the event of regular termination of employment.
[8] Entitled to occupational pension in the event of termination of employment owing to incapacity to work.

Pension entitlements have been calculated on the basis of BilMoG.

Remuneration structure for senior executives
In accordance with the German regulation on the supervisory law requirements for remuneration schemes in the insurance sector, Munich Re is currently reviewing its system of remuneration for senior executives and making necessary adjustments.

The fixed components for Munich Reinsurance Company senior executives comprise a fixed annual basic remuneration, paid out as a monthly salary, plus customary market fringe benefits and remuneration in kind (e.g. company car, insurance). The variable components are made up of the short-term components "performance-related bonus" and "Company result bonus", and the share-price-linked components Mid-Term Incentive Plan and Long-Term Incentive Plan.

The performance-related bonus is based on quantitative and qualitative objectives. We use indicators from operative planning for the quantitative objectives, while personal objectives are agreed on for the qualitative portion.

The key indicator used for the Company result bonus is RORAC. The targets correspond to the Group objective for the variable remuneration of members of the Board of Management. The Company result bonus basically takes the form of a "bonus pool" model. Depending on corporate performance, an aggregate amount is calculated that can be distributed between all staff as a bonus. The higher the management level, the higher the target range under the Company result bonus. The way this bonus works ensures that the performance of Munich Re as a whole is systematically reflected in the remuneration of all staff and that the bonus amount bears a reasonable relationship to overall corporate performance.

The Mid-Term Incentive Plan, with a duration of three years, and the Long-Term Incentive Plan, with a duration of seven years, are based on the corresponding plans for the members of Munich Reinsurance Company's Board of Management, as explained on page 53. Besides the senior executives in Munich, the most important executives in Munich Reinsurance Company's international organisation also participate in the Long-Term Incentive Plan.

The individual variable components are granted at all management levels, but with different weighting. The weighting of the aggregate variable remuneration components for the first management level below the Board of Management is more than 50% of total remuneration. Proceeding down the management hierarchy, this percentage decreases successively, making up around one-third of total remuneration at the lowest management level. There is a well-balanced combination of short-, medium- and long-term components. The proportion of medium- and long-term remuneration is over 50% in the variable remuneration for the top management level, so that a longer-term incentive system is provided for. No guaranteed variable remuneration components are granted.

Total remuneration of the Supervisory Board
The rules in place since the financial year 2009 provide for a fixed remuneration component of €50,000 for each member of the Supervisory Board, plus a variable result-related component and a component based on long-term corporate performance. The Chairman of the Supervisory Board receives twice, and the Deputy Chairman one-and-a-half times, the fixed remuneration and the variable remuneration.

The variable result-related remuneration is based on the undiluted earnings per share from continuing operations, as shown in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs): each Supervisory Board member receives €4,000 for each full euro by which earnings per share exceed €12, but a maximum of €40,000. Based on earnings per share of €13.06, variable result-related remuneration is thus payable for the financial year 2010. The performance-related remuneration component with long-term incentivisation was introduced in accordance with the German Corporate Governance Code. This amounts to €10,000 and is paid out if earnings per share in the remuneration year exceed earnings per share in the third financial year preceding the remuneration year by at least 30%. No long-term remuneration component is payable for the remuneration year 2010.

Members of the Supervisory Board committees receive an additional amount of 50% of their fixed remuneration, with the chairmen of the committees receiving 100%. This takes account of the substantial workload involved.

The total remuneration of each Supervisory Board member is limited to three times the fixed remuneration, thus ensuring that the overall remuneration of individual Supervisory Board members remains appropriate even if further committees are set up.

Remuneration of Supervisory Board members in accordance with Article 15 of the Articles of Association[1]

		Fixed remuneration		Result-related remuneration	
Name	**Financial year**	**Annual**	**For committee work[2]**	**Annual**	**Total**
		€	€	€	€
Dr. Hans-Jürgen Schinzler	**2010**	**125,000.00**	**139,000.00**	**10,000.00**	**274,000.00**
Chairman	2009	125,000.00	143,000.00	0.00	268,000.00
Hans Peter Claußen	**2010**	**75,000.00**	**25,000.00**	**6,000.00**	**106,000.00**
Deputy Chairman	2009	52,191.78	17,397.26	0.00	69,589.04
Herbert Bach	**2010**	**50,000.00**	**50,000.00**	**4,000.00**	**104,000.00**
	2009	57,808.22	50,000.00	0.00	107,808.22
Dina Bösch	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Frank Fassin	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Dr. Benita Ferrero-Waldner (from 12.2.2010)	**2010**	**44,246.57**	**-**	**3,539.73**	**47,786.30**
	2009	-	-	-	-
Christian Fuhrmann	**2010**	**50,000.00**	**35,000.00**	**4,000.00**	**89,000.00**
	2009	34,794.52	21,397.26	0.00	56,191.78
Prof. Dr. Peter Gruss	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Prof. Dr. Henning Kagermann	**2010**	**50,000.00**	**64,000.00**	**4,000.00**	**118,000.00**
	2009	50,000.00	58,465.75	0.00	108,465.75
Peter Löscher	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Wolfgang Mayrhuber	**2010**	**50,000.00**	**25,000.00**	**4,000.00**	**79,000.00**
	2009	50,000.00	17,39.26	0.00	67,397.26
Silvia Müller	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Marco Nörenberg	**2010**	**50,000.00**	**35,000.00**	**4,000.00**	**89,000.00**
	2009	34,794.52	21,397.26	0.00	56,191.78
Reinhard Pasch	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Dr. Bernd Pischetsrieder	**2010**	**50,000.00**	**56,000.00**	**4,000.00**	**110,000.00**
	2009	50,000.00	58,000.00	0.00	108,000.00
Anton van Rossum	**2010**	**50,000.00**	**35,000.00**	**4,000.00**	**89,000.00**
	2009	34,794.52	21,397.26	0.00	56,191.78
Andrés Ruiz Feger	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Richard Sommer	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	34,794.52	-	0.00	34,794.52
Dr. Ron Sommer	**2010**	**50,000.00**	**-**	**4,000.00**	**54,000.00**
	2009	50,000.00	-	0.00	50,000.00
Dr. Thomas Wellauer (until 30.9.2010)	**2010**	**37,397.26**	**-**	**2,991.78**	**40,389.04**
	2009	34,794.52	-	0.00	34,794.52
Total	**2010**	**1,081,643.83**	**464,000.00**	**86,531.51**	**1,632,175.34**
	2009	852,534.24	408,452.05	0.00	1,260,986.29

1 Plus turnover tax in each case, in accordance with Article 15 para. 6 of the Articles of Association.
2 In the case of members of the Audit Committee and/or Nomination Committee, the amount includes attendance fees in accordance with Article 15 para. 4 of the Articles of Association

Remuneration of Supervisory Board members for membership of supervisory boards at Munich Reinsurance Company subsidiaries, in accordance with the companies' respective articles of association[1]

		Fixed remuneration		Result-based remuneration	
Name	Financial year	Annual[2]	For committee work[2]	Annual	Total
		€	€	€	€
Hans Peter Claußen	**2010**	**57,500.00**	**6,750.00**	**0.00**	**64,250.00**
Deputy Chairman	2009	39,915.75	4,697.26	0.00	44,613.01
Frank Fassin	**2010**	**31,441.78**	-	**0.00**	**31,441.78**
	2009	31,565.07	-	0.00	31,565.07
Silvia Müller	**2010**	**33,019.86**	-	**0.00**	**33,019.86**
	2009	36,866.44	-	0.00	36,866.44
Marco Nörenberg	**2010**	**33,389.73**	**13,691.10**	**0.00**	**47,080.83**
	2009	37,828.08	15,394.52	0.00	53,222.60
Reinhard Pasch	**2010**	-	-	-	-
	2009	1,035.62	258.91	0.00	1,294.53
Richard Sommer	**2010**	**31,343.15**	-	**0.00**	**31,343.15**
	2009	31,565.07	-	0.00	31,565.07
Total	**2010**	**186,694.52**	**20,441.10**	**0.00**	**207,135.62**
	2009	178,776.03	20,350.69	0.00	199,126.72

[1] Plus turnover tax in each case, in accordance with the relevant provisions of the respective Group companies' articles of association.
[2] Including attendance fees in each case insofar as provided for under the relevant provisions of the Articles of Association.

Share trading and shares held by members of the Board of Management and the Supervisory Board

The Company has to be notified promptly of the acquisition or sale of Company shares (or financial investments based on these) by members of the Board of Management and Supervisory Board and by specified persons closely related to or connected with them. This notification must take place for acquisition and sales transactions totalling €5,000 or more in a single calendar year.

Under Section 10 para. 1 of the German Securities Prospectus Act, Munich Reinsurance Company is obliged to publish information of this kind on its website without delay as well as in an annual document.

The total number of Munich Reinsurance Company shares and financial instruments based on these held by all members of the Board of Management and Supervisory Board amounts to less than 1% of the shares issued by the Company.

Risk report

Risk governance and risk management system

The selective acceptance of reinsurance risks is at the core of our business model. Compliance of our risk early-warning system with the legal requirements is regularly examined independently, both by internal auditing units and by the external auditor as part of the annual audits. Whilst we are in a position to adequately assess risk situations, the growing complexity and dynamism of the environment in which we operate means that there are, naturally, limits. This risk report reflects German Accounting Standard DRS 5-20.

Risk management organisation, roles and responsibilities

Remit and objectives
Risk management is a key part of our corporate governance. It underpins our financial strength, enabling us to meet our obligations to clients and create sustained value for our shareholders. In addition, it protects Munich Re's reputation. **We achieve these objectives through worldwide risk management encompassing all of our operations.** In this process, Munich Reinsurance Company is included in the risk management of the reinsurance segment.

Organisational structure
To ensure that our risk management operates efficiently and effectively, we have established specific risk management functions and bodies. Our Integrated Risk Management (IRM) Division supervises risk management Group-wide, building on decentralised structures in all units of the Group. It is headed by the Group Chief Risk Officer (CRO), who, like the local CROs at individual companies, is supported by interdisciplinary teams of highly qualified staff. Our extensive documentation, guidelines and instructions ensure that staff in our risk management structure and the Group as a whole are kept informed of our risk strategy, organisation and processes.

Risk governance

Munich Re's risk governance fosters the development and maintenance of an appropriate risk and control culture, which encompasses all significant risk categories. It is supported by the following committees:

The CRO is a permanent member of the **Group Committee**, the central committee responsible for Group-wide issues, the development and management of strategy, financial control, and risk management and investment matters.

The Group Committee meets quarterly as the **Group Risk Committee**, the membership of which additionally includes further specialists from our insurance and reinsurance operations, to deal with risk issues affecting the Group as a whole.

Besides this, the Group Committee meets quarterly as the **Group Investment Committee**, which includes additional specialists from our insurance and reinsurance operations and MEAG. This committee is the central management committee for major Group-wide issues affecting the Group's investments. It is also concerned with risk matters.

Additionally, there is a **Reputational Risk Committee** (see page 78 for details).

The **Global Underwriting and Risk Committee (GURC)** was formed from within the ranks of the Reinsurance Committee to function as a special risk committee for reinsurance.

With effect from the 2010 financial year, Munich Re is reporting on Munich Health as a separate segment managed by the Munich Health Board. The **Munich Health Risk Committee** was also set up in April 2010 to deal with risk matters.

Determining the risk strategy

Munich Re operates worldwide, turning risk into value. The assumption of risks is therefore an essential part of our business strategy. Our risk strategy defines the extent of the risks we are prepared to incur for our clients and shareholders. The development of the risk strategy is embedded in the annual planning cycle, and hence in our business strategy. It is approved by the Board of Management and discussed regularly with the Supervisory Board.

Munich Re's risk strategy takes into account the interests of both clients and shareholders. Its objectives are:

Risk strategy

Objectives

Maintain our financial strength, thereby ensuring that our liabilities to our clients can be met	Protect and increase the value of our shareholders' investment	Safeguard Munich Re's reputation

The risk strategy is determined by a risk appetite defined by a series of risk limits. The risk appetite is based on the capital and liquidity available and on our earnings target within certain volatility limits, and provides a term of reference for the Group's operational divisions.

The risk limits are:
// Overall portfolio limits: based on Munich Re's overall portfolio and designed to protect our capital and limit the likelihood of an economic loss for the year;
// Supplementary limits: to limit losses that can arise out of individual risk types or accumulations, such as natural hazards, terrorism and pandemics, and to limit market and credit risks that could endanger Munich Re's survival were they to materialise;
// Other limits: designed to preserve Munich Re's reputation and thus protect its future business potential. They encompass limits for individual risks that, though they would not necessarily threaten the Company's existence, could cause lasting damage to the confidence of clients, shareholders and staff.

The risk appetite laid down ensures that an appropriate balance is maintained between business opportunities and risks incurred. Our risk strategy process has already proved its worth in both the financial crisis and the subsequent government debt crisis.

Implementation of strategy and the risk management cycle
The risk appetite defined by the Board of Management is reflected in our business planning and integrated into the management of our operations. In the event of capacity shortages or conflicts with the systems of limits and rules, there are fixed escalation and decision-making processes which ensure that business interests and risk management aspects are reconciled. If necessary, risks are ceded or hedged by means of reinsurance, derivatives or other forms of risk relief.

Our implementation of risk management at operational level embraces the identification, measurement, analysis and assessment of risks, and the resultant risk reporting, limitation (reduction to a level we have defined as appropriate) and monitoring, which enables us to follow all significant risks closely.

Risk identification is performed by means of appropriate systems and indicators (quantitative component) and a number of risk surveys, which are supplemented by expert opinions and assessments by selected, highly experienced managers (qualitative component). Our ad-hoc reporting process provides for staff to report risks to central risk management (IRM) at any time.

Constant refinement of our risk measurement tools

We are constantly refining our risk measurement tools, which are tailored to the segment we are monitoring. This enables us to properly assess the risks of Munich Reinsurance Company as a part of the reinsurance segment. The lead risk measure is an economic risk measure.

We regularly compare the results produced by our risk model with both regulatory and rating-agency measures at a number of levels, including Group, segment, legal entity and risk type. We also regularly perform benchmarkings of our risk-model results and participate in industry surveys to constantly challenge and refine our risk measurement tools. Beyond this, we compare our model with the current status of Solvency II and take part in the Quantitative Impact Studies.

Risk analysis and assessment are carried out at the top-most level in IRM, in the form of a consolidated Group view, taking into account limitations of capital fungibility. They are based on the analyses prepared in the central risk management units of our reinsurance, Munich Health and asset management operations. Besides this, IRM is responsible for checking and validating the analyses of downstream units, working closely with many units and experts within, and in some cases outside, the Group. This provides us with a quantitative and qualitative assessment that considers possible interactions between risks.

Risk limits are derived from the risk strategy. Based on the defined risk appetite, limits and budgets and any risk-reducing measures required are decided on and implemented. Various units in the Group work hand in hand to comply with the specified risk criteria, whilst simultaneously taking account of business interests. If a business unit identifies attractive business that exceeds its risk limits, the risk management departments responsible and IRM analyse its potential impact on the Group portfolio and the risk appetite of the Group as a whole. Taking these results and the expected earnings from the business into consideration, we devise a solution that enables us to accept the business in our books if appropriate.

Quantitative risk monitoring based on indicators is carried out both centrally and within units, e.g. at MEAG for investments. We monitor qualitative risks on a decentralised or centralised basis, depending on their significance and classification.

Control and monitoring systems

Uniform worldwide system for managing risks

In 2010, we largely completed the enhancement of our internal control system (ICS). The ICS is a uniform worldwide system for managing operational risks integrated across all risk dimensions and areas of the Group that both meets Group management needs and satisfies local legal and regulatory requirements.

The Board of Management has Group-wide responsibility for the ICS, which falls structurally under the responsibility of the CRO. Experts and staff in our specialist areas are responsible for the detailed content of the system and perform the risk and control assessments. By involving them, we have been able to reinforce the harmonised understanding of risk within the Group and considerably raise awareness of the importance of risk and controls in our operational processes.

Using a holistic risk management approach, we have made the identification, analysis, assessment and documentation of significant operational risks and key controls more efficient and effective. Moreover, the optimisation of risk and control accountability through clear assignment of responsibilities and the definition of risk management measures have created transparency.

For each of Munich Re's business segments, the ICS delivers a risk map, i.e. the significant risks and processes are systematically linked. The map shows all relevant risk control points. Even risks and controls that cut across different divisions can be clearly identified. By making our risk situation transparent, we can react rapidly and efficiently to changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

The ICS is a "learning system", which reviews the risks, risk assessments and controls at least once a year and makes adjustments where necessary. Internal Audit also reviews the effectiveness of the ICS as part of its audit plan at least annually and assesses the need to adapt it to take account of changes in parameters.

Appropriate internal controls for accounting risks

We use the ICS to manage accounting risks with comprehensive internal controls, enabling us to guarantee that financial reporting is reliable and, in particular, our published financial statements are correct.

Underwriting and general business transactions are in principle accounted for locally, i.e. in Munich and at our offices abroad, while accounting for investments is carried out centrally by our service provider MEAG. The centralisation and introduction of global sub-ledgers is not yet fully complete and is currently being implemented.

Munich Re applies carefully defined materiality thresholds to ensure that internal controls are appropriate. Significance, risk experience and compliance are taken into account in determining the thresholds. All risks significant from the Company's perspective for financial reporting are integrated into the ICS in accordance with uniform criteria.

By means of an accounting manual and regular circulation of information on changes required, Munich Re ensures that uniform rules are applied throughout the Group for the treatment, valuation and disclosure of all items in the balance sheet and income statement. The process of change in accounting is subject to stringent procedure as regards timing, responsibilities and circulation of information. A standardised "enforcement" process is used to ensure that the accounting regulations are implemented and complied with.

The financial statements are prepared using a fast-close procedure in a central system. Clearly documented instructions and controls are in place for the closing process.

At the branches included in the financial statements, transactions are posted using a globally standard ledger with harmonised basic data, standard processes and posting rules, and standard interfaces to the underwriting and investment sub-ledgers. Clear authorisation systems regulate access to accounting systems.

Dual control is applied throughout the process of producing the financial statements. System and accounting checks are in place at every stage of the closing process. Any errors are analysed, followed up and corrected.

Risk reporting

Internal risk reporting provides all Board members with regular information on the risk situation, both as regards the individual risk categories (ongoing) and the entire Group (quarterly). The Audit Committee of the Supervisory Board and BaFin also receive the quarterly internal risk report.

Early-warning mechanisms thus ensure that negative trends are identified in sufficient time for countermeasures to be taken.

The aim of our external risk reporting is to provide a clear overview of the Company's risk situation. This includes information on our risk management methods and processes, our risk governance, and the individual risks to which the Company is exposed.

We not only meet current legal requirements with our risk reporting, but also create transparency for management, our clients and our shareholders.

Significant risks

According to our classification, significant risks are risks that have a long-term adverse effect on the economic, financial or profit situation of Munich Re. We have applied this definition consistently to the individual business units, taking account of their individual risk tolerance. The competent risk management units are responsible for assessing whether a risk is significant for a unit within the meaning of the above definition.

Specifically, we have identified the following categories from which significant risks can arise.

Underwriting risk: Property-casualty insurance
This is defined as the risk of insured losses in property-casualty business being higher than our expectations.

Significant risks in property-casualty insurance are the premium and reserve risks. Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred being higher than expected.

The reserve risk is the risk of technical provisions established to cover losses that have already been incurred being insufficient.

Premium risk
Primary responsibility for controlling the premium risk lies with operational management. Managers of operations grant underwriting authorities and lay down internal processes with the intention of ensuring that a high level of quality is maintained; in doing so, they take account of both the specific exposures in their business and the knowledge and experience of each member of staff.

This operational responsibility is increased or limited by instructions and procedures, which define the activity of each underwriting unit and recognise the particular characteristics of the insurance business concerned.

In particularly critical areas, the underwriting authorities granted to the operating units are restricted, minimum standards prescribed to ensure transparency, and quality assurance and risk management processes laid down.

Selected exposures may only be accepted after submission to the committees responsible.

For the natural hazard and terrorism scenarios, budget capacities compatible with the risk strategy are allocated to each underwriting unit. Before business is accepted, risk data must be recorded and the potential loss quantified in accordance with mandatory rules, and the business may only be written if sufficient budget capacity is available.

In order to prevent Munich Re's risk appetite being exceeded as a result of participation in a single risk, mandatory procedures ensure that the channels through which we might already be involved in such a risk are checked before it is written to ascertain the size of our overall participation.

Due to the diversity and extensive ramifications of Munich Re's business, it is not possible to produce a set of rules for acceptance that would fully cover relevant risks. The expertise of the underwriter on the ground is therefore of prime importance and we recognise this by providing training and IT systems for risk assessment and pricing, publishing internally information sheets and underwriting recommendations, and setting up working groups to create and transmit underwriting knowledge.

Reserve risk

The estimation of reserves is fraught with uncertainty. This is due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long term care, and economic factors such as inflation can have a considerable impact on loss experience.

We calculate the reserves for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated.

Consistency through Group-wide reserving rules

Application of Group-wide reserving rules guarantees a consistent procedure. In addition, internal audits are carried out Group-wide to provide a continuous check of compliance with the rules and the appropriateness of the reserves.

We are convinced that the reserves we have posted comply with accepted actuarial principles and are sufficient for all unpaid claims and actuarial liabilities that Munich Re has to meet on the basis of its contractual conditions and agreements.

The net run-off profit (excluding life business) after adjustment premiums amounted to €33m in the year under review, following the previous year's run-off loss totalling €281m. A significant run-off profit after adjustment premiums resulted in fire reinsurance in the financial year, mainly owing to reserve reductions for major-loss expenditure from natural catastrophes. In addition, run-off development was positive in motor, accident and credit business, chiefly due to the fact that it was not necessary to strengthen reserves to the same degree as in the previous year. Also, we were able to reduce some reserves because claims estimates turned out to have been too conservative. By contrast, run-off losses resulted above all in liability, health, engineering and aviation reinsurance.

Besides other key indicators, combined ratios are important for us in monitoring the premium/claims risk in property-casualty reinsurance.

Combined ratios for the last ten years

%	**2010**	**2009**	**2008**	**2007**	**2006**	**2005[3]**	**2004**	**2003**	**2002[2]**	**2001[1]**
Including natural catastrophes	101.4	98.2	102.4	95.9	97.9	117.0	96.4	93.8	108.3	127.4
Excluding natural catastrophes[4]	89.8	96.8	97.1	91.5	96.6	97.5	91.2	92.3	105.0	126.2

1 Thereof World Trade Center 15.9%.
2 Thereof World Trade Center 3.5%.
3 Thereof effect of assuming discounted claims provisions from Munich Re America: 8.7%.
4 2007 and prior years adjusted due to an increase in the threshold for large losses.

Underwriting risk: Life and health insurance

The underwriting risk in this case is defined as the risk that insured benefits payable in life or health business may be higher than expected. Of particular relevance are the biometric and lapse risks. We differentiate between risks that have a short-term or long-term effect on our portfolio.

Controlling pandemic scenarios through budgets

Random annual fluctuations in insurance benefits or surrender behaviour can lead to short-term falls in the value of the portfolio. This applies particularly to expenses, which can rise as a result of exceptional one-off events such as a pandemic. For pandemic scenarios, budgets derived from the risk strategy are allocated to the operational units.

It may also be necessary to adjust the actuarial assumptions we use for biometrics and surrender behaviour, which constitute long-term risks for the portfolio. In life insurance, it is mortality, longevity and disability risks that are especially relevant; in health insurance, it is morbidity risks.

The assessment of our business on an embedded-value basis is based on these actuarial biometric and surrender assumptions, which are regularly reviewed and adapted to take account of new findings, in particular relating to our own experience and expected future developments.

The remarks on underwriting guidelines and limits (see "property-casualty" section) also apply to life and health reinsurance business.

Market risk

We define market risk as the risk of economic losses resulting from changes in values in the capital markets. This includes equity risk, the general and specific interest-rate risk, property risk and currency risk. The general interest-rate risk describes changes in the risk-free interest-rate curve, whereas the specific interest-rate risk takes account of changes in credit risk spreads. We also include in market risk the risk of changes in inflation rates and implicit volatilities (cost of options). Fluctuations in market prices affect not only our investments but also our underwriting liabilities,

Control of market risks by means of suitable limit and early-warning systems and through our asset-liability management

We deal with market risks by means of suitable limit and early-warning systems and through our asset-liability management. We limit the deviations in overall investments from those investments that are economically required to cover underwriting liabilities and needed to pursue our business operations with minimum market risk.

We mainly use derivative financial instruments to hedge parts of the portfolio, optimise earnings or implement planned purchases and sales. For this, strict rules apply as regards the limitation of risks and the choice of top-quality business partners. Adherence to these rules is continually monitored.

Beyond this, derivatives are used in isolated cases to hedge against risks assumed in underwriting business. Securitisation of insurance risks and their placement on the capital markets is gaining in importance as an instrument of risk transfer to supplement traditional reinsurance. Here, an underwriting risk is ceded by way of a retrocession contract (swap contract) to a special-purpose vehicle (Insurance derivatives I). The special-purpose vehicle covers potential liabilities arising from the contract by issuing insurance bonds (cat bonds). In addition, Munich Reinsurance Company itself has cat bonds in its portfolio. These in turn contain derivative components to be accounted for separately (Insurance derivatives II). The options on catastrophe and reinsurance risks (Insurance derivatives III) also serve a hedging purpose. Further information on the carrying amounts and fair value of the derivatives is provided on page 102 in the notes to the financial statements.

With the exception of equity futures, stock index futures, Bund futures and interest-rate index futures, all the derivatives are over-the-counter products.

Applying stress tests, sensitivity and duration analyses, we simulate market fluctuations and devise strategies for counteracting them where necessary.

The investments we make in our operations must comply with Group-wide minimum standards as defined in our General Investment Guidelines. We also take account of restrictions on investments resulting from our risk strategy.

The following sensitivity analyses for market risks serve to estimate potential changes in the value of investments under hypothetically possible market scenarios. The review is based on the Company's investments excluding participations in insurance companies, holding and service companies as at 31 December 2010. The changes in share price assumed in these scenarios, ±10% and ±20% respectively, a corresponding shift in the interest rate curve of ±100 and ±200 basis points (BP) respectively, and a fluctuation in exchange rates of ±10%, would produce the following changes in the market value of the investments:

Market risk - Share prices

Change in share prices	Change in market value of investments sensitive to share prices
Increase of 20%	€1.392bn
Increase of 10%	€0.686bn
Decrease of 10%	-€0.685bn
Decrease of 20%	-€1.370bn
Market values at 31 December 2010	€5.575bn

Market risk - Interest rates

Change in interest rates	Change in market value of investments sensitive to interest rates
Increase of 200 BP	-€4.584bn
Increase of 100 BP	-€2.446bn
Decrease of 100 BP	€2.753bn
Decrease of 200 BP	€5.814bn
Market values at 31 December 2010	€34.088bn

Market risk - Exchange rates

Change in exchange rates	Change in market value of investments sensitive to exchange rates
Increase of 10%	€2.152bn
Decrease of 10%	-€2.152bn
Market values at 31 December 2010	€25.842bn

A breakdown of investments is available on page 100 f. Risks from our portfolio of participating interests are controlled by closely involving the companies concerned in our Group-wide planning and controlling process.

Credit risk
We define credit risk as the financial loss which the Company could incur as a result of changes in the financial profile of a counterparty, such as an issuer of securities or other debtor with liabilities towards us.

In addition to credit risks arising out of investments and transactions with clients, we actively assume credit risk through the writing of reinsurance business, including trade credit reinsurance and surety business, financial reinsurance (life and non-life) and the granting and insurance of loans. Credit risks can also arise through risk transfers to the capital markets and other financial transactions.

Our internal risk model also takes account of a wide range of specific drivers that analyse the risk of economic losses from our credit exposure. Credit risk emanating from the insurance and investment sides of the balance sheet are considered. On the insurance side, we model mainly trade credit, surety and bonding, and political risks. We also take into consideration credit risks associated with our claims on insurance companies, for instance from retrocessions, after allowing for any collateralisation. On the investment side, credit risks are measured and limited using the Credit-Value-at-Risk (CVaR) approach with a standard "asset value" model. The main input parameters are our investment volume, the migration matrix between different rating classes, interest-rate curves and recovery rates. The correlated rating class migrations and defaults of the respective bond issuers are modelled using a simulation. Revaluation of our investments under these rating scenarios ultimately leads to a future profit and loss distribution. Hence, we can then adequately capitalise for this risk and manage our portfolio with respect to its expected and unexpected loss. 75% of all our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable, of which 14% are bonds of Portuguese, Italian, Greek, and Spanish issuers.

In order to take account of other country risks besides the credit risk of government bonds, our Group Development function also prepares a specific country scoring in addition to the pure default rating. It covers the main political and economic risks and those relating to internal security in a country, thus enabling us to assess comprehensively additional country risks of varying importance for different business segments. It has to be considered in underwriting and investment decisions and serves as an indicator for decisions on individual limits. We also monitor our accumulations in certain sectors and regions and limit them where appropriate.

In the area of retrocession, we control the default risk through the Retro Security Committee. The experts on the committee review the quality of our potential retrocessionaires independently and on the basis of various criteria (e.g. minimum ratings, market data and capital requirements) and issue appropriate limits in line with a guideline produced by IRM. This system enables us to achieve a broad and high-quality spread of cessions in the reinsurance market.

Ceded claims provisions and provisions for future policy benefits

%	31.12.2010	Prev. year
AAA	0.0	0.1
AA	76.3	83.0
A	21.4	15.5
BBB or lower	0.0	0.0
No rating available	2.3	1.4

We reduce the credit exposure for capital market placements, such as our catastrophe bond, by requiring first-class collateral or integrating suitable hedging mechanisms into the structure.

We set very high standards for issuers of fixed-interest securities in which we invest, and these are reflected in our Group-wide investment principles. There are additional limits on investments in structured products according to their risk profile.

As at 31 December 2010, our accounts receivable on ceded business were split between the following ratings (based on those of Standard & Poor's):

Rating of accounts receivable

€m	31.12.2010
AAA	-
AA	35.1
A	85.0
BBB or lower	0.7
Without external rating	48.8

€72.2m of our total receivables of €3.5bn on underwriting business at the balance sheet date was outstanding for more than 90 days. The average defaults of the past three years total €2.6m.

Operational risk
Munich Re defines operational risks as potential losses resulting from inadequate processes, technical failure, human error or external events. These include criminal acts committed by employees or third parties, insider trading, infringements of antitrust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations and disagreements with business partners.

Through our internal control system, we identify and mitigate these risks (see page 70 f.). It is our declared corporate aim, which we consistently pursue, to make employees aware of the potential risks and to continue to strengthen our risk culture. This includes willingness to learn from mistakes and to recognise them as opportunities for improvement.

Liquidity risk
Our objective in managing liquidity risk is to ensure that we are in a position to meet our payment obligations at all times.

In insurance business, premium income is generally received some time before claims and other benefits are paid to our clients, which generates significant liquidity.

In addition, at Munich Re we attach particular importance to
// real-time cash-flow management matched to our needs;
// a balanced investment structure aligned with our financial obligations, with investment primarily in asset classes that take due account of security, liquidity and ability to realise at market prices; and
// frequent simulation of the impact of particular strains on our liquidity.

Management of the liquidity risk through our holistic risk strategy

We also manage liquidity risk through our holistic risk strategy, with the Board of Management defining limits for liquidity risk, on which minimum liquidity requirements for our operations are based. These risk limits are reviewed annually and compliance with the minimum requirements continuously monitored. The management of liquidity risk includes taking account of
// known and expected payment obligations through regular, detailed liquidity planning at individual entity level and a central cash-flow reporting system;
// short-term margin and collateral obligations arising out of derivative positions where companies make use of such instruments;
// unexpectedly high payments resulting, for example, from accumulation losses that far exceed normal loss expectations.

Strategic risk
Munich Re defines strategic risk as the risk of making wrong business decisions, implementing decisions poorly, or being unable to adapt to changes in its operating environment. The existing and new potential for Munich Re's success and the segments in which it operates creates strategic risks, which generally arise early on and can lead to a significant long-term reduction in corporate value.

We counter this risk by discussing significant strategic issues and decisions in our Strategy Committee and regularly monitoring their implementation. The Strategy Committee comprises members of the Group Committee, and hence the CRO, plus the CEOs of the business segments and the Head of Group Development. As a result, strategic decision-making processes are intermeshed with risk management. IRM is additionally involved in the operational business planning and in the processes for mergers and acquisitions.

Reputational risk
Reputational risk is the risk of a loss resulting from damage to the Group's public image (for example with clients, shareholders or other parties).

We monitor reputational risk through identification processes we have established in various internal units. As soon as we receive an indication that such a risk exists or could arise in the course of a process or transaction, the information is submitted to a Reputational Risk Committee, which was set up specifically for this purpose. The committee decides on the action to be taken in the case in question, with a view to ensuring that operational risks are not accompanied by reputational risks. The committee is made up of experts from various units and is headed by the Compliance Officer. Rules of procedure regulate the functions and work of the committee. They are derived primarily from our Code of Conduct, which sets out the main rules and principles for legally correct and responsible behaviour by employees.

Overview of the risk situation

Munich Re's risk situation in 2010 manageable and under control

We use our central risk management to assess our risk situation on the basis of qualitative and quantitative factors. Throughout the entire period under review, Munich Re's risk situation was manageable and under control. In the interests of our clients and shareholders, our carefully implemented, modern risk management processes combined with our solid level of capitalisation ensured the solvency and viability of the Group at all times. In addition to the underwriting and capital market risks inherent in our business model, which we can assess very well so that we are fully aware of the implications of taking them, there are a large number of other risks to which Munich Re – like every other undertaking – is exposed. The incidence of these risks is not planned and their occurrence probability and impact are generally difficult to estimate. We therefore closely monitor our environment and our own Group to identify even these risks in good time and to take suitable measures to avert loss or damage.

Internal risk model

For a quantitative assessment of the overall risk situation, we use our internal model, whose design follows a bottom-up approach. We have selected the financial year as the period for evaluating risk capital requirements at Group level. Risks within this period are covered by risk-based capital derived from our risk tolerance. All risks beyond the annual timeline are accounted for by the costs of holding risk-based capital over time. In so doing, we follow the "cost of capital" approach. In determining the risk capital, we examine the risk segments "underwriting", "market", "credit" and "operational risks". Within underwriting risks, we distinguish between property-casualty and life and health risks. Further subcategories are applied to these risk types – for example, for the property-casualty reinsurance segment, we distinguish between natural catastrophe risks, other accumulation losses (such as terrorism or liability accumulations), large losses and basic losses. Those risks are first modelled separately. In a further step, the risks are aggregated using a combination of empirical and judgemental techniques that allow for the risks of so-called "tail dependencies" (e.g. the risk that different lines of business, geographies and risk types are affected by extreme events at the same time) and the overall risk is thereby quantified.

Regulatory and rating-agency capital requirements

Munich Reinsurance Company meets the regulatory solvency requirements stipulating a specified minimum capitalisation supplemented by the criteria of specific ratings from the major rating agencies. More information is given in the "Financial position" section.

Selected risk complexes

Overarching accumulation risks

Effects of the financial crisis
An example of overarching accumulations is the impact of the worldwide financial crisis.

On the insurance side, current indications are that Munich Re is potentially exposed mainly via the liability classes directors' and officers' liability (D&O) and professional indemnity (PI). Specifically, there is the prospect of liability arising out of alleged misconduct in the form of inadequate advice, mismanagement or negligence on the part of sales organisations, banks or other financial intermediaries. Even if courts ultimately do not award damages, any defence costs covered under insurance policies could be considerable. Since such lawsuits are typically very prolonged, it will be several years before there is final clarity regarding the extent of the losses. At the turn of the year 2010/2011 (as at 31 December 2010), we had received isolated provisional notifications from our liability reinsurance clients. We have taken these into account through appropriate precautionary allocations to IBNR reserves.

As insurers, we incur risks through financial exposure to other parties on the liabilities side of the balance sheet arising out of our traditional activities in trade credit and surety business. At the same time, as a major institutional investor, we have to accept certain credit risks when we invest. This is clearly the case for corporate bonds, but there are also risks in government bonds, which were considered safe in the past.

We have reacted to the increased risk on certain government securities by modifying our internal control system for country risks so that, for example, limits for certain countries were reduced in our counterparty limit system and greater weight given to market indicators in our risk management process. In our internal risk model, we calculate and allocate risk capital even for highly rated government bonds.

Pandemic
A further example of an overarching accumulation risk is a major pandemic. Like other companies in the insurance industry, Munich Re would be exposed to risks from a marked increase in mortality and morbidity and from disruptions in the capital markets. We counter this risk by analysing our overall exposure in detail (scenario analysis), defining suitable limits, and optimising our risk structure by transferring risk, e.g. through the launch of the Nathan pandemic bond programme.

Climate change

Whilst we are in a position to adequately assess the known risks in our portfolio on the basis of current knowledge, scientific research into climate change is complex and the political and regulatory environment in which we operate is developing dynamically, so that we must remain vigilant with regard to the identification and representation of new and emerging risks. We adopt a multidisciplinary approach, using and combining the pertinent experience and expertise of our scientists, specialist underwriters, lawyers, economists, sociologists and actuaries as appropriate for the risk situation.

Climate change represents one of the greatest risks of change for the insurance industry. In Munich Re's Corporate Climate Centre, we are developing a holistic strategic approach to analysing and assessing these risks. The findings are made available to all business areas and our asset-liability management function. However, changes in the physical environment and new regulations resulting from climate change also open up many business opportunities. Applying the knowledge we have accumulated over decades, we exploit these opportunities - for example, through new insurance products for renewable energy technologies.

New and complex risks

Our **risk early-warning system** also covers "emerging risks", i.e. those that arise as a result of legislative, socio-political, scientific, technological and similar changes and are liable to have unmeasured or unknown effects on our portfolio. The degree of uncertainty as to extent of damage and occurrence probability is by nature very high.

We identify trends and faint signals in many ways, including systematic trend research, using Munich Re's knowledge management, and regular structured discussions in our "emerging risks think tank". To ensure that emerging risks are understood, a group of experts reports on the issues involved from various perspectives. They derive conceivable scenarios and analyse their possible impact on Munich Re, looking at interdependencies between different risks and other aspects related directly or indirectly to emerging risks. Cooperation with external partners complements our internal early-warning system. One example is our collaboration with the US Rand Institute for Civil Justice on the issue of class actions.

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events with impacts difficult to identify using traditional scenario processes are occurring with greater frequency. One example was the eruption of the Eyjafjallajökull volcano in 2010. The disruption of air traffic across much of Europe led not only to travel restrictions for individuals but also to airfreight delays and hence business interruptions in manufacturing. Such chains of events will take on greater importance in future. At Munich Re, we adopt a system-based approach to analyse dependencies in complex risks, with the aim of making potential loss cascades more transparent and reducing the risk of inappropriate simplifications in our scenario building.

Legal and supervisory risks

As a result of our global activities, we are subject to a large number of supervisory regulations in different countries. These may give rise to legal and regulatory risks. In 2004, New York State Attorney General Eliot Spitzer started an investigation into the use of Placement or Market Service Agreements (PSAs) in the insurance industry. Several other US state regulators subsequently commenced similar probes into this matter, as have regulators in other countries. Munich Re has received requests to provide information in connection with these investigations and has cooperated fully with the authorities. Munich Re entities have also been named together with other insurers and brokers as defendants in a number of PSA-related class actions by US policyholders. Munich Re will continue to defend itself against the accusations in the appropriate manner.

In 2004, the US Securities and Exchange Commission (SEC) and the Office of the New York State Attorney General initiated inquiries into "certain loss mitigation insurance products". Subsequently, a number of other authorities in the USA and elsewhere made both formal and informal requests for similar information from Munich Re and some of its subsidiaries. Munich Re has fully cooperated with these inquiries.

In November 2009, the Spanish antitrust authority (CNC – Comisión Nacional de la Competencia) imposed fines on several insurers and reinsurers, including Munich Re's Spain and Portugal branch (Münchener Rückversicherungsgesellschaft, Surcursal España y Portugal), for alleged collusion restricting competition in Spanish decennial liability business (compulsory insurance for guarantee claims in respect of contract works). In December 2009, Munich Re's Spain and Portugal branch lodged an appeal against the CNC's decision in the expectation that the next higher instance will arrive at a different assessment of the facts.

After the federal legislative procedure for the US Fairness in Asbestos Injury Resolution Act foundered in February 2006, several US states adopted legislation initiatives (tort reform) which may have a positive effect on the settling of asbestos claims. Following revelations about often questionable asbestos-related disease diagnoses and the resultant lawsuits, a number of investigation committees are at work. Similar questionable practices that have come to light in silicosis lawsuits are also important for US asbestos claims. These developments indicate that the legal situation in the USA is moving in a positive direction. However, it is too early to say whether and to what extent this will have favourable implications for future loss development in the insurance industry, particularly as plaintiff attorneys are trying hard to repel the tort reform initiatives. We are currently still being affected by late-reported claims - in some cases for high amounts - for asbestos-related diseases and similar liability complexes. Though the total number of asbestos claims is declining, the number of severe cases of mesothelioma and other types of cancer has remained relatively constant in recent years.

Outlook

The future regulatory requirements for risk management have become clearer as a result of the progress made in the European Union's Solvency II project, notably the production of the draft implementing measures by the Solvency II Expert Group (SEG). Nevertheless, there is still considerable uncertainty regarding the future calibration of the standard formula and the requirements from the second and third pillar of Solvency II.

Summary

In accordance with the prescribed processes, Munich Re's Board committees explicitly defined the risk appetite for significant risk categories in the year under review and quantified it by means of specific figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout Munich Re. During the whole of 2010, risk exposures were regularly quantified and compared with the risk appetite. We assess Munich Re's risk situation as manageable and under control.

Prospects

// Despite uncertain economic environment, opportunities thanks to financial strength and solution-finding competence
// Reinsurance continues to offer promise for the future
// Expected return on investment of below 4%
// Unchanged long-term result target of 15% on risk-adjusted capital (RORAC) after tax over the cycle
// Consolidated result of around €2.4bn envisaged for 2011
// Continuation of share buy-back with half the volume
// Proposed dividend for 2010: €6.25 per share

Predictions about the forthcoming development of our Company are based primarily on planning figures, forecasts and expectations. Consequently, the following assessment of Munich Re's development merely reflects our imperfect assumptions and subjective views. It follows that we cannot accept any responsibility or liability in the event that they are not realised in part or in full.

In the section "Important tools of corporate management", we already pointed out that our corporate management is based mainly on a Group perspective, in which Munich Reinsurance Company is a significant component. Since our fields of business are managed on a Group-wide basis, it is difficult to "extract" the Company from this overall concept. A description of the Group's and reinsurance group's estimates is therefore provided throughout the following. If Munich Reinsurance Company is not mentioned specifically, the Group or reinsurance group as such is meant.

Overview

Despite the still difficult economic situation, there are a wide range of opportunities for us. Growing accumulation hazards and the move towards more stringent regulatory requirements will increase the demand for effective risk relief via reinsurance. With our know-how, our ability to find the right solutions and our financial strength, we are well positioned.

Economic environment

Economic development is likely to be somewhat less dynamic in 2011. Although private consumer spending and investment have increased recently, doubts remain as to whether they can fully replace expiring government support measures. We therefore expect slightly weaker growth for the global economy than in the previous year, and this is likely to have a dampening effect on demand for insurance. It may also be assumed that the continued uncertainties regarding the stability of the financial system and public finances will determine the investment environment.

In the emerging economies, particularly China and India, growth should again be much stronger than in the industrial countries, some of which are likely to be adversely impacted by depressed private consumption owing to high unemployment and an elevated level of household debt. On top of this, many countries are planning to cut public expenditure in order to consolidate their budgets. We are proceeding on the assumption that inflation will remain low in most industrial countries and only reach a higher level in a few emerging economies.

Capital markets

Continued growth should lead to a marginal rise in interest rates for German and US government bonds in 2011. Since we anticipate that increases in key interest rates will be only small, the yield curves are likely to remain relatively steep. Currency developments will continue to be volatile, given the debate surrounding public debt. The easy monetary policy pursued in a number of industrial countries paired with moderate positive growth and limited inflation provide an environment favourable to shares.

Insurance industry

In the European Union, state supervision for primary insurers and reinsurers is set to undergo profound changes with the rules planned under Solvency II, which are scheduled to enter into force at the beginning of 2013. In terms of capital, risk management and reporting, these changes will impose enhanced requirements on insurance companies. In its preliminary studies, the European Commission has been examining the impact of Solvency II's quantitative risk capital requirements on the companies concerned. Irrespective of the fine-tuning still to be done, Solvency II will influence insurance supply and demand. As a result, new opportunities will emerge for Munich Re.

Far-reaching changes are also on the horizon for the accounting of insurance contracts and financial instruments in our consolidated financial statements. In July 2010, the International Accounting Standards Board (IASB) – the London body responsible for International Financial Reporting Standards – published an exposure draft for a standard relating to insurance contracts, intended to achieve a consistent international approach in this area. Even if some of the details of the planned changes are questionable, they would be a major step in the right direction. The new standard for financial instruments (IFRS 9) awaits adoption by the European Commission – possibly in a modified form – before we can apply it.

While growth momentum should remain high in many emerging economies, including the insurance sector, most developed markets are expected to see only moderate expansion in premium income. In property-casualty primary insurance, we expect premium development to be subdued. Demand for life insurance cover should remain stable: while the need for private provision is huge, growth in disposable incomes and the readiness to purchase suitable products is at best sluggish. However, other lines such as credit and surety business should benefit from the stable economy and show lower losses.

The solid capitalisation of providers and buyers is having a significant effect on prices, terms and conditions in the international reinsurance markets. A further fall in prices in property-casualty reinsurance was therefore observable in the renewals at the beginning of the year, except in lines and regions where companies had suffered high losses. For the further course of 2011, we anticipate a sideways trend, not least owing to the unbroken series of natural catastrophes.

Risks

Two years after the peak of the crisis, the outlook remains clouded by uncertainty. A repeated slump or even an extended period of stagnation with deflationary consequences cannot be completely ruled out in some countries. A prolonged low-interest-rate environment would significantly impair the situation of life insurance companies. The high levels of debt in many countries created a great deal of uncertainty among investors in 2010 and could destabilise the financial system again to the detriment of the insurance industry. If the economic recovery continues, the substantial interventions of the central banks and related expansion of the money supply may result in higher inflation, with corresponding inflation in claims costs for insurers. Besides this, the industry could be affected by protectionist restrictions and foreign exchange interventions. Potential geopolitical upheavals, for instance in the Middle or Far East, are also still a significant risk for the global economy and thus the insurance industry – a risk that is already becoming reality in the Arab world.

By nature, the insurance industry is also particularly exposed to the consequences of economic and social policy decisions, an example being healthcare policy, with its substantial implications for private health insurance. Moreover, the planned tightening of supervisory regulations in the financial services industry also harbours risks for the insurance sector: especially after the financial crisis, there are concerns that the changes – mainly geared to banking – could be transferred indiscriminately to the insurance industry. Conceivable in this context are exaggerated capital requirements, excessive reporting obligations, and restrictions for individual types of business.

Finally, ruinous competition with a downward trend in insurance prices lasting several years remains an unlikely but not impossible risk scenario. Giving clear priority to profitability over growth and focusing on the efficiency of management systems continues to be critical for the insurance industry's success.

Munich Re's development

Limits to forecasting results

It is not only the obvious fluctuations in the incidence of major losses that make an accurate forecast of IFRS results impossible. Our investment result is difficult to predict as well. We gear the selection of our investments, based on economic criteria, to the characteristics of our technical provisions and liabilities, also using derivative financial instruments to hedge against fluctuations on the interest-rate, equity and currency markets and to fine-tune exposures. The high volatilities in these markets result in substantial changes in the values of derivatives, which under IFRS accounting we generally recognise in profit or loss, i.e. as income or expense in our income statement. However, such recognition in the income statement is not always provided for with regard to the related underlying transactions themselves. Despite our economically well-balanced underwriting and investment portfolio, this inconsistency gives rise to considerable fluctuations in our investment and consolidated result, making a reliable forecast more difficult. Here we can give only rough indications of the possible impact. Firstly, a rising interest-rate level will tend to lead to lower results, and a falling interest rate to higher results, than those forecast in this section. Fluctuations in exchange rates can also have an influence on our result. A stronger euro, for instance, will produce gains, while a weaker euro will burden the result. Furthermore, major share price losses could necessitate write-downs of equities in our expanded share portfolio.

Underwriting

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities in the long term. In 2009, we responded to a shift in demand trends by repositioning ourselves. Even more so than in the past, Munich Re will offer its cedants specialist consulting services and extensive solutions, also for tasks such as balance-sheet management, risk modelling and asset-liability management. Reinsurance is an efficient and flexible option for strengthening an insurer's capital base. Additionally, we devise innovative coverage concepts that go beyond traditional reinsurance.

Life reinsurance offers good growth potential. We are experiencing continuing demand for large-volume capital substitute solutions. Opportunities will also emerge from the privatisation trends in provision for old age, long term care and disability, from the need for asset protection, and from the dynamic expansion of the Asian life insurance markets. For 2011, we anticipate gross premiums written totalling around €9bn. In the case of our underwriting result, we project a figure of around €0.4bn from 2011 onwards.

We have set ourselves the objective of doubling the value added by new business in life reinsurance in the period 2006 to 2011. On the basis of Market Consistent Embedded Value (MCEV) Principles, this objective corresponds to a value added by new business of €330m for 2011. Given the outstanding results of recent years, we are very confident of surpassing this goal. We aim to achieve sustained value added by new business in life reinsurance of €450m a year by 2015.

In **property-casualty reinsurance**, which traditionally moves more in cycles, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions.

At 1 January 2011, treaty business with a volume of around €7.9bn was up for renewal. The renewal negotiations again took place in a competitive environment. As a result of primary insurers' good capitalisation, demand for reinsurance cover remained largely unchanged. With reinsurers providing more than enough capacity, prices generally fell further. Only in British motor insurance business and in lines of business and regions that experienced losses, e.g. in offshore energy and in Australia, were we able to obtain price increases. US natural catastrophe business remains profitable, although it continued to experience price reductions in view of the sufficient capacity available and relatively benign hurricane season in terms of losses. In Europe, premium rates fell despite high claims costs.

Owing to persistent pressure on prices, we declined various business opportunities, in line with our strict cycle management. Of the total business up for renewal, around 16% (€1.3bn) was not renewed because it did not meet our profitability requirements, a substantial portion of this in Europe. We were able to compensate for part of the reduction in premium through the expansion of existing profitable client relations. In addition, we generated substantial new business volume totalling approximately €1.2bn, particularly in strongly growing markets. On balance, the renewals resulted in a slight increase in premium of some €330m (+4.1%). At +0.1%, the rate level for our portfolio remained at around the same level as in the previous year. Thanks to our strong global presence and ability to offer complex reinsurance solutions swiftly and tailored to our clients' needs, we were able to buck the trend of falling prices. In this market environment, Munich Re's stability and financial strength have paid off. We are therefore very satisfied with the renewals.

For the forthcoming renewals at 1 April 2011 (Japan and Korea) and 1 July 2011 (parts of the US market, Australia and Latin America), a premium volume of around €2.8bn will be up for renewal. We expect that prices here will stabilise, also given the series of natural catastrophes that have occurred.

For 2011, we project gross premiums written of just over €15bn in property-casualty reinsurance. We envisage a combined ratio of around 97% of net earned premiums over the market cycle as a whole. This estimate is based on an average major-loss burden of 6.5% from natural catastrophes. Since we were affected by major loss events at the end of February 2011, i.e. the floods in Brisbane and Cyclone Yasi (also in Australia) and the earthquake in New Zealand, we will only be able to achieve our target if random major losses remain below expectations in the further course of the year.

The insurance of facilities for generating renewable energy presents us with growing business potential in property-casualty reinsurance. By 2020, for example, we anticipate premium volume in the mid three-digit million euro range for the German insurance market, or more than double the current figure. Munich Re offers its clients suitable products, ranging from traditional coverage for industrial facilities to complex solutions such as performance guarantee covers for technical innovations enabling capital providers to reduce their investment risks.

If exchange rates remain constant, **gross premiums** in reinsurance (excluding Munich Health) should range between €24–25bn in 2011.

Munich Reinsurance Company should post gross premiums of €22–23bn, provided that exchange rates remain stable. We anticipate a combined ratio of around 98%, taking into account an average major-loss burden of 6.5% from natural catastrophes.

Investments

We are responding to the economic uncertainties by continuing to strongly diversify our portfolio. This enables us to keep our options open in various scenarios and to share in capital market developments. To this end, we propose to moderately increase our equities and commodities portfolio. We will also continue to prudently expand our credit exposure. By contrast, we will marginally reduce our large portfolio of government bonds.

To guarantee optimum management of the interest rate risk, the structure of our bond portfolio will be geared to the periods of our liabilities in 2011 as well. In 2010, we benefited from an extended duration position we had taken as a form of protection against a possible crisis scenario. Given the current interest-rate level and our expectations for a moderate rise, we have slightly reduced the duration in the first quarter of 2011. We are likely to keep our portfolio of investments in inflation-indexed bonds constant in 2011. Nonetheless, we will continue to look at investments in commodities to hedge against inflation.

In the area of alternative investments, we intend to invest more strongly in renewable energy and new technologies, given appropriate profitability prospects. As at 1 January 2011, we acquired 100% of the voting shares in 11 wind park companies for a provisional purchase price of around €40m.

We would like to maintain our real estate portfolio at the same level in 2011. Our current real estate investments serve as a stabilising element in the portfolio. To diversify even more strongly, we are considering investing in real estate in emerging markets and in projects with a high running yield.

We do not anticipate any rapid and significant increase in capital market interest rates; regular income from our investments is therefore likely to be relatively low – at just under 4% overall – for the financial years 2011 and 2012. This is also our projection for Munich Reinsurance Company.

Munich Re (Group)

For the Group as a whole, we are proceeding on the assumption that **gross premiums written** for 2011 will be in the range of €46–48bn (total consolidated premium), provided that exchange rates remain stable compared with those at the end of 2010.

We are at present adhering to our long-term objective of a 15% return on our risk-based capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve with the currently low level of interest rates. As soon as the requirements of Solvency II and the new IFRSs for insurance contracts and financial instruments have been finalised, we will gear our target performance measures to the key indicators from this new framework with its strong economic focus.

For 2011, given the essentially stable prices expected in reinsurance and average loss experience, we expect the underwriting result to be slightly higher. However, we do not anticipate any significant rise in capital market interest rates, so regular income from fixed-interest securities and loans should be somewhat lower. Given our significantly increased but historically low equity-backing ratio, write-downs are likely to be correspondingly moderate, but so are the opportunities to realise gains on disposal. From today's standpoint, we are therefore proceeding on the assumption that investment results will be appreciably lower than in 2010, with a return of under 4% on the portfolio. All in all, then, if other parameters remain unchanged, we aim for a **consolidated result** of around €2.4bn for 2011, i.e. approximately the same level as in 2010. Considering the major-loss burden in the first two months of the year, however, this target can only be achieved if random major losses remain below expectations in the further course of the year. For 2012, we are aiming for a consolidated result of similar magnitude.

In line with these Group targets, we anticipate a combined ratio of around 98% for **Munich Reinsurance Company** in 2011, based on major-loss burden from natural catastrophes of 6.5% of our net premiums earned. This would be likely to result in an allocation in 2011 to our claims equalisation provision, following the withdrawal made for 2010. Given the current capital market situation, our return on investment based on market values is unlikely to reach our previous target of 4%. All in all, as things stand at present, we therefore expect to achieve a similar German Commercial Code result to that for 2010. We are aiming for similar results in 2012.

After concluding the 2009/2010 buy-back programme as planned, we launched a share buy-back programme for 2010/2011 in May 2010. By the next Annual General Meeting on 20 April 2011, we intend to buy back shares for a maximum total purchase price of €1bn. By 25 February 2011, we had bought back a total of 7.7 million Munich Re shares with a volume of €844m. In the following 12-month period, up to the Annual General Meeting in 2012, a buy-back volume of €500m is planned. The full execution of these share buy-back programmes remains subject to developments in the capital markets and the general economic environment.

Our shareholders can look forward to the dividend for 2010, which – subject to approval by the Annual General Meeting – will rise by 50 cents to €6.25 per share.

MUNICH REINSURANCE COMPANY REPORT ON THE 131ST YEAR OF BUSINESS 1 JANUARY TO 31 DECEMBER 2010

Balance sheet as at 31 December 2010

Assets

	Notes					Prev. year
		€k	€k	€k	€k	€k
A. Intangible assets	**(1)**				**27,032**	**38,970**
B. Investments	**(2, 3)**					
I. Land, land rights and buildings, including buildings on third-party land				1,018,112		900,228
II. Investments in affiliated companies and participating interests						
1. Shares in affiliated companies			27,599,917			26,783,953
2. Loans to affiliated companies			1,529,442			1,772,415
3. Participating interests			240,414			229,538
4. Loans to participating interests			26,357			26,970
				29,396,130		**28,812,876**
III. Other investments						
1. Shares, investment fund certificates and other non-fixed-interest securities			6,434,336			5,001,698
2. Bearer bonds and other fixed-interest securities			20,540,328			20,927,378
3. Loans secured on property			2,124			3,134
4. Other loans						
a) Registered bonds		-				3,354
b) Loans and promissory notes		16,528				20,000
c) Miscellaneous		134				126
			16,662			23,480
5. Deposits with banks			507,937			572,466
6. Miscellaneous investments			672,645			117,936
				28,174,032		26,646,092
IV. Deposits retained on assumed reinsurance				14,073,187		13,845,062
					72,661,461	**70,204,258**
C. Receivables						
I. Accounts receivable on reinsurance business Thereof from - affiliated companies: €986,768k (863,804k) - participating interests: €106,205k (59,793k)				3,485,123		3,260,431
II. Other receivables Thereof from - affiliated companies: €81,529k (87,162k) - participating interests: €7,146k (10,148k)				670,056		776,733
					4,155,179	**4,037,164**
D. Other assets						
I. Tangible assets and inventories				27,394		28,209
II. Cash at banks, cheques and cash in hand				527,661		216,225
III. Own shares				-		28
					555,055	**244,462**
E. Deferred items						
I. Accrued interest and rent				385,351		409,751
II. Miscellaneous deferred items	(4)			30,775		42,540
					416,126	**452,291**
F. Excess of plan assets over pension liabilities	**(5)**				**24,003**	**-**
Total assets	**(12)**				**77,838,856**	**74,977,145**

Equity and liabilities

	Notes				Prev. year
		€k	€k	€k	€k
A. Equity	**(6)**				
I. Issued capital			587,725		587,725
II. Capital reserve			6,832,037		6,832,037
III. Revenue reserves			1,667,158		2,049,215
IV. Net retained profits			1,177,928		1,291,060
				10,264,848	**10,760,037**
B. Subordinated liabilities	**(7)**			**4,599,246**	**4,586,793**
C. Special reserve	**(8)**			**-**	**344,948**
D. Technical provisions	**(9)**				
I. Unearned premiums					
1. Gross amount		3,932,052			3,416,862
2. Less for retroceded business		202,044			156,240
			3,730,008		3,260,622
II. Provision for future policy benefits					
1. Gross amount		11,028,548			10,481,573
2. Less for retroceded business		924,314			371,111
			10,104,234		10,110,462
III. Provision for outstanding claims					
1. Gross amount		32,608,786			30,842,996
2. Less for retroceded business		1,504,324			1,111,396
			31,104,462		29,731,600
IV. Provision for premium refunds					
1. Gross amount		27,309			26,425
2. Less for retroceded business		-			-
			27,309		26,425
V. Claims equalisation provision and similar provisions			7,910,910		8,024,439
VI. Other technical provisions					
1. Gross amount		537,945			692,915
2. Less for retroceded business		19,779			55,216
			518,166		637,699
				53,395,089	**51,791,247**
E. Other accrued liabilities	**(10)**				
I. Provisions for employees' pensions and similar commitments			3,626		656,451
II. Provisions for tax			2,281,082		2,028,893
III. Other provisions			1,073,388		957,184
				3,358,096	**3,642,528**
F. Deposits retained on retroceded business				**1,133,241**	**546,279**
G. Other liabilities					
I. Accounts payable on reinsurance business Thereof to - affiliated companies: €709,352k (620,061k) - participating interests: €49,708k (36,681k)			3,242,353		2,318,691
II. Amounts due to banks	(11)		1,510,420		501,541
III. Miscellaneous liabilities Thereof towards - affiliated companies: €50,259k (45,076k) Thereof from taxes: €32,257k (130,433k) Thereof for social security: €675k (498k)			324,244		466,829
				5,077,017	**3,287,061**
H. Deferred items				**11,319**	**18,252**
Total equity and liabilities	**(12)**			**77,838,856**	**74,977,145**

Income statement for the financial year 2010

Items

	Notes				Prev. year
		€k	€k	€k	€k
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		20,409,910			18,322,432
b) Retroceded premiums		-1,532,368			-1,165,254
			18,877,542		17,157,178
c) Change in gross unearned premiums		-299,891			-54,220
d) Change in retroceded share of unearned premiums		37,205			-20,052
			-262,686		-74,272
				18,614,856	**17,082,906**
2. Interest on technical provisions for own account	**(14)**			**493,383**	**637,263**
3. Other underwriting income for own account				**10,000**	**60,570**
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		-14,140,188			-13,001,039
ab) Retroceded amount		932,690			712,554
			-13,207,499		-12,288,485
b) Change in provision for outstanding claims					
ba) Gross amount		-227,541			363,962
bb) Retroceded amount		328,898			-67,058
			101,357		296,904
				-13,106,141	**-11,991,581**
5. Change in other technical provisions for own account					
a) Net provision for future policy benefits			-287,834		-121,554
b) Other net technical provisions			11,109		-6,544
				-276,725	**-128,098**
6. Expenses for premium refunds for own account				**-7,570**	**-21,526**
7. Operating expenses for own account	**(15, 19, 20)**				
a) Gross operating expenses			-6,114,920		-5,322,554
b) Less commission received on retroceded business			415,450		298,159
				-5,699,470	**-5,024,395**
8. Other underwriting expenses for own account				**-37,666**	**-110,356**
9. Subtotal				**-9,333**	**504,783**
10. Change in claims equalisation provision and similar provisions	**(13)**			**113,529**	**719,985**
11. Underwriting result for own account	**(13)**			**104,196**	**1,224,768**

Items	Notes	€k	€k	€k	€k	Prev. year €k
II. Non-technical account						
1. Investment income	(16)					
a) Dividends from participating interests Thereof from affiliated companies: €1,047,848k (608,527k)			1,062,596			619,653
b) Income from other investments Thereof from affiliated companies: €290,033k (429,809k)						
ba) Rents from land and buildings, including buildings on third-party land		114,482				110,161
bb) Income from other investments		1,477,881				1,749,848
			1,592,363			1,860,009
c) Income from write-ups			486,310			300,565
d) Realised gains on the disposal of investments			1,302,005			1,763,809
e) Income from profit-transfer agreements			2,795			2,300
				4,446,069		**4,546,336**
2. Investment expenses	(15, 17, 19, 20)					
a) Expenses for the management of investments, interest paid and other expenses for investments			-409,483			-367,474
b) Write-downs of investments			-296,818			-297,526
c) Realised losses on the disposal of investments			-641,103			-759,032
d) Expenses from loss transfers			-31,384			-18,569
				-1,378,788		**-1,442,601**
				3,067,281		**3,103,735**
3. Interest income on technical provisions				**-527,915**		**-653,285**
					2,539,366	**2,450,450**
4. Other income	(21, 22)				**671,068**	**515,007**
5. Other expenses	(21)				**-1,122,840**	**-812,409**
6. Operating result before tax					**2,191,790**	**3,377,816**
7. Taxes on income				**-829,631**		**-914,752**
8. Other taxes				**-2,290**		**-5,419**
					-831,921	**-920,171**
9. Profit/loss for the year					**1,359,869**	**2,457,645**
10. Profit brought forward from previous year					**62,846**	**62,238**
11. Withdrawals from revenue reserves					**1,299,637**	**406,464**
12. Transfers to revenue reserves					**-244,787**	**-1,228,823**
13. Offset against shares bought back for retirement					**-1,299,637**	**-406,464**
14. Net retained profits					**1,177,928**	**1,291,060**

Notes to the financial statements

Recognition and measurement

Accounting basis

The financial statements and management report have been prepared in accordance with the German Commercial Code and the German Stock Companies Act, the German Statutory Order on Insurance Companies' Accounting and the German Insurance Control Act, observing conservative accounting principles.

The regulations of the German Act to Modernise Accounting Law (BilMoG) have been applied fully for Munich Reinsurance Company for the first time in respect of the financial year 2010. Section 252 para. 1 item 6, Section 265 para. 1 and Section 284 para. 2 item 3 of the German Commercial Code are not applicable to those items in the annual financial statements whose presentation or valuation method has changed as a result of the first-time application of BilMoG. In addition, the adjustment of the previous year's figures has been dispensed with (Section 67 para. 8 of the Act Introducing the German Commercial Code).

Intangible assets

Intangible assets are measured at the acquisition cost less admissible straight-line amortisation and, where applicable, write-downs for impairment.

Investments

Our real estate is valued at the acquisition or construction cost less admissible depreciations and, where applicable, write-downs for impairment.

The carrying amount of shareholdings in affiliated companies and other participating interests is generally the acquisition cost, written down to a lower fair value where applicable.

Loans to affiliated companies and to participating interests, loans secured on property, registered bonds, and loans and promissory notes are generally recognised in the balance sheet at their nominal values. An exception are zero bonds, which are accounted for at amortised cost. The relevant premiums and discounts are shown as deferred items and placed to account pro rata temporis.

Shares, investment fund certificates, bearer bonds, fixed-interest and non-fixed-interest securities, and other investments are valued at acquisition cost or at the market price at the balance sheet date, whichever is the lower. Investments with participating interests have been classified under Section 341b of the German Commercial Code but have been valued according to the strict lower of cost or market principle, despite the alternative valuation option provided for.

Lower valuations from previous years are maintained for all our investments if the impairment in value is probably permanent. Where the market value at the balance sheet date was higher than the previous year's valuation, we have written back the value to the acquisition cost or the amortised cost.

Receivables

Deposits retained on assumed reinsurance business, accounts receivable on reinsurance business and other receivables are recognised at the nominal values less any necessary adjustments of value.

Other assets
Inventories are recognised at acquisition cost. Office furniture and equipment is valued at acquisition cost less admissible depreciations. The purchase price of low-value items is written off over a period of five years.

Deferred taxes
For temporary differences in the valuation of assets, liabilities and deferred items between the commercial balance sheet and tax accounts, tax liabilities and tax benefits are determined. If the overall result of this calculation is a tax benefit, we avail ourselves of the option provided for in Section 274 para. 1 sentence 2 of the German Commercial Code not to recognise this as an asset. The calculation is performed across all the tax spheres of the states in which we have taxable branches.

In the year under review, an excess amount of €161m resulting from the changeover in approach due to BilMoG was offset against the revenue reserves with no impact on profit or loss.

Significant for the Company are the temporary differences existing in Germany, where the deductible temporary differences exceed the taxable temporary differences by €5,630.6m. The deductible temporary differences result mainly from write-downs of investments that were not recognisable in the tax accounts owing to the stricter regulations, and from technical provisions that tend to be valued lower in the tax accounts than in the commercial balance sheet. In addition, there were deductible temporary differences resulting from intangible assets, due to the extensive recognition of self-developed IT programs in the tax accounts, as well as from miscellaneous provisions recognised in the commercial balance sheet but not (or not to the same extent) in the tax accounts. The taxable temporary differences existing in the German tax sphere are of subordinate importance.

The rounded tax rate applicable for the German tax sphere is 33.00%. It is made up of the corporate tax rate (including solidarity surcharge) of 15.83% and the trade tax rate of 17.15%. The tax rate applicable for the Canadian branch amounts to 26.00%, for the UK branch to 27.00%, and for the Italian branch to 32.31%.

Munich Reinsurance Company has foreign tax loss carry-forwards of €8.6m.

Excess of plan assets over pension liabilities
BilMoG stipulates that, under certain conditions, assets must be netted with related liabilities for pension commitments (exception to the prohibition of offsetting under Section 246 para. 2 of the German Commercial Code). Under this rule, assets that are not accessible to creditors and serve solely to settle liabilities arising from pension commitments or comparable long-term commitments must be netted with those liabilities. In accordance with Section 253 para. 1 sentence 4 of the German Commercial Code, the assets in question must be measured at fair value. If the fair value of the assets exceeds the settlement amount of the liabilities, the excess amount must be capitalised separately in the balance sheet as "excess of plan assets over pension liabilities".

Technical provisions

The technical provisions are calculated in accordance with the requirements of German commercial law. In all cases, we have taken into account the necessity of ensuring that our obligations from reinsurance business can always be met.

Unearned premiums are accrued premiums already written for future risk periods. They have been calculated in accordance with the principles of German commercial law, partly on the basis of information received from our ceding companies and partly using nominal percentages. Where unearned premiums are calculated using such percentages, these are based on many years of experience and the latest knowledge available.

The provision for future policy benefits is generally set up in accordance with the amounts reported to us by our ceding companies. Sufficient provisions, calculated using actuarial methods, have been posted for claims that have been incurred but not yet reported or not reported enough.

The actuarial assumptions used for their calculation include, in particular, assumptions relating to mortality, disablement, morbidity, interest-rate development, lapses and costs. These are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. The actuarial assumptions are adjusted if, and only if, the original provisions for adverse deviation are no longer considered sufficient.

Provisions for outstanding claims are generally established in accordance with the amounts reported to us by our cedants. They are posted for payment obligations arising from reinsurance contracts where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims which are not yet known (e.g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are basically known but whose extent has turned out to be greater than originally foreseen. All these provisions include expenses for internal and external loss adjustment expenses. The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e.g. social, economic or technological parameters) and using appropriate actuarial methods. Future payment obligations are not discounted but recognised at the future settlement value.

The item "claims equalisation provision and similar provisions" contains the amounts required in accordance with commercial law to mitigate fluctuations in claims experience in future years, plus the provisions for major risks.

The "other technical provisions" mainly comprise provisions for profit commission and the provision for anticipated losses.

Technical provisions apportionable to the business retroceded by us have been calculated in accordance with the terms of the retrocession agreements.

Other accrued liabilities
As stated above, BilMoG prescribes the mandatory netting of assets with related liabilities from pension commitments under certain conditions (see "Excess of plan assets over pension liabilities"). If these conditions are met, a pension provision only has to be be recognised in the amount by which the settlement amount exceeds the fair value of the assets. The effects of the changeover as at 1 January 2010 have been recognised either in the revenue reserves or in other income and expenses, depending on the underlying situation.

The Company has availed itself of the option under Section 253 para. 2 of the German Commercial Code to discount pension commitments or comparable long-term commitments using the average market interest rate determined and published by the German Bundesbank for a residual term of 15 years. Based on studies of the Company's portfolio of pensioners, the mortalities of the currently used Heubeck 2005 G tables were also modified. The present value of the commitments is calculated using the Projected Unit Credit Method.

In 2003, Munich Reinsurance Company established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. To finance these obligations, it is necessary for the trust assets to correspond to the present value of pension obligations. In the process, however, account has to be taken of the difference between the actuarial interest rate relevant for measuring the obligations and the return attainable on the investments. Therefore, the present value of the pension obligations is calculated using an actuarial interest rate equivalent to the expected investment return.

For calculating pension commitments, semi-retirement commitments and anniversary payments, we use discount rates between 3.65% and 5.15%. Increases of between 1.00% and 4.30% were assumed for the future development of existing entitlements, and of between 1.00% and 2.00% for the future development of current pensions.

All other provisions are posted in accordance with the probable requirements. For discounting, we use the interest rates issued by the Bundesbank as per Section 253 para. 2 of the German Commercial Code, in line with the duration of the provisions.

Liabilities
Subordinated liabilities, deposits retained on retroceded business, accounts payable on reinsurance business, amounts owed to banks and other liabilities are stated at the amount repayable.

Foreign currency translation
All business transactions are generally booked in the original currencies and recorded using the respective day's exchange rate in euros. The foreign currency amounts are retranslated for the balance sheet at the year-end exchange rate. Hedging relationships per currency are accounted for using the "gross method". Realised and unrealised currency gains and losses per currency are recognised in the income statement under other income and expenses. Unrealised currency gains or losses due to asset or, in some cases, liability over- or undercoverage per currency are treated in accordance with the imparity principle.

The following table shows the exchange rates of the most important currencies for our business (exchange rate for €1 in each case):

Foreign currency translation

	31.12.2010	**Prev. year**
Australian dollar	1.30875	1.59530
Japanese yen	108.80600	133.56800
Canadian dollar	1.33300	1.50410
Pound sterling	0.85685	0.88845
Taiwan dollar	39.11490	45.89050
US dollar	1.34155	1.43475
Chinese renminbi	8.84040	9.79505

Hedging relationships

For the subordinated bond from the year 2007, which is hedged against interest-rate risks by means of an interest-rate swap (cf. page 107 f.), we have availed ourselves of the option under Section 254 of the German Commercial Code to recognise the economic hedge through hedge accounting. The effective part of the hedging relationship is recognised in accordance with the "net method". In addition, we hedge against currency risks by matching our liabilities in foreign currencies with assets in the same currencies. These economic hedges are accounted for as hedging relationships per currency using the "gross method". As described in the risk report that is part of the management report, numerous other risks are hedged using economic hedges as part of our risk management. However, we do not apply hedge accounting for these items. Details of the hedging relationships are provided on page 110.

Notes to the balance sheet – Assets

(1), (2) Intangible assets and investments

	Carrying amount 31.12.2009 €k	Change due to BilMoG €k
(1) Intangible assets	**38,970**	**-**
(2) Investments		
Land, land rights and buildings, including buildings on third-party land	900,228	
Investments in affiliated companies and participating interests		
Shares in affiliated companies	26,783,953	-
Loans to affiliated companies	1,772,415	-
Participating interests	229,538	-
Loans to participating interests	26,970	-
	28,812,876	**-**
Other investments		
Shares, investment fund certificates and other non-fixed-interest securities	5,001,698	-
Bearer bonds and other fixed-interest securities	20,927,378	-446,154
Loans secured on property	3,134	-
Other loans		
Registered bonds	3,354	-
Loans and promissory notes	20,000	-
Miscellaneous	126	-
Deposits with banks	572,466	-19,000
Miscellaneous investments	117,936	-
	26,646,092	**-465,154**
Total investments (2)	**56,359,196**	**-465,154**
Total (1) + (2)	**56,398,166**	**-465,154**

The statement of changes in assets and investments is shown at year-end (31 December 2010) exchange rates.

Intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of owner-occupied property totals €238m. In connection with an expansion of leased office space, the cost of which is being borne by the tenant via a capital improvement rent increase, €1.2m has been reallocated from investments to "other assets".

Of our total investments (excluding deposits retained on assumed reinsurance) with a carrying amount of €58,588m, an amount of €7,094m is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us. Under the regulations of BilMoG, investments that are subject to restraint on disposal and have been transferred to the custody of a trustee solely to safeguard pension commitments and the provisions for comparable benefits must be netted with the provisions with effect from 1 January 2010. For this reason, the carrying amounts as at 1 January 2010 in the statement of changes in assets have been adjusted by €465m in the column "Change due to BilMoG".

Currency translation €k	Additions €k	Reclassifications €k	Disposals €k	Write-ups €k	Write-downs €k	Carrying amount 31.12.2010 €k
-	**3,395**	**-**	**-349**	**-**	**-14,984**	**27,032**
-	179,931	-1,212	-41,300	1,249	-20,784	1,018,112
411,760	1,502,100	-	-1,460,524	366,000	-3,372	27,599,917
6,010	2,000	-	-250,983	-	-	1,529,442
3,019	11,086	-	-3,225	-	-4	240,414
887	-	-	-1,500	-	-	26,357
421,676	**1,515,186**	**-**	**-1,716,232**	**366,000**	**-3,376**	**29,396,130**
97,782	2,010,392	-	-658,626	10,364	-27,274	6,434,336
1,228,810	18,593,817	-	-19,584,529	54,277	-233,271	20,540,328
-	-	-	-1,010	-	-	2,124
233	-	-	-3,587	-	-	-
-	-	-	-3,472	-	-	16,528
13	-	-	-5	-	-	134
40,393	-	-	-85,922	-	-	507,937
-	6,800,909	-	-6,223,972	28	-22,256	672,645
1,367,231	**27,405,118**	**-**	**-26,561,123**	**64,669**	**-282,801**	**28,174,032**
1,788,907	**29,100,235**	**-1,212**	**-28,318,655**	**431,918**	**-306,961**	**58,588,274**
1,788,907	**29,103,630**	**-1,212**	**-28,319,004**	**431,918**	**-321,945**	**58,615,306**

To support Hypo Real Estate (HRE), the German federal government adopted a rescue package in October 2008, backed by the Deutsche Bundesbank and also the German financial services industry. Munich Re participated in this rescue package and also in its follow-up financing at the end of 2009. For the further remediation of HRE, non-strategic business units and risk positions were transferred to the wind-down entity FMS Wertmanagement this October. The follow-up financing from 2009, which had expired, was replaced in December by a new bond issued by FMS Wertmanagement, with a total volume of €16bn. Its term is again one year. There is no legally enforceable government guarantee for this bond, but the German Financial Market Stabilisation Fund (SoFFin) is obligated by law and statute to compensate FMS Wertmanagement for losses. Munich Reinsurance Company has taken up €49.4m of this bond, and ERGO a further €26m. The bond is shown under "bearer bonds and other fixed-interest securities".

Derivatives	Balance sheet item	Carrying amount	Fair value	Notional principal amount
		€k	€k	€k
Equity and index risks				
Equity forwards	Other provisions	-	745	58,366
Equity/index futures	Other provisions	-114	-46	22,254
Total return swaps (hedge fund certificates)	Other deferred asset items	10,971	6,308	190,000
Interest-rate risks				
Interest-rate swaps	Other provisions	-	15,792	454,258
Interest-rate currency swaps	Other provisions	-3,771	-3,771	387,611
Interest-rate swaps (subordinated bond)	Other provisions	-	167,699	1,349,050
Inflation swaps	Other provisions	-4,677	4,543	920,000
Bund and interest-rate futures	Other provisions	-56,780	-56,313	7,059,837
Currency risks				
Long currency options	Shares, investment fund certificates and other non-fixed-interest securities	179	179	1,870,794
Currency forwards	Other provisions	-62,128	17,224	9,389,212
Other transactions				
Insurance derivatives I (swaps)	Other provisions	-7,189	1,048	1,077,217
Insurance derivatives II (cat bonds)	Other provisions	-1,096	1,921	259,547
	Other deferred asset items	14		
	Other deferred liability items	-1,323		
Insurance derivatives III (long options)	Other investments	2,612	2,612	119,173
Insurance derivatives IV	Other provisions	-12,562	-14,103	60,573
Weather options (short)	Other liabilities	-2,272		
Single credit default swaps (swaps)	Other provisions	-10,904	-10,508	515,085
	Other deferred asset items	1,385		
	Other deferred liability items	-2,878		
Basket credit default swaps	Other provisions	-1,707	-6,279	1,469,974
	Other deferred asset items	49		
	Other deferred liability items	-4,947		
Options on commodities (long)	Other investments	474	474	277,888
Commodity swaps	Other provisions	-119	16,832	486,378

Derivative financial instruments (derivatives) are financial contracts relating to one or more underlying assets.

Derivatives are generally valued at the acquisition cost or their fair value at the balance sheet date, whichever is the lower. A pending liability is taken into account through the posting of a provision for anticipated losses. Upfront payments are capitalised and amortised over the term. One interest-rate swap (notional amount: €1,349m) to hedge the subordinated bond from the year 2007 against interest-rate risks has not been accounted for at fair value owing to its recognition as part of a hedging relationship in accordance with Section 254 of the German Commercial Code and application of the "net method". The change in market value of the interest-rate swap is recognised in determining the result of the hedging relationship. The positive market value of the interest-rate swap at the balance sheet date was €168m. Total return swaps are part of hedge fund certificates. They are calculated as the difference between the total market value of the funds and the respective capital component (zerobonds), in line with the accounting requirement to divide items into a capital component and a derivative component. The carrying amounts of the insurance derivatives (swap contracts and derivatives embedded in cat bonds) are derived in the same way from the market values of the related insurance risk bonds.

Recognised valuation methods are used to determine the fair values of derivatives not traded on the stock exchange. Details may be obtained from the following table.

Derivatives	Pricing method	Parameters	Pricing model
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Equity forwards	Theoretical price	Money-market interest rate Share price Dividend yield	Present-value method
Equity/index futures	Quoted price		
Total return swaps (hedge fund certificates)	Theoretical price	Market values of the funds Interest-rate curve	Present-value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve Currency spot rates	Present-value method
Inflation swaps	Theoretical price	Zero coupon inflation swap rates Interest-rate curve	Present-value method
Bund and interest-rate futures	Quoted price		
Currency risks			
Currency options	Theoretical price	Volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present-value method
Other transactions			
Insurance derivatives	Theoretical price	Market values of the cat bonds Interest-rate curve	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present-value method
Commodity swaps	Quoted price		
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Weather options	Theoretical price	Event estimates Historical data	Monte Carlo

The fair value of investments (excluding deposits retained on assumed reinsurance) amounts to €67.8bn. The relevant carrying amount totals €58.6bn. This results in valuation reserves of €9.2bn for the financial year 2010.

The valuation reserves contain hidden losses of €41m for participating interests, of which €25m is apportionable to one company whose sole object is the holding of shares in a listed company. The fair value based on the shares' stock market price must be regarded as inappropriate. This is confirmed by the discounted earnings value determined by the central reporting office of the German Insurance Association, which gives a fair value of the participating interest well above the book value. We have therefore refrained from making a write-down.

Further hidden losses of €15m are apportionable to an investment holding company whose sole purpose, too, is the holding of shares in a listed company. However, due to the low trading volume involved and small free float, the stock market price of these shares is not very meaningful. No write-down has been made because the net asset value per share is higher than the stock market price and also higher than the carrying amount per underlying share in the holding company.

The valuation reserves also contain hidden losses of €13m for loans. No write-downs have been made, because the impairments in value are only temporary (the carrying amount corresponds to the loans' redemption amount).

The fair values of real estate are determined once a year, generally using the capitalised earnings value; new buildings are valued at cost at the balance sheet date. In the case of shares in affiliated companies, participating interests, equities, investment fund certificates and other non-fixed interest securities, the market prices on the balance sheet date are used if the investments concerned are listed on the stock market. If no market prices are available, we calculate the value using the discounted earnings method or use net asset values. In the case of unlisted new acquisitions, we use the acquisition cost.

The fair values of fixed-interest securities listed on the stock market are determined on the basis of the market prices at the balance sheet date. In the case of fixed-interest securities not listed on the stock market, we determine the values using recognised valuation methods in accordance with the present-value principle on the basis of interest-rate curves.

Investments - Fair values and valuation reserves

€m	Carrying amounts 31.12.2010	Fair values 31.12.2010	Valuation reserves 31.12.2010
Land, land rights and buildings, including buildings on third-party land	1,018	2,356	1,338
Investments in affiliated companies and participating interests			
Shares in affiliated companies	27,600	33,221	5,621
Loans to affiliated companies	1,530	1,614	84
Participating interests	240	377	137
Loans to participating interests	26	36	10
	29,396	**35,248**	**5,852**
Other investments			
Shares, investment fund certificates and other non-fixed-interest securities	6,434	7,525	1,091
Bearer bonds and other fixed-interest securities	20,540	21,500	960
Loans secured on property	2	2	-
Other loans	17	16	-1
Deposits with banks	508	508	-
Miscellaneous investments	673	673	-
	28,174	**30,224**	**2,050**
Total investments	**58,588**	**67,828**	**9,240**

At 31 December 2010, the Company held shares of more than 10% in several German and foreign investment funds.

€m	Market value	Carrying amount	Difference	Distribution received in the financial year
Equity funds	4,583	4,420	163	35
Bond funds	1,383	1,093	290	5
Total	**5,966**	**5,513**	**453**	**40**

(3) Information on shareholdings

A list of all our shareholdings can be found on page 122 ff.

(4) Deferred items

These include €1.8m for a difference (as defined in Section 250 para. 3 of the German Commercial Code) in respect of the settlement amount of a liability towards banks.

(5) Excess of plan assets over pension liabilities

A total settlement amount of €703m for liabilities from pension commitments is more than covered by plan assets with a total fair value of €723m. Netting at individual plan level results in both an excess of €24m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €4m. The acquisition costs of the assets to be netted amounts to €686m. The income from these assets and the interest charges for the pension provisions and comparable long-term commitments in the financial year totalled €80m and €65m respectively.

Notes to the balance sheet – Equity and liabilities

(6) Equity

The total share capital of €587,725,396.48 at 31 December 2010 is divided into 188,468,471 no-par-value registered shares, each fully paid up and entitled to one vote.

Composition of the capital authorised for capital increases:

€m	**31.12.2010**
Authorised Capital Increase 2009 (until 21 April 2014)	280
Authorised Capital Increase 2006 (until 18 April 2011)	5
Total	**285**

Composition of contingent capital:

€m	**31.12.2010**
Contingent Capital Increase 2010 (until 27 April 2015)	117
Total	**117**

The withdrawal from the revenue reserves due to the share buy-back programme amounts to €1,300m. A total of €517m has been allocated to the revenue reserves as a result of the first-time application of BilMoG. A further €245m has been transferred to the revenue reserves by the Board of Management. Net retained profits include a profit of €63m carried forward from the previous year. €38m resulting from the capitalisation of assets at fair value is subject to a restriction on distribution in accordance with Section 268 para. 8 of the German Commercial Code.

By resolution of the Annual General Meeting on 22 April 2009, Munich Reinsurance Company was authorised to buy back shares amounting to a maximum of 10% of the share capital up to 21 October 2010. This authorisation was cancelled by the Annual General Meeting on 28 April 2010 and replaced by a new one, authorising the Board of Management to buy back shares amounting to a maximum of 10% of the share capital up to 27 April 2015. Since the German Act Implementing the Shareholders' Rights Directive came into force on 1 September 2009, the authorisation may now be granted – as with authorisations for capital increases – for a period of up to five years.

On 31 December 2010, a total of 8,089,888 Munich Reinsurance Company shares with a calculated nominal value of around €25.2m were held by Group companies. This represents 4.3% of the share capital.

On 1 October 2009, Munich Reinsurance Company's Board of Management decided on a share buy-back programme, thus availing itself of the authorisation granted by the Annual General Meeting on 22 April 2009, in accordance with Section 71 para. 1 item 8 of the German Stock Companies Act. In the period from 2 October 2009 to 21 April 2010, a total of 8,933,153 Munich Reinsurance Company shares were acquired via the stock exchange. These own shares were retired on 28 April 2010 in a simplified process, without reducing the share capital, by adjusting the proportion of the Company's share capital represented by each of the remaining no-par-value shares.

On 7 May 2010, Munich Reinsurance Company's Board of Management decided on a further share buy-back programme, thus availing itself of the authorisation granted by the Annual General Meeting on 28 April 2010, in accordance with Section 71 para. 1 item 8 of the German Stock Companies Act. The share buy-back is restricted to a total purchase price (excluding incidental expenses) of €1bn up to the 2011 Annual General Meeting. From 25 May 2010 to 31 December 2010, a total of 6,089,668 shares were purchased at an average price of €106.68. Altogether in 2010, a total of 11,797,271 shares were acquired at an average price of €110.16.

In 2010, no employee share programmes were set up for the employees of Munich Reinsurance Company or of dependent Group companies or enterprises in which the Company has a majority shareholding. All the 255 shares left over from Munich Reinsurance Company's 2008 employee share programme were sold in the financial year 2010 at an average price of €112.63 each, so that the Company has none remaining in its portfolio.

One subsidiary holds 1,609,067 shares to hedge stock appreciation rights granted to the Board of Management and top Munich Reinsurance Company executives since 1999. In 2010, no shares were acquired for hedging these programmes, and a total of 222,728 shares were sold at an average price of €116.15.

In the financial year 2010, companies of the ERGO Insurance Group acquired 63 shares at an average price of €116.71 each to cover future commitments from the long-term incentive plans launched since 2002 and sold 70,099 shares at a price of €120.07 each. Together with the remaining Munich Re shares acquired to hedge the stock appreciation rights granted in prior years, the ERGO Insurance Group had a total portfolio of 224,057 shares at 31 December 2010.

MEAG MUNICH ERGO AssetManagement GmbH acquired 34,000 shares at €104.13 each in the financial year 2010 to safeguard obligations from its long-term incentive plan and sold 6,658 shares at an average price of €112.04, leaving it with a portfolio of 167,096 Munich Re shares.

The acquisition costs of all Munich Re shares in the possession of Group companies at the end of the financial year totalled €845,729,551.24.

The Company has received the following notifications pursuant to Section 21 of the German Securities Trading Act regarding voting-right percentages (status at 31 December 2010):

In October 2010, Warren E. Buffett, USA, notified us that his share of the voting rights in our Company had exceeded the threshold of 10% and totalled 10.244% (19,306,100 voting rights) on 12 October 2010. Of this, 10.191% (19,206,100 voting rights) was attributable to Warren E. Buffett in accordance with Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. Voting rights attributable to him are held by the following companies under his control whose voting rights in our Company amount to 3% or more: Berkshire Hathaway Inc., OBH LLC and National Indemnity Company. As regards the objectives pursued in acquiring the voting rights and the origin of the funds used for the acquisition, Warren E. Buffett and the aforementioned companies each notified us as follows on 15 October 2010, in accordance with Section 27a para. 1 of the German Securities Trading Act: The investment serves the purpose of making trading profits and not of implementing strategic objectives. The intention is to acquire further voting rights within the next 12 months, but not to exert an influence on the composition of Munich Re's management or supervisory boards or to significantly change the Company's capital structure, particularly with regard to the equity-debt ratio or the dividend policy. The acquisition of voting rights in our Company was financed from own resources.

In May 2010, BlackRock Inc., New York, USA, notified us that its share of the voting rights in our Company had exceeded the threshold of 5% on 6 May 2010 and totalled 6.15% (11,592,279 voting rights) on that date. These voting rights are attributable to BlackRock in accordance with Section 22 of the German Securities Trading Act (para. 1, sentence 1, item 6 in conjunction with sentence 2). In this connection, the following companies notified us that they held 3% or more of the voting rights in our Company: BlackRock Financial Management, Inc., BlackRock Holdco 2, Inc., BlackRock International Holdings Inc., BR Jersey International Holdings L.P., BlackRock Advisors Holdings Inc.

(7) Subordinated liabilities

The subordinated bonds issued in 2003 with nominal values of €3,000m and £300m will mature in 2023 (euro tranche) and 2028 (pound sterling tranche) and are callable by us for the first time on 21 June 2013 and 21 June 2018 respectively.

In June 2007, the Company issued another subordinated bond with a volume of €1,500m. We have hedged the interest-rate risk by means of an interest-rate swap on the nominal amount of the bond and recognise this as a hedging relationship, details of which are provided on page 110. It is a perpetual bond, callable by us from ten years after the date of issue.

The remaining term of the subordinated liabilities with a total amount of €4,599m is more than five years.

Subordinated liabilities

€m	31.12.2010
Subordinated bonds 2003/2023, €2,900m[1] 6.75% p.a. until 2013, thereafter floating	2,900
Subordinated bonds 2003/2028, £300m 7.625% p.a. until 2018, thereafter floating	350
Subordinated bonds 2007/perpetual, €1,349m[2] 5.767% p.a. until 2017, thereafter floating	1,349
Total	**4,599**

1 With original nominal value of €3,000m (thereof €2,900m outstanding).
2 With original nominal value of €1,500m (thereof €1,349m outstanding).

The Company's subordinated bonds have been given the following ratings by the leading rating agencies:

Rating

Bonds	Identification numbers	A.M. Best	Fitch	Moody's	S&P
Subordinated bonds 2003/2023 €2,900m[1] 6.75% p.a. until 2013, thereafter floating	WKN: 843278 ISIN: XS0166965797 Reuters: DE016696579= Bloomberg: MUNRE	a+	A	A2 (hyb)	A
Subordinated bonds 2003/2028 £300m 7.625% p.a. until 2018, thereafter floating	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A
Subordinated bonds 2007/perpetual €1,349m[2] 5.767% p.a. until 2017, thereafter floating	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A

[1] With original nominal value of €3,000m (thereof €2,900m outstanding).
[2] With original nominal value of €1,500m (thereof €1,349m outstanding).

(8) Special reserve

The special reserve has been posted in accordance with Section 6b of the German Income Tax Act. In the financial year 2010, owing to the introduction of the German Act to Modernise Accounting Law (BilMoG) and the related abolition of the "tax dictates financial accounting" principle, we reversed the special reserve and added the amount concerned to the revenue reserves with no impact on profit or loss.

(9) Technical provisions by class of business

€m	Unearned premiums	Provision for future policy benefits	Claims provision	Claims equalisation provision and similar provisions	Other provisions	Total	Reserves as % of net premiums
Life	631	8,762	1,079	10	448	10,930	197
Health	208	1,025	490	5	28	1,756	59
Accident	41	317	3,495	202	23	4,078	1,744
Liability	245	–	11,490	496	1	12,232	927
Motor	672	–	5,447	487	-93	6,513	332
Marine	209	–	1,039	539	7	1,794	223
Aviation	218	–	1,204	1,035	–	2,457	443
Fire	620	–	3,235	3,470	84	7,409	253
Engineering	630	–	2,106	343	2	3,081	342
Other classes	256	–	1,519	1,324	46	3,145	191
Non-life combined	3,099	1,342	30,025	7,901	98	42,465	319
Total	**3,730**	**10,104**	**31,104**	**7,911**	**546**	**53,395**	**283**

The claims provisions shown have been influenced both by payments made in the year under review and by expenses or income from increasing or reducing the provision respectively.

Claims expenses for the year under review less the payments already made in the same year increase the provisions. The provisions for previous years are reduced by the payments made in the year under review for these years. As the provisions are determined using best estimates based on claims information and past claims experience, as well as estimates of future claims development, it is inevitable that the relevant estimate will regularly change as knowledge of claims cases grows in the year under review.

The claims equalisation provision and similar provisions break down as follows:

€k	**31.12.2010**	**31.12.2009**
Claims equalisation provision	7,529,667	7,664,244
Provision for major risks	381,243	360,195
Thereof:		
For nuclear facilities	75,889	72,608
For pharmaceutical products liability	79,055	74,457
For terrorism risks	226,299	213,130
Total	**7,910,910**	**8,024,439**

(10) Other accrued liabilities

As a consequence of the changeover to the BilMoG rules, the pension provisions have greatly decreased. As at 1 January 2010, provisions for employees' pensions and similar commitments totalled €656m. With the changeover, these fell by €19m to €637m, of which €11m has been recognised in the revenue reserves and €8m in other income and expenses. Under the BilMoG regulations, assets that are not accessible to creditors and serve solely to settle liabilities arising from pension commitments or comparable long-term commitments have to be netted with these liabilities. As at 1 January 2010, the carrying amount of these assets recognised in the financial statements amounted to €625m. The assets netted with the related liabilities are measured at fair value, which totalled €647m as at 1 January 2010. The write-up of €22m was recognised in income. The netting resulted in a reduction of €635m in the provisions and in the corresponding asset items as at 1 January 2010. There was an excess of €12m of plan assets over pension liabilities as at 1 January 2010, an amount which increased to €24m by 31 December 2010. In addition, there was a pension provision of €2m, which increased to €4m over the course of the year.

As at 31 December 2010, prior to netting, the provision for employees' pensions and similar commitments totalled €703m, compared with assets of €723m prior to netting.

For semi-retirement commitments, a settlement amount of €40m compares with assets of €20m to be netted. The acquisition costs of the assets to be netted amounts to €20m.

We have agreed to pay pensions to nearly all our staff and their surviving dependants. These commitments are to be met partly by the Company itself and partly by the Munich Re staff pension fund. There are pension provisions of €0 for former members of the Board of Management or their surviving dependants.

The other provisions include, in particular, a provision of €649,257k for unrealised currency gains.

For personnel expenses not yet payable on the balance sheet date, provisions of €204,669k have been posted.

There are provisions of €161,999k for anticipated losses from derivatives.

(11) Amounts due to banks

On the balance sheet date, amounts due to banks totalled €1,510m (502m). The change is due to short-term term money borrowings. The amounts due to banks at the balance sheet date had a remaining term of less than five years.

(12) Hedging relationships

Hedge accounting is used for the following economic hedges:

Type of hedging relationship	**Hedged items**	**Hedging instruments**	**Type of risks**	**Amount of risks hedged**
	Types and volumes	Types and volumes		
Portfolio hedges	Foreign currency liabilities	Foreign currency assets	Currency risks	Recognition of change in the fair value of hedged items and hedging instruments in the balance sheet and income statement, owing to use of "gross method" for hedging relationships
	Volumes of the most important foreign currency liabilities and assets recognised as hedging relationships as at 31 December 2010: - Australian dollar: €3,028m (€2,313m) - Japanese yen: €70,197m (€645m) - Canadian dollar: €5,886m (€4,415m) - Pound sterling €4,970m (5,800m) - Tawian dollar: €13,609m (€348m) - US dollar €23,161m (€17,265m) - Chinese renminbi €7,266m (€822m)			
Micro-hedge	Subordinated bond 2007/perpetual; nominal volume/book value €1,349,050,000.00 5.767% p.a. until 2017	Interest-rate swap; Nominal volume €1,349m Market value at 31 December 2010: €167,698,659.06 Receive fix 5.767% p.a., Pay EURIBOR 3 Months + spread 101.35 BP	Interest-rate risk	Accounting at nominal value As far as hedge is effective, no recognition of change in the fair value of hedged item and hedging instrument either in the balance sheet or in the income statement, owing to use of "net method" for hedging relationship

→ Details of effectiveness

Reason	Scope	Period	Method for measuring effectiveness
Currency match	Compensation of countervailing changes in fair values due to changes in exchange rates	According to duration of liabilities	Critical term match method, prospective
	Effectiveness 100%		Dollar offset method, retrospective
Identity of underlying	Probable compensation of countervailing changes in the fair values due to interest-rate changes	Term until June 2017	Critical term match method, prospective
Currency match			
Identical parameters	Effectiveness 99.44%		Dollar offset method, retrospective

Notes to the income statement

(13) Reinsurance underwriting result by class of business

	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions		*Change in claims* equalisation provision and similar provisions		Combined ratio %	
€m	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Life	6,299	5,415	183	303	0	0	-	-
Health	3,056	1,964	-21	19	0	0	100.7	99.1
Accident	261	354	99	-160	-187	-13	61.6	147.7
Liability	1,378	1,465	-582	-786	220	468	144.8	155.3
Motor	2,024	1,618	100	70	-74	82	94.1	95.7
Marine	857	960	72	63	9	-110	91.5	92.8
Aviation	615	590	63	56	-93	-52	88.7	88.3
Fire	3,245	3,282	60	1,356	89	-214	97.6	55.4
Engineering	960	1,061	-153	150	304	126	117.4	85.6
Other classes	1,715	1,613	170	-566	-154	433	89.4	136.3
Non-life combined	14,111	12,907	-192	202	114	720	101.4	98.2
Total	**20,410**	**18,322**	**-9**	**505**	**114**	**720**	**-**	**-**

(14) Interest on technical provisions

We have calculated the interest on technical provisions in accordance with Section 38 of the German Accounting Regulations for Insurance Companies and - where prescribed there - have transferred it from the non-technical to the technical account.

(15) Personnel expenses

The management expenses include the following personnel expenses:

€k	**2010**	**Prev. year**
Wages and salaries	411,248	340,242
Social insurance contributions and voluntary assistance	66,345	63,877
Expenses for employees' pensions	29,789	35,641
Total	**507,382**	**439,760**

(16) Investment income

The write-ups result mainly from the reversal of write-downs because the reasons for these write-downs no longer apply.

(17) Investment expenses

€98.5m of the write-downs are for impairments as per Section 253 para. 3 sentences 3 and 4 of the German Commercial Code.

(18) Tax accounting influences

There are no tax accounting influences.

(19) Long-Term Incentive Plan

Every year since 1 July 1999, Munich Reinsurance Company has set up long-term incentive plans, each with a term of seven years. From 1999 to 2009, the members of the Board of Management and senior management in Munich, and the top executives in Munich Re's international organisation were participants in the scheme. Since 2010, these share-price-related remuneration plans are only provided for senior management members and selected top executives in the international organisation. Participants receive a certain number of stock appreciation rights.

The relevant initial share price for the stock appreciation rights is calculated from the average of closing prices for Munich Re shares in Frankfurt Xetra trading over the last three months prior to plan commencement. The initial price for the 2010 long-term incentive plan is €109.11. As a result of Munich Reinsurance Company's capital increase in the financial year 2003, the initial share prices for the stock appreciation rights issued up to then and the number of stock appreciation rights already granted were adjusted in accordance with the conditions. In the year under review, a total of 675,029 stock appreciation rights were granted. The future obligations arising from the long-term incentive plans are covered by Munich Reinsurance Company shares.

The personnel expenses and income incurred for the stock appreciation rights are determined on the basis of the change in the fair value of the underlying options. The fair value recognises not only the intrinsic value (difference between current share price and initial share price of the stock appreciation rights) but also the possibility of growth in value up to the date of forfeiture or expiry of the rights and is determined on the basis of recognised valuation models, taking into account the exercise conditions. At each balance sheet date, the fair value is calculated and reserved; this amount is recognised in full. In the year under review, provisions of €36.7m had to be posted. The personnel expense/income recognised in the income statement corresponds to the change in the provision in the year under review, taking into consideration any rights exercised. In 2010, this resulted in expenses of €15.1m. The weighted average share price for the stock appreciation rights exercised in 2010 was €111.26 for plan year 2003, €117.66 for plan year 2004, and €116.69 for plan year 2005. The intrinsic value of the exercisable stock appreciation rights amounted to €10.9m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2003-2010

	Incentive Plan 2003	Incentive Plan 2004	Incentive Plan 2005	Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.7.2003	1.7.2004	1.7.2005	1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end	30.6.2010	30.6.2011	30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Old initial share price	€86.24	-	-	-	-	-	-	-
New initial share price after 2003 capital increase	€82.02	€88.65	€88.10	€108.87	€134.07	€121.84	€97.57	€109.11
Intrinsic value 2010 for one right	€31.28	€24.65	€25.20	€4.43	-	-	€15.73	€4.19
Fair value 2010 for one right	-	€24.75	€25.30	€10.25	€5.65	€9.15	€17.10	€14.22
Number of rights on 31 December 2003	439,581	-	-	-	-	-	-	-
Additions	-	456,336	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Forfeited	2,354	-	-	-	-	-	-	-
Number of rights on 31 December 2004	437,227	456,336	-	-	-	-	-	-
Additions	320	1,697	485,527	-	-	-	-	-
Exercised	177,748	-	-	-	-	-	-	-
Forfeited	121	2,005	-	-	-	-	-	-
Number of rights on 31 December 2005	259,678	456,028	485,527	-	-	-	-	-
Additions	-	-	-	443,609	-	-	-	-
Exercised	63,942	119,363	-	-	-	-	-	-
Forfeited	-	-	-	1,019	-	-	-	-
Number of rights on 31 December 2006	195,736	336,665	485,527	442,590	-	-	-	-
Additions	-	-	-	6,123	341,737	-	-	-
Exercised	70,690	85,652	84,329	-	-	-	-	-
Forfeited	-	-	3,892	8,514	503	-	-	-
Number of rights on 31 December 2007	125,046	251,013	397,306	440,199	341,234	-	-	-
Additions	-	-	-	-	4,013	444,104	-	-
Exercised	40,045	31,582	31,716	-	-	-	-	-
Forfeited	-	1,069	-	5,388	5,848	3,063	-	-
Number of rights on 31 December 2008	85,001	218,362	365,590	434,811	339,399	441,041	-	-
Additions	-	-	-	-	-	463	459,271	-
Exercised	24,085	8,906	19,213	-	-	-	-	-
Forfeited	-	-	715	2,904	2,804	4,194	-	-
Number of rights on 31 December 2009	60,916	209,456	345,662	431,907	336,595	437,310	459,271	-
Additions	-	-	-	-	-	-	-	675,029
Exercised	60,916	120,331	72,662	-	-	-	-	-
Forfeited	-	1,833	1,936	1,653	1,379	1,462	1,287	-
Number of rights on 31 December 2010	-	87,292	271,064	430,254	335,216	435,848	457,984	675,029
Exercisable at year-end	**-**	**87,292**	**271,064**	**430,254**	**335,216**	**435,848**	-	-

Each stock appreciation right entitles the holder to draw in cash the difference between the Munich Re share price at the time when the right is exercised and the initial share price. The stock appreciation rights may only be exercised after a two-year vesting period and then only if the share price is at least 20% higher than the initial price. In addition, Munich Re shares must have outperformed the EURO STOXX 50 twice at the end of a three-month period during the term of the plan. The gross amount that may be obtained from the exercising of the stock appreciation rights is limited to an increase of 150% of the initial share price.

Stock appreciation rights not exercised on the last trading day of the plan term are exercised on the participant's behalf insofar as the prerequisites for this are met. If the prerequisites are not met, the stock appreciation rights are forfeited. If another company acquires control of Munich Reinsurance Company or if the latter's group of shareholders changes significantly due to a merger or comparable transaction or intended business combination ("change of control"), all plan participants may exercise their stock appreciation rights within 60 days after the change of control becomes effective, even if the prerequisites for exercising the rights are not yet met at that juncture.

(20) Mid-Term Incentive Plan

Since 1 January 2009, Munich Reinsurance Company has set up mid-term incentive plans, each with a term of three years. Entitled to participate in these cash-settled share-price-related remuneration plans are members of senior management in Munich, and – for 2009 only – the members of the Board of Management. The participants receive performance share units (PSUs). In the fourth year after plan commencement, participants are entitled to a bonus payment dependent on the achievement of value-based performance targets and the increase in the total shareholder return (TSR).

The plan conditions are structured as follows:

The calculation factors are, on the one hand, value-based performance targets and, on the other, the total shareholder return of Munich Reinsurance Company shares.

The value-based performance targets are set in the form of an average target to be achieved over the years of the plan and are allocated according to responsibilities.

The share-based factor TSR represents the total return on Munich Re shares and comprises share price increases plus dividends paid over a certain observation period. The initial TSR value and the final TSR value are determined from the average of the last 60 days prior to plan commencement and plan termination respectively.

At plan commencement, the PSUs are granted as follows: the contractual target amount for 100% achievement of the performance targets is divided by the initial TSR value. The total return index of the Xetra listing of Munich Re shares, starting on 22 January 1996, is used for the TSR.

The final number of PSUs is calculated by multiplying the PSUs at plan commencement by the percentage achievement of the performance target at plan termination. The number of PSUs may fluctuate between 0 and 1.5 times the initially allocated number.

Payment is capped if the TSR doubles. The maximum amount payable is limited to 150% of the target amount for members of the Board of Management, and to 300% of the target amount for senior management.

The basis for full and partial allocation of PSUs is the year of commencement (= first plan year). A pro rata temporis arrangement applies for participants joining or leaving the plan during the year.

The Mid-Term Incentive Plan at the reporting date is valued indirectly at the fair value of the liabilities. The fair value takes account of the value-based performance target and the total shareholder return during the performance period. To this end, the TSR index value observed in the market is updated with the current dividend yield of Munich Re shares at the termination date and discounted with appropriate market interest rates.

Munich Reinsurance Company's Mid-Term Incentive Plan 2009 and 2010

	Incentive Plan 2009	Incentive Plan 2010
Plan commencement	1.1.2009	1.1.2010
Plan end	31.12.2011	31.12.2012
Fair value 2010 for one right	€200.41	€202.45
Number of rights (for 100% achievement of objectives) on 1 January 2009	56,741	-
Additions	-	-
Forfeited	-	-
Number of rights (for 100% achievement of objectives) on 31 December 2009	56,741	-
Number of rights (for 100% achievement of objectives) on 1 January 2010	56,741	38,284
Additions	-	-
Forfeited	245	-
Number of rights (for 100% achievement of objectives) on 31 December 2010	56,496	38,284

In the financial year 2010, expenses of €9,902k were recognised for the mid-term incentive plans. The provision at the reporting date amounted to €19,864k.

(21) Income and expenses from currency translation

€406m from currency translation has been recognised in other income and €136m in other expenses.

(22) Income from the discounting of provisions

The other income contains €56.3m from the discounting of provisions.

(23) Remuneration report

The total remuneration of Munich Reinsurance Company's Board of Management amounted to €11.7m and that of the Supervisory Board to €1.6m, which does not include remuneration of €0.2m for membership of supervisory boards of other Group companies. All other disclosures on the remuneration of and loans to Board members, on share trading and shares held by the members of the Board of Management and the Supervisory Board, and on the structure of the Board of Management's remuneration system can be found in the remuneration report on page 50 ff.

Payments to retired members of the Board of Management or their surviving dependants totalled €5,633k.

As at 31 December 2010, the pension provisions and provisions for comparable benefits for former members of the Board of Management and their surviving dependants amounted to €0 after netting with the plan assets (contractual trust agreement). The total value of the commmitment was €94,788k.

The members of the Supervisory Board and Board of Management did not receive any cash advances or loans in the year under review; no contingent liabilities were entered into for their benefit.

(24) Governing bodies of the Company

Board of Management

Dr. jur. Nikolaus von Bomhard
(Chairman of the Board of Management)
(Chairman of the Group Committee)
Group Development
Group Investments
Group Communications
Group Audit
Group Executive Affairs

Dr. rer. pol. Ludger Arnoldussen
Germany, Asia Pacific and Africa
Services

Dr. rer. pol. Thomas Blunck
Special and Financial Risks
Reinsurance Investments
Central Procurement

Georg Daschner
Europe and Latin America

Dr. rer. nat. Torsten Jeworrek
(Chairman of the Reinsurance Committee)
Reinsurance Development
Corporate Underwriting
Accounting, Controlling and Central Reserving for Reinsurance
Information Technology
Global Business Architecture
Geo Risks Research/Corporate Climate Centre

Dr. rer. pol. Peter Röder
Global Clients and North America

Dr. jur. Jörg Schneider
Group Reporting
Group Controlling
Corporate Finance M&A
Integrated Risk Management
Group Legal, Compliance
Group Taxation
Investor and Rating Agency Relations

Dr. oec. publ. Wolfgang Strassl
(Board member responsible for personnel and welfare matters, within the meaning of Section 33 of the German Co-Determination Act)
HealthCare
Human Resources

Dr. oec. publ. Joachim Wenning
Life

Supervisory Board

Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Member since 2 January 2004,
last re-elected on 22 April 2009
Former Chairman of the Board of Management of Munich Reinsurance Company

Hans Peter Claußen
(Deputy Chairman)
Member since 22 April 2009
Employee of D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG

Herbert Bach
Member since 9 December 1994,
last re-elected on 22 April 2009
Employee of Munich Reinsurance Company

Dina Bösch
Member since 22 April 2009
Member of the National Executive Board of ver.di (trades union)

Frank Fassin
Member since 22 April 2009
Regional Section Head Financial Services, ver.di North Rhine-Westphalia

Dr. jur. Benita Ferrero-Waldner
Member since 12 February 2010
Former Member of the European Commission

Christian Fuhrmann
Member since 22 April 2009
Head of Divisional Unit,
Munich Reinsurance Company

Prof. Dr. rer. nat. Peter Gruss
Member since 22 April 2009
President of the Max Planck Society for the Advancement of Science

Prof. Dr. rer. nat. Dr.-Ing. e.h. Henning Kagermann
Member since 22 July 1999,
last re-elected on 22 April 2009
President of acatech – German Academy of Science and Engineering

Peter Löscher
Member since 22 April 2009
Chairman of the Board of Management of Siemens AG

Wolfgang Mayrhuber
Member since 13 December 2002,
last re-elected on 22 April 2009
Former Chairman of the Board of Management of Deutsche Lufthansa AG

Silvia Müller
Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Marco Nörenberg
Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Reinhard Pasch
Member since 22 April 2009
Employee of ERGO Versicherungsgruppe AG

Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder
Member since 17 April 2002,
last re-elected on 22 April 2009
Consultant to the Board of Management of Volkswagen AG

Anton van Rossum
Member since 22 April 2009
Former Chief Executive Officer and former member of the Board of Fortis

Andrés Ruiz Feger
Member since 22 April 2009
Employee of Münchener Rückversicherungs-Gesellschaft Sucursal de España y Portugal

Richard Sommer
Member since 22 April 2009
Trades Union Secretary and
Head of the Federal Specialist Group, Insurances, ver.di

Dr. phil. Ron Sommer
Member since 5 November 1998,
last re-elected on 22 April 2009
Member of the Board of Management of JFSC Sistema, Moscow

Dr. Ing. Thomas Wellauer
Member until 30 September 2010
Former member of the Executive Committee of Novartis International AG

Membership of the Supervisory Board Committees

Standing Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Herbert Bach
Hans Peter Claußen
Wolfgang Mayrhuber
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder

Personnel Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Herbert Bach
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder

Audit Committee
Prof. Dr. rer. nat. Dr.-Ing. e.h.
Henning Kagermann
(Chairman)
Christian Fuhrmann
Marco Nörenberg
Anton van Rossum
Dr. jur. Hans-Jürgen Schinzler

Nomination Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Prof. Dr. rer. nat. Dr.-Ing. e.h.
Henning Kagermann
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder

Conference Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman)
Herbert Bach
Hans Peter Claußen
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder

A report on the remuneration of the Board of Management and the Supervisory Board is provided on page 50 ff.

Other seats held by Board members

Board of Management[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Nikolaus von Bomhard (Chairman)	COMMERZBANK AG ERGO Versicherungsgruppe AG[2] (Chairman) Munich Health Holding AG[2] (Chairman)	-
Dr. rer. pol. Ludger Arnoldussen	-	-
Dr. rer. pol. Thomas Blunck	Münchener & Magdeburger Agrarversicherung AG	Global Aerospace Underwriting Managers Ltd. (GAUM), London New Reinsurance Company Ltd., Zurich (Chairman)
Georg Daschner	-	-
Dr. rer. nat. Torsten Jeworrek	-	-
Dr. rer. pol. Peter Röder	EXTREMUS Versicherungs-AG	Munich Re America Corp., Wilmington[2] Munich Re America, Inc., Princeton[2]
Dr. jur. Jörg Schneider	MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH[2] (Chairman)	-
Dr. oec. publ. Wolfgang Strassl	-	Apollo Munich Health Insurance Company Ltd., Hyderabad, India Storebrand Helseforsikring AS, Oslo
Dr. oec. publ. Joachim Wenning	-	-

1 Status: 31 December 2010.
2 Own group company within the meaning of Section 18 of the German Stock Companies Act.

Supervisory Board[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Hans-Jürgen Schinzler (Chairman)	METRO AG	UniCredit S.p.A., Genoa
Hans Peter Claußen (Deputy Chairman)	D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG[2] ERGO Versicherungsgruppe AG[2]	-
Herbert Bach	-	-
Dina Bösch	-	-
Frank Fassin	ERGO Versicherungsgruppe AG[2] Provinzial NordWest Holding AG	-
Dr. jur. Benita Ferrero-Waldner	Gamesa Corporación Tecnológica. S.A.	-
Christian Fuhrmann	-	Munich Re Holding Company (UK) Ltd., London[2]
Prof. Dr. rer. nat. Peter Gruss	Siemens AG	-
Prof. Dr. rer. nat. Dr.-Ing. e. h. Henning Kagermann	Bayerische Motoren-Werke AG Deutsche Bank AG Deutsche Post AG	Nokia Corporation, Finland Wipro Ltd., India
Peter Löscher	-	-
Wolfgang Mayrhuber	Bayerische Motoren-Werke AG Lufthansa-Technik AG[2] UBS Deutschland AG	AUA Austrian Airlines, Austria[2] Brussels Airlines, Belgium[2] Heico Corporation, Miami
Silvia Müller	ERGO Versicherungsgruppe AG[2]	-
Marco Nörenberg	ERGO Versicherungsgruppe AG[2]	-
Reinhard Pasch	-	-
Dr. e.h. Dipl.-Ing. Bernd Pischetsrieder	METRO AG	Tetra-Laval International S. A. Group, Pully
Anton van Rossum	-	Credit Suisse Groupe AG, Zurich Rodamco Europe NV, Amsterdam Royal Vopak NV, Rotterdam (Chairman) Solvay S.A., Brussels
Andrés Ruiz Feger	-	-
Richard Sommer	ERGO Versicherungsgruppe AG[2]	-
Dr. phil. Ron Sommer	-	JSFC Sistema, Russia MTS OJSC, Russia Sistema Shyam Teleservices Ltd., India Tata Consultancy Services Ltd., India
Dr. Ing. Thomas Wellauer (until 30 September 2010)	-	-

[1] Status: 31 December 2010 (in the case of members who have left the Supervisory Board, the information shows the status at the date of their departure).
[2] Own group company within the meaning of Section 18 of the German Stock Companies Act.

(25) Number of staff

The number of staff employed by the Company in Munich and at its offices abroad in the financial year 2010 averaged 4,145 (3,969), of which an average of 257 (247) were senior executive staff and 3,888 (3,722) non-senior-executive staff.

(26) Auditor's fees

Information on the auditor's fees can be found in Munich Re's Group annual report.

(27) Contingent liabilities, other financial commitments

Munich Reinsurance Company has assumed a guarantee for certain reinsurance liabilities of Munich American Reassurance Company (MARC Life). In addition, an agreement has been signed under which Munich Reinsurance Company guarantees to maintain the company's solvency capital above the level required by supervisory law.

There is an agreement between Munich Reinsurance Company and Munich American Capital Markets in which a target minimum capitalisation and the liquidity of the subsidiary is guaranteed.

For two foreign subsidiaries, a guarantee for office rents has been assumed for a total amount equivalent to €3.1m per annum.

Moreover, Munich Reinsurance Company has assumed a guarantee of €500,000 for a small German subsidiary's pension obligation towards a former member of its Board of Management.

In isolated cases, we have given guarantees concerning the correctness of individual items warranted in the sales contract when buying or selling investments. An obligation to pay compensation for disadvantages is included in some of these guarantees, most of which are for a limited period of time.

For one of its subsidiaries, Munich Reinsurance Company has assumed a guarantee to fulfil all financial obligations resulting from the sale of equities and interests, and for another subsidiary, a guarantee of financial assistance for financial commitments that become payable.

As a member of the German Reinsurance Pharmapool and the German Nuclear Insurance Pool, we are committed – to the extent of our proportional share – to assuming the payment obligations of another pool member if the latter is not able to meet these obligations.

In the event of the need to repay state subsidies totalling €68,000, Munich Reinsurance Company has guaranteed sufficient capital resources for one of its subsidiaries.

In none of the cases mentioned is there an increased risk of the guarantees being claimed on.

Beyond this, there are no off-balance-sheet transactions which are material for the assessment of the Company's financial position.

There are other financial commitments amounting to €600m (€542m of these towards affiliated companies). They result mainly from commitments to inject capital into various investment funds, agency and leasing agreements, and initiated investment projects. Information on open forward transactions can be found on page 102 of this annual report.

(28) Declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act

In November 2010, the Board of Management and Supervisory Board of Munich Reinsurance Company published an updated declaration of conformity with the German Corporate Governance Code as per Section 161 of the German Stock Companies Act and made this declaration publicly and permanently accessible to shareholders on our website.

(29) Proposal for appropriation of profit

The net retained profits at the disposal of the Annual General Meeting amount to €1,177,927,943.75. The Board of Management proposes that this amount be appropriated as follows: payment of a dividend of €6.25 per dividend-bearing share, with the amount apportionable to own shares directly or indirectly held or already retired at the time of the Annual General Meeting being carried forward to new account.

List of shareholdings as at 31 December 2010 in accordance with Section 285 item 11 of the German Commercial Code

The following disclosures relate to companies in which our directly and indirectly held shareholdings (as defined in Section 16 paras. 2 and 4 of the German Stock Companies Act) add up to 20% or more of the share capital, and large companies (as defined in Section 267 para. 3 of the German Commercial Code) in which our directly and indirectly held shareholdings together add up to more than 5% of the voting rights.

The figures for equity and the result for the year are taken from the most recent local GAAP annual financial statements available, mainly those at 31 December 2009. If such financial statements are not available, figures prepared for the consolidated financial statements have been used.

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Shareholdings in affiliated companies			
40, Rue Courcelles SAS, Paris	100.0000	66,024	-1,440
80e LIMITED, Bristol	100.0000	1	0
A.L.I.C.E. Software Lda., Lisbon	100.0000	90	-50
Acalter 140014 S.L., Playa del Inglés	100.0000	-174	-16
Agenzia Chianti S.r.l., Milan	100.0000	48	-6
Agora Insurance Network Solutions, Inc., Chicago, Illinois	100.0000	352	0
Aitesacho 5005 S.L., Playa del Inglés	100.0000	-174	-16
aktiva Vermittlung von Versicherungen und Finanz-Dienstleistungen GmbH, Cologne	100.0000	1,781	100
Albulzaga 8008 S.L., Playa del Inglés	100.0000	-174	-16
Aleama 150015 S.L., Playa del Inglés	100.0000	-26	-39
ALICE Software Espana S. L., Madrid	100.0000	-232	-7
ALICE Software Service GmbH, Erkrath	100.0000	2,223	-6
Allfinanz Inc., Wilmington, Delaware	100.0000	-111	-4
Allfinanz KK, Tokyo	100.0000	-147	38
Allfinanz Limited, Dublin	100.0000	1,014	0
Allfinanz PTY, Sydney	100.0000	-278	103
Allfinanz Software Services GmbH, Grünwald	100.0000	25	0
almeda GmbH, Munich[1]	100.0000	5,484	0
almeda Versicherungs-Aktiengesellschaft, Munich[1]	100.0000	3,200	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000	61,743	11,660
American Family Home Insurance Company, Jacksonville, Florida	100.0000	140,036	27,573
American Modern Home Insurance Company, Amelia, Ohio	100.0000	252,313	32,461
American Modern Home Service Company, Amelia, Ohio	100.0000	2,153	556
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000	6,815	615
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000	57,585	12,233
American Modern Life Insurance Company, Amelia, Ohio	100.0000	32,968	-498
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000	2,957	141
American Modern Select Insurance Company, Amelia, Ohio	100.0000	25,382	3,790
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000	22,215	1,742
American Southern Home Insurance Company, Jacksonville, Florida	100.0000	24,979	2,957
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000	44,919	7,007
Amicus Legal Ltd., Colchester	100.0000	1,294	105
Amicus Ltd., Colchester	100.0000	1	0
Amladeza 7007 S.L., Playa del Inglés	100.0000	-174	-16
Arkansas Life Insurance Company, Phoenix, Arizona	100.0000	541	-35
Arridabra 130013 S.L., Playa del Inglés	100.0000	-28	-41
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000	135	-890
ArztPartner almeda AG, Munich	100.0000	1,247	146
Associated Asset Management Corporation B.V., Hertogenbosch	51,0000	633	96
avanturo GmbH, Düsseldorf	100.0000	10,191	600
B&C International Insurance, Hamilton, Bermuda	100.0000	2,067	-104
B&D Acquisition B.V., Amsterdam	80.0000	18	0
B&D Business solutions B.V., Utrecht	100.0000	168	-36
Badozoc 1001 S.L., Playa del Inglés	100.0000	-24	-31
Bank Austria Creditanstalt Versicherung AG, Vienna	90.0000	105,192	30,640
Baqueda 7007 S.L., Playa del Inglés	100.0000	-28	-41
Beaufort Dedicated No.1 Ltd., London	100.0000	5,523	5,515
Beaufort Dedicated No.2 Ltd., London	100.0000	18,435	-123
Beaufort Dedicated No.3 Ltd., London	100.0000	695	26
Beaufort Dedicated No.4 Ltd., London	100.0000	76	-30
Beaufort Dedicated No.5 Ltd., London	100.0000	-874	-587
Beaufort Dedicated No.6 Ltd., London	100.0000	-71	-17
Beaufort Underwriting Agency Limited, London	100.0000	6,550	1,764
Beaufort Underwriting Services Limited, London	100.0000	1	0
Becher & Carlson South Africa Ltd., Johannesburg	51,0000	143	24
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000	1,990	208
Bell & Clements (London) Ltd., London	100.0000	-845	-122
Bell & Clements (USA) Inc, Reston, Virginia	100.0000	56	0
Bell & Clements Inc, Reston, Virginia	100.0000	421	129
Bell & Clements Ltd., London	100.0000	5,366	661
Bell & Clements Trustees Ltd., London	100.0000	1	0
Bell & Clements Underwriting Managers Ltd., London	100.0000	6	0
Beteiligung HMM Hamburg-Mannheimer Erste Bürogebäude-Verwaltungsgesellschaft mbH, Hamburg	100.0000	29	1
Beteiligung HMM Hamburg-Mannheimer Zweite Bürogebäude-Verwaltungsgesellschaft mbH, Hamburg	100.0000	25	0
BioEnergie Elbe-Elster GmbH & Co. KG, Elsterwerda	100.0000	130	107
BioEnergie Verwaltungs-GmbH, Elsterwerda	100.0000	27	-2
Blitz 01-807 GmbH, Munich	100.0000	25	0
Bobasbe 6006 S.L., Playa del Inglés	100.0000	-28	-41
Bos Incasso B.V., Groningen	90.0240	9,216	3,533
Botedazo 8008 S.L., Playa del Inglés	100.0000	-28	-41
Callopio 5005 S.L., Playa del Inglés	100.0000	-31	-44

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Camcichu 9009 S.L., Playa del Inglés	100.0000	-27	-41
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000	55,997	6,028
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000	31	0
Capital Square Pte. Ltd., Singapore	100.0000	154,147	-94,389
Capitol Life & Accident Insurance Company, Jonesboro, Arkansas	100.0000	247	-1
Caracuel Solar Catorce S.L., Antequera	100.0000	-16	-54
Caracuel Solar Cinco S.L., Antequera	100.0000	-18	-57
Caracuel Solar Cuatro S.L., Antequera	100.0000	-17	-55
Caracuel Solar Dieciocho S.L., Antequera	100.0000	-13	-52
Caracuel Solar Dieciseis S.L., Antequera	100.0000	-15	-53
Caracuel Solar Diecisiete S.L., Antequera	100.0000	-14	-53
Caracuel Solar Diez S.L., Antequera	100.0000	-17	-56
Caracuel Solar Doce S.L., Antequera	100.0000	-15	-53
Caracuel Solar Dos S.L., Antequera	100.0000	-16	-54
Caracuel Solar Nueve S.L., Antequera	100.0000	-15	-54
Caracuel Solar Ocho S.L., Antequera	100.0000	-15	-54
Caracuel Solar Once S.L., Antequera	100.0000	-16	-54
Caracuel Solar Quince S.L., Antequera	100.0000	-15	-53
Caracuel Solar Seis S.L., Antequera	100.0000	-16	-54
Caracuel Solar Siete S.L., Antequera	100.0000	-15	-53
Caracuel Solar Trece S.L., Antequera	100.0000	-16	-54
Caracuel Solar Tres S.L., Antequera	100.0000	-20	-59
Caracuel Solar Uno S.L., Antequera	100.0000	-9	-47
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000	-22	-41
Chobocuga 150015 S.L., Playa del Inglés	100.0000	-174	-16
Ciborum GmbH, Munich	100.0000	25	0
CJSIC "European Travel Insurance", Moscow	100.0000	1,345	-80
CLAIMWEB S.p.A., Milan	100.0000	145	1
cliMondo GmbH, Cologne	100.0000	51	0
Compagnie Européenne d'Assurances, Nanterre	100.0000	5,345	-281
Compañia Europea de Seguros S.A., Madrid	100.0000	9,842	144
Copper Leaf Research, Bingham Farms, Michigan[5]	100.0000	0	0
Corion Pty Limited, Sydney	100.0000	4,518	296
Cotatrillo 100010 S.L., Playa del Inglés	100.0000	-30	-44
D.A.S. Defensa del Automovilista y de Siniestros - Internacional, S.A. de Seguros, Barcelona	100.0000	4,581	-680
D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Munich[1]	100.0000	258,104	0
D.A.S. HELLAS Allgemeine Rechtsschutz-Versicherungs-AG, Athens	99.9983	3,338	573
D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest	99.9008	2,951	445
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	99.9500	2,527	153
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000	2,449	-245
D.A.S. Österreichische Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Vienna	99.9800	51,277	3,081
D.A.S. poist'ovna právnej ochrany, a.s., Bratislava	100.0000	5,120	66
D.A.S. pojišt'ovna právní ochrany, a.s., Prague	100.0000	4,819	1,005
D.A.S. Prozessfinanzierung AG, Munich	100.0000	3,003	326
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	99.9800	10,934	2,664
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9000	2,780	-218
DAS Assistance Limited, Bristol	100.0000	401	325
DAS Consultancy & Detachering Rotterdam B.V., Rotterdam	65.0200	416	-134
DAS Holding N.V., Amsterdam	51.0000	110,680	31,146
DAS Incasso Arnhem B.V., Arnheim	100.0000	-927	-205
DAS Incasso Den Bosch B.V., s-Hertogenbosch	87.5000	-938	-1,466
DAS Incasso Rotterdam B.V., Rotterdam	80.0000	3,326	967
DAS Law Limited, Bristol[5]	100.0000	0	0

Company and registered seat	**% share of capital**	**Equity €k**	**Result for the year €k**
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000	812	-172
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000	49,292	-13,053
DAS Legal Finance B.V., Amsterdam	100.0000	29,376	7,036
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000	18,755	0
DAS Legal Protection Ireland Limited, Dublin	100.0000	1	0
DAS Legal Protection Limited, Christchurch, New Zealand	100.0000	1	0
DAS Legal Protection Limited, Vancouver[5]	100.0000	0	0
DAS Legal Protection Pty. Ltd., Sydney	100.0000	1	0
DAS LEGAL SERVICES LIMITED, Bristol	100.0000	201	35
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000	84,334	24,260
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000	10,054	1,036
DAS Services Limited, Bristol	100.0000	-3,225	1,217
DAS Support B.V., Amsterdam	100.0000	-204	-26
DAS UK Holdings Limited, Bristol	100.0000	20,866	86
De Wit Vissers Incasso Holding B.V., Breda	95.0000	-57	-86
Diana Vermögensverwaltungs AG, Munich	100.0000	68	0
DKV - Alpha Vermögensverwaltungs GmbH, Cologne	100.0000	129,232	0
DKV - Beta Vermögensverwaltungs GmbH, Cologne	100.0000	26	0
DKV BELGIUM S.A., Brussels	100.0000	88,798	18,135
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne[1]	100.0000	509,015	0
DKV Globality S.A., Luxembourg	100.0000	4,108	-5,821
DKV Immobilien GmbH & Co. KG, Cologne	100.0000	25	0
DKV Immobilienverwaltungs GmbH, Cologne	100.0000	25	0
DKV Luxembourg S.A., Luxembourg	75.0000	21,687	1,026
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000	5,538	88
DKV Residenz am Tibusplatz gGmbH, Münster	100.0000	1,157	163
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000	122,879	10,855
DKV Servicios, S.A., Saragossa	100.0000	535	29
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000	-1,292	-453
DRA Debt Recovery Angency B.V., s-Gravenhage	100.0000	1,699	429
Economic Data Research B.V., Leidschendam	100.0000	-1,715	-182
Economic Data Resources B.V., Leidschendam	100.0000	-99	67
EDR Acquisition B.V., Amsterdam	80.0000	18	0
EDR Credit Services B.V., s-Gravenhage	100.0000	2,327	-352
EIG, Co., Wilmington, Delaware	100.0000	108,463	12,613
ERGO Achte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	650,940	969
ERGO Alpha GmbH, Düsseldorf	100.0000	25	0
ERGO Asia Management Pte. Ltd., Singapore	100.0000	456	-6
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000	3,243	-194
ERGO Assicurazioni S.p.A., Milan	100.0000	66,630	888
ERGO Austria International AG, Vienna	100.0000	437,587	7,538
ERGO Bilisim Teknolojisi Limited Sirketi, Istanbul	100.0000	52	-57
ERGO Business Solutions s.r.l., Bucharest	100.0000	-420	-423
ERGO Daum Direct General Insurance Co. Ltd., Seoul	75.0000	27,818	-10,929
ERGO DIREKT Krankenversicherung AG, Fürth	100.0000	80,048	17,786
ERGO DIREKT Lebensversicherung AG, Fürth	100.0000	73,980	12,000
ERGO Direkt Lebensversicherung AG, Schwechat	100.0000	6,280	260
ERGO DIREKT Versicherung AG, Fürth	100.0000	50,499	4,220
ERGO Életbiztosító Zrt., Budapest	100.0000	3,951	-1,209
ERGO Elukindlustuse AS, Tallinn	100.0000	5,638	345
ERGO Emeklilik ve Hayat A.S., Istanbul	99.9999	10,691	-8,639
ERGO Funds AS, Tallinn	100.0000	4,634	-162
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000	42,271	9,315
ERGO GmbH, Herisau	100.0000	6,682	962

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO Gourmet GmbH, Düsseldorf	100.0000	49	20
ERGO Grubu Holding A.S., Istanbul	100.0000	373,331	11,240
ERGO Immobilien-GmbH 1. DKV & Co. KG, Kreien	100.0000	50	0
ERGO Immobilien-GmbH 14.Victoria & Co. KG, Kreien	100.0000	92,939	2,750
ERGO Immobilien-GmbH 15.Victoria & Co. KG, Kreien	100.0000	1	0
ERGO Immobilien-GmbH 2. DKV & Co. KG, Kreien	100.0000	50	0
ERGO Immobilien-GmbH 3. DKV & Co. KG, Kreien	100.0000	50	0
ERGO Immobilien-GmbH 4. DKV & Co. KG, Kreien	100.0000	50	0
ERGO Immobilien-GmbH 5. Hamburg-Mannheimer & Co.KG, Kreien	100.0000	179,498	1,924
ERGO Immobilien-GmbH 6. Hamburg-Mannheimer & Co. KG, Kreien	100.0000	1	0
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien	100.0000	1	0
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000	45	20
ERGO Insurance Service GmbH, Vienna	99.6000	651	123
ERGO International Aktiengesellschaft, Düsseldorf[1]	100.0000	2,007,760	0
ERGO International Services GmbH, Düsseldorf[1]	100.0000	24	0
ERGO Invest SIA, Riga	100.0000	5,480	404
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000	11,981	2,078
ERGO Italia Direct Network s.r.l., Milan	100.0000	4,928	2,634
ERGO Italia S.p.A., Milan	100.0000	375,726	48,788
ERGO Kindlustuse AS, Tallinn	100.0000	55,959	5,577
ERGO Latvija Lebensversicherung AG (ERGO Latvija Dziviba AAS), Riga	100.0000	6,820	-467
ERGO Latvija Versicherung AG (ERGO Latvija Apdrosinasanas Akciju Sabiedriba), Riga	100.0000	12,789	3,704
ERGO Lebensversicherung Aktiengesellschaft, Hamburg[1]	100.0000	568,706	0
ERGO Lietuva draudimo UADB, Vilnius	100.0000	23,813	3,995
ERGO Lietuva gyvybes draudimas, Vilnius	100.0000	10,350	0
ERGO Life N.V., Brussels	99.9999	80,409	681
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	48	4
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf	100.0000	3,811	-229
ERGO PORTFÖY YÖNETIMI A.S., Istanbul	100.0000	1,071	340
ERGO Previdenza S.p.A., Milan	100.0000	412,590	40,813
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000	159,940	-51
ERGO Private Capital GmbH, Düsseldorf	100.0000	27	2
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000	259,786	-164
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000	49,991	-6
ERGO Private Equity Gesundheit GmbH, Düsseldorf	100.0000	42,577	-13,945
ERGO Private Equity Komposit GmbH, Düsseldorf	100.0000	29,794	-10,556
ERGO Private Equity Leben GmbH, Düsseldorf	100.0000	75,522	-12,407
ERGO RUSS Versicherung AG, St. Petersburg	99.9638	9,344	-4,065
ERGO Shisn, Moscow	100.0000	5,620	-3,846
ERGO SIGORTA A.S., Istanbul	99.9999	85,430	-20,767
ERGO Sigorta ve Emeklilik Satis Aracilik Hizmetleri Limited Sirketi, Istanbul	100.0000	-1,362	-2,753
ERGO Specialty GmbH, Hamburg	100.0000	118	23
ERGO Trust Erste Beteiligungsgesellschaft mbH, Munich	100.0000	23	0
ERGO Versicherung Aktiengesellschaft, Düsseldorf	100.0000	788,933	0
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000	417	159
ERGO Versicherungsgruppe AG, Düsseldorf	100.0000	1,995,411	85,613
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000	32,383	2,062
ERGO Zavarovalnica d. d., Ljubljana	100.0000	4,124	-732
ERGO životná poistovna, a. s., Bratislava	100.0000	5,093	-864
ERGO Zweite Beteiligungsgesellschaft mbH, Düsseldorf	99.9999	861	9,636
ERIN Sigorta Aracilik Hizmetleri Limited Sirketi, Istanbul	99.9950	1,722	-3,738
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000	105	99
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.0000	-123	-174
Esoleme 120012 S.L., Playa del Inglés	100.0000	-174	-16

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Etics, s.r.o., Prague	100.0000	62	8
Etoblete 160016 S.L., Playa del Inglés	100.0000	-30	-44
Etogibon 100010 S.L., Playa del Inglés	100.0000	-174	-16
Etolede 6006 S.L., Playa del Inglés	100.0000	-174	-16
EUREKA GmbH, Düsseldorf	99.9999	63	33
Euro Alarm Assistance Prague, Prague	100.0000	1,034	606
Euro-Center (Cyprus) Ltd., Larnaca	100.0000	408	292
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000	1,089	302
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000	85	27
Euro-Center China (HK) Co., Ltd., Beijing	100.0000	177	170
Euro-Center Holding A/S, Copenhagen	83.3330	4,078	1,467
Euro-Center Ltda., Rio de Janeiro	100.0000	145	90
Euro-Center S.A., Malaga	100.0000	276	77
Euro-Center USA, Inc., New York	100.0000	657	326
Euro-Center Yerel Yardim, Istanbul	100.0000	517	212
Euro-Center, S.A., Palma de Mallorca	100.0000	113	0
Europaeiske Rejseforsikring A/S, Copenhagen	100.0000	33,445	2,794
Europäische (UK) Ltd., London	100.0000	0	0
EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich[1]	100.0000	62,806	0
European Assistance Holding GmbH, Munich	100.0000	21	-1
European International Holding A/S, Copenhagen	100.0000	47,914	418
Europeiska Försäkringsaktiebolaget, Stockholm	100.0000	1,216	-574
Evaluación Médica TUW, S.L., Barcelona	90.7508	1,518	-478
Evropska Cestovni Pojistovna A.S., Prague	90.0000	9,056	1,198
EVV Logistik Management GmbH, Düsseldorf	100.0000	20	-4
Excess Reinsurance, Inc, Providenciales	100.0000	19	6
Exolvo GmbH, Hamburg	100.0000	66	-14
FAIRANCE GmbH, Düsseldorf[1]	100.0000	64,880	0
First Legal Protection Limited, St. Albans	100.0000	-347	-1
First Marine Financial Services, Amelia, Ohio	100.0000	0	0
First Marine Insurance Company, Amelia, Ohio	100.0000	5,678	216
Flexitel Telefonservice GmbH, Berlin	100.0000	5,677	1,254
Forst Ebnath AG, Ebnath	96.7315	7,197	1,895
Gamaponti 140014 S.L., Playa del Inglés	100.0000	-29	-40
Gastronomie Service Gesellschaft Überseering 35 GmbH, Hamburg	100.0000	180	130
GBG Vogelsanger Straße GmbH, Cologne	94.0000	395	-215
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000	210	3
Genius II Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	31	0
Gerechtsdeurwaarderskantoor Sturm & Van Vuuren B.V., Nieuwegein	100.0000	494	105
Gerechtsdeurwaarderskantoor Van der Meijde B.V., The Hague	100.0000	893	535
Geschlossene Aktiengesellschaft Europäische Reiseversicherung, Kiev	95.2708	1,067	43
Global Standards LLC, Wilmington, Delaware	100.0000	58,912	9,422
goDentis - Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000	-173	6
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000	92	42
goMedus GmbH & Co. KG, Cologne	100.0000	7,135	-1,620
Grancan Sunline S.L., Playa del Inglés	100.0000	0	-5,310
Great Lakes Marine Insurance Agency Pty Ltd., Sydney	100.0000	1	0
Great Lakes Re Management Company (Belgium) S.A., Brussels[5]	100.0000	0	0
Great Lakes Reinsurance (UK) Plc., London	100.0000	337,032	17,417
Great Lakes Services Ltd., London	100.0000	1,937	707
Group Risk Services Limited, London	100.0000	9,727	-3,556
Groves, John & Westrup Limited, London	100.0000	21	0
Guanzu 2002 S.L., Playa del Inglés	100.0000	-27	-40

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Hamburger Hof Management GmbH, Hamburg	100.0000	31	0
Hamburg-Mannheimer Consulting NV, Brussels	100.0000	3,756	114
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000	90	2
Hamburg-Mannheimer Pensionskasse AG, Hamburg	100.0000	30,513	326
Hamburg-Mannheimer Rechtsschutz Schaden-Service GmbH, Hamburg	100.0000	51	0
Hamburg-Mannheimer spol s.r.o., Prague	100.0000	665	10
Hartford Steam Boiler (M) Sdn. Bhd, Kuala Lumpur	100.0000	459	40
Hartford Steam Boiler (Singapore), PTE Ltd., Singapore	100.0000	298	-3
Hartford Steam Boiler Colombia Ltda., Bogota, Colombia	100.0000	318	79
Hartford Steam Boiler International India Pyt Ltd., Kolkata	100.0000	130	-36
Hartford Steam Boiler International-GmbH, Rheine	100.0000	3,378	322
Health OÜ, Tallinn	100.0000	3	0
Hestia Advanced Risk Solutions Sp. z.o.o., Sopot	100.0000	42	-5
Hestia Kontakt Sp. z o.o., Sopot	100.0000	846	108
Hestia Loss Control Sp. z o.o., Sopot	100.0000	113	-14
HMI Sp. z o.o., Warsaw	100.0000	1,026	-143
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000	23,273	-9,362
Horbach GmbH, Düsseldorf	70.1000	156	58
HSB Associates, Inc, New York	100.0000	929	22
HSB Engineering Finance Corporations, Wilmington, Delaware	100.0000	-13,110	-1
HSB Engineering Insurance Limited, London	100.0000	116,291	22,073
HSB Group, Inc., Wilmington, Delaware	100.0000	492,160	89,427
HSB Haughton Engineering Insurance Services Limited, Oldham	100.0000	11,793	0
HSB Inspection Quality, Limited, Oldham[5]	100.0000	0	0
HSB Investment Corporation, Hartford, Connecticut	100.0000	40	-3
HSB Japan KK, Minato-KU, Tokyo	100.0000	1,614	728
HSB Professional Loss Control, Inc., Lenoir City, Tennessee	100.0000	1,509	103
HSB Reliability Technologies LLC, Wilmington, Delaware	100.0000	1,983	-58
HSB Solomon Associates LLC, Wilmington, Delaware	100.0000	7,192	1,105
HSB Technical Consulting & Services (Shanghai) Company, Ltd., Shanghai	100.0000	2,671	1,998
HSB Ventures, Inc., Wilmington, Delaware[5]	100.0000	0	0
Humanity B.V., s-Gravenhage	100.0000	324	-5
Hyneman Life Corporation, Jonesboro, Arkansas	100.0000	86	47
IDEENKAPITAL AG, Düsseldorf	100.0000	16,295	-1,216
Ideenkapital Client Service GmbH, Düsseldorf[1]	100.0000	26	0
Ideenkapital erste Investoren Service GmbH, Düsseldorf	100.0000	49	10
IDEENKAPITAL Financial Engineering AG, Düsseldorf[1]	100.0000	514	0
IDEENKAPITAL Financial Service AG, Düsseldorf[1]	100.0000	562	0
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000	40	6
Ideenkapital Media Finance AG, Düsseldorf	50.1000	107	126
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000	980	1,525
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	20	2
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000	63	12
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000	118	5
Ideenkapital Treuhand GmbH, Düsseldorf	100.0000	23	7
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000	75	35
IK Einkauf Objekt Eins gmbH & Co. KG, Düsseldorf	100.0000	0	-80
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000	21	-4
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000	18	-7
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0295	1	-1
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	23	-2
IK European Real Estate Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	15	-18
IK FE Fonds Management GmbH, Düsseldorf	100.0000	46	-4
IK FE Management GmbH, Düsseldorf	100.0000	0	-166

Company and registered seat	% share of capital	Equity €k	Result for the year €k
IK InfrastrukturInvest Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	3	-3
IK Objekt Bensheim GmbH, Düsseldorf	100.0000	34	4
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000	26	7
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000	23	1
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000	-8,314	-1,028
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000	839	430
IK Premium GmbH, Düsseldorf	100.0000	33	3
~~IK Property Eins Verwaltungsgesellschaft mbH, Hamburg~~	~~100.0000~~	~~36~~	~~4~~
IK Property Treuhand GmbH, Düsseldorf	100.0000	83	-9
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000	32	2
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000	113	2
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000	47	2
IKFE Properties I AG, Zurich	63.5532	11,162	292
InterAssistance Gesellschaft für Dienstleistungen mit beschränkter Haftung, Munich[1]	100.0000	27	0
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143	26,311	-16
ISVICRE SIGORTA KIBRIS LIMITED, Istanbul	51.0000	155	17
ITERGO Informationstechnologie GmbH, Düsseldorf[1]	100.0000	23,990	0
Itus Verwaltungs AG, Munich	100.0000	521,851	5,746
Joint Stock Insurance Company ERGO, Minsk	92.3100	1,368	154
Jordan Health Cost Management Services W.L.L., Amman	100.0000	628	102
Jupiter Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	144	2
Juventus Vermögensverwaltungs AG, Hamburg	100.0000	52	2
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000	30	2
K & P Objekt München Hufelandstraße GmbH, Düsseldorf	100.0000	30	2
K & P Pflegezentrum IMMAC Uelzen Renditefonds GmbH & Co. KG, Uelzen	84.8817	2,043	-20
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000	5,704	-1,460
Kapdom-Invest GmbH, Moscow	100.0000	5,426	4
KQV Solarpark Franken 1 GmbH & Co. KG, Fürth	100.0000	601	-21
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen	90.0240	15,975	6,531
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	414	14
LAVG Associatie van Gerechtsdeurwaarders Zuid Holding B.V., Breda	80.0000	5,593	1,564
LAVG Zuid B.V., Breda	100.0000	2,067	1,637
LawAssist Limited, Bristol	100.0000	1	0
Legal Net GmbH, Munich	100.0000	25	0
LifePlans Inc., Waltham, Massachusetts	100.0000	4,796	408
LifePlans LTC Services, Inc., Ontario, California	100.0000	354	234
Lloyds Modern Corporation, Dallas, Texas	100.0000	0	0
Longial GmbH, Düsseldorf	100.0000	860	-166
Longial Versicherungsmakler GmbH, Düsseldorf	100.0000	24	-2
m:editerran Power der welivit Solar Italia GmbH & Co. KG, Bolzano	100.0000	4	-1
m:editerran POWER GmbH & Co. KG, Nuremberg	100.0000	8	-1
MAM Munich Asset Management GmbH, Munich	100.0000	25	0
Marbury Agency, Inc., Amelia, Ohio[5]	100.0000	0	0
Marina Salud S.A., Alicante	65.0000	4,677	-4,982
Marina Sp.z.o.o., Sopot	100.0000	10,374	-11
MAYFAIR Financing GmbH, Munich	100.0000	435	3
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf	71.4285	9,097	-234
MAYFAIR Holding GmbH, Düsseldorf	100.0000	30	1
MEAG Cash Management GmbH, Munich	100.0000	174	-1,274
MEAG Hong Kong Limited, Hong Kong	100.0000	5,244	-795
MEAG Luxembourg S.à r.l., Luxembourg	100.0000	1,114	-30
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000	145,415	53,949
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich	100.0000	50,757	0
MEAG New York Corporation, Wilmington, Delaware	100.0000	7,665	154

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MEAG Property Management GmbH, Munich[1]	100.0000	3,480	0
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000	32	0
MEAG US Real Estate Management Holdings, Inc., Wilmington, Delaware	100.0000	2,503	-4,315
Mechanical & Materials Engineering, Wilmington, Delaware	100.0000	1,055	0
Mediastream Consulting GmbH, Grünwald	100.0000	27	1
Mediastream Dritte Film GmbH, Grünwald	100.0000	36	4
Mediastream Film GmbH, Grünwald	100.0000	34	3
Mediastream Vierte Medien GmbH, Grünwald	100.0000	29	2
Mediastream Zweite Film GmbH, Grünwald	100.0000	39	3
MedNet Bahrain W.L.L., Bahrain	100.0000	963	302
MedNet Europa GmbH, Munich	100.0000	18	0
MedNet Greece S.A., Athens	78.1419	781	122
MedNet Gulf E.C., Manama	100.0000	-1,605	-707
MedNet Holding GmbH, Munich	100.0000	26,942	4,066
MedNet International Ltd., Nicosia	100.0000	-1,249	-1,336
MedNet International Offshore SAL, Beirut	99.6700	82	-3
MedNet Saglik Hizmetleri Yönetim ve Danismanlik Anonim Sirketi, Istanbul	100.0000	539	-85
MedNet Saudi Arabia LLC, Riyadh	100.0000	592	4
MedNet UAE FZ L.L.C., Dubai	100.0000	876	-142
MedWell Gesundheits-AG, Cologne	100.0000	396	97
Mercur GRIP GmbH Gesellschaft für Rehabilitation, Integration und Prävention, Munich	100.0000	14	420
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf[1]	100.0000	5,797	0
miCura Pflegedienste Berlin GmbH, Berlin	100.0000	-64	-82
miCura Pflegedienste Bremen GmbH, Bremen	100.0000	105	71
miCura Pflegedienste Dachau GmbH, Dachau	51.0000	59	14
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000	450	106
miCura Pflegedienste GmbH, Cologne	100.0000	37	-131
miCura Pflegedienste Hamburg GmbH, Hamburg	90.0000	60	-90
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000	157	44
miCura Pflegedienste München GmbH, Munich	100.0000	-61	-160
miCura Pflegedienste München Ost GmbH, Munich	65.0000	-66	-95
miCura Pflegedienste Münster GmbH, Münster	100.0000	300	141
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000	158	102
Midland-Guardian Co., Amelia, Ohio	100.0000	26,477	-12
Midwest Enterprises, Inc., Miami, Florida	100.0000	-749	-554
Modern Life Insurance Company of Arizona, Inc., Phoenix, Arizona	100.0000	1,241	156
MR Beteiligungen 1. GmbH, Munich[1, 3]	100.0000	164,452	0
MR Beteiligungen 14. GmbH, Munich[1]	100.0000	25	0
MR Beteiligungen 15. GmbH, Munich[1]	100.0000	25	0
MR Beteiligungen 16. GmbH, Munich[1]	100.0000	25	0
MR Beteiligungen 17. GmbH, Munich	100.0000	25	-1
MR Beteiligungen 18. GmbH, Munich	100.0000	25	0
MR Beteiligungen 19. GmbH, Munich	100.0000	31,830	-908
MR Beteiligungen AG, Grünwald	100.0000	616	73
MR Beteiligungen EUR AG & Co. KG, Grünwald[2]	100.0000	3,848,280	240,413
MR Beteiligungen GBP AG & Co. KG, Grünwald[2]	100.0000	2,199,013	71,169
MR Beteiligungen USD AG & Co. KG, Grünwald[2]	100.0000	5,263,875	238,195
MR ERGO Beteiligungen GmbH, Munich	100.0000	46	5
MR Parkview Holding Coporation, Wilmington, Delaware	100.0000	1	0
MR RENT-Investment GmbH, Munich[1]	100.0000	40,524	0
MR Solar Beneixama GmbH, Nuremberg	100.0000	42	160
MR Solar GmbH & Co. KG, Nuremberg	100.0000	57,672	143
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000	18,896	139
MSP Underwriting Ltd., London	100.0000	20,634	-5

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MTU Moje Towarzystwo Ubezpieczeniowe S. A., Sopot	100.0000	26,885	4,334
Muenchener Hellas Reinsurance Services S.A., Athens	99.5000	35	-50
Multiasistencia Europea, S.A., Madrid	100.0000	182	-27
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000	531	-59
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000	27	14
Münchener de Colombia S.A. Corredores de Reaseguros, Santa Fé de Bogotá D.C.	100.0000	1,389	9
Münchener de Mexico S. A., Mexico	100.0000	1,805	113
~~Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas~~	~~100.0000~~	~~34~~	~~6~~
Münchener Ecoconsult GmbH, Munich	100.0000	59	1
Münchener Finanzgruppe AG Beteiligungen, Munich	100.0000	53	0
Münchener Rück do Brasil Resseguradora S.A., São Paulo	100.0000	63,395	10,435
Münchener Vermögensverwaltung GmbH, Munich	100.0000	27	0
Munich American Holding Corporation, Wilmington, Delaware	100.0000	7,892,008	225,794
Munich American Reassurance Company, Atlanta, Georgia	100.0000	1,160,928	-26,201
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000	23,287	15
Munich Canada Systems Corporation, Toronto	100.0000	1	0
Munich Columbia Square Corp., Wilmington, Delaware	100.0000	19	3
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000	1,015	0
Munich Health Holding AG, Munich[1, 3]	100.0000	94,059	0
Munich Health North America, Inc., Wilmington, Delaware	100.0000	390,617	66,491
Munich Holdings Ltd., Toronto	100.0000	271,993	41,689
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000	81,017	9,180
Munich Life Management Corporation Ltd., Toronto	100.0000	-4,561	4,823
Munich Management Pte. Ltd., Singapore	100.0000	1,044	660
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000	30,049	-179
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000	2,163	89
Munich Re America Corporation, Wilmington, Delaware	100.0000	3,288,634	45,658
Munich Re America Management Ltd., London	100.0000	629	408
Munich Re America Services Inc., Wilmington, Delaware	100.0000	-442	-15
Munich Re Capital Limited, London	100.0000	12,880	-1,133
Munich Re Capital Markets GmbH, Munich	100.0000	818	2
Munich Re Capital Markets New York, Inc., Wilmington, Delaware	100.0000	5,044	11
Munich Re General (UK) plc, London	100.0000	59	0
Munich Re Holding Company (UK) Ltd., London	100.0000	39,077	1,374
Munich Re India Services Private Limited, Mumbai	100.0000	272	173
Munich Re Japan Services K. K., Tokyo	100.0000	2,200	128
Munich Re Life and Health (UK) Plc., London	100.0000	58	0
Munich Re of Malta Holding Limited, Floriana	99.9999	941,461	5,269
Munich Re of Malta p.l.c., Floriana	99.9999	202,378	12,976
Munich Re Polska Services Sp. Z.o.o., Warsaw	100.0000	153	27
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000	1,172	427
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000	1	0
Munich Re Underwriting Limited, London	100.0000	1,267	-38
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000	1,939,122	161,831
Munich Reinsurance Company Life Reinsurance Eastern Europe/Central Asia, Moscow	100.0000	7,852	-1,541
Munich Reinsurance Company of Africa Ltd., Johannesburg	100.0000	152,917	10,338
Munich Reinsurance Company of Australasia Ltd., Sydney	100.0000	153,416	2,702
Munich Reinsurance Company of Canada, Toronto	100.0000	208,491	33,161
Munich-American Global Services (Munich) GmbH, Munich	100.0000	422	-1,409
Munich-American Risk Partners GmbH, Munich[5]	100.0000	0	0
Munich-Canada Management Corp. Ltd., Toronto	100.0000	4	0
MunichFinancialGroup AG Holding, Munich	100.0000	53	0
MunichFinancialGroup GmbH, Munich	100.0000	37	0
MunichFinancialServices AG Holding, Munich	100.0000	53	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Munichre General Services Limited, London	100.0000	2,614	729
Munichre Life Services Limited, London	100.0000	77,364	14,560
Munichre New Zealand Service Limited, Auckland	100.0000	964	-12
Munichre Service Limited, Hong Kong	100.0000	60	37
N.M.U. (Holdings) Limited, Leeds	100.0000	176	0
Naretoblera 170017 S.L., Playa del Inglés	100.0000	-30	-43
Neckermann Lebensversicherung AG, Fürth	100.0000	16,098	2,200
Neckermann Versicherung AG, Nuremberg	100.0000	15,178	3,647
Nerruze 120012 S.L., Playa del Inglés	100.0000	-26	-40
New Reinsurance Company Ltd., Zurich	100.0000	1,208,848	293,254
Nicamballo 1001 S.L., Playa del Inglés	100.0000	-226	-22
Nightingale Legal Services ltd., Colchester	100.0000	-84	8
NMU Group Limited, London	100.0000	2,334	0
Northern Marine Underwriters Limited, Leeds	100.0000	168	0
OHM Services of Texas, Inc., Bellingham, Washington[5]	100.0000	0	0
Olbodeca 4004 S.L., Playa del Inglés	100.0000	-174	-16
Olympic Health Management Services Inc., Bellingham, Washington	100.0000	110	-115
Olympic Health Management Systems, Inc., Bellingham, Washington	100.0000	3,896	-476
One State Street Intermediaries, Hartford, Connecticut	100.0000	13	0
Oracuet 160016 S.L., Playa del Inglés	100.0000	-174	-16
Oragulno 9009 S.L., Playa del Inglés	100.0000	-174	-16
Oraunte 130013 S.L., Playa del Inglés	100.0000	-174	-16
Orrazipo 110011 S.L., Playa del Inglés	100.0000	-28	-40
Otusleme 3003 S.L., Playa del Inglés	100.0000	-174	-16
Ouachita Life Insurance Company, Jonesboro, Arkansas	100.0000	92	1
P.A.N. GmbH & Co. KG, Grünwald[2]	99.0000	330,328	2,053
P.A.N. Verwaltungs GmbH, Grünwald	99.0000	49	-1
PLATINIA Verwaltungs-GmbH, Munich	100.0000	32	1
"PORT HEDLAND" GmbH & Co. KG, Hamburg	99.3284	-1,096	544
"PORT LINCOLN" GmbH & Co. KG, Hamburg	99.3744	-1,291	233
"PORT WILLIAMS" GmbH & Co. KG, Hamburg	99.3134	-1,023	617
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000	409	-69
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000	1,291	-33
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000	423	-200
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000	1,458	-29
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000	35	5
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	5
PRORENDITA Fünf Verwaltungsgesellschaft mbH, Hamburg	100.0000	37	4
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	5
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000	35	5
ProVictor Immobilien GmbH, Düsseldorf[4]	50.0000	1,255	184
ProVictor Property Fund IV Management, Inc., Atlanta	51.0000	1	0
ProVictor Property Fund V Management, Inc., Atlanta	51.0000	1	0
ProVictor Property Fund VI Management, Inc., Atlanta	51.0000	1	0
ProVictor US Corporation, Atlanta	100.0000	1	0
Queensley Holdings Limited, Singapore	100.0000	9,806	3,614
QVH Beteiligungs GmbH, Nuremberg	100.0000	59,696	20
Ra-Hart Investment Company, Dallas, Texas[5]	100.0000	0	0
Reaseguradora de las Américas S. A., Havana	100.0000	620	0
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000	493	-1,539
Roanoke International Brokers Limited, London	100.0000	18	0
Roanoke International Insurance Agency Inc., Schaumburg, Illinois	100.0000	0	0
Roanoke Real Estate Holdings Inc., Schaumburg, Illinois	100.0000	205	14
Roanoke Trade Insurance Inc., Schaumburg, Illinois[5]	100.0000	0	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Roanoke Trade Services Inc., Schaumburg, Illinois	100.0000	9,384	399
Roanoke Trade Services of Texas Inc., Schaumburg, Illinois[5]	100.0000	0	0
Romney Holdings Limited, Dublin	100.0000	119	36
San Marino Life Impresa sammarinese di assicurazione sulla vita S.p.A., San Marino	100.0000	5,100	-900
Schloss Hohenkammer GmbH, Hohenkammer[1]	100.0000	3,438	0
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000	918	119
Seldac 1. Kommunaler-Rendite-Fonds GmbH & Co. KG, Düsseldorf	100.0000	198	139
~~Seldac 1. Verwaltungs-GmbH, Düsseldorf~~	~~100.0000~~	~~38~~	~~4~~
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	75.0000	2,269	283
Silvanus Vermögensverwaltungsges.mbH, Munich[1]	100.0000	3,542	0
Solarfonds Garmisch-Partenkirchen 2011 GmbH & Co. KG, Nuremberg	99.7500	9	-6
Solomon Associates Limited, London	100.0000	704	-30
Sopocki Instytut Ubezpieczen S.A., Sopot	100.0000	1,684	18
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000	20	3
Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot	100.0000	160,945	12,242
Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot	100.0000	21,268	3,119
SOS International Reise-Notfallservice GmbH, Munich[1]	100.0000	26	0
Southern Pioneer Life Insurance Company, Jonesboro, Arkansas	100.0000	13,026	-897
Specialty Insurance Services Corp., Amelia, Ohio	100.0000	155	8
Sterling Life Insurance Company, Bellingham, Washington	100.0000	111,403	22,378
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000	112	29
Sydney Euro-Center Pty. Ltd., Sydney	100.0000	135	20
Synkronos Italia SRL, Milan	60.1000	930	-1,434
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000	35	1
TAS Touristik Assekuranz Service International GmbH, Frankfurt/Main[1]	100.0000	34	0
TAS Touristik Assekuranzmakler und Service GmbH, Frankfurt/Main[1]	100.0000	256	0
Teginago 2002 S.L., Playa del Inglés	100.0000	-174	-16
TELA Aktiengesellschaft, Munich	100.0000	168,203	1,729
Temple Insurance Company, Toronto	100.0000	115,616	10,442
Tenoslema 110011 S.L., Playa del Inglés	100.0000	-174	-16
TGR Biztosítás Többesügynöki Zrt., Budapest	100.0000	-12	84
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000	711	10
The Boiler Inspection and Insurance Company of Canada, Toronto	100.0000	58,547	15,940
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000	47,147	7,355
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000	675,848	124,705
The Midland Company, Cincinnati, Ohio	100.0000	65,472	11,120
The National Senior Membership Group, Bellingham, Washington[5]	100.0000	0	0
The Polytechnic Club, Inc., Hartford[5]	100.0000	1	0
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000	24,018	8,507
The Roanoke Companies Inc., Schaumburg, Illinois	100.0000	11,060	114
Three Lions Underwriting Ltd., London	100.0000	1,253	8
Tillobesta 180018 S.L., Playa del Inglés	100.0000	-28	-40
TIS Holdings Inc., Schaumburg, Illinois[5]	100.0000	0	0
Titus AG, Düsseldorf	100.0000	150	95
Trade Insurance Services Inc, Schaumburg, Illinois[5]	100.0000	0	0
Trusted Documents GmbH, Nuremberg	100.0000	170	-246
Union Beteiligungsholding GmbH, Vienna	100.0000	205	-2,697
Union Life Insurance Company, Jonesboro, Arkansas	100.0000	88	1
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000	8,426	601
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000	66	14
Van Arkel Gerechtsdeurwaarders B.V., Leiden	79.9000	7,694	464
Venus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	154,977	1,685
Verwaltungsgesellschaft "PORT VICTORIA" GmbH, Hamburg	100.0000	185	-10
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000	984	-393

Company and registered seat	% share of capital	Equity €k	Result for the year €k
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	33,030	-14,956
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000	31,682	-3
VICTORIA Asien Verwaltungs GmbH, Munich	100.0000	24	1
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	400	375
VICTORIA General Insurance Company S.A., Athens	99.9999	31,095	4,577
VICTORIA Grundstücksverwaltungs-Gesellschaft GbR, Düsseldorf	100.0000	223,094	1,795
VICTORIA Immobilien Management GmbH, Munich	100.0000	632	58
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000	90	-34
VICTORIA Internacional de Portugal SGPS S.A., Lisbon	100.0000	58,375	2,744
VICTORIA Investment Properties Two L.P., Atlanta	100.0000	3,407	4,805
VICTORIA Italy Property GmbH, Düsseldorf	100.0000	50	3,189
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf[1]	100.0000	722,945	0
VICTORIA Life Insurance Company S.A., Thessaloniki	100.0000	5,600	12
Victoria Osiguranje d.d, Zagreb	74.9000	4,165	-306
VICTORIA Pensionskasse AG, Düsseldorf[1]	100.0000	49,904	1,400
VICTORIA US Beteiligungsgesellschaft mbH, Munich	100.0000	21	-1
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000	62,956	-5,197
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000	67,018	-10,309
VICTORIA US Property Zwei GmbH, Düsseldorf	100.0000	2,289	-82,543
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	1,407	13
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000	91,288	-195
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000	22	-5
Victoria VIP II, Inc., Wilmington, Delaware	100.0000	8	0
Victoria Zivotno Osiguranje d.d, Zagreb	74.9000	5,135	-269
VICTORIA-Seguros de Vida, S.A., Lisbon	100.0000	31,786	812
VICTORIA-Seguros S.A., Lisbon	100.0000	19,570	-3,316
VICTORIA-VOLKSBANKEN Eletbiztosító Zrt., Budapest	74.8000	4,087	179
VICTORIA-VOLKSBANKEN Poist'ovna, a.s., Bratislava	74.8000	10,547	36
VICTORIA-VOLKSBANKEN Biztosító Zrt., Budapest	74.8000	2,877	142
VICTORIA-VOLKSBANKEN pojišt'ovna, a.s., Prague	74.5373	13,248	1,040
VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft, Vienna	74.6269	63,423	5,084
Viwis GmbH, Munich[1]	100.0000	2,000	0
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf[1]	100.0000	27,746	0
Vorsorge Luxemburg Lebensversicherung S.A., Munsbach	100.0000	17,540	2,746
Vorsorge Service GmbH, Düsseldorf	100.0000	347	-298
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000	207	27
VV-Immobilien Gesellschaft für Haus- und Grundbesitzverwaltung GmbH, Vienna	100.0000	219	25
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000	121	0
Watkins Syndicate Middle East Limited, Dubai	100.0000	343	60
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000	166	0
welivit AG, Nuremberg	100.0000	3,244	331
welivit New Energy GmbH, Fürth	100.0000	506	-220
welivit Solar España GmbH, Nuremberg	100.0000	33	3
Welivit Solar Italia s.r.l., Bolzano	100.0000	324	105
WFB Stockholm Management AB, Stockholm	50.0000	132,637	-8,094
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf	65.0000	7,361	342
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Nuremberg	100.0000	304	-1,333
Wohnungsgesellschaft Brela mbH, Hamburg[1]	100.0000	102	0
wse Solarpark Spanien 1 GmbH & Co. KG, Fürth	75.1243	14,164	320
Zacobu 110011 S.L., Playa del Inglés	100.0000	-97	-54
Zacuba 6006 S.L., Playa del Inglés	100.0000	-97	-53
Zacubacon 150015 S.L., Playa del Inglés	100.0000	-97	-54
Zafacesbe 120012 S.L., Playa del Inglés	100.0000	-97	-54

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Zagacobl 180018 S.L., Playa del Inglés	100.0000	-174	-16
Zapaceba 170017 S.L., Playa del Inglés	100.0000	-174	-16
Zapacubi 8008 S.L., Playa del Inglés	100.0000	-97	-54
Zarzucolumbu 100010 S.L., Playa del Inglés	100.0000	-97	-54
Zetaza 4004 S.L., Playa del Inglés	100.0000	-31	-41
Zicobucar 140014 S.L., Playa del Inglés	100.0000	-97	-54
Zucaelo 130013 S.L., Playa del Inglés	100.0000	-97	-54
~~Zucampobi 3003 S.L., Playa del Inglés~~	~~100.0000~~	~~-98~~	~~-54~~
Zucarrobiso 2002 S.L., Playa del Inglés	100.0000	-98	-54
Zucobaco 7007 S.L., Playa del Inglés	100.0000	-97	-54
Zulazor 3003 S.L., Playa del Inglés	100.0000	-26	-40
Zumbicobi 5005 S.L., Playa del Inglés	100.0000	-97	-54
Zumcasba 1001 S.L., Playa del Inglés	100.0000	-95	-51
Zuncabu 4004 S.L., Playa del Inglés	100.0000	-97	-54
Zuncolubomcasa 9009 S.L., Playa del Inglés	100.0000	-97	-54
Associates			
13th & F associates Limited Partnership, Washington D.C.	80.0000	87,546	10,700
ACM-Compagnie Mercur AG, Bremen	50.0000	68	1
Agricultural Management Services S.r.l., Verona	33.3333	97	-2
Apollo Munich Health Insurance Co. Ltd., Hyderabad	25.0600	46,679	-14,795
Assistance Partner GmbH & Co. KG, Munich	22.8000	1,260	347
BF.direkt AG, Stuttgart	27.2000	226	1,134
BHS tabletop AG, Selb	28.9134	34,182	1,726
Bloemers Holding B. V., Rotterdam	22.7273	53,880	17,557
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000	2,817	-2,461
Central Point Insurance IT-Solutions GmbH, Vienna	20.0000	111	0
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027	56,575	5,956
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920	17,801	6,025
DAMAN - National Health Insurance Company, Abu Dhabi	20.0000	104,292	44,580
DKV Salute S.p.A., Milan	100.0000	-7,954	-18,175
Dovull SPV GmbH & Co. KG, Frankfurt a.M.	20.0597	71,823	-3,402
Europai Utazasi Biztosito Rt., Budapest	26.0000	6,444	1,154
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100	8,304	1,858
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	35.8700	1,653	0
Finsure Investments (Private) Limited, Harare	24.5000	3,394	157
General Partner Victoria Limited, London	33.3333	20	-1
Global Aerospace Underwriting Managers Ltd., London	40.0000	26,287	4,862
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH, Hillerse	20.0000	-3,889	885
Hartford Research LLC, Wilmington, Delaware	41.7500	1	0
HDFC ERGO General Insurance Company Ltd., Mumbai	26.0000	41,324	-15,554
HighTech Beteiligungen GmbH und Co. KG, Düsseldorf	23.1000	21,142	-22,748
IFFOXX AG, Rosenheim	28.0020	1,827	17
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000	305	-83
Janus Vermögensverwaltungsgesellschaft mbH, Munich	50.0000	35	-1
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co.KG, Düsseldorf	36.6889	6,577	308
KarstadtQuelle Finanz Service GmbH, Düsseldorf	50.0000	1,362	101,201
LCM Logistic Center Management GmbH, Hamburg	50.0000	202	109
MCAF Management GmbH, Düsseldorf	50.0000	33	1
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000	110,000	92
MDP Ventures I L.L.C., New York	50.0000	7,517	-3,097
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000	-253	-2,744
MEDICLIN Aktiengesellschaft, Offenburg	35.0042	192,472	4,585

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MEGA 4 GbR, Berlin	34.2569	78,456	-1,172
Millennium Entertainment Partners II L.P., New York	42.2992	47,459	-28,485
Millennium Entertainment Partners L.P., New York	27.5400	8,065	-3,076
Millennium Partners LLC, New York	25.3387	63,308	-94,007
MSMR Parkview LLC, Dover, Delaware	38.4600	1	0
Newmed S.p.A., Milan	100.0000	1	-297
POOL Sp. z o.o., Warsaw	33.7500	1	0
"PORT ELISABETH" GmbH & Co. KG, Hamburg	31.9658	5,915	-449
"PORT LOUIS" GmbH & Co. KG, Hamburg	26.4129	-4,934	-496
Property Finance France S.A., Luxembourg	45.4605	6,027	-715
RehaCare GmbH, Munich	25.1000	1,393	121
Reisegarant, Vermittler von Insolvenzversicherungen mbH, Hamburg	24.0000	205	22
Rendite Partner Gesellschaft für Vermögensverwaltung mbH, Frankfurt a.M.	33.3333	181	-42
RM 2264 Vermögensverwaltungs GmbH, Munich	25.0000	23	0
RP Vilbeler Fondsgesellschaft mbH, Frankfurt a.M.	40.0000	252,284	2,694
Rumba GmbH & Co. KG, Munich	25.0000	-726	-76
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000	197	12
Sana Kliniken AG, Munich	21.7025	177,958	19,459
Saudi National Insurance Company B.S.C.(c), Manama	22.5000	31,756	7,725
Seaflower Health Ventures III L.P., Waltham	28.8434	6,422	898
SEBA Beteiligungsgesellschaft mbH, Nuremberg	48.9931	156,572	4,160
Star Growth GmbH & Co. Beteiligungs KG, Munich	48.2800	7,682	1
Storebrand Helseforsikring AS, Oslo	50.0000	11,666	113
TEGG Corporation, Dover, Delaware[5]	33.3400	0	0
Teko - Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000	48	22
TERTIANUM Besitzgesellschaft Berlin Passauer Strasse 5-7 mbH, Munich	25.0000	25,351	-357
TERTIANUM Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstrasse 5-9 mbH, Munich	25.0000	34,938	832
TERTIANUM Besitzgesellschaft München Jahnstrasse 45 mbH, Munich	33.3333	44,032	1,357
TERTIANUM Seniorenresidenz Betriebsgesellschaft München mbH, Munich	33.3333	1,017	-59
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0000	714	-356
Trend Capital GmbH & Co. Solarfonds 2 KG, Mainz	34.4234	900	-584
Triple IP B.V., Amsterdam	50.0000	-540	-199
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286	55,863	-621
U.S. Property Management II L.P., Atlanta	33.3333	627	-1
U.S. Property Management III L.P., Atlanta	20.0000	368	2,317
Uelzener Lebensversicherungs-AG, Uelzen	23.9750	2,822	90
US PROPERTIES VA GmbH & Co. KG, Düsseldorf	41.1185	9,524	-36,765
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Hamburg	50.0000	36	4
Verwaltungsgesellschaft "Port Hedland" mbH, Hamburg	50.0000	20	-12
Verwaltungsgesellschaft "PORT KELANG" mbH, Hamburg	50.0000	33	4
Verwaltungsgesellschaft "Port Lincoln" mbH, Hamburg	50.0000	20	-12
Verwaltungsgesellschaft "PORT LOUIS" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT MENIER" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT MOODY" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT MORESBY" mbH, Hamburg	50.0000	33	4
Verwaltungsgesellschaft "PORT MOUTON" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT NELSON" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT RUSSEL" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT SAID" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT STANLEY" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT STEWART" mbH, Hamburg	50.0000	34	4
Verwaltungsgesellschaft "PORT UNION" mbH, Hamburg	50.0000	34	4

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Verwaltungsgesellschaft "Port Williams" mbH, Hamburg	50.0000	20	-12
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft, Vienna	47.5028	15,082	1,187
VICTORIA-VOLKSBANKEN Vorsorgekasse AG, Vienna	50.0000	3,522	126
VisEq GmbH, Grünwald	34.0000	100	0
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319	2,974	483
VV Immobilien GmbH & Co. GB KG, Düsseldorf	40.9241	623	61
VV Immobilien GmbH & Co. United States KG, Munich	28.9514	30,233	-3,826
~~VV Immobilien GmbH & Co. US City KG, Munich~~	~~23.0999~~	~~90,276~~	~~-18,147~~
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG, Munich	20.4082	35,066	-850
VV Immobilien Verwaltungs GmbH, Munich	30.0000	707	195
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000	1,263	-90
VV-Consulting Többesügynöki Kft., Budapest	50.0000	65	4
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000	31	1
Other shareholdings of 20% or more			
ARIES, Wilmington, Delaware	21.6000	3,219	-180
Capital Dynamics Champion Ventures VI, L.P., Woodside	27.3354	26,496	-1,181
FIA Timber Partners II L.P., Wilmington	23.0000	349	-228
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside	44.8071	51,930	8,019
Other shareholdings exceeding 5% of the voting rights in large companies as defined in the German Commercial Code			
Admiral Group plc, Cardiff	10.1756	351,053	182,839
Credit Guarantee Insurance Corporation, Johannesburg	7.1000	28,416	1,482
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000	64,690	2,700
Jordan Insurance Co. p.l.c., Amman	10.0000	50,672	3,200
Middlesea Insurance p.l.c, Floriana	19.9000	48,664	-29,125
New National Assurance Company Ltd., Durban, South Africa	16.0000	11,735	1,560
PICC Health Insurance Company Limited, Beijing	6.3333	201,240	3,571
Protektor Lebensversicherungs-AG, Berlin	10.7597	70,020	0
Suramericana S.A., Medellín	18.8669	460,134	84,997
Swaziland Royal Insurance Corporation, Mbabane	16.0000	39,071	9,666

1 There are profit-transfer agreements with these companies.
2 This fully consolidated German subsidiary with the legal form of a partnership, as defined in Section 264a of the German Commercial Code, intends to fulfil the conditions required in Section 264b of the German Commercial Code and, in the financial year 2010, to avail itself of the relevant provision exempting it from preparing annual financial statements.
3 This fully consolidated German subsidiary intends to fulfil the conditions required in Section 264 para. 3 of the German Commercial Code and, in the financial year 2010, to avail itself of the relevant provision exempting it from preparing annual financial statements.
4 Control owing to majority of voting power.
5 No active business operations.

Drawn up and released for publication, Munich, 1 March 2011.

The Board of Management

Auditor's report

The following is a translation of the auditor's opinion in respect of the original German consolidated financial statements and Group management report:

We have audited the financial statements prepared by the Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookkeeping system and management report for the business year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the Articles of Association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Accountants (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 2 March 2011

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Declaration of the Board of Management

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Munich, 9 March 2011