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

(Overseas company registered in New Zealand under the Companies Act 1993)

Annual Financial Report
31 December 2012

Principal place of business
PWC Tower, Level 15, 188 Quay Street, Auckland

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Statement of comprehensive income for the year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Revenue from operating activities	4	87,176	288,601
Expenses from operating activities	5	63,570	964,734
Profit/ (Loss) before tax		23,606	(676,133)
Tax expense	6	7,479	23,650
Total comprehensive income/(expense) for the year		16,127	(699,783)

The Statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 5 to 24.

Munich Reinsurance Company – New Zealand Branch
(Overseas company registered in New Zealand under the Companies Act 1993)
Statement of financial position as at 31 December 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	9	4,172	126,048
Outstanding premiums	10	71,221	39,386
Deferred acquisition costs	13	4,817	8,769
Financial assets	11	188,076	85,000
Reinsurance recoveries	14	60,302	-
Current tax receivable	6(c)	633	3,603
Other	12	34,884	16,530
Total current assets		364,105	279,336
Non-current assets			
Financial assets	11	820,371	996,348
Reinsurance recoveries	14	55,663	123,876
Deferred tax assets	15	24,356	51,111
Total non-current assets		900,390	1,171,335
Total assets		1,264,495	1,450,671
Current liabilities			
Payables	16	3,111	3,002
Outstanding claims	17	396,498	284,318
Unearned premiums	18	20,036	35,776
Provisions	19	1,875	824
Total current liabilities		421,520	323,920
Non-current liabilities			
Outstanding claims	17	769,672	1,069,575
Total non-current liabilities		769,672	1,069,575
Total liabilities		1,191,192	1,393,495
Net assets		73,303	57,176
Head office account			
Accumulated surplus – head office		73,303	57,176
Total head office account		73,303	57,176

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 5 to 24.

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Statement of changes in equity for the year ended 31 December 2012

	Head office account $'000
Balance at 1 January 2011	90,959
Movement in head office account– capital injection	666,000
Total comprehensive expense	(699,783)
Balance at 31 December 2011	57,176
Balance at 1 January 2012	57,176
Total comprehensive income	16,127
Balance at 31 December 2012	73,303

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 24.

Munich Reinsurance Company – New Zealand Branch
(Overseas company registered in New Zealand under the Companies Act 1993)
Statement of cash flows for the year ended 31 December 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities			
Inwards reinsurance premium received		11,407	79,078
Inwards reinsurance claims paid		(219,737)	(97,022)
Outward reinsurance premium paid	5	(7,116)	(6,766)
Income tax refunded	6(c)	2,970	-
Tax loss transfers received		1,636	-
Other operating receipts	4	1,121	158
Other operating payments		(20,159)	(40,540)
Net cash from operating activities		(229,878)	(65,092)
Cash flows from investing activities			
Payments for investments		(459,874)	(2,149,057)
Proceeds from sale of investments		506,887	1,625,748
Interest received		61,931	45,215
Investment expenses paid	5	(942)	(645)
Net cash from investing activities		108,002	(478,739)
Cash flows from financing activities			
Capital injection		-	666,000
Net cash from financing activities		-	666,000
Net (decrease)/increase in cash and cash equivalents		(121,876)	122,169
Cash and cash equivalents at 1 January		126,048	3,879
Cash and cash equivalents at 31 December	9	4,172	126,048

The Statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 5 to 24.

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Notes to the financial statements for the year ended 31 December 2012

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 28 March 2013.

(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. 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.

(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) Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas where critical accounting estimates and judgements are applied are included in note 2.

(d) Revenue

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.

Interest income
Interest income is recognised on an accruals basis.

(e) 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, 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 statement of financial position as an unexpired risk liability.

The liability adequacy test performed as at 31 December 2012 identified a surplus.

(f) Outwards reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received.

1. Summary of significant accounting policies (continued)

(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 ("IBNR"), incurred but not enough reported ("IBNER") 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.

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%.

(h) Reinsurance recoveries

Reinsurance recoveries are assessed regularly and expected future recoveries are estimated on the same basis as the liability for outstanding claims, 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 recoveries are then discounted to a present value at the balance date using a discount rate. A risk margin is added to the outstanding recoveries 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%.

(i) 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.

(j) 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 and income and expenses are translated using the average exchange rate for the year. Realised and unrealised foreign exchange gains and losses resulting from this translation are recognised in the statement of comprehensive income.

(k) 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.

(l) Rounding of amounts

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

1. Summary of significant accounting policies (continued)

(m) 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, Term Deposits and investments in money market instruments, such as Bills of Exchange.
- Fixed interest securities is taken as the bid price of the instrument.
- Receivables are initially recognised and subsequently measured at book value less provision for doubtful debts, which is the best estimate of fair value as they are settled within a short period.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Branch 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 Branch has transferred substantially all the risks and rewards of ownership.

(n) 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.

(o) 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 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.

(p) Payables

Payables 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.

(q) 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 2012. The liability valuation report was prepared by the Actuarial team and reviewed by the Appointed Actuary, Mr. Kaise Stephan FIAA, FNZSA. The process 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 judgments. These estimates and judgments 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, the results of which are used 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 judgments 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:

	2012	2011
Weighted average term to settlement (years)	2.3	2.6
Inflation rate	2.5%	2.5%
Discount rate	2.5%-4.4%	2.2%-5.1%
Claims handling expense ratio	1.1%	1.1%
Risk margin	9.5%	9.1%

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

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

(iii) 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 claims 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 2012 is used to derive the future effective annual interest rates.

- **Claims handling expense**

  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 expense 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 an opposite effect on outstanding claims liabilities.

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

(b) The effect of changes in key actuarial assumptions (continued)

- **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 liabilities include 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.

(c) Sensitivity analysis of changes in key actuarial 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 risk margin assumption was 9.1%, a 1% increase would mean a 10.1% risk margin. 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 liabilities ($'000)
Weighted average term to settlement	+10%	(8,026)
	-10%	8,427
Inflation rate	+1%	11,725
	-1%	(10,516)
Risk Margin	+1%	1,031
	-1%	(1,031)
Discount rate	+1%	(10,516)
	-1%	11,725
Claims handling expense ratio	+1%	10,877
	-1%	(10,877)

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.
- Reinsurance is held with highly rated group entities only.

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	
	Note	**2012 $'000**	**2011 $'000**
Cash and cash equivalents	9	4,172	126,048
Financial assets at fair value through profit or loss			
- Debt securities	11	1,008,447	996,348
- Term deposits with banks	11	-	85,000
Reinsurance recoveries	14	115,965	123,876
Amount due from ceding companies in respect of outstanding premium	10	71,221	39,386
Income tax receivable	6(c)	633	3,603
Tax loss transfers receivable	12	21,109	3,470
Accrued income	12	10,668	11,728
Other receivables	12	3,107	1,332
Total		1,235,322	1,390,791
No financial assets are either past due or impaired			
Grade 1-3 (Standard & Poor's A- to AAA)		1,213,041	1,385,270
Grade 4-5 (Unrated or Standard & Poor's BB+ to BBB+)		22,281	5,521
Total		1,235,322	1,390,791

3. Risk management policies and procedures (continued)

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

(i) Credit risk (continued)

All financial assets carried at fair value through profit or loss are categorised as level 1 of the fair value measurement hierarchy. The fair value of level 1 financial assets are based on quoted prices in active markets for identical instruments at the reporting date.

Other than with the New Zealand government, the Branch has no significant concentration of credit risk. The Branch has a significant retrocession credit exposure to Munich Reinsurance America, Inc. which has a Standard & Poor's credit rating of AA-.

(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 at carrying value except for outstanding claims when maturity profiles are determined on the discounted estimated timing of cash outflows

	Note	Up to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2012					
Amount due to ceding companies	16	2,897	-	-	2,897
Other creditors	16	214	-	-	214
Outstanding claims	17	396,498	618,070	151,602	1,166,170
Total		399,609	618,070	151,602	1,169,281
2011					
Amount due to ceding companies	16	2,664	-	-	2,664
GST payables	16	307	-	-	307
Other creditors	16	31	-	-	31
Outstanding claims	17	284,318	852,952	216,623	1,353,893
Total		287,320	852,952	216,623	1,356,895

(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 risk management framework 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.

3. Risk management policies and procedures (continued)

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

(iii) Market risk

Interest rate risk

The Branch has determined that all assets held are assets backing reinsurance 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 reinsurance 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	1 to 5 years	Over 5 years	Total $'000
2012						
Cash	2.00%	1,222	-	-	-	1.222
Deposits at call	3.00%	2,950	-	-	-	2,950
Investments						
Government bonds	6.07%	-	188,076	693,971	126,400	1,008,447
Total		4,172	188,076	693,971	126,400	1,012,619
2011						
Cash	2.00%	1,345	-	-	-	1,345
Deposits at call	2.45%	14,350	-	-	-	14,350
Bills of exchange – government endorsed	2.36%	-	110,353	-	-	110,353
Investments						
Government bonds	6.23%	-	-	847,772	148,576	996,348
Term deposits	3.68%	-	85,000	-	-	85,000
Total		15,695	195,353	847,772	148,576	1,207,396

A +/- 1% movement in the Government Bonds interest rate would have an impact of $52,816,834 (2011: $53,983,653) on the Statement of Comprehensive Income. A +/- 1% movement in the bank interest rate would have an impact of $24,430 (2011: $26,901) on the Statement of Comprehensive Income.

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 any other 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 and the purchase of catastrophe reinsurance cover. The reinsurance cover provides protection from single event losses, such as earthquake, in excess of the Branch's tolerance limit. 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. It reports financial and operational results quarterly and undertakes regular experience analyses to monitor emerging trends.

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

(j) The Branch received its provisional license from the Reserve Bank of New Zealand on 23 February 2012 on behalf of Munich Reinsurance Company. The Branch received in its draft provisional license an exemption from compliance with the solvency standard under section 59 of the Insurance (Prudential Supervision) Act 2010 because the licensed entity is Munich Reinsurance Company. It is the licensed entity that needs to comply with the solvency standard.

The goal of the current capital management plan for the Branch is to keep positive net assets at all times.

3. Risk management policies and procedures (continued)

(c) Capital management (continued)

(i) Regulatory capital (continued)

The capital structure is maintained or adjusted by the amount of capital repatriations/(injections) to/(by) its head office in Munich.

(ii) Ratings capital

Munich Reinsurance Company 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 Munich Reinsurance Company 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 at 31 December 2012. Munich Reinsurance Company manages its capital rating by performing periodical analysis using Standard & Poor's Capital model.

(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**	**2011 $'000**	**2012 $'000**	**Total $'000**
Estimate of net ultimate claims cost								
At end of underwriting year	50,346	74,447	49,897	57,776	416,855	114,021	19,534	
One year later	53,020	92,554	52,019	81,093	1,156,827	138,119		
Two years later	53,248	85,909	48,625	129,134	1,106,547			
Three years later	51,443	78,579	46,563	135,866				
Four years later	49,497	80,512	45,089					
Five years later	48,777	79,331						
Six years later	49,590							
Current estimate of ultimate claims cost	49,590	79,331	45,089	135,866	1,106,547	138,119	19,534	1,574,076
Cumulative net payments	(45,645)	(69,332)	(37,000)	(53,013)	(215,886)	(25,635)	(1,620)	(448,131)
Net undiscounted outstanding claims for the seven most recent underwriting years	3,945	9,999	8,089	82,853	890,661	112,484	17,914	1,125,945

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Notes to the financial statements for the year ended 31 December 2012

4. Revenue from operating activities

	2012 $'000	2011 $'000
Reinsurance revenue		
Inwards reinsurance premium revenue	58,982	99,211
Reinsurance recoveries (expense)/revenue	(7,911)	123,876
Total reinsurance revenue	51,071	223,087
Investment revenue		
Interest	60,872	53,671
Net realised and unrealised (losses)/gains	(25,888)	11,685
Total investment revenue	34,984	65,356
Other revenue		
Other income	1,121	158
Total other revenue	1,121	158
Total revenue from operating activities	87,176	288,601

5. Expenses from operating activities

	2012 $'000	2011 $'000
Reinsurance expense		
Inwards reinsurance claims expense	32,014	918,189
Outwards reinsurance expense	7,116	6,766
Acquisition expenses	16,454	32,124
Other underwriting expenses	90	56
Total reinsurance expense	55,674	957,135
Investment expense		
Net realised and unrealised losses on investments	-	-
Investment management expenses	942	645
Total investment expense	942	645
Other expenses		
General and administration expenses	6,954	6,954
Total other expenses	6,954	6,954
Total expenses from operating activities	63,570	964,734

6. Taxes

(a) Income tax expense

	2012 $'000	2011 $'000
Current taxes	(19,276)	(3,470)
Deferred taxes	26,755	27,120
Tax expense	7,479	23,650

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

	2012 $'000	2011 $'000
Profit/(Loss) before tax	23,606	(676,133)
Prima facie income tax benefits at the tax rate of 28%	6,610	(189,317)
Unrecognised tax losses at the tax rate of 28%	853	212,957
Non-deductible expenses	16	10
Tax expense	7,479	23,650

(c) Income tax receivable

	2012 $'000	2011 $'000
Opening balance at 1 January	3,603	3,603
Income tax received	(2,970)	-
Closing balance at 31 December	633	3,603

7. Net claims incurred

	2012			2011		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expenses						
Gross claims incurred - undiscounted	9,349	3,119	12,468	904,889	20,906	925,795
Discount movement	(368)	32,384	32,016	(79,281)	(1,832)	(81,113)
Discounted gross claims expenses	8,981	35,503	44,484	825,608	19,074	844,682
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	-	(10,000)	(10,000)	(121,500)	-	(121,500)
Discount movement	-	2,612	2,612	9,476	-	9,476
Discounted reinsurance and other recoveries revenue	-	(7,388)	(7,388)	(112,024)	-	(112,024)
Net claims incurred	8,981	28,115	37,096	713,584	19,074	732,658

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 a decrease in discount rates applied.

Comparative amounts for 2011 have been restated in accordance with the current year's presentation of net incurred claims which is exclusive of risk margins.

8. Underwriting result

	2012 $'000	2011 $'000
Inwards reinsurance premiums revenue (note 4)	58,982	99,211
Reinsurance recoveries (expense)/revenue (note 4)	(7,911)	123,876
Total reinsurance revenue	51,071	223,087
Inwards reinsurance claims expense (note 5)	32,014	918,189
Outwards reinsurance expense (note 5)	7,116	6,766
Acquisition expenses (note 5)	16,454	32,124
Other underwriting expenses (note 5)	90	56
Total reinsurance expense	55,674	957,135
Underwriting result	(4,603)	(734,048)

9. Current assets – cash and cash equivalents

Cash at bank	1,222	1,345
Deposits at call	2,950	14,350
Bills of exchange – government endorsed	-	110,353
Total	4,172	126,048

(a) Cash at bank

Cash at bank is bearing a floating interest rate of 2.0% during the financial year (2011: 2% to 2.5%).

(b) Deposits at call

The deposits at call are bearing a floating interest rate of 2.45% to 3.0% during the financial year (2011: 2.45% to 3.5%).

10. Current assets – outstanding premiums

Amounts due from ceding companies	71,221	39,386

11. Financial assets

Financial assets – fair value through profit or loss

Debt securities – unsecured	1,008,447	996,348
Deposits with banks	-	85,000
Total financial assets – fair value through profit or loss	1,008,447	1,081,348
Current financial assets	188,076	85,000
Non-current financial assets	820,371	996,348
Total financial assets – fair value through profit or loss	1,008,447	1,081,348

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(m)).

12. Current assets – other

Tax loss transfers receivable	21,109	3,470
Accrued income	10,668	11,728
GST receivable	3,107	1,332
Total	34,884	16,530

	2012 $'000	2011 $'000
13. Deferred acquisition costs		
Total	4,817	8,769
Reconciliation of movement in deferred acquisition costs		
Balance at 1 January	8,769	10,239
Costs deferred in financial year	11,612	31,236
Amortisation of costs deferred in previous financial years	(15,564)	(32,706)
Balance at 31 December	4,817	8,769
14. Reinsurance recoveries		
Current	60,302	-
Non-current	55,663	123,876
Total	115,965	123,876
15. Non-current assets – deferred tax		
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	22,138	49,435
Deferred acquisition costs	(1,349)	(2,455)
Insurance provision	3,567	4,131
Deferred tax assets	24,356	51,111
Movements:		
Balance at 1 January	51,111	78,232
Charged to the statement of comprehensive income	(26,755)	(27,121)
Balance at 31 December	24,356	51,111

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses amounting to $239,271,000 (2011: $238,315,000) because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits therefrom.

	2012 $'000	2011 $'000
16. Current liabilities – payables		
Amount due to ceding companies	2,897	2,664
Sundry creditors and accrued expenses	214	338
Total	3,111	3,002

17. Outstanding claims

(a) Outstanding claims

	2012 $'000	2011 $'000
Gross outstanding claims	1,117,033	1,322,033
Claims handling cost	12,289	14,557
Discount to present value	(64,179)	(96,195)
Discounted central estimate	1,065,143	1,240,395
Risk margin	101,027	113,498
Total outstanding claims – discounted	1,166,170	1,353,893
Current	396,498	284,318
Non-current	769,672	1,069,575
Total outstanding claims – discounted	1,166,170	1,353,893

(b) Reconciliation of movement in discounted outstanding claims liability

	2012 $'000	2011 $'000
Balance at 1 January	1,353,893	525,319
Incurred claims recognised in the statement of comprehensive income (note 5)	32,014	918,189
Claim payments during the year	(219,737)	(89,615)
Balance at 31 December	1,166,170	1,353,893

As identified in note 2(a), there are uncertainties with estimating outstanding claims. In particular, there are considerable uncertainties surrounding the measurement of gross claims liabilities and the related reinsurance recoveries arising from the NZ Earthquakes (2010 and 2011) due to the nature of these events.

Gross outstanding claims liabilities include $1.0 billion (2011: $1.2billion) which is the undiscounted central estimate of outstanding claims liabilities arising from the NZ Earthquakes. This estimate represents actuarial projection as at 31 December 2012 of what the Branch ultimately expects to pay, prior to receiving any reinsurance recoveries, in relation to these claims. The actuarial projections are based on the known facts and circumstances and assumptions regarding future events and key variables as detailed in note 2(a)(ii).

Given the nature and number of uncertainties associated with the NZ Earthquakes, our actual claims experience may deviate, perhaps substantially, from the gross outstanding claims liabilities recorded as at 31 December 2012. Any changes to estimates will be recorded in the accounting period when they become known.

After reinsurance and other recoveries the net outstanding claims liabilities in relation to the NZ Earthquakes amounts to $0.9 billion at 31 December 2012 (2011: $1.1billion).

18. Unearned Premium

	2012 $'000	2011 $'000
Unearned premium - current	20,036	35,776
Reconciliation of movement in unearned premiums		
Balance at 1 January	35,776	49,470
Deferral of premium on contracts written in the period	16,057	30,937
Earning of premium written in previous periods	(31,797)	(44,631)
Balance at 31 December	20,036	35,776

19. Current liabilities – provisions

	2012 $'000	2011 $'000
Profit and sliding scale commissions	1,487	634
Withholding tax	388	190
Total	1,875	824

20. Liability adequacy test

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

	2012 $'000	2011 $'000
Net central estimate of the present value of expected future cash flows	11,814	21,394
Risk margin	2,369	4,237
Percentage risk margin	20.1%	19.8%
Probability of adequacy to be achieved through adoption of the risk margin	75.0%	75.0%

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

	2012 $	2011 $
KPMG - Audit fees	37,110	41,018

22. Reconciliation of profit after income tax to net cash flows from operating activities

	2012 $'000	2011 $'000
Profit/(loss) for the year	16,127	(699,783)
Unrealised loss/(gain) on revaluation of investments	19,205	(12,761)
Net loss on sale of investments	6,683	1,076
Interest income	(60,872)	(53,671)
Investment management expenses	942	645
Increase in outstanding premiums	(31,835)	(6,439)
Decrease/(increase) in reinsurance recoveries	7,911	(123,876)
Increase in other receivables	(19,413)	(4,802)
Decrease in current tax	2,970	-
Increase in withholding tax	198	190
Decrease in deferred tax	26,755	27,120
Decrease in deferred acquisition costs	3,952	1,470
Increase/(decrease) in payables	109	(8,615)
(Decrease)/increase in outstanding claims	(187,724)	828,574
Decrease in unearned premium	(15,740)	(13,694)
Decrease/(increase) in profit commission	854	(526)
Net cash flows from operating activities	(229,878)	(65,092)

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Notes to the financial statements for the year ended 31 December 2012

23. Related party transactions

(a) Guarantees

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

(b) Transactions with related parties

The following transactions took place with related parties:

	2012 $	2011 $
Head office:		
Münchener Rückversicherungs-Gesellschaft AG		
Management services The Branch pays a percentage of its net premium revenue to head office as a fee for management services rendered.	130,054	307,128
Subsidiaries of Münchener Rückversicherungs-Gesellschaft AG:		
MEAG Munich ERGO Asset Management		
Investment management fees The Branch pays fees for the management of its investment portfolio on normal commercial terms and conditions.	941,498	644,576
Munich Reinsurance America, Inc		
Outwards reinsurance expense From 1 April 2011 to 14 September 2012 the Branch had in place a Catastrophe retrocession agreement to indemnify it from liability on individual losses or series of losses exceeding twenty million dollars up to a limit of one billion dollars per loss event for Marine and Property classes. Since 15 September 2012 the limit has applied to losses exceeding fourteen million dollars up to a limit of one billion dollars per loss event for Marine and Property classes. This agreement is made on normal commercial terms and conditions.	7,116,015	6,765,865
Claims inward portfolio transfer	-	889,752
Payment received for inward portfolio transfer	-	1,143,000
Munich Holdings of Australasia Pty Ltd		
Intercompany service fees The related party provides management services to the Branch.	3,570,700	3,853,455
Munich Reinsurance Company of Australasia Limited – New Zealand Branch		
Transfer of tax losses	2,429,862	3,373,366

Munich Reinsurance Company – New Zealand Branch

(Overseas company registered in New Zealand under the Companies Act 1993)

Notes to the financial statements for the year ended 31 December 2012

23. Related party transactions (continued)

	2012 $	2011 $
MunichRe New Zealand Service Limited		
Transfer of tax losses	16,845,071	96,314
Intercompany service fees	3,100,565	2,740,725
The related party provides management services to the Branch.		
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Inwards reinsurance premium written	13,785,924	24,979,028
Inwards reinsurance claims paid	6,630,702	4,840,709
Inwards reinsurance commission expense on premium written	7,762,550	19,910,008
The Branch conducts business with the related entity on normal commercial terms and conditions		

(c) Outstanding balances

Current account balances payable/(receivable) with related parties at the balance date were:

Münchener Rückversicherungs-Gesellschaft AG		
Management service fees	130,054	307,128
MunichRe New Zealand Service Limited		
Transfer of tax losses	(16,845,071)	(96,314)
Intercompany service fees	(3,106,472)	(1,332,263)
The Branch is a party along with Munich Reinsurance Company of Australasia Ltd and MunichRe New Zealand Service Limited to a Group GST registration. This means that the Branch could be liable for a GST liability arising in another entity in the group.		
Munich Reinsurance Company of Australasia Limited – New Zealand Branch		
Transfer of tax losses	(890,317)	(3,373,366)
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Great Lakes Reinsurance (UK) PLC (subsidiary of the ultimate parent company)		
Premiums receivable net of commission	(3,373,293)	(3,927,776)

No provision for doubtful debts has been raised in relation to any outstanding related party balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates (including market rental rates). Outstanding balances are unsecured and are repayable in cash.

(e) Key management personnel and director transactions

The key management personnel also provide services to the immediate parent and a number of fellow subsidiary undertakings for which payment is made by the immediate parent undertaking. It is not practical to apportion these emoluments received and therefore are not disclosed in respect of any key management personnel in these Financial Statements.

24. Contingencies

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

25. 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.

26. Subsequent events

No significant events have occurred subsequent to the end of the reporting date.

27. Credit rating

The Branch does not have a separate credit rating on its own. At the date of this report, Münchener Rückversicherungs-Gesellschaft AG has a credit rating of AA- from Standard & Poor's (2011: AA-)

Munich Reinsurance Company – New Zealand Branch

Directors' Declaration

In the opinion of the Directors of Munich Reinsurance Company, the financial statements and notes of the New Zealand Branch (the Branch), on pages 1 to 24:

(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 2012 and the results of operations and cash flows 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.

The Directors consider that they have taken adequate steps to safeguard the assets of the Branch, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financials statements of Munich Reinsurance Company – New Zealand Branch for the year ended 31 December 2012.

Signed in Munich on 28/03 2013 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

KPMG

Independent Auditor's Report

To the Shareholders of Munich Reinsurance Company - New Zealand Branch

Report on the Financial Statements

We have audited the accompanying financial statements of Munich Reinsurance Company - New Zealand Branch ("the branch") on pages 1 to 24. The financial statements comprise the statement of financial position as at 31 December 2012 and statements of comprehensive income, 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 1 to 24:

- 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 2012 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 - the New Zealand Branch as far as appears from our examination of those records.

KPMG

KPMG

Sydney

22 April 2013

Munich Reinsurance Company
New Zealand Branch (MRNZ)
Appointed Actuary's Report

1. This report is prepared in compliance with Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act), and with the exemption issued to Munich Reinsurance Company (Munich Re) by the Reserve Bank of New Zealand under Section 59 of the Act, dated 18 October 2012.

2. This report has been prepared by Susan Ley, the appointed actuary of MRNZ. I am a Fellow of the New Zealand Society of Actuaries and a Fellow of the Institute of Actuaries of Australia.

3. I am employed by Munich Holdings of Australasia Pty Ltd (MHA) in my capacity as appointed actuary of Munich Reinsurance Company Australian branch and MRNZ. MHA is a subsidiary of Munich Re, which has been engaged to provide management services to the Branch in accordance with its Outsourcing Policy. I have no other relationship with Munich Re or any of its associated companies.

4. This is the first such report produced in respect of MRNZ.

5. The report refers to a review carried out by me into the actuarial information included in the 2012 financial statements of MRNZ.

6. I have received all information and explanations I have required during the course of my work described above

7. Section 4.1.1 of the attachment to the Section 59 exemption defines actuarial information as:

    a. The unearned premium liability and liability adequacy test
    b. The Net Outstanding Claims Liability
    c. The reinsurance and other recovery assets
    d. Any deferred acquisition cost (DAC) or deferred fee revenue
    e. Any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting. I consider certain notes to the branch financial accounts to fall into this category.

8. It is MRNZ's policy to seek my advice in respect of (a) (b) and (c) above (noting that there are currently no other recovery assets). I have documented my valuation of the insurance liabilities for MRNZ including estimates of these amounts in my Insurance Liability Valuation Report (ILVR) dated 9 May 2013.

    In respect of item (d), I have been provided with details of how the DAC is calculated and the checks carried out on the amounts derived. I have reviewed the methodology used to calculate the DAC and have reviewed the checks carried out on the DAC used to complete these financial statements and am satisfied that they are reasonable. I note that there was no deficiency in the LAT that required an adjustment to the level of DAC and that there is no deferred fee revenue.

I have reviewed the notes to the accounts that I consider to contain actuarial information, specifically notes 2, 3(d), 14, 17(a) and 20, and have confirmed that they match the information that I provided to MRNZ.

9. In my opinion the actuarial information contained in and used in the preparation of the 2012 financial statements of MRNZ have been included and used appropriately in the preparation of those statements.

10. I have not reviewed the actuarial information included in the 2012 financial statements of Munich Re and have relied on the audited financial statements in relation to this information as it relates to matters other than insurance business carried out in New Zealand.

11. The German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) has provided a letter to the RBNZ, dated 11 January 2013 stating that "The company fully complies with the solvency rules that apply to reinsurers".

Susan Ley

Susan Ley
Fellow of the New Zealand Society of Actuaries
Fellow of the Institute of Actuaries of Australia
9 May 2013

Munich RE

Munich Reinsurance Company
Annual Report 2012

2012

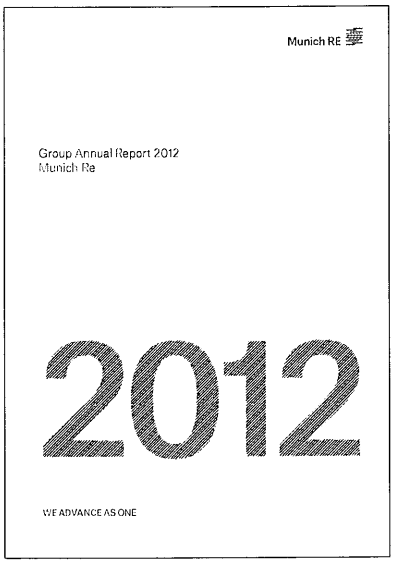
NOT IF, BUT HOW

Key figures

Munich Reinsurance Company

€m	2012	2011	2010
Gross premiums written	25,541	23,305	20,410
Investments	75,618	72,664	72,661
Net technical provisions	52,682	53,844	53,395
Shareholders' equity	11,051	9,855	10,265
Profit/loss for the year	2,390	1,051	1,360
Dividend	1,255	1,110	1,110
Dividend per share in €	7.00	6.25	6.25
Share price at 31 December in €[1]	136.00	94.78	113.45
Market capitalisation at 31 December	24,390	16,998	21,382

1 Source: Datastream



All the facts and figures for the 2012 financial year can be found in our Group Annual Report. More at www.munichre.com/annualreport2012

Contents

Munich Reinsurance Company
Report on the 133rd year of business
1 January to 31 December 2012

Dr. Bernd Pischetsrieder
Chairman of the
Supervisory Board

Ladies and gentlemen,

In the year under review, the Supervisory Board fulfilled all the tasks and duties incumbent upon it by law and under the Articles of Association and rules of procedure. We constantly and carefully monitored the management activities of the Board of Management, providing advice to the best of our knowledge and ability. Inspection measures in accordance with Section 111 para. 2 sentence 1 of the German Stock Companies Act were at no time required.

Collaboration between Supervisory Board and Board of Management

Cooperation between the Supervisory Board and the Board of Management was based on open and constructive dialogue, with the Supervisory Board being consulted on all decisions of fundamental significance for the Group. The Board of Management informed us regularly both verbally and in writing about all important business transactions, thereby satisfying its reporting obligations to the Supervisory Board in all respects.

In the year under review, the full Supervisory Board held six meetings, at which it dealt in detail with the orientation and development of business and matters concerning the Board of Management. We conferred with the Board of Management on all questions of importance for Munich Re, especially strategy, corporate planning, risk situation, risk management and compliance. We examined the information presented by the Board of Management and - where necessary - critically questioned it. The Board of Management participated in the meetings insofar as the topics discussed did not require its absence.

Between meetings, the Board of Management informed us promptly about important issues in the Group, including the first loss estimate for the Costa Concordia accident, a capital management transaction, and developments with regard to the incidents involving ERGO published in the media.

The Chairman of the Supervisory Board kept in regular contact with the Chairman of the Board of Management between meetings, the focus being on individual questions of strategic development and risk management, as well as Munich Re's current business situation. Besides this, he was kept informed by the Chairman of the Board of Management about important events in the Group. Also between meetings, the Chairman of the Audit Committee, Professor Dr. Henning Kagermann, conferred with Dr. Jörg Schneider, member of the Board of Management responsible for Group reporting, about significant developments. In addition, the shareholder representatives and the employee representatives regularly met separately before the meetings for separate discussions in which they considered important topics with the Chairman of the Board of Management.

Focal points of the meetings of the full Supervisory Board

The business development of Munich Re (Group) was on the agenda of five of the six Supervisory Board meetings, being debated at length on each occasion. We discussed the strategic considerations of the Board of Management and looked at the risks in the individual fields of business. As in the previous years, we kept track of the situation on the capital markets and concerned ourselves with the impact of the sovereign debt and banking crisis on the Group's assets and earnings. The Board of Management kept us up to date on the performance of the Company's investments. We continued to monitor the measures taken by ERGO to investigate the aforementioned incidents, which remained the subject of sometimes intensive media coverage in 2012, and obtained information on the individual steps to remedy any irregularities. The Board of Management also reported to us regularly on the latest position regarding the introduction of the planned new European supervisory regime Solvency II and the debate on the potential systemic importance of insurers, whose impacts for Munich Re we discussed in detail.

The meeting in March 2012 focused on the Company and Group financial statements for 2011 and the motions for resolution by the 2012 Annual General Meeting. We gave details of this in our report for the financial year 2011. Besides this, we resolved to extend the appointments of two members of the Board of Management, including the Chairman. As a further point, we adopted resolutions to adapt pensions to take account of changes in the statutory age limits for company pension schemes. We also established the individual objectives for the Board members' variable remuneration components for 2012 and took regular reports on compliance and anti-fraud management. And finally, we appointed the external auditors for the 2012 financial year.

A meeting in April was devoted solely to matters involving the Board of Management: we evaluated the extent to which its members' financial and individual annual objectives had been achieved and determined their bonus payments for 2011. We also decided on the degree to which objectives had been achieved under the value-based Mid-Term Incentive Plan 2009–2011 and on the resultant bonus payments for the Board of Management. At another meeting in April, directly prior to the Annual General Meeting, we obtained the customary report on the status of business development in 2012.

At the meeting in July, the CEO of ERGO Direkt Versicherungen presented his company's business model to us. We discussed the focal points of human resources work in the Group and were briefed on the 2011 compensation report in accordance with the German Insurance Compensation Regulation. Moreover, we altered the distribution of responsibilities on the Board of Management so that the compliance function became a separate central division reporting directly to the Chairman of the Board of Management.

At the October meeting, we looked closely at topics of corporate governance (see the relevant section later in this annual report). We also altered the rules of procedure for the Audit Committee in two respects: firstly, we added the Head of the Actuarial Function to the list of people who report to the Audit Committee; secondly, we specified procedure regarding the choice of external auditor for the financial statements and the explanation of the audit planning. Lastly at this meeting, we were given a special presentation on business in Latin America, which we followed with a detailed discussion on reinsurance strategy in these countries.

At the December meeting, routinely attended by two representatives of the German Federal Financial Supervisory Authority (BaFin) as guests, we dealt in depth with matters relating to the Supervisory Board. Owing to the retirement of Dr. Hans-Jürgen Schinzler as Chairman of the Supervisory Board with effect from 31 December 2012, we elected his successor and decided on the other changes required as a result of his leaving the Board. We also addressed a proposal to adjust the remuneration of the Supervisory Board and looked at issues involving the personal risk management of members of the Supervisory Board. After a detailed consultation, the Supervisory Board adopted changes in the remuneration system for the Board of Management with effect from 1 January 2013 and in that Board's remuneration as from 2013. We also decided on the assessment bases for the 2013 financial objectives for annual and multi-year remuneration. On the basis of the report by the Group's Chief Risk Officer (CRO) on the Group's risk situation and risk-bearing capacity, we discussed the Group's risk strategy with him at length. In connection with the Group planning for 2013–2015 presented by the Board of Management, we queried deviations in actual business performance from the planning for the year under review. Finally, we were given a presentation that enabled us to obtain a picture of the status and development of ERGO International.

Work of the committees

The main tasks of the five committees established by the Supervisory Board include preparing items to be dealt with and resolved by the full Supervisory Board. At each Supervisory Board meeting, the Chairs of the committees reported to the full Board about the matters discussed by the committees and the outcome of their considerations.

The Personnel Committee held six meetings in the period under review. At the beginning of the year, it prepared the proposals to be submitted to the full Supervisory Board regarding the individual variable remuneration objectives for the members of the Board of Management in 2012. In addition, it agreed to propose to the Supervisory Board that the contracts of two members of the Board of Management, including the Chairman, be extended. Also on the agenda was the preparation of the proposals for the full Supervisory Board to adjust the pension scheme to take account of the altered statutory age limits. The Committee discussed the proposals to be submitted to the full Supervisory Board for evaluation of the annual performance for 2011 with regard to the individual and financial objectives of the members of the Board of Management and their bonus payments. At the same time, it decided on the proposal to the full Supervisory Board for evaluation of the degree to which objectives had been achieved under the Mid-Term Incentive Plan 2009–2011. The committee obtained extensive reports on the fringe benefits and remuneration in kind for the Board of Management as disclosed in the 2011 Annual Report. It also closely considered information on the succession planning process for members of the Board of Management and prepared the proposal for altering the distribution of responsibilities on the Board of Management. At various meetings, the committee approved changes in the memberships of supervisory and advisory boards and comparable offices held by members of the Board of Management. The members of the committee obtained detailed information and intensively discussed changes in the remuneration system for the Board of Management with effect from 1 January 2013, prior to recommending the relevant proposal to the full Supervisory Board for decision. At the end of the reporting period, the committee considered the proposal to be submitted to the full Supervisory Board regarding the Board of Management's remuneration from 2013 onwards. It also prepared submissions to the full Supervisory Board on the weightings of the individual target categories and measurement bases for the financial objectives in connection with the variable remuneration for 2013.

The Standing Committee held four meetings, each of which primarily served to prepare meetings of the full Supervisory Board. Substantial attention was given to corporate governance topics. Thus, the Standing Committee decided to review the efficiency of the Supervisory Board's work in the year under review on the basis of an extensive questionnaire. After evaluating the responses to this survey, it discussed the results and agreed on a number of measures for improvement, which were presented to the full Supervisory Board by the Chairman. At one meeting, the committee also took delivery of a report on expenditure for donations and sponsoring in 2011. It was regularly briefed on the current status of the share register.

The Audit Committee held six meetings in the period under review, two of which were attended by the external auditor. The committee closely considered 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 2011. It also concerned itself in detail with the quarterly financial reports in 2012 and – in the presence of the auditor – with the half-year financial report for 2012.

The Head of Group Audit provided information on the result of the 2011 audits and the audit planning for 2012. As usual, the Compliance Officer also reported to the committee. The Audit Committee regularly dealt with compliance topics beyond this. In particular, it continued to monitor the measures taken in response to the allegations levelled against ERGO in the media and considered possible consequences in connection with a fraud case in the reinsurance business. The development of embedded values in life reinsurance business and in life and health primary insurance business was also an item of discussion.

In the past financial year, the Audit Committee again concerned itself with the impact of the continuing sovereign debt and banking crisis, especially on Munich Re's asset management. The committee monitored the Group's risk situation: alongside quarterly written reports, it had the opportunity at three meetings to obtain information in person from the CRO, with whom the members of the Audit Committee gave detailed consideration to developments in risk management and the risk strategy. The CRO also provided a detailed insight into the internal control system and the status of its implementation in the Group. The committee additionally requested a report on the main innovations and adjustments of the core elements of the Group's risk model. Besides this, the Audit Committee took a fundamental look at the form and content of the reporting.

It reviewed and monitored the auditor's independence. In this connection, the committee obtained reports from the auditor on the latter's 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 2012, 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 committee commissioned the audit for the financial year 2012 and also commissioned the auditor's review of the 2012 half-year financial report. The committee specified procedure regarding the choice of auditor and information regarding the audit planning. These two changes, as well as the addition of the "Head of the Actuarial Function" to the list of persons reporting to the Audit Committee, were incorporated in a proposal submitted to the full Supervisory Board to adjust the rules of procedure for the Audit Committee.

In the second half of the year under review, the Nomination Committee devoted itself to considerations regarding the successor to the Chairman of the Supervisory Board and – taking into account the criteria catalogue and the objectives determined by the Supervisory Board for its composition – suitable candidates to fill the ensuing vacancy on the Board. It reached agreement that Professor Dr. Dr. Ann-Kristin Achleitner, Scientific Director of the Center for Entrepreneurial and Financial Studies (CEFS) at the Technical University of Munich, be proposed as a candidate to the shareholders. At the suggestion of the committee and with the consent of the shareholders' representatives, the Board of Management applied for the appointment of Professor Achleitner by the Registration Court. Under item 5.4.3 of the German Corporate Governance Code, this appointment is limited until the next Annual General Meeting. The Supervisory Board is proposing that she be elected by the 2013 Annual General Meeting for the 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 convene in the financial year ended.

Corporate governance and declaration of conformity

Details of this can be found in the corporate governance report on page 42 ff.

The Supervisory Board closely considered the changes to the German Corporate Governance Code adopted in the year under review, particularly the topic of Supervisory Board members' independence, and added this criterion to the objectives for the future composition of the Board already decided on in 2010.

The Standing Committee informed the full Supervisory Board about the outcome of the efficiency review. On the basis of the responses to the survey, the Supervisory Board concluded that the Board of Management's reporting and the work of the Supervisory Board are appropriate and efficient.

Nearly all the members of the Supervisory Board took advantage of the internal information event offered again in 2012, which this time dealt with the topics of reinsurance, accounting and – quite explicitly – the relevance of the interest-rate level in primary insurance and reinsurance.

In November 2012, the Board of Management and Supervisory Board submitted their compulsory 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 42 ff.

Changes on the Supervisory Board

The Chairman of the Supervisory Board, Dr. Hans-Jürgen Schinzler, retired from the Company's Supervisory Board at the end of the year under review. We wish to thank Dr. Schinzler for his great commitment in responsibly and prudently chairing our Board over the past eight years. He was a very experienced counsellor to the Board of Management, of which he himself had been a member for many years, ten of these as Chairman. Dr. Schinzler played a substantial role in shaping Munich Re's development over a long period, for which he deserves great gratitude and recognition. As a tribute to his achievements, the Supervisory Board has appointed him Honorary Chairman.

To fill the vacancy on the Supervisory Board, the Registration Court appointed Professor Dr. Dr. Ann-Kristin Achleitner as a new member of the Board on 3 January 2013.

Company and Group financial statements for 2012

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the Company and Group management reports and financial statements as at 31 December 2012 and gave them an unqualified auditor's opinion. The respective reports and the Board of Management's proposal for appropriation of the net retained profits were subsequently submitted directly to the members of the Supervisory Board. At its meeting on 4 February 2013, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2012. On 10 March 2013, it 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 gave detailed consideration to the auditor's reports. On the following day, at the balance sheet meeting, the Chairman of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations.

The full 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. On the basis of this 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 11 March 2013. The financial statements were thus adopted. Having carefully weighed all the relevant aspects, the Supervisory Board agreed with the proposal of the Board of Management 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 outstanding work, which resulted in a very gratifying business performance in 2012.

Munich, 11 March 2013

For the Supervisory Board

Dr. Bernd Pischetsrieder
Chairman

Contents

Management report

Munich Reinsurance Company

Structure

Munich Re combines primary insurance and reinsurance under one roof. This enables the Group to cover the entire value chain in the risk market. At the same time, the Group leverages synergies in revenue and costs, whilst reducing the risk-based capital required through better diversification. All reinsurance units operate worldwide under the uniform brand of Munich Re. The ERGO Insurance Group is active in nearly all lines of life, health and property-casualty insurance. Our international health reinsurance business and health primary insurance outside Germany are combined under the Munich Health brand. Munich Re is also active in the field of asset management. Munich Reinsurance Company is Munich Re's parent company.

We offer a full range of products, from traditional reinsurance to innovative solutions for risk assumption. Our companies conduct their business from their respective headquarters and also via a large number of branches.

Munich Reinsurance Company and ERGO Versicherungsgruppe AG are under unified control within the meaning of the German Stock Companies Act. The relevant statutory regulations, domination agreements and Group directives govern the distribution of responsibilities and competences for key decisions between Group management and ERGO.

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

The reinsurance divisions
Our international life business is written in the Life Division.

Our Europe and Latin America Division is responsible for property-casualty business with 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 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 property-casualty subsidiaries there and for international special lines business such as workers' compensation, marine and our participating interests in the London Lloyd's market via the Watkins Syndicate and MSF Pritchard.

The reinsurance units at a glance[1]

Division	Selected subsidiaries and branch offices outside Germany[2]
Life	Munich American Reassurance Company, Atlanta, Georgia Munich Re, Tokyo (Life Branch) Munich Re, Toronto (Life Branch) Munich Reinsurance Company of Australasia Limited – New Zealand Branch, Auckland Munich Reinsurance Company of Australasia Ltd., Sydney Munich Re, London (Life Branch)
Europe and Latin America	Bell & Clements (London) Ltd., London Munich Re do Brasil Resseguradora S.A., São Paulo[3] Munich Re, Madrid[3] Munich Re, Milan[3] Munich Re, Paris Munich Re, London (General Branch)
Germany, Asia Pacific and Africa	Great Lakes Australia Branch, Sydney Great Lakes Reinsurance (UK) PLC New Zealand Branch, Auckland Munich Re, Sydney Munich Holdings of Australasia Pty. Ltd., Sydney Munich Mauritius Reinsurance Co. Ltd., Port Louis Munich Re, Kuala Lumpur Munich Re, Kuala Lumpur (Retakaful Branch) Munich Re, Beijing[3] Munich Re, Hong Kong[3] Munich Re, Seoul[3] Munich Re, Auckland Munich Reinsurance Company of Africa Ltd., Johannesburg Munich Re, Singapore[3]
Special and Financial Risks	Great Lakes Reinsurance (UK) Plc., London[3] Great Lakes Switzerland Branch, Zurich Great Lakes Reinsurance Ireland Branch, Dublin Great Lakes Reinsurance Italia Branch, Milan Munich Re of Malta p.l.c., Ta' Xbiex[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
The 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 detailed list of shareholdings can be found on page 127 ff. in the notes to the financial statements.
2 Only subsidiaries and branches 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.

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 has combined its health reinsurance worldwide and health primary insurance outside Germany under the brand of Munich Health. This covers large stretches of the healthcare-sector value chain and has been shown as a separate segment since 2010.

MEAG MUNICH ERGO AssetManagement GmbH (MEAG) handles the investment activities of Munich Re and ERGO. 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. Therefore, 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.

Munich Re's value-based management philosophy

Munich Re's objective is to analyse risks from every conceivable angle and to assess and diversify them, creating lasting value for shareholders, clients, and staff with high profits in relation to the risks assumed. A guiding principle of our entrepreneurial thinking and activity is to increase Munich Re's share price on a sustained basis. This is the aim of our active capital management and the consistent application of value-based management systems.

The framework for any business activity is our risk strategy, from which we derive various limitations and reporting thresholds. Besides value-based parameters, we observe a range of important additional conditions in managing our business. These conditions 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. Only the risk-return relationship reveals how beneficial an activity is from the shareholder point of view.
- With value-based performance indicators, we ensure an economic valuation and the comparability of alternative initiatives.
- We clearly assign responsibilities and make the levers for adding value transparent for both management and staff.

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 the often complex economic realities as closely as possible and enshrining added value as the Group's overriding guiding principle. The background is multifaceted, and the parallel use of different performance indicators unavoidable.

At Group level, we measure economic value added using a single metric: economic earnings. In our business segments, however, we use specific performance indicators such as value added (property-casualty insurance, health reinsurance) and Market Consistent Embedded Value (life insurance, the majority of our health primary insurance business), which take into consideration the specific features of the business concerned and factor in the effects of asset-liability management. In property-casualty business and health reinsurance we also take account of the combined ratio.

Economic earnings and return on risk-adjusted capital

We calculate the value we have created at Group level in a given period – largely in harmony with the future Solvency II supervisory regime – using economic earnings, although we are still working on improving and refining the methodology and data bases. The starting point in determining economic earnings is the change in economic capital during a given period. This is adjusted for capital inflows and outflows, including dividend payouts.

In order to also give more emphasis in external communication to Munich Re's value orientation – as implemented through our internal management tools – we take as our Group target the return on risk-adjusted capital (RORAC) after tax. We derive this risk-based performance measure by placing the consolidated result in relation to the necessary economic risk capital, the amount of which we determine using our internal risk model. 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 role in future. The connection to the IFRS consolidated result is consequently preserved.

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 after deduction of risk-free interest after tax (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. This may be necessary in certain cases for rating and solvency purposes, as well as for profitable growth. The additional available economic equity in the system presented here earns a risk-free interest rate because all the risk components of the investments and underwriting are covered with risk-based capital by the internal risk model, and assigned return requirements. If the risk capital exceeds the available economic equity, we set the adjustment item in the RORAC formula to zero.

RORAC is a pragmatic mixture of accounting ratios and economic indicators, which are not mutually consistent. Only when the requirements of Solvency II for capital resources and performance calculation have been reliably established, do we intend to gear our targets to these performance measures. Irrespective of the risk-based perspectives we emphasise, we always aspire to meet the high, but fair, expectations of our investors with regard to the return on total capital placed at our disposal (return on equity).

Combined ratio

The combined ratio is regularly posted for property-casualty business and health reinsurance. Calculated as the percentage ratio of the sum of expenses for claims and benefits plus operating expenses to earned premiums (all of which net, i.e. after reinsurance cessions), the combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio of 100% means that premium income was exactly sufficient to cover claims and costs. Expenses for claims and benefits mainly include paid claims, the change in claims provisions, and the bulk of other underwriting expenses – with relatively unimportant exceptions such as German fire brigade tax. Operating expenses chiefly comprise the costs arising in the acquisition of new business and for the ongoing administration of insurance contracts.

Interpreting the combined ratio

When 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 severe when they do.
- Another important distinguishing feature relates to the time-lag between premiums being received and claims being paid. The more extended this period is, 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.

This is why the combined ratio is not our only target. This figure is also only of limited suitability for comparing the financial performance of competitors owing to differing calculation methods and portfolio mixes. Generally, however, we aim to keep the combined ratio as low as possible by means of good underwriting and claims management.

Value added

Calculation of value added is used in our economic management system for property-casualty business and health reinsurance. The respective value added (adjusted for random fluctuation for this purpose) is determined as follows:

Adjusted result – Cost of equity = Value added

The adjusted result is derived from the income statement and consists primarily of the technical result, the normalised investment result and the remaining non-technical result. It contains value-based adjustments, including the smoothing of expenditure for major losses over time and the recognition of future claims expenses at their 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.

Market Consistent Embedded Value

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 97% of our life primary insurance and German 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. 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 2012. Assets that are traded on the capital markets are valued on the basis of the market values observed at the valuation date. Currently, we refrain from applying high interest margins, e.g. illiquidity premiums and adjustments in the value of assets, even after the occurrence of capital market upheavals, at least until the definitive stipulations for Solvency II are available, thus opting for a deliberately conservative methodology for valuing our primary insurance portfolio.

The development of the insurance portfolio is modelled by applying the current expectations for biometrics (e.g. mortality and morbidity), lapses and costs. In primary insurance, the participation of policyholders in surplus is modelled according to the current planning and in line with statutory regulations. 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 dividends paid by Group companies are disregarded. The cost of capital includes not only the costs of investment management and taxes, but also the not explicitly modelled risks of the business and, for health primary insurance, the participation of policyholders in surplus from equity-matching investments.

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. This performance indicator can be broken down into parameters including "change in value of new business" and "value of in-force business".

1 © Stichting CFO Forum Foundation 2008.

Asset-liability management

We mirror important features of our underwriting liabilities on the assets side of the balance sheet

The main focus of Munich Re's investment strategy is asset-liability management (ALM), which is a fundamental pillar of our value-based management system, and in which we take into account key characteristics of underwriting and other liabilities in structuring our investment portfolio and measure investment risks not only in absolute terms but also in relation to changes of values in our liabilities. With ALM, we aim to ensure that economic factors influence the value of our investments and that of our technical provisions and liabilities in the same way, which reduces our vulnerability to the effect of capital market fluctuations and stabilises our equity. 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 terms of currency positioning, exchange-rate fluctuations thus affect assets and liabilities in equal measure. Currency translation losses on assets are largely offset economically by currency translation gains on underwriting liabilities, although this relationship is not always adequately reflected in the financial statements owing to economically imperfect accounting regulations. 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 achievable. To a limited extent, we also align our investment portfolio in such a way that it increases in value in line with rising inflation rates. To achieve this, we invest in inflation-sensitive asset classes such as inflation-linked bonds and inflation-linked swaps, as well as in real assets.

To configure our economic ALM as effectively as possible, we also use derivative financial instruments to hedge against fluctuations on the interest-rate, equity and currency markets. Under IFRS accounting, we recognise these in profit or loss, i.e. as income or expense in our income statement. However, such recognition in the income statement is not usually possible with regard to the related underlying transactions themselves. Despite our economically well-balanced underwriting and investment portfolios, accounting inconsistencies of this kind and other differences between the economic and balance-sheet perspectives can give rise to considerable fluctuations in our IFRS investment, currency and consolidated result, particularly in times of greater volatility on the capital markets.

Non-financial performance measures

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. On the basis of a comprehensive understanding of value creation with short-term and long-term, financial and non-financial parameters, 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 wherever possible how much the individual, unit or field of business contributes to increasing long-term value. Our incentive systems for staff, executives and Board support this orientation: in general, the higher the hierarchical level, the more strongly remuneration is based on performance.

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 around 94% of our net earned premiums for Munich Reinsurance Company. An accurate forecast is not possible, partly due to the obvious fluctuations in the incidence of major losses. Taking the preceding financial year as a basis and assuming similarly favourable claims experience for 2013, we project that the technical result before claims equalisation provisions will be around the same level as the year under review.

Given the current capital market situation, Munich Reinsurance Company's return on investment is likely to fall below the level reached in the year under review. As things stand at present, we expect to achieve a very good German Commercial Code result in 2013 and also in 2014.

Business environment

General parameters

Our business environment is being shaped by a number of global trends with a long-term impact. Demographic shifts are posing enormous challenges for social security and healthcare systems, particularly in industrialised countries. By contrast, in many developing and emerging countries, we are witnessing not only rapid population growth but also a swift rise in prosperity among large sections of the population. As a result, the emerging economies in Asia especially are gaining in global economic and geopolitical importance. Technological progress and digitalisation are accelerating the globalisation of capital flows and supply chains, and increasing the complexity of the world economy.

Disproportionate increase in insured losses in several regions

In this environment, we are seeing a growing number of natural-catastrophe loss events in several regions, with a disproportionate rise in insured losses in relation to economic activity. The chief reasons for this are the growth in values in exposed areas and the increase in the density of insurance against natural catastrophes. It is also highly probable that climate change plays a certain role in weather-related natural catastrophes, as the frequency and intensity of weather extremes are changing in many regions. This is producing new risk potentials and accumulation risks that make it imperative to constantly refine our underwriting.

Economic parameters

The year 2012 was marked by the continuing sovereign debt and banking crisis in the eurozone and a further cooling of global economic growth. Monetary policy in the major industrialised countries remained expansive, yields on US and German government bonds fell further, and inflation rates stayed moderate worldwide, whilst the stock markets advanced.

Global economic growth was again only moderate. This was mainly due to the still-smouldering sovereign debt and banking crisis in the eurozone, which recurrently unsettled the financial markets and the real economy. The eurozone as a whole had already slid into a recession in late 2011 from which it was unable to free itself during the period under review. Budget consolidation measures curbed growth, and at the same time the rate of unemployment continued to rise, reaching a record level with an annual average of 11.4%. Even the economy in Germany, which had seemed barely affected by the crisis at the start of the year, flagged in the second half of the year.

Chinese economic growth slowed considerably, due in part to receding export demand. The performance of the Japanese economy also weakened over the course of the year. The impetus provided by reconstruction activities following the earthquake in 2011 dried up and the lower export demand from Europe and China left its mark. Meanwhile, the moderate economic growth of the USA buttressed the global economy. Initial indications of improvement were apparent on the housing market, and private consumption also rose. However, the rate of unemployment fell only slightly, averaging 8.1% for the year. This led the Federal Reserve to continue its expansionary monetary policy.

Capital markets

The development of the capital markets over the course of the year reflected the ups and downs of the sovereign debt and banking crisis in the eurozone. In the first few months of the year, a number of crisis-management measures initially brought relief, e.g. the establishment of the European Stability Mechanism (ESM) as a permanent rescue fund, and the successful EU negotiations on the Fiscal Compact. In March, Greece's private creditors approved a haircut of over €100bn. The European Central Bank (ECB) also again made liquidity available to European banks at low interest rates on a large scale in the first quarter of 2012.

Investor confidence diminished when, several weeks after the Greek elections in April, the coalition negotiations were declared a failure and new elections were announced. Furthermore, difficulties in the Spanish banking sector had again fostered doubts as to the sustainability of the debt position, and led to increased fears of contagion involving other countries. Major share price indices fell considerably, the euro lost ground against the majority of currencies, and investors fled back to US and German government bonds. In July, yields on securities with periods to maturity of ten years sank to below 1.4% (USA) and 1.2% (Germany).

Investors' confidence returned in the second half of the year, primarily due to the ECB announcement that under certain circumstances it would buy up unlimited short-maturity government bonds of crisis-afflicted countries on the secondary market. Yields on German and US government bonds consequently rose somewhat, but were still below their beginning-of-the-year level at the close of 2012, and continued to display a negative real interest rate, i.e. remained below inflation rates. The euro regained ground against the US dollar, Japanese yen and pound sterling in the second half of the year. The stock markets in the USA, Japan, Germany and even the eurozone showed clear improvements at year-end 2012.

Monetary policy in the major industrialised countries remained very expansive. The US Federal Reserve and the Japanese central bank maintained key interest rates in the range of 0% to 0.25% and 0% to 0.1% respectively, while the Bank of England adhered to a rate of 0.5%. The European Central Bank lowered its reference interest rate from 1.0% to 0.75% at the start of July. In addition, the aforementioned central banks resolved further measures, chief among them being the purchase of bonds to stimulate the economy and stabilise the financial markets.

Insurance industry

Adjusted for inflation, global non-life premium income grew more strongly in 2012 than in the previous years. Although insurance demand in Europe was curbed by the weakness of the economy, premium growth was sustained by a slight increase in prices in property-casualty insurance and by further burgeoning demand for insurance cover in many emerging markets. Global premium income in life insurance showed a slight fall after adjustment for inflation. The main reasons for this were the shrinking premium volume in Europe and weak growth in the USA and China.

The continuing low-interest-rate environment poses considerable challenges for insurers owing to the decline in investment returns. Life insurers needing to meet interest-rate guarantees are particularly affected.

The low interest-rate level also put pressure on margins in the liability and property segments and necessitated premium increases, especially in long-tail business.

Meanwhile, the shareholders' equity of most insurers and reinsurers grew in 2012 due in part to low interest rates, because current accounting practice resulted in higher values for fixed-interest investments, whereas changes in market interest rates have scarcely influenced the valuation of liabilities. This apparent capital strengthening had a curtailing effect on demand for reinsurance cover, yet stimulated its supply. Whilst in the first half-year reinsurance prices had risen significantly, owing partially to the exceptional accumulation of major losses in the previous year, the average price increases realised in the 1 July renewals were already only marginal. In the renewals at 1 January 2013, prices remained almost the same on average.

According to provisional estimates, inflation-adjusted premium income in the German insurance industry stagnated in 2012. While premiums in private health insurance and property-casualty insurance increased significantly, those in life insurance decreased after adjustment for inflation. This was due to a further decline in single-premium business in life insurance, which had enjoyed exceptionally strong growth in 2009 and 2010.

Overview and key figures

The financial year 2012 was marked by slightly below-average costs for major losses and a good business performance overall. The significantly improved underwriting result before claims equalisation provisions reflects these favourable circumstances.

Performance in life reinsurance was pleasing. Property-casualty reinsurance also produced a higher consolidated result owing to the moderate expenditure for major losses.

Munich Reinsurance Company wrote gross premiums totalling €25.5bn (23.3bn) in 2012, a year-on-year increase of 9.6% (14.2%). In contrast to the previous year, the development of the euro against other currencies had a positive effect of €1.6bn on our premium income. Without currency translation effects, premium volume would have risen by 2.7% in the financial year. Approximately €21.4bn (18.9bn) or 84% (81%) of premium was written in foreign currency, of which 31% (29%) was in Canadian dollars, 18% (17%) in US dollars, and 10% (9%) in pounds sterling. 16% (19%) of our premium volume was transacted in euros, with some 94% (93%) coming from business with non-German clients.

In the year under review, we again posted marked rises in premium income in both life and health reinsurance. Premiums in life reinsurance were up by 17.8% to €9.2bn (7.8bn), whereas in health reinsurance we posted premium income of €4.2bn (3.9bn), an increase of 9.7%. This was in part due to the continuing dynamic expansion of the primary insurance markets in Asia and to large-volume treaties where reinsurance serves primarily as an instrument for capital management. As a financially strong partner and provider of customised solutions, we benefit from our long-term client relations in this regard. We cover biometric risks, thus improving our clients' capital structure and providing them with solvency relief.

In property-casualty reinsurance, we posted a rise in premium income of 4.1% to €12.1bn (11.7bn) in 2012.

The renewal negotiations for reinsurance treaties produced very satisfactory outcomes overall in 2012. Thanks to our capital strength and our ability to develop complex and customised solutions for our clients, we were able to achieve good terms and conditions and increase the profitability of our portfolio. We adhered to our focused and disciplined underwriting policy and withdrew from business that did not meet our pricing requirements.

Fire reinsurance saw a rise in rates, especially in the regions of Australia, Asia and Japan. Besides this, we achieved significant price increases for the insurance of natural catastrophe risks in the USA and Latin America. In aviation business, however, prices remained under pressure. Proceeding from a good level, credit and bond business also showed a moderate reduction in rates. In most other regions and classes of business, prices tended to move sideways.

Our underwriting result before claims equalisation provisions amounted to €656m in 2012, compared with a loss of –€1.5bn in the previous year. This gratifying figure essentially reflects moderate major losses in terms of both the number and volume. As part of our customary review of reserves, we nevertheless further strengthened the still solid overall level of reserves in the course of the year, i.e. essentially in the liability and motor lines of business.

The overall burden from major losses was far below the previous year's figure, given the lower loss expenditure of €1.3bn (4.7bn[1]) for natural catastrophes – after retrocession and before tax.

Aggregate losses from natural catastrophes came to €0.8bn (4.2bn[2]), representing 5.3% (28.0%[3]) of net earned premiums. In particular Windstorm Sandy (€449m), which formed over the Caribbean in October and then moved northwards over Jamaica, Cuba and the Bahamas to the northeastern United States, led to significant losses. On top of this, we were impacted by approximately €158m in claims under crop failure covers due to the persistent drought in large agricultural areas of the USA and by €136m from severe earthquakes in northern Italy. Further sizeable losses were caused by tornadoes at the beginning of March (€10m) and in April (€35m) as well as by Hurricane Isaac (€44m) in the USA in August. Moreover, we raised our claims estimate for the floods in Thailand in 2012 by €84m.

At €0.5bn, man-made major losses were at the same level as in the previous year (€0.5bn), accounting for 3.0 (3.1) percentage points in relation to net earned premiums. Large-scale losses derived from the accident involving cruise ship Costa Concordia, which ran aground off the Italian island of Giglio on 13 January 2012, and an explosion in a German industrial park in March. Based on current estimates, claims costs for each of these two loss events will be in the higher double-digit million euro range.

1 €4.5bn taking into account the economic risk transfer to the capital markets.
2 €4.0bn taking into account the economic risk transfer to the capital markets.
3 26.6% taking into account the economic risk transfer to the capital markets.

The combined ratio, which reflects the relation of claims and costs to net earned premiums, was 97.3% (112.1%[1]). Excluding claims burdens from natural catastrophes, it amounted to 92.0% (84.1%). Given the moderate burden from natural catastrophes, the combined ratio in property-casualty reinsurance was significantly better than in the previous year.

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)

€m	2012	2011[1]	2010	2009	2008
Major losses total	1,329	4,665	2,097	1,038	1,286
Thereof natural catastrophes	845	4,197	1,510	171	622

1 The figure for 2011 is not adjusted for relief of €211m from economic risk transfer to the capital markets.

Despite the uncertainty over the further course of the euro and debt crisis, the capital markets calmed in the course of 2012, even though they were still afflicted by ongoing nervousness. Risk spreads for fixed-interest securities fell, and stock market volatility was also down on the previous year. In the period under review, the EURO STOXX 50 climbed 14%, and the DAX 30 by an impressive 29%. Particularly yields on German and US government bonds and covered bonds continued to fall, hitting a historical low. We also saw lower yields on corporate bonds, as well as shrinking risk spreads.

At €3,315m, the investment result showed a marked improvement on the previous year (€2,562m). In accordance with German commercial law, some €525m (490m) of the investment result is incorporated in the technical result as interest on technical provisions. We report on our investment performance on page 27 ff.

In the financial year, the Company's return on investment (including deposits retained on assumed reinsurance) totalled 4.5% (3.4%[2]) on the basis of carrying amounts.

Munich Reinsurance Company's results

€m	2012	2011	2010	2009	2008
Technical result	84	-48	104	1,225	520
Investment result without interest on technical provisions	2,790	2,072	2,539	2,450	3,566
Other result	169	-319	-451	-297	-439
Taxes	-653	-654	-832	-920	-660
Profit/loss for the year	2,390	1,051	1,360	2,458	2,987
Net retained profits	**1,255**	**1,119**	**1,178**	**1,291**	**1,567**

We posted a profit of €2,390m for the financial year 2012. After consideration of the profit of €8m brought forward and of the allocation of €1,143m to the revenue reserves, net retained profits totalled €1,255m. Subject to the approval of the Annual General Meeting, we intend to pay our shareholders a dividend of €7.00 per dividend-bearing share from the net retained profits for the financial year 2012.

1 110.7% taking into account the economic risk transfer to the capital markets.
2 3.1% excluding the earnings from economic risk transfer to the capital markets that are posted in the investment result.

Events after the balance sheet date

No events of material significance have occurred since the balance sheet date.

Classes of business

In **life reinsurance**, gross premium volume showed a significant year-on-year increase, which was largely due to the development of exchange rates. We also benefited from the continuing dynamic expansion of the primary insurance markets in Asia, in which we participate thanks to our good market position as a reinsurer. Premium growth in recent years has also been attributable to large-volume treaties where reinsurance primarily serves as a capital substitute. On the other hand, the sluggish economy in many developed regions impacted our clients' business development and hence reduced reinsurance business potential. In addition, our clients are retaining a higher proportion of the risks themselves, which is having a curbing effect on the growth of our traditional new business in many major markets, particularly North America and Europe.

Life reinsurance performed very satisfactorily in 2012. We posted a good result, although this was below that of the previous year. The reduction is mainly attributable to losses under individual treaties in disability business and to a deterioration in business performance in the USA. The high-volume treaties concluded in recent years and generally favourable claims experience in our other core markets, however, made a positive contribution to the result.

In **health reinsurance**, premium volume saw a year-on-year increase in the year under review, the expansion of premium as such being buoyed substantially by exchange-rate developments. The rise in gross premiums written was mainly attributable to higher premium income from large-volume treaties concluded via our branch in Canada and to organic growth in North America in particular.

The result was marginally up on 2011.

In **property-casualty business**, premium income showed a year-on-year increase. Premium would have been down slightly without the currency translation effects. The underwriting result before claims equalisation provisions was clearly positive, even after major-loss expenditure and reserve strengthening in the period under review. We report on the withdrawals from and allocations to the balance sheet item "claims equalisation provisions" for the individual classes of business on page 25 f.

In **accident reinsurance**, the premium level remained constant compared with the previous year.

Our underwriting result before claims equalisation provisions reduced year on year, but we nevertheless again posted a gratifying profit. In the previous year, a positive effect from reserve releases in connection with US workers' compensation business had improved the result.

In **liability business**, we succeeded in increasing our premium volume in the year under review.

After a moderate loss in 2011, the underwriting result before claims equalisation provisions was very negative in 2012. This is essentially because we strengthened the reserves for prior underwriting years in this business field.

We recorded an appreciable decrease in premium volume in **motor reinsurance** in the year under review, primarily owing to the termination of large-volume treaties in Chinese business. By contrast, premium benefited from organic growth in motor business in the United Kingdom, achieved through our cooperation with a strategic partner.

We posted an underwriting loss before claims equalisation provisions in the year under review, mainly due to the decline in premium volume and to the reserve increases we effected for prior underwriting years in this class of business.

Premium income in **marine reinsurance** rose considerably year on year, largely because it had been significantly reduced in the previous year owing to the portfolio withdrawal of a large-volume intra-Group retrocession.

We achieved a positive result before claims equalisation provisions that was marginally higher than in the previous year. This development was favoured especially by the reserve releases we made in the financial year as a consequence of our actuarial review.

Premium income in **aviation reinsurance**, which comprises the aviation and space classes, increased slightly in the financial year, whilst pressure on market rates persisted. Given falling prices, especially in aviation business, we withdrew from selected segments. We were able to write profitable new business in space reinsurance thanks to our position as market leader.

The result in aviation reinsurance improved significantly compared with the previous year, benefiting from our selective underwriting, reserve releases from prior underwriting years, and below-average expenditure for major losses.

In **fire reinsurance**, we were able to better the previous year's high premium level. We further optimised the portfolio through profitable new business and in some cases substantial rate increases for natural hazard covers, especially in loss-affected regions. We kept constant the capacity we provide for the coverage of natural hazards, particularly earthquake and typhoon, successfully defending our strong market position in Japan and Australia.

Thanks to the considerably lower major-loss expenditure compared with the previous year, as well as our rigorous portfolio optimisation and price increases in the natural hazards segment, we substantially improved the underwriting result before claims equalisation provisions. Moreover, following a review of our reserving position, we were able to release reserves in the reporting year. In the previous financial year, fire reinsurance showed a substantial loss owing to extremely high major-loss expenditure from numerous natural catastrophes.

We kept premium volume nearly stable in **engineering reinsurance** (machinery, EAR, CAR, EEI, etc.).

Our underwriting result was negative in the year under review. As in the previous year, this was mainly due to an unfavourable major-loss trend and to reserve increases effected for prior underwriting years.

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 income expanded mainly due to business growth in agricultural reinsurance, deriving in particular from the acquisition of new business in the USA and the implementation of rate increases.

The combined underwriting result of these classes of business was negative in the financial year, whereas in the previous year we had been able to post a gratifying profit largely due to the release of reserves for prior underwriting years in credit reinsurance. In the year under review, the severe drought in the USA led to above-average claims expenditure in agricultural reinsurance.

	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions	
€m	2012	2011	2012	2011
Life	9,168	7,783	228	279
Health	4,234	3,861	37	25
Accident	210	206	86	159
Liability	1,648	1,518	-608	-20
Motor	2,224	2,716	-397	-18
Marine	572	391	87	44
Aviation	536	515	302	180
Fire	4,057	3,547	1,109	-2,551
Engineering	921	929	-56	-42
Other classes	1,971	1,839	-132	395
Non-life combined	16,373	15,522	428	-1,828
Total	**25,541**	**23,305**	**656**	**-1,549**

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" increased by €572m to €6,982m (6,410m) in the financial year 2012, whereas in the previous year it had decreased by €1,501m. Owing to the positive results, we were able to strengthen the claims equalisation provisions by significant amounts in some classes of business, especially in fire, where this strengthening amounted to €1,226m (–2,571m), as well as in aviation, marine and credit, where the amounts concerned were €91m (–72m), €41m (–230m) and €36m (421m) respectively.

By contrast, the maximum amounts allowed for the claims equalisation provision in accident business had to be reduced by €84m owing to lower premium income; in the previous year, this figure had risen by €256m. Negative results in other lines also led to withdrawals from claims equalisation provisions: €171m (–356m) in liability, €126m (–355m) in motor, €64m (73m) in engineering and €394m (–34m) in other classes of business. The current level of the claims equalisation provision is 100% of the legally stipulated maximum amount in the aviation, marine and accident classes of business, and more than 50% in motor and credit. In fire reinsurance, the claims equalisation provision moved up again to over 33% of the legally stipulated maximum amount in the year under review, having fallen to 21% in the previous year. Further allocations made by the Company in the financial year 2012 were €18m (17m) to the provision for terrorism risks, and €3m (2m) to the provision for nuclear risks. Owing to increased claims expenditure, €3m was withdrawn from the provision for pharmaceutical/product liability risks in the year under review, following an allocation of €4m the previous year.

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 observe all other legal requirements. We only make investments in assets from which we expect an appropriate return, our asset managers paying strict attention to Munich Reinsurance Company's risk tolerance and the principle of sustainability. We reduce currency risks by generally matching our expected liabilities with assets in correlated 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 15.

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	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Land, land rights and buildings, including buildings on third-party land	1,019	998	1,018	900	863
Investments in affiliated companies and participating interests	33,656	32,208	27,840	27,014	23,675
Loans to affiliated companies and participating interests	170	177	1,556	1,799	2,002
Shares, investment certificates and other non-fixed-interest securities	5,596	5,796	6,434	5,002	5,163
Bearer bonds and other fixed-interest securities	21,392	19,770	20,540	20,927	21,707
Other investments	864	838	1,200	717	815
Total	**62,697**	**59,787**	**58,588**	**56,359**	**54,225**

Development and structure of investments

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by 4.9% to €62.7bn in the financial year 2012. In the following, we provide details of 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. In the year under review, there were no major changes in our real estate portfolio.

Investments in affiliated companies and participating interests

The carrying amounts increased by €1.4bn. This increase was chiefly due to a capital increase of €0.7bn at Munich Holdings of Australasia and contributions to capital totalling €0.6bn at holding companies which invest in renewable energies and infrastructure.

Loans to affiliated companies and participating interests

At €0.2bn, the carrying amounts are thus almost unchanged compared with the previous year.

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

The decrease of €0.2bn concerns our directly held equity portfolio. The bulk of our equity portfolio comprises shares in European companies.

Bearer bonds and other fixed-interest securities

At €21.4bn, investments in fixed-interest securities show a rise of €1.6bn compared with the previous year and account for 34.1% of total investments (excluding deposits retained on assumed reinsurance business).

Over 77% of our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable; 42% of which are from eurozone countries. We no longer have any government bonds from Portugal, Greece or Spain in our portfolio. Irish and Italian government bonds now make up less than 1% of our holdings.

Additionally, around 10% of our bearer paper is in securities and debt instruments with top-quality collateralisation, mostly German and European pfandbriefs.

At the reporting date, corporate bonds made up 5% 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 8% 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 2012, 99% of our fixed-interest securities were investment-grade and around 96% were rated "A" or better.

Deposits retained on assumed reinsurance business

As at 31 December 2012, deposits retained stood at €12.9bn.

Valuation reserves

Pursuant to Section 54 of the German Accounting Regulations for Insurance Companies, the valuation reserves must be disclosed for the investments shown. Our off-balance-sheet valuation reserves, i.e. the difference between the fair value of our investments and their book value, sank by 3.5%, or €0.4bn, compared with the previous year. A detailed breakdown of the reserves is provided in the notes on page 108.

Valuation reserves

€m	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Real estate	1,586	1,525	1,338	1,344	1,303
Equity investments	8,112	8,745	6,849	4,920	3,878
Fixed-interest securities[1]	1,769	1,618	1,053	918	829
Total	**11,467**	**11,888**	**9,240**	**7,182**	**6,010**

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

The decrease in valuation reserves for equity investments is mainly attributable to our participation in ERGO Versicherungsgruppe AG. In the case of fixed-interest securities, the rise in valuation reserves is mainly a consequence of falling yields on German government bonds.

Result

The investment result rose to €3,315m (2,562m) owing to improvements in all areas.

Investment result

€m	2012	2011	2010	2009	2008
Regular income	3,276	3,083	2,655	2,480	3,751
Write-ups/write-downs	-261	-280	189	3	-643
Net capitalised gains	541	239	661	1,005	1,647
Other income/expenses	-241	-480	-438	-384	-726
Total	**3,315**	**2,562**	**3,067**	**3,104**	**4,029**

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	2012	2011	2010	2009	2008
Real estate	84	84	120	-3	35
Investments in affiliated companies and participating interests	1,031	1,391	1,425	718	1,350
Loans to affiliated companies and participating interests	8	28	48	69	73
Shares, investment certificates and other non-fixed-interest securities	461	80	142	900	1,507
Bearer bonds and other fixed-interest securities	1,048	1,078	1,019	1,132	724
Other investments	683	-99	313	288	340
Total	**3,315**	**2,562**	**3,067**	**3,104**	**4,029**

Financial position

Analysis of our capital structure

Investments on the assets side of the balance sheet serve mainly to cover technical provisions (65.4% of the balance sheet total). Equity (13.7% of the balance sheet total) and subordinated bonds classified as strategic debt (6.4%) are the most important sources of funds.

Strategic debt increased by €787m 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 32.

Owing to the high profit for the year, our equity showed a rise of €1,196m in the 2012 financial year.

Equity

In the year under review, equity increased by €1,196m to €11,051m, or by 12.1% compared with the previous year. €1,110m of the net retained profits for the previous year was distributed as a dividend to shareholders.

This distribution compares with a profit of €2,390m for the financial year 2012. To strengthen our equity, a total of €1,143m from the profit for the financial year has been allocated by the Board of Management to the revenue reserves. The remainder of €1,255m has been earmarked for the dividend payment.

Equity

€m	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Equity	11,051	9,855	10,265	10,760	9,782

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, is essentially designed to optimise the cost of capital and ensures that we have sufficient liquidity at all times.

Strategic debt

€m	31.12.2012
Subordinated bonds 2003/2023, €1,000m[1]	1,000
Subordinated bonds 2003/2028, £300m	370
Subordinated bonds 2007/perpetual, €1,349m[2]	1,349
Subordinated bonds 2011/2041, €1,000m	1,000
Subordinated bonds 2012/2042, €900m	900
Subordinated bonds 2012/2042, €450m	554
Total	**5,173**

1 With original nominal value of €3,000m (thereof €1,000m 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, 2011 and 2012 are limited. The subordinated bonds issued in 2003 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 subordinated bond issued in 2011 with a nominal value of €1.0bn will mature in 2041 and is callable by us for the first time on 26 May 2021. The subordinated bonds issued in 2012 with nominal values of €0.9bn and £450m will mature in 2042 and are callable by us for the first time on 26 May 2022.

In line with our active capital management, we bought back a nominal amount of €0.7bn of the subordinated bond 2003/23 in 2012, out of the total outstanding amount of €1.7bn as at the end of 2011.

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).

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, pound sterling and the Canadian dollar.

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 to the benefit of primary insurers, or set up trustee accounts or guarantees with certain financial institutions. At the reporting date, this involved investments with a volume of €5.9bn (6.6bn).

Asset-liability management

The structure of our technical provisions and other liabilities is the basis for Munich Re's investment strategy, the main focus of which is asset-liability management. Further information can be found in the secton "Important tools of corporate management" on page 15.

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 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 profitable 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 lastingly exceed that required. 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. Alongside dividend payments, we still generally consider share buy-backs an important instrument of active capital management, even if we have currently discontinued these in view of the current environment and the opportunities for profitable organic expansion of our business. Including dividend payouts and the share buy-backs from 2006 to 2012, we have been able to return over €13bn to our shareholders since 2006.

In line with our active capital management, we bought back a nominal amount of €0.7bn of the subordinated bond 2003/23 in 2012, out of the total outstanding amount of €1.7bn as at the end of 2011. We also issued two subordinated bonds in the year under review with nominal volumes of €900m and £450m.

In the financial year 2012, we achieved a profit for the year of €1,255m. Including the net retained profits, the Company's revenue reserves amounted to €3,629m (2,436m) as at the balance sheet date on 31 December. The shareholders' equity of Munich Reinsurance Company is protected effectively against the risk of loss arising from a random accumulation of losses by a claims equalisation provision totalling €6,559m. Given this robust capitalisation according to all calculation methods, we intend – subject to the approval of the Annual General Meeting – to pay our shareholders a dividend of €7.00 per share, or a total of €1,255m, from the net retained profits for the financial year 2012.

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 2012, Munich Reinsurance Company's share capital of €587,725,396.48 was divided into 179,341,212 registered, no-par-value, fully paid shares. The rights and obligations deriving from them follow from the pertinent statutory requirements and the Company's Articles of Association. The shares are endowed with full voting and dividend rights, with the exception of the 813,942 shares held by Munich Re itself at 31 December 2012 (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

Most recently as at 12 October 2010, Warren E. Buffett and companies in his group notified us in accordance with Section 21 of the German Securities Trading Act of the following direct or indirect shareholdings in Munich Reinsurance Company 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.

In a statement from February 2012, Berkshire Hathaway Inc. reported that its participation in Munich Reinsurance Company as at 31 December 2011 was around 20 million shares, equivalent to an 11.2% share of the voting rights. We have not been notified, nor have we otherwise learned, of any further changes.

Shares with special control rights

There are no shares with special control rights.

System of control for employee share scheme where the control rights are not exercised directly by the employees

Like other shareholders, employees of Munich Reinsurance Company exercise control rights in accordance with statutory provisions and the Articles of Association.

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 (para. 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, resolutions on capital measures are generally 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. Pursuant to Article 14 of the Articles of Association and Section 179 para. 1 sentence 2 of the German Stock Companies Act, the Supervisory Board is empowered to make amendments to the Articles of Association which affect only the wording.

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 76–94 of the German Stock Companies Act. The Board of Management has the following powers to issue and buy back shares:

- The Annual General Meeting of 20 April 2011 authorised the Company, pursuant to Section 71 para. 1 item 8 of the German Stock Companies Act, to buy back shares until 19 April 2016 up to a total amount of 10% of the share capital. 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 of the German Stock Companies Act to retire the shares without requiring further approval from the Annual General Meeting.

- The Annual General Meeting of 28 April 2010 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 19 April 2016 by an amount of up to €10m by issuing new shares against cash contribution (Authorised Capital Increase 2011). 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.

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 options 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. Strongly increased payments for claims, in particular relating to the settlement of losses from natural catastrophes in the previous financial year, were almost fully offset by an expansion of premium volume. Moreover, regular income from investments was substantial, despite the sustained period of low interest rates. Also, there was again a clear reduction in the balance of accounts receivable on reinsurance business, deposits retained on assumed reinsurance, and the corresponding liabilities items.

Outflows for allocations of capital to affiliated companies and increases in our portfolio of fixed-interest securities contributed significantly to **cash outflows for investment activities.**

Countervailing trends resulted overall in **cash outflows for financing activities.** On balance, cash outflows relating primarily to the Company's dividend distribution for the preceding financial year exceeded the inflows deriving above all from the increase in long-term subordinated liabilities.

In the year under review, cash – which encompasses cash with banks, cheques and cash in hand – fell by €16m to €422m overall.

Other success factors

Clients and client relationships

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

Pioneering role in the development of new coverage concepts

As reinsurers, we apply our extensive risk knowledge to find individual solutions that meet our clients' diverse requirements and to add value. Knowing our clients' needs, we devise innovative risk transfer solutions with them, and aim to expand risk competence through strategic partnerships, thus providing our cedants with the full range of underwriting products. We regularly assume a pioneering role in new coverage concepts – for example, in preparing European cedants for the introduction of Solvency II. In addition, we offer our clients consultancy and other risk-related services. We reach new client groups through our operating field Risk Solutions, where we provide customised solutions for corporate clients and industrial firms. Predominantly in North America, but also in the Asia-Pacific region, we generate business via managing general agencies (MGAs). Beyond this, our target groups include public-private partnerships and insurance pools. 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 offer solutions for known risks that have hitherto been uninsurable.

New coverage concepts for industrial and primary insurance clients

Munich Reinsurance Company continues to attach importance to new solutions in the field of climate change and energy. In the case of new wind power plants, for instance, we insure manufacturers against serial losses arising from guarantee and maintenance contracts. We also offer insurance solutions for the financial consequences of unexpected deviations in the weather compared with the long-term average.

Besides this, Munich Re uses various units – such as its Special Enterprise Risk Unit or the product developers of its subsidiaries American Modern and Hartford Steam Boiler – as innovation platforms that develop new coverage concepts on an ongoing basis in strategic partnerships with their industrial and primary insurance clients. An example of this is a new reputational damage insurance product that provides companies with loss protection if their reputation is significantly harmed by an unforeseen event. The precondition is that the damage has led to a measurable decline in business performance. Following the introduction of unisex pricing in the European Union and the related abolition of gender-based rating distinctions, Munich Re is supporting its life reinsurance clients in the application of new differentiation criteria such as "occupational group" or "health awareness".

Another important field of development is the use of reinsurance solutions for capital optimisation. Despite the renewed delays in the introduction of Solvency II, there is a growing demand among many primary insurers for stabilisation of their capital base. Munich Re has upped its efforts in this field, establishing the necessary competence on a broad basis in its operational organisation. Beyond this, our Financial Solutions unit devises special life reinsurance solutions for capital relief in connection with guaranteed products.

Attractive solutions for the public sector

Attractive opportunities are also emerging in the public sector. These include not only pool solutions for certain risks, such as natural catastrophes, but also the coverage of risks in public infrastructure projects via public-private partnerships. In 2012, Munich Re amalgamated its activities relating to cover for the public sector with a view to exploiting the potential for profitable growth.

Staff

Targeted further development of the leadership culture

Our staff are a crucial factor for our success, driving our business forward with their expertise, openness to innovation and dedication. Munich Reinsurance Company creates the necessary conditions for nurturing and enhancing their personal development and motivation. Central to these conditions are managers who lead by example and provide their staff with the necessary scope and incentives. In 2012, we carried out our Leadership Monitoring survey, which is conducted every two years. Staff gave their managers very positive feedback on average regarding their leadership behaviour, and provided a solid basis for the systematic further development of our leadership culture. For the top managers, we have formulated clear expectations of management conduct and personal qualities in newly framed leadership values. We actively incorporated and embedded these values in our first-ever conference for this specific target group, which centred on the discussion of strategic issues.

Our clear goal is to identify, develop and retain the loyalty of the best talent globally and locally. At Group level, we have therefore begun looking at prospective candidates for top management across all our fields of business, thus significantly enhancing transparency and our Group-wide potential. In reinsurance and Munich Health, the initiative "Career @ Munich Re" has been implemented internationally, thereby creating a uniform understanding of career throughout our global organisations. This also forms the basis for increased job rotation within the Group.

To further enhance the promotion of diversity, we redefined diversity management Group-wide in 2011. In 2012, the focus was on implementation measures and initiatives. In a pilot project, we are examining the necessary parameters for extending the option of part-time employment to senior management. With a view to the impact of demographic change, we are looking at flexible options for employees that take account of their particular life stage and career phase. Our diversity seminar for trainees won first place in the InnoWard 2012, a training prize awarded by the German insurance industry.

In addition, we have organised international workshops to sensitise managers to the significance of diversity management, and have systematically determined the requirements deriving from our business in this connection. Numerous initiatives are now building on the outcome. One example is the introduction of our global trainee programme, in which the international diversity of the participants is specifically enhanced. The same goal is served by Emerge International, a programme that prepares employees from our international organisation for the assumption of their first managerial positions outside their home countries. Career opportunities for women are improved by a mentoring scheme for the female participants of our development programmes and by independent career counselling for female staff. Besides this, we are continuing to expand our long-standing initiatives for furthering the compatibility of job and family. The internal company agreement "Family and Career", which was significantly extended in 2011, has now also been adjusted for all senior executive staff. Given the breadth of the topic and its cultural embedding, diversity management is not a short-term issue. Appreciation and specific promotion of different mindsets, mentalities, experience and specialist knowledge will remain an important focal point of our human resources work.

Range of tools for strategic workforce planning expanded

Taking a long-term perspective is also a feature of our investment in staff development. Here we have expanded our range of tools for strategic workforce planning to include our international locations, thus obtaining a well-rounded picture of future qualification and development requirements. Our declared objective is to gear qualifications more strongly to strategic orientation factors, such as markets, products and clients.

An average of 4,114 (4,157) staff were employed at Munich Reinsurance Company in 2012. An average of 29 (36) trainees were employed at the Company, while 19 staff were enrolled on a training-integrated Master of Science course in 2012.

Corporate responsibility

New CR committee manages Group-wide activities

Corporate responsibility (CR), by which we understand a forward-looking and responsible approach in all activities, is an integral part of our corporate strategy. At the end of 2012, it was decided to set up a cross-business-field Corporate Responsibility Committee for the Group-wide management of these activities. Munich Reinsurance Company's CR activities are part of the Group strategy. Besides the responsibility of every single employee, we have defined three thematic focal points for the Group:

- The enhanced integration of ecological and social aspects in both our investment and our insurance business, coupled with transparent and responsible corporate governance
- Efforts to protect natural resources through our environmental management system and achieve carbon neutrality for the whole Group by 2015
- Our social commitment

We have underscored our approach to corporate responsibility by signing up to international guidelines. First and foremost among these is the UN Global Compact, which we joined in 2007. Its ten principles provide the fundamental framework for our corporate responsibility strategy. Guidelines for investments geared to sustainability criteria are provided by the Principles for Responsible Investment (PRI), which we implement via our asset manager MEAG. At least 80% of our holdings in equities, corporate and government bonds, and real estate (constructed since 2010) should meet sustainability criteria. Since 2010, our socially responsible investment strategy has also included investments in renewable energy and new technologies (RENT). MEAG has invested around €1bn for us in this area. In the medium term, we plan to expand our commitment up to €2.5bn. On top of this, we seek to invest a total of around €1.5bn in infrastructure projects such as power supply, transport and telecommunications. By the end of 2012, we had already invested €500m in this sector.

Munich Re signs the Principles for Sustainable Insurance

In recent years, Munich Re has played an active part in developing the Principles for Sustainable Insurance (PSI) of the United Nations Environmental Programme Finance Initiative. In June 2012, the PSI were officially unveiled and signed at the RIO+20 UN conference. As with the PRI, which Munich Re was the first German company to join, we were among the first signatories. We will use the PSI as a yardstick for integrating environmental, social and governance criteria even more strongly into our core business. In so doing, we will simultaneously improve our risk management.

Commitment to conserving natural resources is an equally important part of our corporate responsibility strategy, given that our economic success is inseparably linked with protecting people and the environment. With this in mind, we are recording our environmental data with increasing precision: in 2012, a total of 80% of all employees in 31 Munich Re (Group) units were covered by our environmental management system, with 30% working in units that have been certified to ISO-14001.

To help raise public awareness regarding climate change, we endeavour to set a good example ourselves: by 2015, we will make business operations throughout our Group carbon-neutral. The first step was to reduce emissions Group-wide by at least 10% per employee, based on emissions in 2009. In a second step, we are neutralising unavoidable CO_2 emissions by means of appropriate certificates. Our Munich site has been carbon-neutral since 2009. This objective was achieved for the whole reinsurance group in the reporting year 2012. Altogether, we have saved more than 5,500 tonnes of CO_2 globally throughout the Group since 2009 with our consistent environmental management.

> More information on our Group-wide activities in the field of corporate responsibility can be found on the internet at www.munichre.com/cr

Our social commitment at Munich Re's different business locations will be structured even more systematically in future. We have devised a corporate citizenship concept in which we underpin this commitment with expertise from our operational activities. Last year, for instance, we launched a two-year project for earthquake disaster prevention in India. The local measures include training people how to behave when earthquakes occur, and the structural consolidation of state buildings like schools, hospitals and other important infrastructure. This project-based approach is supplemented by the work of our three corporate foundations. The Munich Re Foundation, for example, is supporting a project in Mozambique for developing effective flood prevention measures. It again staged its annual International Microinsurance Conference in 2012, with more than 400 participants from 50 countries, making it the world's largest platform for this topic. The Dr. Hans-Jürgen Schinzler Foundation, set up in 2004, encourages the social commitment of Munich Re employees and coordinates corporate volunteering activities at our Munich site where, for example, more than 1,500 hours of voluntary charity work were "donated" in 2012.

In order to make our corporate responsibility approach transparent, Munich Re maintains active contact with socially responsible investment rating agencies and interested investors, and provides detailed information on its activities. Our improved results in several ratings and our regular inclusion in internationally renowned sustainability indices confirm that we are on the right track. Thus, for example, Munich Re has been an ever-present in the FTSE4Good and Dow Jones Sustainability Index since 2001. Since signing the UN Global Compact in 2007, we also report annually on our progress in implementing the principles: our Communication on Progress is prepared in accordance with the guidelines of the Global Reporting Initiative.

Corporate responsibility offers Munich Re the chance to strengthen the trust of shareholders, clients, employees and the public in our Group and to successfully meet tomorrow's challenges.

Corporate governance report

Corporate governance report[1]

The corporate governance report and the corporate governance statement can also be viewed on our website at www.munichre.com/cg-en

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. Beyond this, we have our own Munich Re Code of Conduct specifying high-level ethical and legal requirements that must be met by employees. Further information on Munich Re's corporate governance can be obtained from the corporate governance statement. In accordance with Section 289a of the German Commercial Code, the corporate governance statement is part of Munich Reinsurance Company's management report.

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 Group's 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. 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 specific requirements for the business organisation of insurance companies and the "fit and proper" criteria for their Board members. 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 issued by the German Federal Finance Ministry.

1 In accordance with item 3.10 of the German Corporate Governance Code.

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.

The declaration of conformity is published on our website at www.munichre.com/cg-en

The German Corporate Governance Code contains the main legal rules to be observed by listed German 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 state how far the Code's recommendations have been and will be complied with.

Corporate legal structure

The Articles of Association and the co-determination agreement can be viewed on our website at www.munichre.com/cg-en

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 are derived from the Act, the Articles of Association and the co-determination agreement. The principle of parity co-determination on the Supervisory Board has been upheld in the co-determination agreement, and strengthened by taking into account staff employed in the rest of Europe.

Board of Management

> An overview of the composition of the Board of Management and the distribution of responsibilities can be found on page 121

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 is responsible for effecting adequate risk management and risk control in the Company. It must ensure compliance with statutory requirements and internal company directives. In mid-2012, we strengthened the Company's compliance function, establishing a separate unit that reports directly to the Chairman of the Board of Management.

Information on the Board of Management's work is available in the corporate governance statement

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 has nine members.

Collaboration between Board of Management and Supervisory Board

Board of Management and Supervisory Board cooperate closely to the benefit of the Company. The Board of Management reports regularly to the Supervisory Board about all questions relevant to the Company. Certain types of transaction require the consent of the Supervisory Board.

Supervisory Board

> An overview of the composition of the Supervisory Board can be found on page [illegible]. More details of the Supervisory Board's work are provided in the corporate governance statement and in the report of the Supervisory Board on page 2 ff.

The Supervisory Board monitors the Board of Management and gives counsel where appropriate, but it is not authorised to take management action in place of the Board of Management. 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. The other half are elected representatives of the Company employees in the European Economic Area (EEA).

Objectives of the Supervisory Board for its composition, diversity and independence

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 composition:

- The main criteria for selecting future members of the Supervisory Board are sustained corporate profitability, personal abilities, talents, experience (especially of an international nature), independence, professional knowledge and enterprise of the nominated persons.
- The Supervisory Board should have at least 16 independent members within the meaning of item 5.4.2 of the German Corporate Governance Code, including at least eight shareholder representatives. 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).

The aforementioned 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.

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

In the period under review, as in the previous reporting period, four members of the Supervisory Board were women: two representatives of the employees and two shareholder representatives. As from 3 January 2013, the Supervisory Board will have five female members, three representatives of the shareholders and two employee representatives.

The Supervisory Board is of the opinion that currently all 20 of its members are to be regarded as independent within the meaning of item 5.4.2 of the German Corporate Governance Code. The Supervisory Board is not aware of any business or personal relationship between a member and the Company, its governing bodies, a controlling shareholder or an entity affiliated with such a shareholder, as a result of which a major and not only temporary conflict of interest could arise. The Supervisory Board assumes that the members elected in accordance with the Act on the Co-Determination of Employees in Cross-Border Mergers and the co-determination agreement are independent as a matter of principle.

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. Besides this, the Annual General Meeting elects the shareholder representatives on the Supervisory Board and, in particular, votes on changes to the Articles of Association and certain capital measures. Also, certain Company contracts require the approval of the Annual General Meeting to become effective.

At the Company's Annual General Meeting, the principle of "one share, one vote" applies. With the aim of making it easier for shareholders to take part and exercise their rights, the Company provides the option of online participation and a postal vote (also in electronic form).

Remuneration report

Structure of the remuneration system for the Board of Management

In conformity with the German Corporate Governance Code, we here present the principles of the remuneration system for Munich Reinsurance Company'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 is determined and regularly reviewed by the full Supervisory Board. The Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative, prepares the resolutions for the full Supervisory Board.

The currently valid remuneration system for members of the Board of Management focuses strongly on long-term targets and thus creates a pronounced incentive for sustainable corporate development. No changes were made with effect from 1 January 2012.

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[2]) 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[2]	Pension contribution		-

1 For the variable remuneration, the share shown presupposes 100% achievement of the objectives.
2 Target overall direct remuneration comprises basic remuneration plus variable remuneration based on 100% achievement of 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.

Compliance with the processes laid down for specifying objectives and assessing their achievement is reviewed by the external auditor, who checks the criteria for measuring the envisaged financial objectives and whether their achievement has been assessed in accordance with the guidelines established by the Company. The outcome of this review is rendered transparent for the Supervisory Board.

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 reinsurance) and Group result. 30% of the overall target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives.

Details of the assessment bases for the annual performance can be obtained from the following table:

Variable remuneration based on annual performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	35–70%		
Group objective		Derived from key performance indicators in external reporting and other important portfolio and performance data	Return on risk-adjusted capital (RORAC[2])
Company objective (property-casualty reinsurance)		Value-based economic performance indicator	Value added[3]
Individual contribution to corporate success	30–65%		
Divisional objectives		Value-based economic performance indicators: – Property-casualty reinsurance and Munich Health – Life reinsurance	 Value added[3] Value added by new business[4] Change in value of in-force business[4]
Individual objectives		Personal objectives per Board member	Special focal points such as - Pricing and cycle management - Client management - Costs

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 RORAC is explained on page 12.
3 Information on value added is provided on page 13 f.
4 The indicators are determined on the basis of Market Consistent Embedded Value (MCEV) Principles. A detailed presentation of MCEV, with information on the parameters "value of new business" and "change in value of in-force business" (including "assumption changes" and "experience variances" as components of operating embedded value earnings), is provided in the Market Consistent Embedded Value Report on Munich Re's website.

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 financial results of the reinsurance, Munich Health and primary insurance segments and on individual objectives are fixed every year. 70% of the overall target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives.

Details of the assessment bases for the multi-year performance can be obtained from the following table:

Variable remuneration based on multi-year performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	75%		
Business field objectives (three-year average)			
Reinsurance		Value-based economic performance indicators: – Property-casualty reinsurance – Life reinsurance	 Value added[2] Value added by new business[3] Change in value of in-force business[3]
Primary insurance		Value-based economic performance indicator	Economic earnings[4]
Munich Health		Value-based economic performance indicator	Value added[2]
Individual contribution to corporate success	25%		
Individual objectives (three-year period)		Personal objectives per Board member	Special focal points such as - Staff development, including diversity - Strategy development - Sustainable development, social tasks

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 Information on value added is provided on page 13 f.
3 The indicators are determined on the basis of Market Consistent Embedded Value (MCEV) Principles. A detailed presentation of MCEV, with information on the parameters "value of new business" and "change in value of in-force business" (including "assumption changes" and "experience variances" as components of operating embedded value earnings), is provided in the Market Consistent Embedded Value Report on Munich Re's website.
4 Economic earnings are explained on page 12.

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

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 each year as from 1999, was set up for the last time in 2009 for members of the Board of Management and in 2010 for other eligible participants. 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.

> Further information on the Long-Term Incentive Plan can be found in the notes to the financial on page 117 f.

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 Company's future obligations arising from the long-term incentive plans are partially hedged 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 amount of income from the stock appreciation rights is limited. Up to now, it has only been possible to exercise stock appreciation rights under the plans set up in 1999, 2003 to 2006, and 2009.

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 2012 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, with great importance being attached to ensuring 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 2012. In particular, it also complies with the German regulation of 6 October 2010 concerning the supervisory law requirements for remuneration schemes in the insurance sector (Insurance Compensation Regulation – VersVergV).

The level of target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives) for the individual members of the Board of Management is set by the full Supervisory Board, acting on recommendations from the Supervisory Board's Personnel Committee. Criteria 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. The consideration of what is appropriate remuneration takes into account data from peer-group companies and the relation to remuneration of other Munich Reinsurance Company employees. New Board members are generally placed at a level which allows sufficient potential for development of the remuneration 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, 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. If the employment contract is terminated for good cause on grounds within the Board member's control, no payments are made to the Board member. 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 provide for special exercise options.

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 hence 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 and as of 2010 to target overall direct remuneration, for each calendar year (contribution year) during the term of their contract. The pension contribution is paid over to an external pension insurer. The insurer's guaranteed interest rate is 2.25% (or 1.75% for Board members newly appointed as from 2012). 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 appointed as from 1 January 2009, a uniform pension contribution rate of 25.5% of the target overall direct remuneration is set.

Board members who had not reached the age of 55 by the end of 2008 retained 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 was 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. 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 appointed before 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60 or, at the latest, at the end of the calendar year in which they turn 65.

Board members appointed as from 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 62 or, at the latest, at the end of the calendar year in which they turn 67.

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 that 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

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 basic 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.

Vested benefits for occupational pension, disability pension and surviving dependants
Vested benefits are paid upon the Board member reaching the age of 60 or 62, 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 or 62 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.

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, benefits 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 are 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 in the period from 2009 to 31 March 2012 who received 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, and for Board members appointed as from 1 April 2012, occupational pension and benefits for surviving dependants are adjusted by 1% annually from the date when the pension or benefit starts being drawn, in accordance with Section 16 para. 3 item 1 of the German Employers' Retirement Benefits Act. 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 DRS 17, 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 €13.3m (9.8m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Total remuneration thus shows an increase of €3.5m compared with the previous year. The main reason for this is that, according to current estimates, the overall achievement of objectives for the annual performance in 2012 was significantly higher than in the previous year.

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[1]	Total
		€	€	€	€
Dr. Nikolaus von Bomhard	**2012**	**1,200,000**	**32,376**	**1,160,670**	**2,393,046**
	2011	1,140,000	34,205	525,294	1,699,499
Dr. Ludger Arnoldussen	**2012**	**570,000**	**47,975**	**706,440**	**1,324,415**
	2011	519,000	37,527	280,521	837,048
Dr. Thomas Blunck	**2012**	**570,000**	**33,340**	**642,281**	**1,245,621**
	2011	540,000	27,832	450,222	1,018,054
Georg Daschner	**2012**	**585,000**	**35,806**	**684,623**	**1,305,429**
	2011	585,000	32,296	507,762	1,125,058
Dr. Torsten Jeworrek	**2012**	**855,000**	**35,860**	**945,417**	**1,836,277**
	2011	780,000	33,682	532,658	1,346,340
Dr. Peter Röder	**2012**	**570,000**	**34,829**	**749,419**	**1,354,248**
	2011	519,000	33,308	274,137	826,445
Dr. Jörg Schneider	**2012**	**855,000**	**35,394**	**778,680**	**1,669,074**
	2011	810,000	36,426	369,180	1,215,606
Dr. Wolfgang Strassl	**2012**	**570,000**	**32,990**	**345,081**	**948,071**
	2011	540,000	30,276	289,341	859,617
Dr. Joachim Wenning	**2012**	**540,000**	**34,921**	**613,339**	**1,188,260**
	2011	480,000	26,083	325,382	831,465
Total	**2012**	**6,315,000**	**323,491**	**6,625,950**	**13,264,441**
	2011	5,913,000	291,635	3,554,497	9,759,132

1 At the time of preparation of this report, no Supervisory Board resolution had yet been adopted on the amounts to be paid for the 2012 annual performance. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted.

For the 2011 annual performance, a total of €542,129 more was paid out than had been reserved in the financial year 2011. The additional/reduced expenditure breaks down as follows: von Bomhard €51,870, Arnoldussen €86,593, Blunck €22,434, Daschner €48,464, Jeworrek €94,349, Röder €147,627, Schneider -€11,340, Strassl €4,574, Wenning €97,558. This results in the following actual bonus payments for 2011: von Bomhard €454,860, Arnoldussen €326,970, Blunck €415,800 €, Daschner €483,210, Jeworrek €584,220, Röder €392,364, Schneider €300,510, Strassl €257,040, Wenning €396,480.

The amounts shown for the annual performance 2012 comprise the respective provision for 2012 and the relevant extra expenditure for 2011.

The total expenditure recognised in 2012 (reserve allocations/releases due to the development in value of performance share units from the 2005-2009 plans) for the Long-Term Incentive Plans breaks down as follows: von Bomhard €556,542, Arnoldussen €104,454, Blunck €162,104, Daschner €597,881, Jeworrek €934,562, Röder €479,135, Schneider €1,120,157, Strassl €257,977, Wenning €326,388.

The following table shows the amounts payable for the variable remuneration.

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	Set	for	Annual performance[1,3] €	Multi-year performance[2,3] €	Total amounts payable €
Dr. Nikolaus von Bomhard	**2012**	**2013**	**840,000**	**1,960,000**	**2,800,000**
	2011	2012	840,000	1,960,000	2,800,000
Dr. Ludger Arnoldussen	**2012**	**2013**	**399,000**	**931,000**	**1,330,000**
	2011	2012	399,000	931,000	1,330,000
Dr. Thomas Blunck	**2012**	**2013**	**399,000**	**931,000**	**1,330,000**
	2011	2012	399,000	931,000	1,330,000
Georg Daschner	**2012**	**2013**	**409,500**	**955,500**	**1,365,000**
	2011	2012	409,500	955,500	1,365,000
Dr. Torsten Jeworrek	**2012**	**2013**	**598,500**	**1,396,500**	**1,995,000**
	2011	2012	598,500	1,396,500	1,995,000
Dr. Peter Röder	**2012**	**2013**	**399,000**	**931,000**	**1,330,000**
	2011	2012	399,000	931,000	1,330,000
Dr. Jörg Schneider	**2012**	**2013**	**598,500**	**1,396,500**	**1,995,000**
	2011	2012	598,500	1,396,500	1,995,000
Dr. Wolfgang Strassl	**2012**	**2013**	**399,000**	**931,000**	**1,330,000**
	2011	2012	399,000	931,000	1,330,000
Dr. Joachim Wenning	**2012**	**2013**	**399,000**	**931,000**	**1,330,000**
	2011	2012	378,000	882,000	1,260,000
Total	**2012**	**2013**	**4,441,500**	**10,363,500**	**14,805,000**
	2011	2012	4,420,500	10,314,500	14,735,000

1 At the time of preparation of this report, no Supervisory Board resolution had yet been adopted on the amounts to be paid for 2012. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted in the table on page 54.
2 The remuneration set for multi-year performance for 2012 is payable in 2015, that for 2013 in 2016.
3 The information on the calculation bases and parameters on page 47 f. for the amounts set for 2012 also applies to the amounts set for 2013, with the exception of the changes with effect from 1 January 2013, described on page 57 f.

Pension entitlements

Personnel expenses of €11.0m (-2.4m) were incurred in the financial year 2012 to finance the pension entitlements for active members of the Board of Management. Of these, €8.7m was apportionable to defined benefit plans and €2.3m 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

Name	Financial year	Defined benefit[1]	Present value of defined benefit as at 31 December	Personnel expenses for provisions[2]
		Defined benefit plan		
		€/year	€	€
Dr. Nikolaus von Bomhard[3, 9]	**2012**	**407,100**	**8,054,910**	**2,618,407**
	2011	407,100	10,083,711	-1,727,784
Dr. Ludger Arnoldussen[4, 9]	**2012**	**157,500**	**1,211,429**	**496,209**
	2011	157,500	1,445,010	-329,539
Dr. Thomas Blunck[5, 9]	**2012**	**120,000**	**1,179,386**	**515,384**
	2011	120,000	1,563,805	-334,956
Georg Daschner[6]	**2012**	**224,250**	**5,372,309**	**1,095,380**
	2011	214,500	6,594,931	-690,126
Dr. Torsten Jeworrek[7, 9]	**2012**	**171,000**	**2,471,632**	**974,520**
	2011	171,000	3,231,784	-629,328
Dr. Peter Röder[7, 9]	**2012**	**90,000**	**1,344,385**	**518,698**
	2011	90,000	1,761,306	-351,295
Dr. Jörg Schneider[7, 9]	**2012**	**275,000**	**4,691,530**	**1,671,684**
	2011	275,000	6,003,580	-1,104,539
Dr. Wolfgang Strassl[7, 9]	**2012**	**120,000**	**2,445,012**	**769,359**
	2011	120,000	3,020,955	-498,240
Dr. Joachim Wenning[8, 9]	**2012**	**-**	**-**	**23,990**
	2011	-	-	19,288
Total	**2012**	**1,564,850**	**26,770,593**	**8,683,631**
	2011	1,555,100	33,705,082	-5,646,519

See table on next page for footnotes.

Pension entitlements

Name	Financial year	Pension contribution rate for target total direct remuneration	Entitlement as at 31 December	Defined contribution plan Present value of entitlement as at 31 December	Personnel expenses for provisions
		%	€/year	€	€
Dr. Nikolaus von Bomhard[3, 9]	**2012**	**17.00**	**104,839**	**2,186,772**	**502,317**
	2011	17.00	77,665	1,518,619	586,103
Dr. Ludger Arnoldussen[4, 9]	**2012**	**14.75**	**45,339**	**840,803**	**205,684**
	2011	14.75	33,315	581,397	220,925
Dr. Thomas Blunck[5, 9]	**2012**	**16.25**	**53,774**	**914,033**	**221,568**
	2011	16.25	39,903	639,469	265,335
Georg Daschner[6]	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
Dr. Torsten Jeworrek[7, 9]	**2012**	**19.50**	**88,696**	**1,629,943**	**405,365**
	2011	19.50	64,975	1,122,138	461,779
Dr. Peter Röder[7, 9]	**2012**	**20.25**	**57,526**	**1,131,822**	**261,705**
	2011	20.25	41,499	769,088	322,573
Dr. Jörg Schneider[7, 9]	**2012**	**16.50**	**74,453**	**1,474,799**	**66,429**
	2011	16.50	55,273	1,533,511	664,440
Dr. Wolfgang Strassl[7, 9]	**2012**	**21.00**	**61,489**	**1,282,754**	**295,596**
	2011	21.00	45,544	890,509	341,919
Dr. Joachim Wenning[8, 9]	**2012**	**25.50**	**58,957**	**854,219**	**302,278**
	2011	25.50	41,712	571,054	387,991
Total	**2012**	**-**	**545,073**	**10,315,145**	**2,260,942**
	2011	-	399,886	7,625,785	3,251,065

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 of the reporting year.
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 and to an occupational pension in the event of regular termination of employment.
4 Entitled to vested benefits under the German Employers' Retirement Benefits 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.
5 Entitled to vested benefits under the German Employers' Retirement Benefits 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 a reduced occupational pension on early retirement in the event of premature or regular termination of employment.
8 Entitled to vested benefits under the German Employers' Retirement Benefits Act in the event of premature termination of employment up to 2 January 2015, and to a reduced occupational pension on early retirement in the event of premature termination of employment as from 3 January 2015 or regular termination of employment.
9 Entitled to occupational pension in the event of termination of employment owing to incapacity to work.

Outlook

With effect from 1 January 2013, the Board of Management's remuneration system has been adjusted with regard to the variable remuneration component. Particular attention was given to simplifying the incentivisation system while making sure that the systematic approach remained appropriate. In addition, the aim was to create the opportunity for the Supervisory Board to react flexibly to developments during the year.

Acting on the proposal of the Personnel Committee, the full Supervisory Board resolved that for the variable remuneration based on annual performance, the current Company objective (property-casualty reinsurance) be replaced as from 2013 with an overall objective for the business field of reinsurance (including life reinsurance). Depending on the responsibilities of the individual members of the Board of Management, an objective is also set on an annual basis for the result of the business field of primary insurance.

In the agreement of individual personal objectives, there is a stronger focus on fewer, particularly relevant targets. A new component introduced is "overall performance evaluation", which is relevant when assessing annual and multi-year performance. It allows the Supervisory Board greater discretionary scope, enabling more consideration to be given to the overall performance of individual members of the Board of Management and the Board as a whole in the period under review, including performance elements for which no concrete objectives have been set. This component is to be applied by the Supervisory Board taking into account Section 87 of the German Stock Companies Act and the German Corporate Governance Code.

Remuneration structure for senior executives

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 (most notably a company car and a company pension scheme). The variable components are made up of the short-term components "performance-related bonus" and "Company result bonus", and the longer-term share-price-linked component Mid-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 Company result bonus gives employees a share in corporate success. 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. Depending on the degree to which the RORAC target is met, an aggregate amount is calculated that can be distributed between all staff as a bonus. The higher the management level, the higher the share of 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, is based on the same targets as the multi-year bonus of Munich Reinsurance Company's Board of Management. In addition, the development of the total shareholder return is taken into account. Besides the senior executives in Munich, selected executives in Munich Reinsurance Company's international organisation also participate in the Mid-Term Incentive Plan.

The individual variable components are granted – subject to different weightings – at all management levels. For the first management level below the Board of Management, the share of aggregate variable remuneration is more than 50% of total remuneration (fixed remuneration plus all variable components). Proceeding down the management hierarchy, this percentage decreases successively, making up around one-third at the lowest management level. There is a well-balanced combination of short- and long-term components. At the first management level below the Board of Management, the Mid-Term Incentive Plan makes up around 25% of total remuneration or more than 50% of overall variable remuneration, 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 two-and-a-half times 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 €17.98, variable result-related remuneration of €20,000 is payable for the financial year 2012. The performance-related remuneration component with long-term incentivisation was introduced in accordance with the German Corporate Governance Code. It 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%. This long-term remuneration component is payable for the remuneration year 2012.

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

The total annual 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]

Name	Financial year	Fixed remuneration Annual	Fixed remuneration For committee work[2]	Result-related remuneration Annual	Result-related remuneration with long-term incentive function Annual	Total
		€	€	€	€	
Dr. Hans-Jürgen Schinzler	**2012**	**125,000.00**	**139,000.00**	**50,000.00**	**25,000.00**	**339,000.00**
Chairman	2011	125,000.00	137,000.00	0.00	0.00	262,000.00
Hans Peter Claußen	**2012**	**75,000.00**	**25,000.00**	**30,000.00**	**15,000.00**	**145,000.00**
Deputy Chairman	2011	75,000.00	25,000.00	0.00	0.00	100,000.00
Herbert Bach	**2012**	**50,000.00**	**50,000.00**	**20,000.00**	**10,000.00**	**130,000.00**
	2011	50,000.00	50,000.00	0.00	0.00	100,000.00
Dina Bösch	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Annika Falkengren	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	35,068.49	-	0.00	0.00	35,068.49
Frank Fassin	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Dr. Benita Ferrero-Waldner	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Christian Fuhrmann	**2012**	**50,000.00**	**37,000.00**	**20,000.00**	**10,000.00**	**117,000.00**
	2011	50,000.00	37,000.00	0.00	0.00	87,000.00
Prof. Dr. Peter Gruss	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Prof. Dr. Henning Kagermann	**2012**	**50,000.00**	**64,000.00**	**20,000.00**	**10,000.00**	**144,000.00**
	2011	50,000.00	62,000.00	0.00	0.00	112,000.00
Peter Löscher	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Wolfgang Mayrhuber	**2012**	**50,000.00**	**25,000.00**	**20,000.00**	**10,000.00**	**105,000.00**
	2011	50,000.00	25,000.00	0.00	0.00	75,000.00
Silvia Müller	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Marco Nörenberg	**2012**	**50,000.00**	**35,000.00**	**20,000.00**	**10,000.00**	**115,000.00**
	2011	50,000.00	37,000.00	0.00	0.00	87,000.00
Reinhard Pasch	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Dr. Bernd Pischetsrieder	**2012**	**50,000.00**	**52,000.00**	**20,000.00**	**10,000.00**	**132,000.00**
	2011	50,000.00	50,000.00	0.00	0.00	100,000.00
Anton van Rossum	**2012**	**50,000.00**	**37,000.00**	**20,000.00**	**10,000.00**	**117,000.00**
	2011	50,000.00	37,000.00	0.00	0.00	87,000.00
Andrés Ruiz Feger	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Richard Sommer	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Dr. Ron Sommer	**2012**	**50,000.00**	**-**	**20,000.00**	**10,000.00**	**80,000.00**
	2011	50,000.00	-	0.00	0.00	50,000.00
Total	**2012**	**1,100,000.00**	**464,000.00**	**440,000.00**	**220,000.00**	**2,224,000.00**
	2011	1,085,068.49	460,000.00	0.00	0.00	1,545,068.49

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,	**2012**	**38,499.88**	**2,231.24**	**0.00**	**40,731.12**
Deputy Chairman	2011	49,777.00	6,750.00	0.00	56,527.00
Frank Fassin	**2012**	**27,000.00**	**-**	**0.00**	**27,000.00**
	2011	27,000.00	-	0.00	27,000.00
Silvia Müller	**2012**	**27,000.00**	**-**	**0.00**	**27,000.00**
	2011	27,000.00	-	0.00	27,000.00
Marco Nörenberg	**2012**	**27,000.00**	**6,750.00**	**0.00**	**33,750.00**
	2011	27,000.00	6,750.00	0.00	33,750.00
Richard Sommer	**2012**	**27,000.00**	**-**	**0.00**	**27,000.00**
	2011	27,000.00	-	0.00	27,000.00
Total	**2012**	**146,499.88**	**8,981.24**	**0.00**	**155,481.12**
	2011	157,777.00	13,500.00	0.00	171,277.00

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 instruments 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.

Munich Reinsurance Company is obliged to publish information of this kind on its website without delay.

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.

Corporate governance statement

Munich Reinsurance Company has submitted the following corporate governance statement in accordance with Section 289a of the German Commercial Code.

Working procedure of the Board of Management

General information on the duties of the Board of Management is provided on page 43 in the corporate governance report. The work of the Board of Management, in particular the allocation of responsibilities among the individual Board members, matters reserved for the full Board of Management, and the required majority for resolutions, is regulated by rules of procedure issued by the Supervisory Board. The full Board of Management decides on all matters for which the law, the Articles of Association or the rules of procedure 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, and for tasks which constitute fundamental management functions or are of exceptionally great importance, including 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 Board of Management has two committees - one for Group matters and one for reinsurance - in order to enhance the efficiency of its work.

Group Committee (GC)

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, which 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.

Reinsurance Committee (RC)

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 of the GC and RC are held as needed, and usually take place every two weeks. Only the members of the Board of Management are entitled to vote. Further details are regulated by the rules of procedure adopted by the full Board of Management.

Subcommittees of the GC and RC

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 (subcommittee of the GC), the Group Risk Committee (GC), the Strategy Committee (GC) and the Global Underwriting and Risk Committee (RC). Only members of the Board of Management have voting rights on these committees, whose work is largely governed by their own written rules of procedure. The Group Investment Committee is responsible for all significant issues affecting the Group's investments. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with risk issues, albeit in different contexts. More details can be obtained from the risk report on page 67 ff.

Collaboration between Board of Management and Supervisory Board

The Board of Management coordinates the Company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation, as well as all issues relevant for the Company, with the Supervisory Board at regular intervals. 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.

Working procedure of the Supervisory Board

General information on the duties of the Supervisory Board can be found in the corporate governance report.

Articles 12 and 13 of the Articles of Association contain provisions governing the adoption of resolutions by the Supervisory Board. Beyond this, the Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and (further) modalities for the adoption of resolutions. It has also adopted separate rules of procedure for the Audit Committee.

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. If the Chairman of the Supervisory Board so determines, meetings of the Supervisory Board may be conducted either wholly or in part using telecommunications.

The Chairman of the Supervisory Board is authorised to make declarations on the Supervisory Board's behalf based on prior resolutions.

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 adopt decisions by the majority of votes cast. In the Standing Committee, the Personnel Committee and the Audit Committee, the person chairing the committee has the casting vote in the event of a tie.

The committees' main responsibilities are as follows:

Standing Committee

The Standing Committee prepares Supervisory Board meetings insofar as no other committee is responsible for doing so. It decides on matters of Company business requiring the Supervisory Board's approval unless the full Supervisory Board or another committee is responsible. The committee makes amendments to the Articles of Association that only affect the wording, and decides on whether and when guests may attend 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 certain loan transactions of the Company, in particular with senior managers and Supervisory Board members or related parties, as well as Company contracts with members of the Supervisory Board. Members of the Standing Committee in the financial year 2012 were Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen, Wolfgang Mayrhuber and Bernd Pischetsrieder.

Personnel Committee

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 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 related parties, as well as any material transactions between the Company or its associated companies and members of the Board of Management or related parties. 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 in the financial year 2012 were Hans-Jürgen Schinzler (Chairman), Herbert Bach and Bernd Pischetsrieder.

Audit Committee

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, the risk management system, the 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. In this connection, the Audit Committee obtains reports not only from the Board of Management but also directly from the Compliance Officer, the Head of Group Audit, and the Chief Risk Officer, or from corporate counsel. Members of the Audit Committee in the financial year 2012 were Henning Kagermann (Chairman), Christian Fuhrmann, Marco Nörenberg, Anton van Rossum and Hans-Jürgen Schinzler.

Nomination Committee

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 Personnel Committee in the financial year 2012 were Hans-Jürgen Schinzler (Chairman), Henning Kagermann and Bernd Pischetsrieder.

Conference Committee

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 remain 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 in the financial year 2012 were Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen and 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 on page 2 ff.

Declaration of conformity by the Board of Management and Supervisory Board of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act, dated November 2012

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München fulfils all the recommendations of the German Corporate Governance Code of 15 May 2012 (published on 15 June 2012) and will continue to do so in future. Since the last declaration of conformity in November 2011, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 26 May 2010 (published on 2 July 2010).

Further corporate governance practices

Munich Re Code of Conduct
We additionally have our own Munich Re Code of Conduct specifying high-level ethical and legal requirements that must be met by employees. This document, like the declaration of conformity, is also published on our website.

In our Code of Conduct, we clearly state our views on corporate integrity, i.e. legally impeccable behaviour based on ethical principles. The Code of Conduct contains regulations that are binding on all Munich Re employees, including the management.

In this connection, employees also 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 in 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.

Principles for Responsible Investment
In 2006, Munich Re became the first German company to sign the UN Principles for Responsible Investment (PRI). There is a link to the PRI via the corporate responsibility portal on our website, where we also report on how we implement these principles for sustainable investment.

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 that takes in all of our units, subsidiaries and 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 committees. Our Integrated Risk Management Division (IRM) supervises risk management Group-wide with the support of decentralised structures in all units of the Group. It is headed by the 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, enabling the risks incurred to be actively managed.

Risk governance

Munich Re's risk governance fosters the development and maintenance of an effective 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 business segments, to deal with risk issues affecting the Group as a whole.

Besides this, the Group Committee meets quarterly together with members of senior management responsible for investments in our business segments as the Group Investment Committee. This committee is the central management committee for major Group-wide issues affecting the Group's investments, including specific investment risks.

Additionally, there is the Group Compliance Committee (GCC), which deals with compliance and reputational risks at Group level, with a view to standardising the handling of these risks throughout the Group. In contrast to the Group Corporate Responsibility Committee (GCRC), which concerns itself with identifying sensitive issues on an abstract level and with the Group's positioning on these, the GCC focuses on concrete reputational risks that arise from one or more specific cases or are the subject of enquiries from the business units.

The Remuneration Committee, in accordance with the German statutory order on remuneration schemes in the insurance industry (VersVergV), has responsibility for designing, reviewing and enhancing the staff remuneration system, with a particular focus on variable incentive components.

The Global Underwriting and Risk Committee (GURC), which comprises members of the Reinsurance Committee, was created to function as a special risk committee for reinsurance.

The Munich Health Risk Committee is responsible for risk matters in the Munich Health segment.

Determining the risk strategy

The assumption of risks is an essential part of our business strategy. The risk strategy defines the extent to which we are prepared to incur risks for our clients and shareholders; the development of our risk strategy is part of the annual planning cycle and thus embedded in our business strategy. It is approved by the Board of Management and discussed regularly with the Supervisory Board. 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 for a series of risk criteria. The criteria are based on the capital and liquidity available and on our earnings target within specified volatility limits, and provide a frame of reference for the Group's operating divisions:

- Whole portfolio criteria, relating to Munich Re's entire portfolio of risks, designed to protect our capital and limit the likelihood of an economic loss for the year. Particularly worth mentioning in this respect is the criterion "economic earnings at risk" (EEaR), which we use to manage the Group's risk profile in such a way that our risk-bearing capacity does not fall below a defined threshold in the event of adverse business experience of the type that occurs statistically around every ten years. As at 31 December 2012, economic earnings at risk stood at €4.8bn.

- Supplementary criteria, 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 ongoing viability were they to materialise.

- Other criteria, aimed at preserving Munich Re's reputation and thus protecting its future business potential. They encompass limits for individual risks that, though they would not threaten Munich Re's existence, could cause lasting damage to the confidence of clients, shareholders and staff were they to materialise.

The risk appetite laid down ensures that an appropriate balance is maintained between business opportunities and risks incurred. Our risk strategy process proved its worth in both the financial crisis and the country debt crisis. Our business model of combining primary insurance and reinsurance under one roof ensures that - even in particularly difficult markets - we are always in a position to be a strong partner for our clients and a stable investment for our shareholders. With our broadly diversified portfolio of investments, we are well equipped for all market scenarios - even extreme ones - that could realistically arise.

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 the central risk management function (IRM) at any time.

Constant enhancement of risk-measurement tools

We are constantly enhancing our risk measurement tools, which are tailored to each segment. This enables us to properly assess the risks of Munich Reinsurance Company as a part of the reinsurance segment. Our lead risk measure is based on economic principles.

We regularly compare the results produced by our risk model with those of supervisory authorities, rating agencies and commercial modelling companies 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.

Our financial strength is an important criterion for the success of our business. As far as our financial strength ratings are concerned, our aim for the present is the second-highest rating from each of the main agencies that rate us. Meeting this objective is a supplementary parameter of our corporate management and is monitored at regular intervals. We currently assume that our financial strength, our good competitive position and our sophisticated risk management will continue to be recognised through correspondingly high ratings.

We compare our internal risk model with the current status of Solvency II and take part in the Quantitative Impact Studies and stress tests (European Insurance Stress Test).

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

Risk limitation is derived from the risk strategy. Based on the defined risk appetite, limits and rules and any risk-reducing measures required are approved and implemented. We also have a comprehensive early-warning system that draws our attention to any potential shortages of capacity. 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 take the risk onto our books if appropriate.

Quantitative risk monitoring based on indicators is carried out both centrally and within units, for example at MEAG for investments, and then collated centrally. We monitor risks that cannot be expressed as an amount either centrally or in our units depending on their materiality and allocation.

Control and monitoring systems

Our internal control system (ICS) is a worldwide system for managing operational risks integrated across all risk dimensions and areas of the Group that both meets Group management needs and complies with local regulations.

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 at least annually.

For each of Munich Re's business segments, the ICS delivers a risk map, which systematically links the significant risks and processes and shows all relevant risk control points. By making our risk situation transparent in this way, we can focus on and react rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, locate control shortcomings immediately and take effective remedial action.

The significant risks in the accounting process arise out of the requirement to show and value all items correctly in the various components of the financial statements and guarantee the completeness and accuracy of the information in the notes to the financial statements. To do so, it is necessary to implement new legal requirements on time, which also involves constant additions to the Group Accounting Manual and the chart of accounts. The accounting process is to a large degree dependent on IT systems, which must be protected against unauthorised access and are subject to ongoing controls to guarantee the effectiveness and stability of the information and communication flows. We also ensure that reporting to the Supervisory Board is properly carried out.

Appropriate internal controls for accounting risks

Our financial accounting and reporting is subject to 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 for financial reporting from the Company's perspective are integrated into the ICS in accordance with uniform criteria. The ICS risk map is checked annually by the risk carriers and updated and amended as necessary.

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. Any amendments are subject to a stringent procedure as regards timing, responsibilities and circulation of information.

The financial statements are prepared using a fast-close procedure in a central system. 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.

Our main risks are controlled at a number of levels. We rely primarily on automated, system-based checks of the content of our defined processes.

However, notwithstanding the careful design and diligent use of our ICS, it can provide only adequate, but not total, certainty that all risks have been covered. The controls put in place, the processes coordinated Group-wide and the supporting IT solutions cannot guarantee the complete avoidance of errors or prevention of individual cases of fraud.

Monitoring the effectiveness of our accounting-related ICS

The Audit Committee of the Supervisory Board regularly calls for reports on the effectiveness of the accounting-based ICS and changes to the risk map from the previous year. With the help of the reports prepared by our external auditors and Group Audit, the controls applied are explained and it is demonstrated that all controls considered necessary have been correctly performed. To this end, risk-based audits of the units in the Group are performed and the results summarised in internal audit reports. In 2012, the audits showed that the structure of the ICS is appropriate and that the design and quality of the controls were such as to render them effective. Through continuous auditing, revision and enhancement of our ICS, we intend to ensure that it remains effective in the future.

In the period from March to November 2012, Munich Reinsurance Company's management report for the 2011 financial year was subjected to an audit by the German Financial Reporting Enforcement Panel (DPR). There were no findings.

Risk reporting

Internal risk reporting provides all members of the Board of Management with regular information on the risk situation, as regards both 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 clients and shareholders with 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.

Significant risks

According to our classification, significant risks are risks that could have a long-term adverse effect on the assets, financial situation or profitability of Munich Reinsurance Company. We have applied this definition consistently to the individual business units, taking account of their individual risk tolerance.

There are significant risks in the following risk categories:

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

The premium and reserve risks are significant components of the underwriting risk. The 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
Line management has primary responsibility for controlling the premium risk. Line managers grant underwriting authorities and lay down internal processes aimed at 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.

In particularly critical areas, the underwriting authorities granted to the operating units are restricted by mandatory Group-wide instructions or limited capacity budgets.

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 our underwriters on the ground is therefore of prime importance and we recognise this by providing advanced training and IT systems for risk assessment and pricing, publishing internal information sheets and underwriting recommendations, and setting up working groups to create and transmit underwriting knowledge.

Reserve risk

The estimation of reserves is subject to uncertainty 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 run-off results.

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.

Application of Group-wide reserving rules guarantees a substantially reliable and consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these 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 Reinsurance Company has to meet on the basis of its contractual conditions and agreements.

The net run-off loss (excluding life business) after adjustment premiums amounted to €336m in the year under review, following the previous year's run-off profit totalling €759m. Significant run-off losses after adjustment premiums resulted in the financial year in liability, motor and engineering business. The main driver of the losses in these three classes of business was reserve strengthening for prior underwriting years, undertaken to maintain our solid reserve position.

Run-off profits were recorded in particular in fire, aviation, marine and accident business. Fire, marine and aviation benefited especially from the reserve releases that we were able to make in the reporting year after reviewing our loss estimates.

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

%	2012	2011[3]	2010	2009	2008	2007[2]	2006	2005[1]	2004	2003
Including natural catastrophes	97.3	112.1	101.4	98.2	102.4	95.9	97.9	117.0	96.4	93.8
Excluding natural catastrophes	92.0	84.2	89.8	96.8	97.1	91.5	96.6	97.5	91.2	92.3

1 Thereof effect of assuming discounted claims provisions from Munich Re America: 8.7%.
2 2007 and prior years adjusted due to an increase in the threshold for large losses.
3 The figure for 2011 is not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.

Underwriting risk: Life and health insurance

The underwriting risk in this case is defined as the risk of insured benefits payable in life or health insurance business being 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.

Random annual fluctuations in insurance benefits or lapse 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.

Changes in client biometrics or lapse behaviour are risks that have a long-term effect on the value of a portfolio, making it necessary to adjust the actuarial assumptions. In health insurance, morbidity risks are understandably important, whereas in life insurance mortality, longevity and disability risks are the most significant. Limits are laid down for the short-term pandemic scenarios and the longer-term longevity scenarios in conformity with the risk strategy.

The remarks on underwriting guidelines and limits in respect of property-casualty business also apply to life and health reinsurance business.

Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. This includes equity risk, general and specific interest-rate risk, property risk and currency risk. The general interest-rate risk relates to changes in risk-free interest-rate curves, whereas the specific interest-rate risk arises out of changes in credit risk spreads, for example on government bonds or credit default swaps (CDSs). 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.

We manage market risks by means of suitable limit and early-warning systems, and through our asset-liability management. 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 106 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.

Our investments must comply with Group-wide minimum standards as defined in our General Investment Guidelines. We also take account of risk-relevant 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 2012. 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%	€1.571bn
Increase of 10%	€0.785bn
Decrease of 10%	-€0.784bn
Decrease of 20%	-€1.569bn
Market values at 31 December 2012	€6.528bn

Market risk - Interest rates

Change in interest rates	Change in market value of investments sensitive to interest rates
Increase of 200 BP	-€5.049bn
Increase of 100 BP	-€2.782bn
Decrease of 100 BP	€3.298bn
Decrease of 200 BP	€7.111bn
Market values at 31 December 2012	€38.197bn

Market risk - Exchange rates

Change in exchange rates	Change in market value of investments sensitive to exchange rates
Increase of 10%	€2.686bn
Decrease of 10%	-€2.686bn
Market values at 31 December 2012	€29.761bn

A breakdown of investments by type can be found on page 105. 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 a change in the financial situation 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 payment transactions with clients, we actively assume credit risk through the writing of reinsurance business, for example in credit and financial reinsurance.

Our internal risk model 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 using a Credit-Value-at-Risk (CVaR) approach. 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.

We use a cross-balance-sheet counterparty limit system valid throughout the Group to monitor and control our Group-wide credit risks. The limits for each counterparty (a group of companies or country) are based on its financial situation as determined by the results of our fundamental analyses, ratings and market data, and the risk appetite defined by the Board of Management. The utilisation of limits is calculated on the basis of credit-equivalent exposure (CEE). All investments in structured products and the vast majority of securities lending transactions are monitored separately and controlled using volume limits. The resultant credit risk is reduced by means of Group-wide rules for collateral management, for example for OTC derivatives and catastrophe bonds issued.

In order to take account of country risks other than the credit risk on government bonds, our advisory unit for strategic and economic issues, Group Development, also produces specific country scores in addition to the pure default ratings. These cover the significant political and economic risks and those relating to a country's internal security, and enable us to assess comprehensively additional country risks of varying importance for different business segments.

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 main retrocessionaires independently and on the basis of various criteria (e.g. minimum ratings, market data and capital requirements) and allocate appropriate limits for the counterparties based on underwriting guidelines laid down by the risk management function.

Ceded claims provisions and provisions for future policy benefits

%	31.12.2012	Prev. year
AAA	0.3	-
AA	69.9	77.9
A	22.6	13.3
BBB or lower	0.4	0.3
No rating available	6.8	8.4

Our receivables from reinsurers were assignable to the following rating categories at 31 December 2012:

Rating of accounts receivable

€m	31.12.2012
AAA	0.2
AA	370.0
A	17.0
BBB or lower	0.3
Without external rating	49.2

€52.0m of our total receivables of €2.7bn on underwriting business at the balance sheet date was outstanding for more than 90 days. The average defaults of the last three years total €4.3m.

Operational risk

Munich Re defines operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes 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. These risks are qualitatively identified and managed through our ICS.

In addition, our Security and Continuity Risk Management Framework defines the rules for a standard Group-wide procedure for identifying and assessing security risks for people, information and property. Our aim is to ensure that our business activities are not disrupted. We take all possible steps to ensure that employees are aware of the need to identify potential security risks and thus to establish an appropriate risk culture. This includes willingness to learn from mistakes and to recognise them as opportunities for improvement.

Operational risks are quantified annually by means of expert estimates prepared for scenario analyses.

Liquidity risk

We manage liquidity risk through our holistic risk strategy, with the Board of Management defining limits on which minimum liquidity requirements for our operations are based. These risk limits are reviewed annually and compliance with the minimum requirements is 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;
- margin calls and collateral requirements for derivative positions;
- unexpectedly high payments resulting, for example, from accumulation losses that far exceed normal loss expectations.

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

We also optimise the availability of liquidity in the Group by means of internal funding and a cash pool fed by Group companies. Through stringent availability requirements, which also comply with supervisory rules, we ensure that every unit is able to meet its payment obligations.

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 the operating environment. The existing and new potential for Munich Re's success and the segments in which it operates creates strategic risks, which can lead to an appreciable long-term reduction in corporate value.

We counter this risk by discussing significant strategic issues and decisions at our Strategy Committee and regularly monitoring their implementation. The Strategy Committee comprises the members of the Group Committee, and hence the CRO, plus the Chief Executive Officers (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 processes we have established in various internal units to identify it. These processes range from the general recording of risks for the purposes of our ICS to whistleblower procedures and our ad-hoc reporting process. Actual cases that could involve reputation issues are evaluated in the business segments either by a Reputational Risk Committee (RRC) or through a comparable procedure in which a coordinating unit ensures that appropriate experts are consulted. The respective unit's Compliance Officer can always be consulted on matters relating to the assessment of reputational risks. In the Group Compliance Committee (GCC), reputational risks are also considered at Group level in order to ensure uniform analysis and handling throughout the Group. Furthermore, sensitive issues that could lead to reputational risks are handled for all segments by our Group Corporate Responsibility Committee (GCRC).

In 2012, there were again reports in the press on inappropriate behaviour at ERGO in connection with incentive trips and criticism regarding the switching of insurance policies. They had an adverse effect on ERGO's – and hence Munich Re's – reputation. ERGO's reaction included the disclosure on its website of comprehensive information on misconduct during incentive trips and at other sales events. Measures were also taken to prevent similar cases from occurring in the future. Central conduct and organisational guidelines at ERGO were revised and the compliance function was strengthened in 2011 and further expanded in the course of 2012.

Overview of the risk situation

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. Our carefully implemented, modern risk management processes combined with our solid level of capitalisation at all times ensured the solvency and viability of the Group expected by our clients and shareholders. 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 inevitably a large number of other risks to which Munich Re – like every other undertaking – is exposed. The incidence of these risks is random 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

The effects of the sovereign debt crisis
As a reinsurer, we manage not only our own assets, but also those of our clients. When we invest, we have to accept certain credit risks (the risks of deteriorations in creditworthiness and debtors defaulting), in addition to market risks. This is clearly the case for corporate bonds, but there are also considerable risks in government bonds, which were considered safe in the past. The eurozone is our home market and we thus have substantial investments in euros. These are broadly diversified and are natural assets to hold to cover the euro liabilities arising out of our insurance businesses.

Notwithstanding appreciably improved sentiment on the capital markets in the second half of 2012, the euro debt crisis can be expected to continue in 2013, regardless of a growing arsenal of political countermeasures, with the ECB also introducing new instruments. For example, on 6 September 2012, the ECB Governing Council specified the modalities for "outright monetary transactions", i.e. the buying and selling of government bonds by the ECB on the secondary markets. Despite these measures, the fundamental public finance situation in several countries remains critical. The need for budget consolidation and expansion of austerity measures even in the face of recession and high unemployment present real challenges – particularly for politicians at national level. Bond yields from low-credit-risk countries are still at a historical low. This applies most notably to German and US issues. The fluctuations on the capital markets give rise to considerable volatility in our investments and liabilities on the valuation dates. We monitor these risks closely and counter them with various risk management measures.

In our reinsurance business, we review the underwriting prices calculated by our valuation and pricing systems to ensure that they take adequate account of the current interest-rate environment. Business activities exposed to significant economic risks are reviewed and exposure limited where appropriate.

In monitoring the country risks, we do not simply rely on the customary ratings, but perform independent analyses of the political, economic and fiscal situation in those countries in which investments might potentially be made. Our experts also evaluate and draw conclusions from the movements in the market prices of the bonds issued by the country concerned. On this basis and taking account of the investment requirements of the fields of business in the respective currency areas and countries, proposals for limits or action to be taken are submitted to the Group Risk Committee. These limits are mandatory throughout the Group for investments and the insurance of political risks, and any exceptions must be approved individually by the Group Risk Committee. Our direct and indirect exposures in countries on the euro periphery are also minor due to this close monitoring.

On the basis of defined stress scenarios relating to further developments in the sovereign debt crisis, our experts forecast potential consequences for the financial markets, the market values of our investments, and the present values of our underwriting liabilities. At Group level, the high degree of diversification in both our investments and our liability structure together with our active Group-wide asset-liability management counter any negative effects.

Pandemic

Another example of an overarching accumulation is a serious pandemic, which would expose Munich Re, like other companies in the insurance industry, to risks resulting from a marked increase in mortality and morbidity and from disruptions in the capital markets. We counter this risk with a detailed analysis of our overall exposure (scenario analysis), defining suitable limits.

Climate change

Climate change represents one of the greatest risks of change for the insurance industry.

In our Corporate Climate Centre, we analyse and assess this risk and are developing a holistic strategic approach. The findings are made available to all business areas and our asset-liability management function.

Whilst we are in a position to adequately assess the known risks in our portfolio on the basis of current climate research, 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 evaluation of new and changing 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. If new findings in climate research or actual claims development necessitate adjustments in risk assessment, we are able to make these changes promptly because the contractual periods of most of our natural hazards covers are only one year.

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 **early identification of risks** also covers emerging risks, i.e. those that arise as a result of legislative, socio-political, scientific or technological changes and are therefore 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". This group of experts investigates the possible impact of emerging risks on Munich Re, also looking at interconnections and interdependencies between different risks and other consequences related directly or indirectly to emerging risks. Cooperation with external partners complements our internal early-warning system, for example the CRO Forum's Emerging Risks Initiative.

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events which are difficult to identify using traditional scenario-based risk management are occurring with greater frequency. Both the occurrence of an event and its potential consequences are more and more difficult to foresee, recent examples being the earthquake in Japan and the floods in Thailand in 2011. Not only did both natural catastrophes have a devastating impact on the population, infrastructure and economy in the regions affected, but worldwide supply chains were also hit, with industrial production being interrupted in far-away countries. Such chains of events will take on greater importance in future. We therefore adopt a system-based approach to analyse dependencies in complex risks, for which Munich Re has developed its

Tax risks

As a reaction to the financial market and sovereign debt crisis, a trend towards increased corporation tax burdens is apparent Europe-wide. In Germany, discussions are centring around the introduction of a financial transaction tax, capital tax, and the abolition of the tax-exempt status for dividends and gains on disposal from free-float shareholdings. Which of these ideas will actually be realised is not yet clear. Additional annual tax burdens in the lower three-digit million range cannot be ruled out.

Regulatory developments

The progress made in the Solvency II project in 2012 has clarified the future supervisory requirements somewhat, though some uncertainties remain, particularly concerning the dates for the transition from Solvency I to Solvency II. Considerable progress has been made on the first pillar, with the exception of the key issue of underwriting liabilities. In particular for life primary insurance, the still open questions have far-reaching implications for capitalisation under Solvency II. The draft implementing measures produced by the Solvency II Expert Group (SEG) have shed more light on the qualitative requirements of insurance companies and supervisory authorities laid down in Solvency II's Pillar 2. However, these measures have yet to be adopted.

At national level, implementation of the Solvency II Directive will bring about changes in German supervisory law. But this national legislative process has been delayed by unresolved questions at a European level in the ongoing Solvency II project.

Work is still in progress at global level on additional supervisory requirements for systemically important financial institutions (SIFIs). Systemic importance is determined not by the fundamental significance of a sector for the economy, but by the impact the insolvency of a company could have on the real global economy. The discussions, which are being held primarily by the Financial Stability Board (FSB), are currently focusing on the banking sector. The investigations relating to the insurance industry are not following the same timetable as those for banking and are being led by the International Association of Insurance Supervisors (IAIS). The insurance industry believes that its core business does not give rise to a systemic risk. Munich Re is actively participating in the consultations. We will probably have to wait until mid-2013 before we can say with any certainty whether the insurance industry as a whole, and reinsurance companies and Munich Re in particular, could be subject to additional requirements. Specific requirements for SIFIs could range from additional reporting to higher capital requirements.

Other legal developments

On 1 March 2011, the European Court of Justice issued a fundamental ruling on sex discrimination in insurance, which repealed with effect from 21 December 2012 a European regulation allowing member states to permit differentiation between males and females for the purpose of calculating insurance benefits and premiums. This applies even if consideration of gender is based on accurate actuarial and statistical risk data. The relevant legislation in member states, including Germany, must be amended to comply with the ruling, which leads to significant changes in the calculation of insurance benefits and premiums. Application of the recommendations of the German Association of Actuaries (DAV) sufficiently limits or eliminates the risks.

The ongoing discussions regarding the German healthcare system may result in further changes in the statutory parameters, notably the "citizens' insurance scheme". If, unlike now, all citizens were to be compulsorily included in the German public health insurance system, it would spell the end of at least new business for private health insurers in comprehensive health insurance. We have been monitoring this risk for many years. Similar proposals have been put forward for "citizens' long-term care insurance".

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 with specific figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout Munich Re. During the whole of 2012, risk exposures were regularly quantified and compared with the risk appetite. We assess Munich Re's risk situation as manageable and under control.

Opportunities report

The business model pursued by Munich Re (Group) combines primary insurance and reinsurance under one roof. We are convinced of the future potential of traditional reinsurance; and with the primary insurance activities we operate out of the reinsurance segment and our involvement in ERGO and Munich Health, we have tapped profitable growth opportunities unlikely to be available to companies that conduct reinsurance only. We assume risks from many different areas of private and economic life, and provide financial protection and risk management. In the section "Prospects", we offer an overview of how our business will probably develop under realistic parameters. We endeavour to address global trends with a long-term impact as extensively as possible. However, surprising and unforeseen developments can never be ruled out completely. To protect ourselves against risks, we have established a sophisticated risk management system described in detail in our risk report. At the same time, we are also well prepared to seize unexpected opportunities to the benefit of our Group.

Stronger economic growth leads to higher demand

It is clear, for example, that enhanced business opportunities will result for us if important macroeconomic parameters develop better than expected. A stronger economic recovery in the USA or rapid stabilisation of the situation in the eurozone, accompanied by sustained growth in the emerging countries, would trigger a demand surge and increase premium income in most classes of insurance. Besides this, such a development could lead to a gradual normalisation of the bond markets and thus to a slow rise in yields on US and German government bonds. This would result in burdens on our investment result in the short term, but also bring higher returns in the long run, thus benefiting our long-term insurance business.

Other trends and upheavals with an impact on our clients' demand for insurance and on supply include technological progress, demographic shifts and changes in the legal environment, in particular regulatory intervention. Given our good capitalisation and high degree of expertise, and a rapid adjustment of our product portfolio, Munich Re could participate in the newly emerging markets in all of its business segments.

Rules of insurance supervision and accounting that accurately reflect economic conditions and are internationally harmonised benefit clients and providers.

There are thus many development opportunities for Munich Reinsurance Company, despite the uncertainties in the macroeconomic environment. Primary insurers will, for instance, increasingly require solutions for stabilising their financial position and sustainably optimising their capitalisation, given the more stringent regulatory requirements. Munich Re can provide significant added value as a long-term strategic partner with a strong capital base and a holistic offering ranging from overarching consultancy to the complete spectrum of reinsurance and capital market solutions.

A major impact on our business also derives from trends in the development of severe natural catastrophes. We expect climate change to lead to a long-term increase in weather-related natural catastrophes and the resultant losses, with different effects depending on the region and type of exposure. Where necessary, we are adjusting our risk models and risk management accordingly. Measures to contain climate change provide Munich Re with substantial business opportunities, as the use of new technologies, for example in the field of renewable energies, is facilitated by new kinds of risk transfer solutions.

But irrespective of this, there are long-term opportunities for expansion in reinsurance's core business, since the values in many regions exposed to natural hazards are increasing steeply and the demand for insurance is thus growing. Munich Re is excellently positioned in this regard, thanks to our expertise in analysing major-loss events.

Successful new developments for covering hitherto uninsured economic risks are another option for generating additional profitable business. We are constantly working together with our clients on pushing back the limits of insurability. For more detailed information, please see the section "Research and development" on page 38 f.

The rapid development of emerging countries also provides profitable opportunities for expanding and further diversifying our business portfolio. In many Asian and Latin American growth markets, Munich Re is the leading reinsurer.

Additional opportunities exist in attractive niches. Crop failure insurance, for example, is seeing strong growth based on public-private partnerships, since the provision of food to a growing world population and the consequences of climate change are increasing farmers' need to protect themselves against financial risks. A market leader in this area, Munich Re has built up competence and established sustainable insurance concepts together with supervisory authorities and primary insurers. Munich Re is also carving out attractive niches in industrial insurance business, in areas where we can put our reinsurance business know-how to use, e.g. in connection with power generation and sophisticated large-scale engineering projects.

In the present economic environment, life insurance presents challenges and opportunities in view of the demand for old-age provision resulting from greater life expectancy, against the backdrop of increasingly volatile capital markets. As a reinsurer, Munich Re is a competent partner for life primary insurance companies thanks to its tailored offering of asset protection solutions. The reinsurance of longevity risks also offers measured growth potential.

Prospects

Our predictions for the forthcoming development of our Group are based on planning figures, forecasts and expectations. Consequently, the following outlook merely reflects our imperfect assumptions and subjective views. It follows that we do not 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 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 therefore meant.

Comparison of the prospects for 2012 with the result achieved

As from 2012, we modified our segment reporting in the Group with the aim of reflecting internal management criteria more closely and thus providing for even greater transparency with regard to income and expenses. Previously, the segment balance sheet and segment income statement had reflected the situation prior to the elimination of intra-Group business (including a separate column for consolidation). Since the first quarter of 2012, both items have been shown after the elimination of intra-Group business. For this reason, the outlook we gave for 2012 in the 2011 annual report for the segments reinsurance, primary insurance and Munich Health can no longer be directly compared with the figures in this annual report for these segments. In general, the segment premiums and the segment result are lower or at most the same compared with the view prior to the elimination of intra-Group business.

Munich Re (Group)

Comparison of Munich Re (Group) targets for 2012 with results achieved

		Target 2012	Result 2012
Gross premiums written	€bn	48–50	52.0
Consolidated result	€bn	Around 2.5	3.2
Return on investment	%	Around 3.5	3.9
Return on risk-adjusted capital (RORAC)	%	15	13.2

At €52bn, gross premium was around €2bn higher than the upper limit of the target corridor, the additional income deriving from reinsurance and Munich Health.

The consolidated result target was significantly exceeded thanks to a better-than-envisaged technical result in reinsurance and a higher investment result. The investment result benefited from increased gains on disposal, because the prices of the fixed-interest financial instruments sold were higher than expected owing to lower interest-rate levels.

For this reason, the return on investment surpassed the target figure, reaching 3.9%, although regular income from investments declined.

Our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets is difficult to achieve in the current low-interest-rate environment. In 2012, the RORAC of 13.2% came gratifyingly close to our long-term target.

Outlook for 2013

Economic environment

Global economic growth is again likely to be only moderate in 2013. The consolidation of state finances and high unemployment will probably result in slower economic momentum in many industrialised countries. In the eurozone, we expect at most a slight recovery on an annual basis; for the USA we predict only modest growth. In the emerging economies, particularly China, India and Brazil, growth should be stronger than in 2012. Inflation rates will consequently be moderate in most industrialised countries and will only reach a high level in a few emerging countries.

The economic outlook is clouded by great uncertainty. A sharp downturn or even an extended period of stagnation cannot be completely excluded in a number of industrialised countries. A sustained low-interest-rate environment would substantially impair the situation of life insurance companies and appreciably impact that of insurers operating in other lines of business. The high levels of debt in many countries, an escalation of the US budgetary dispute, or upheavals in the eurozone could further destabilise the global financial system and the world economy to the detriment of the insurance industry.

If there was a surprisingly strong economic recovery, the substantial interventions of the central banks and related expansion of the money supply might result in higher inflation, with corresponding inflation in claims costs for insurers.

Potential geopolitical conflicts, for instance in the Middle or Far East, remain a significant risk for the global economy and thus the insurance industry.

Capital markets

A slow upturn in economic activity over the course of 2013 (driven by further expansive ECB measures in connection with a gradually receding credit crunch in the eurozone) should improve the position on the markets for high-risk securities. In turn, yields on German government bonds, which are currently extremely low, should rise again. Based on the very low volatility of the stock markets recently, greater fluctuations can be expected, as political uncertainty is still high. Moreover, some market participants now anticipate that Spain will submit an official application for assistance in 2013 so as to qualify for unlimited bond-buying by the ECB. Further fiscal policy decisions which could induce major market movements are also due to be taken in the US. Given the continuing crisis in the eurozone and the greater dynamism of the economy in the US, the US dollar should gain in attractiveness against the euro.

Insurance industry

In the European Union, state supervision for primary insurers and reinsurers is set to undergo profound changes with the new rules planned under Solvency II. The first-time application of the new supervisory regulations, which will impose greater requirements on insurance companies in terms of capital, risk management and reporting, was initially postponed to 1 January 2014, and there is now the prospect of further delays. The European Union has commissioned a study to assess the impact of various measures for valuing long-term guarantees in insurance contracts (Long Term Guarantee Assessment). Given the scope of this study, the European supervisory authority EIOPA will not be able to submit its report on the outcome until sometime in 2013. This is likely to delay the first-time application of Solvency II capital requirements by at least two further years to 2016. In view of the delay until Solvency II is finally adopted, EIOPA and national supervisory authorities are currently considering introducing individual aspects of the Solvency II regime prior to 2016. Irrespective of this, Solvency II can be expected to influence insurance supply and demand even before its legal implementation. New opportunities will emerge for Munich Re in both primary insurance and reinsurance, and these will exceed the challenges from the many different additional demands.

Far-reaching changes are also on the horizon in the medium term for the accounting of insurance contracts and financial instruments in our consolidated financial statements. These changes will have major consequences for the primary and reinsurance markets. After revising its schedule several times, the International Accounting Standards Board (IASB) is due to publish its revised proposals for the future accounting of insurance contracts in the first half of 2013, which are intended to achieve a consistent international approach to the way insurance contracts are accounted for in financial statements. However, we do not expect these regulations to be finally adopted before mid-2014. Concerning the new requirements for the accounting and measurement of financial instruments under IFRS 9, which EU companies may not yet apply, the IASB submitted a revised proposal in late November 2012 for expanding the permissible measurement categories for financial assets. A further exposure draft for the new rules regarding recognition of impairments has been announced for the first quarter of 2013. The new regulations concerning the recognition of hedging relationships have been finalised. We thus currently expect IFRS 9 to be adopted in its entirety at the end of the current year.

The projected moderate growth in the global economy will lead to a solid increase in worldwide demand for insurance, albeit subject to considerable differences between individual regions and segments. Overall, we predict a growth rate for global premium in property-casualty insurance that is at least equivalent to that of global economic growth. We are proceeding on the assumption that demand for life insurance cover is likely to recover in 2013.

Nevertheless, the extremely low yields on German and US government bonds in particular present a challenge for insurers because of the significant reduction in interest earned on investments in the period between premiums being received and policy benefits being paid out. In long-tail business in particular, this intensifies the need to increase prices. Conversely, subdued economic growth is limiting demand for insurance protection and with it the scope for higher prices.

Outlook for Munich Re

Munich Re (Group) targets

		Target 2013
Gross premiums written	€bn	50–52
Consolidated result	€bn	Close to 3
Return on investment	%	Around 3.3
Return on risk-adjusted capital (RORAC)	%	15

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. The pronounced volatility of the capital markets and exchange rates as well as the special features of IFRS accounting described on page 15 also make it difficult to provide a result forecast. Thus, there may be significant fluctuations in the investment result, currency result and consolidated result, despite the fact that our assets are geared to the characteristics of our liabilities. In particular, a rising interest-rate level will initially tend to lead to lower results, and falling interest rates to higher results, than those forecast in these prospects. Net gains or losses on the disposal of derivatives used by us as hedging instruments and/or for fine-tuning investments can influence the result, as can changes in their market value. Changes in exchange rates influence our result in different directions, depending on which foreign currencies are affected, although economically speaking we do not have any major open currency items on our books.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities. Munich Re offers 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 protecting primary insurers against major claims and accumulation losses, or strengthening their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which will be altered significantly in many countries in the coming years.

We see further good growth opportunities in life reinsurance. Opportunities will derive in particular from the dynamic expansion of the Asian life insurance markets and from the ongoing privatisation trends in provision for old age, long-term care and disability. Here, we analyse in detail how the related product features tie in with our risk strategy.

We also see increasing demand for the management of investment risks in life insurance products. We provide our clients with comprehensive solutions for hedging options and guarantees dependent on the capital markets.

For 2013, we expect gross premiums written of €10–11bn and a technical result of around €0.4bn.

In 2010, we set ourselves the objective of achieving value added by new business of €450m a year by 2015 based on Market Consistent Embedded Value (MCEV) Principles. Given the further very good result posted in the past year, we see ourselves as well positioned to achieve this goal.

In property-casualty reinsurance, which is traditionally exposed to market cycles, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions.

The renewals at 1 January 2013 again took place in a very competitive market environment. The demand for reinsurance cover was relatively stable overall, given the primary insurers' good capitalisation. At the same time, growth in primary insurance continued to be impacted by the difficult economic environment, but nevertheless remained largely constant. Reinsurers provided enough capacity, since their capital base continued to strengthen in 2012.

Prices generally moved sideways. Rate increases were achieved only in segments with high loss ratios, especially in marine insurance, where Windstorm Sandy and the accident involving the Costa Concordia led to significantly higher prices. US natural hazards business did not see any broad-based hardening of the market, despite Sandy. However, prices rose for loss-affected treaties; otherwise, rates remained largely stable. Latin American business showed slight price increases. In Australia, prices were maintained at the previous year's good level. By contrast, the market environment for natural catastrophe risks in Europe proved rather difficult, with further price reductions in some cases. Since the abatement of the last financial crisis, a certain amount of pressure on rates has also made itself felt in credit and surety business but rates are still at an acceptable level.

A premium volume of €9.2bn of our treaty business was up for renewal in January. We recorded a slight decrease of around €135m. In accordance with our profit-oriented underwriting policy, we again refrained from renewing business that did not meet our pricing requirements this year. For example, we continued to reduce European property-casualty business for cycle-related reasons. Overall, we managed to increase prices for our natural catastrophe business moderately, with the persistently low interest-rate-environment leading to price increases in liability business. Altogether, we were able to improve the profitability of our portfolio by around 0.5% in a competitive market environment.

The renewals at 1 April 2013 (Japan and Korea) and 1 July 2013 (mainly parts of the US market, Australia and Latin America) will involve a premium volume of around €3.3bn, with a greater proportion of natural catastrophe business than the renewals in January. Altogether, we project that the markets will move sideways at a good level. Assuming the absence of major loss occurrences, we expect rates in natural catastrophe business to be stable. In liability business, however, a further continuation of the low-interest-rate phase would favour the positive price trend.

For 2013, we anticipate gross premiums written of around €17bn in property-casualty reinsurance. We aim for a combined ratio of approximately 94% of net earned premiums. The uncertainties involved in the estimate derive in part from the random incidence of major individual losses.

If exchange rates remain constant, gross premiums in reinsurance should range between €27bn and €28bn overall in 2013. We project that the consolidated result in reinsurance will total between €2.3bn and €2.5bn in 2013.

Investments

The 2012 financial year was characterised by political uncertainties and the resultant volatilities in the capital markets. We are proceeding on the assumption that the situation in 2013 will be unstable as well. The main risks lie in the further development of the sovereign debt and banking crisis. A collapse of the European financial system, especially major banks defaulting chaotically, or a sustained low interest-rate level with simultaneously rising inflation would hit the whole insurance industry hard, as it would all major investors. We systematically limit our risks and strive for a balanced exposure, so regard ourselves as well prepared. Given our broad diversification, every scenario involves losses in individual assets, but as a rule these would entail asset gains elsewhere, because diversification effects and our Group-wide asset-liability management are designed to effectively dampen any potentially negative effect economically. Our diversifying investment strategy during the past year proved its worth in this environment and will therefore be pursued in 2013. We are planning, for instance, to further reduce our portfolio of government bonds in developed countries and to moderately build up investments in corporate bonds and emerging-market bonds. In 2012, the proportion of equities in our portfolio increased marginally. If suitable opportunities present themselves in the market, we may expand the proportion of investments in equities further to a very measured extent.

The structure of our investments is geared to that of our liabilities, thus limiting the interest-rate risk for the Group. In reinsurance, we are planning to cut the duration marginally, while in primary insurance, where investments are dominated by life primary insurance, we aim to prolong the average investment period somewhat. In so doing, we can gear our positioning even more closely to the profile of our liabilities. Besides the interest-rate risk, we also take inflation risks into account in our investments. We hedge part of our inflation-sensitive liabilities with inflation-linked bonds and inflation-linked swaps. We intend to keep the total portfolio of inflation-sensitive investments constant and to slightly expand our investments in commodities.

Provided an adequate return can be expected, we aim to invest more in renewable energy and new technologies in 2013 as well. In 2012, we were able to expand Munich Re's portfolio substantially to around €1bn. To achieve a broader spread of the portfolio's main risk drivers, i.e. technical and political risk, we are aiming to continue strongly diversifying our investments both regionally and technologically. There will be an additional focus on infrastructure projects in the next few years. By the end of 2012, Munich Re had invested around €500m. We intend to maintain our real-estate portfolio unchanged in terms of both volume and orientation in 2013.

For the coming year, we do not foresee any rapid and appreciable rise in capital market interest rates; regular income from our investments is therefore likely to be a relatively low 3.5% for 2013 as well. We anticipate an annual return on investment of around 3.3%, taking into account the result from the disposal of investments, write-ups and write-downs as well as other income and expenses.

Munich Re (Group) and Munich Reinsurance Company

Our assumption for 2013 is that gross premiums written will range between €50bn and €52bn, provided there are no significant changes in exchange rates compared with the average rates at the end of 2012.

We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve given the currently low level of interest rates on low-risk investments.

Provided that prices in reinsurance are stable and loss experience is average, our assumption for 2013 is that Munich Re will post a technical result of the same level as in 2012.

We are aiming for a consolidated result for 2013 of close to €3bn. For 2014, we expect to be able to achieve an even higher consolidated result. This profit guidance is subject to claims experience with regard to major losses being within normal bounds and to our income statement not being impacted by severe currency or capital market movements, significant changes in fiscal parameters, or other special factors.

Munich Reinsurance Company's gross premiums should range between €25bn and €26bn in 2013, assuming that exchange rates remain constant. 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 around 94% of our net earned premiums for Munich Reinsurance Company. An accurate forecast is not possible, partly due to the obvious fluctuations in the incidence of major losses. Taking the preceding financial year as a basis and assuming similarly favourable claims experience for 2013, we project that the technical result before claims equalisation provisions will be around the same level as in the year under review.

Given the current capital market situation, Munich Reinsurance Company's return on investment is likely to fall below the level reached in the year under review. As things stand at present, we expect that we will be able to achieve a very good German Commercial Code result in 2013 and also in 2014.

Our shareholders can look forward to a dividend for 2012 which - subject to approval by the Annual General Meeting - will rise by 75 cents to €7.00 per share.

Contents

Munich Reinsurance Company
Report on the 133rd year of business
1 January to 31 December 2012

Financial statements as at 31 December 2012

Balance sheet as at 31 December 2012

Assets

	Notes				Prev. year
		€k	€k	€k	€k
A. Intangible assets	(1)			**20,260**	**28,779**
B. Investments	(2, 3)				
I. Land, land rights and buildings, including buildings on third-party land			1,019,151		997,707
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		33,398,046			31,971,174
2. Loans to affiliated companies		144,698			151,682
3. Participating interests		258,268			237,481
4. Loans to participating interests		25,197			24,474
			33,826,209		32,384,811
III. Other investments					
1. Shares, investment fund certificates and other non-fixed-interest securities		5,595,952			5,795,929
2. Bearer bonds and other fixed-interest securities		21,391,717			19,769,849
3. Loans secured on property		1,416			1,839
4. Other loans		61			62
5. Deposits with banks		543,403			543,159
6. Miscellaneous investments		319,137			293,404
			27,851,686		26,404,242
IV. Deposits retained on assumed reinsurance			12,920,752		12,877,372
				75,617,798	**72,664,132**
C. Receivables					
I. Accounts receivable on reinsurance business Thereof from - affiliated companies: €378,129k (319,924k) - participating interests: €71,469k (68,667k)			2,694,641		2,877,878
II. Other receivables Thereof from - affiliated companies: €134,638k (104,582k) - participating interests: €1,688k (2,840k)			1,015,405		1,023,708
				3,710,046	**3,901,586**
D. Other assets					
I. Tangible assets and inventories			30,149		30,221
II. Cash at banks, cheques and cash in hand			421,688		438,364
				451,837	**468,585**
E. Deferred items					
I. Accrued interest and rent			421,805		378,772
II. Miscellaneous deferred items	(4)		40,536		42,021
				462,341	**420,793**
F. Excess of plan assets over pension liabilities	(5)			**246,859**	**41,157**
Total assets	(12)			**80,509,141**	**77,525,032**

Equity and liabilities

	Notes	€k	€k	€k	Prev. year €k
A. Equity	(6)				
I. Issued capital					
1. Subscribed capital		587,725			587,725
2. Less: Calculated value of own shares held		-2,335			-
			585,390		587,725
II. Capital reserve			6,836,403		6,832,037
III. Revenue reserves			2,373,602		1,316,806
IV. Net retained profits			1,255,388		1,118,843
				11,050,783	**9,855,411**
B. Subordinated liabilities	(7)			**5,173,283**	**4,385,920**
C. Technical provisions	(8)				
I. Unearned premiums					
1. Gross amount		3,767,715			4,091,846
2. Less for retroceded business		358,484			306,736
			3,409,231		3,785,110
II. Provision for future policy benefits					
1. Gross amount		10,655,398			10,637,662
2. Less for retroceded business		1,052,818			919,917
			9,602,580		9,717,745
III. Provision for outstanding claims					
1. Gross amount		34,765,193			36,342,114
2. Less for retroceded business		2,414,060			2,829,956
			32,351,133		33,512,158
IV. Provision for premium refunds					
1. Gross amount		5,803			4,567
2. Less for retroceded business		-			-
			5,803		4,567
V. Claims equalisation provision and similar provisions			6,981,992		6,409,650
VI. Other technical provisions					
1. Gross amount		340,153			420,593
2. Less for retroceded business		9,274			5,736
			330,879		414,857
				52,681,618	**53,844,087**
D. Other accrued liabilities	(9)				
I. Provisions for employees' pensions and similar commitments			13,042		12,043
II. Provisions for tax			2,667,957		2,193,720
III. Other provisions			667,395		976,982
				3,348,394	**3,182,745**
E. Deposits retained on retroceded business				**2,120,189**	**1,181,830**
F. Other liabilities					
I. Accounts payable on reinsurance business Thereof to - affiliated companies: €1,126,563k (972,107k) - participating interests: €24,016k (32,890k)			4,857,994		3,637,316
II. Amounts due to banks	(10)		-		203,192
III. Miscellaneous liabilities Thereof towards - affiliated companies: €873,606k (693,441k) Thereof from taxes: €52,733k (142,976k) Thereof for social security: €811k (541k)			1,040,045		1,077,625
				5,898,039	**4,918,133**
G. Deferred items	(11)			**236,835**	**156,906**
Total equity and liabilities	(12)			**80,509,141**	**77,525,032**

Income statement for the financial year 2012

Items

	Notes				Prev. year
		€k	€k	€k	€k
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		25,540,658			23,305,055
b) Retroceded premiums		-1,920,881			-1,629,155
			23,619,777		21,675,900
c) Change in gross unearned premiums		328,065			-48,486
d) Change in retroceded share of unearned premiums		50,511			97,137
			378,576		48,651
				23,998,353	**21,724,551**
2. Interest on technical provisions for own account	(14)			**476,267**	**455,142**
3. Other underwriting income for own account				**17,202**	**8,644**
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		-19,894,609			-17,138,126
ab) Retroceded amount		1,464,137			1,075,515
			-18,430,472		-16,062,611
b) Change in provision for outstanding claims					
ba) Gross amount		1,455,330			-2,759,433
bb) Retroceded amount		-417,177			1,251,614
			1,038,153		-1,507,819
				-17,392,319	**-17,570,430**
5. Change in other technical provisions for own account					
a) Net provision for future policy benefits			-231,375		-188,509
b) Other net technical provisions			-226		-375
				-231,601	**-188,884**
6. Expenses for premium refunds for own account				**-7,206**	**-11,160**
7. Operating expenses for own account	(15, 19, 20, 22)				
a) Gross operating expenses			-6,543,947		-6,213,226
b) Less commission received on retroceded business			357,298		272,304
				-6,186,649	**-5,940,922**
8. Other underwriting expenses for own account				**-17,637**	**-26,040**
9. Subtotal				**656,410**	**-1,549,099**
10. Change in claims equalisation provision and similar provisions	(13)			**-572,341**	**1,501,259**
11. Underwriting result for own account	(13)			**84,069**	**-47,840**

Items

	Notes					Prev. year
		€k	€k	€k	€k	€k
II. Non-technical account						
1. Investment income	(16)					
a) Dividends from participating interests						
Thereof from affiliated companies: €1,314,405k (1,516,909k)			1,335,099			1,563,419
b) Income from other investments						
Thereof from affiliated companies: €641,487k (194,669k)						
ba) Rents from land and buildings, including buildings on third-party land		124,975				124,991
bb) Income from other investments		1,815,683				1,394,973
			1,940,658			1,519,964
c) Income from write-ups			75,452			460,029
d) Realised gains on the disposal of investments			1,496,648			1,862,471
e) Income from profit-transfer agreements			49,996			16,706
				4,897,853		5,422,589
2. Investment expenses	(15, 17, 19, 20, 22)					
a) Expenses for the management of investments, interest paid and other expenses for investments			-289,509			-496,615
b) Write-downs of investments			-336,354			-739,790
c) Realised losses on the disposal of investments			-955,704			-1,624,154
d) Expenses from loss transfers			-1,135			-6
				-1,582,702		-2,860,565
				3,315,151		2,562,024
3. Interest income on technical provisions				-525,502		-490,424
					2,789,649	2,071,600
4. Other income	(21)				1,232,556	755,411
5. Other expenses	(21, 22)				-1,063,262	-1,074,856
6. Operating result before tax					3,043,012	1,704,315
7. Taxes on income				-647,417		-649,326
8. Other taxes				-5,792		-4,184
					-653,209	-653,510
9. Profit for the year					2,389,803	1,050,805
10. Profit brought forward from previous year					8,654	68,038
11. Withdrawals from revenue reserves					-	350,352
12. Transfers to revenue reserves					-1,143,069	-
13. Offset against shares bought back for retirement					-	-350,352
14. Net retained profits					1,255,388	1,118,843

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.

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, mortgage loans and other receivables are measured at amortised cost.

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. We did not avail ourselves of the option provided for in Section 274 para. 1 sentence 2 of the German Commercial Code, so the tax benefit resulting on balance from this calculation has not been recognised as an asset. In the calculation, the temporary differences across all the tax spheres of the states in which we have taxable branches are added together.

Significant for the Company are the temporary differences existing in Germany, where the deductible temporary differences exceed the taxable temporary differences by €5,707m. 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 deferred tax rate applicable for the German tax sphere is 33.0%. It is made up of the corporate tax rate (including solidarity surcharge) of 15.8% and the trade tax rate of 17.2%. The tax rate applicable for the Canadian branch amounts to 26.6%, for the UK branch to 23.0%, and for the Italian branch to 34.3%.

Munich Reinsurance Company has total loss carry-forwards of €1,015m, of which €275m is attributable to the German tax sphere. The remaining loss carry-forwards stem from the Company's foreign business units. Loss carry-forwards of €478m will probably be utilised within the next five years.

Excess of plan assets over pension liabilities

Under certain conditions, assets are netted with related liabilities for pension commitments (exception to the prohibition of offsetting under Section 246 para. 2 sentence 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" in accordance with Section 246 para. 2 sentence 3 of the German Commercial Code.

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. Costs for reinsurance commissions are deducted at a rate of 92.5% from the unearned premium components calculated.

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.

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

Other accrued liabilities

Under certain conditions, assets must be netted with related liabilities from pension commitments (see "Excess of plan assets over pension liabilities"). If these conditions are met, a pension provision only has to be recognised in the amount by which the settlement amount exceeds the fair value of the assets.

The Company has availed itself of the option under Section 253 para. 2 sentence 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.

For calculating pension commitments, semi-retirement commitments and anniversary payments, we use a discount rate of 5.05%. Increases of between 1.00% and 3.50% 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 required settlement amount, based on reasonable and prudent commercial judgement. 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 settlement amount.

Foreign currency translation and hedging relationships for currency risks
All business transactions are generally booked in the original currencies and recorded using the applicable day's exchange rate in euros. The foreign currency amounts are retranslated for the balance sheet at the year-end exchange rate.

Foreign currency liabilities are grouped together with the assets matching them per currency in hedging relationships, in accordance with Section 254 of the German Commercial Code (Portfolio Hedges), the items allocated to the hedging relationships being primarily long-term assets on the one hand and provisions and long-term liabilities on the other. Translation is generally done independently of the restrictions of the historical-cost and realisation principle.

If there is an excess of assets over liabilities in a particular currency, this is examined to see whether it is long term or not. Long-term excesses of assets over liabilities are grouped together with currency forward transactions in separate hedging relationships, as per Section 254 of the German Commercial Code, and are also generally translated independently of the restrictions of the historical-cost and realisation principle. In the year under review, there was a long-term excess of assets over liabilities only in respect of the Canadian dollar.

The effective part of the hedging relationships is accounted for using the "gross method".

Short-term excesses of assets over liabilities and (short-term and long-term) excesses of liabilities over assets are generally translated immediately with impact on profit or loss. The remaining assets and liabilities outside the above-mentioned hedging relationships per currency have a residual term of less than one year and are therefore recognised independently of the restrictions of the historical-cost and realisation principle, in accordance with Section 256a of the German Commercial Code. The same applies to provisions, whose residual term is, however, immaterial for non-compliance with the historical-cost or realisation principle.

Gains and losses resulting from currency translation are recognised in the income statement under other income or other expenses.

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

	31.12.2012	Prev. year
Australian dollar	1.26990	1.26620
Japanese yen	113.9960	99.87970
Canadian dollar	1.31270	1.32185
Pound sterling	0.81110	0.83530
Taiwan dollar	38.2850	39.30670
US dollar	1.31840	1.29815
Chinese renminbi	8.21405	8.17055

Hedging relationships

In addition to the hedging relationships for currency risks described above, we have also availed ourselves of the option under Section 254 of the German Commercial Code to recognise the economic hedge through hedge accounting for the subordinated bond from the year 2007, which is hedged against interest-rate risks by means of an interest-rate swap (cf. page 112 f.). The effective part of the hedging relationship is recognised in accordance with the "net 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 115 f.

Notes to the balance sheet – Assets

I, 2 Intangible assets and investments

	Carrying amount 31.12.2011	Currency translation	Additions	Disposals	Write-ups	Write-downs	Carrying amount 31.12.2012
	€k	€k	€k	€k	€k	€k	€k
(1) Intangible assets	**28,779**	**-**	**4,096**	**-4**	**200**	**-12,811**	**20,260**
(2) Investments							
Land, land rights and buildings, including buildings on third-party land	997,707	-	30,010	-290	14,909	-23,185	1,019,151
Investments in affiliated companies and participating interests							
Shares in affiliated companies	31,971,174	-52,180	2,710,030	-1,184,640	9,503	-55,841	33,398,046
Loans to affiliated companies	151,682	1,746	722,571	-728,501	-	-2,800	144,698
Participating interests	237,481	-262	35,181	-10,980	-	-3,152	258,268
Loans to participating interests	24,474	723	-	-	-	-	25,197
	32,384,811	**-49,973**	**3,467,782**	**-1,924,121**	**9,503**	**-61,793**	**33,826,209**
Other investments							
Shares, investment fund certificates and other non-fixed-interest securities	5,795,929	-6,822	5,121,189	-5,171,168	72,188	-215,364	5,595,952
Bearer bonds and other fixed-interest securities	19,769,849	101,650	15,547,282	-14,000,086	20,713	-47,691	21,391,717
Loans secured on property	1,839	-	-	-423	-	-	1,416
Other loans	62	4	-	-5	-	-	61
Deposits with banks	543,159	747	-	-503	-	-	543,403
Miscellaneous investments	293,404	-	7,268,383	-7,234,551	-	-8,099	319,137
	26,404,242	**95,579**	**27,936,854**	**-26,406,736**	**92,901**	**-271,154**	**27,851,686**
Total investments (2)	**59,786,760**	**45,606**	**31,434,646**	**-28,331,147**	**117,313**	**-356,132**	**62,697,046**
Total (1) + (2)	**59,815,539**	**45,606**	**31,438,742**	**-28,331,151**	**117,513**	**-368,943**	**62,717,306**

The statement of changes in assets and investments is shown at year-end (31 December 2012) exchange rates.

Intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of owner-occupied property totals €240m.

Of our total investments (excluding deposits retained on assumed reinsurance) with a carrying amount of €62,697m, an amount of €5,918m is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us.

Derivatives	Balance sheet item	Carrying amount €k	Fair value €k	Notional principal amount €k
Equity and index risks				
Short stock options	Other liabilities	-13	-29	468
	Other provisions	-23		
Equity/index futures	-	-	239	33,894
Interest-rate risks				
Interest-rate swaps	Other provisions	-18,447	176,066	8,020,738
Interest-rate swaps (subordinated bond)	Other provisions	-	248,843	1,349,050
Inflation swaps	Other provisions	-87,463	-63,871	5,077,221
Bund futures	Other provisions	-12,453	9,544	4,526,927
Currency risks				
Long currency options	Shares, investment fund certificates and other non-fixed-interest securities	565	606	499,926
Short currency options	Other liabilities	-87	-52	12,704
Currency forwards	Other provisions	-199,679	-83,842	14,831,986
Currency forwards (for CAD hedging)	Other liabilities	-	26,947	1,444,649
Other transactions				
Insurance derivatives I (swaps)	Other provisions	-5,150	-5,150	534,739
Insurance derivatives II (cat bonds)	Other provisions	-4	579	55,801
	Deferred asset items	1		
	Deferred liability items	-13		
Insurance derivatives III (long options)	Other investments	1,206	1,206	45,510
Insurance derivatives III (short options)	Other liabilities	-479	-208	14,533
Insurance derivatives IV (Total return swaps, insurance-linked)	Other provisions	-36	1,647	134,335
Weather derivatives I (Weather options, short)	Other liabilities	-2,446	-1,156	12,720
Weather derivatives II (Total return swaps, weather)	-	-	4,220	20,479
Single credit default swaps	Other provisions	-1,277	3,927	419,527
	Deferred asset items	7,860		
	Deferred liability items	-5,796		
Basket credit default swaps	Deferred liability items	-1,156	323	50,000
Commodity swaps	Other provisions	-11,822	22,078	1,789,703

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.

The carrying amounts of the insurance derivatives (swap contracts, options, and derivatives embedded in cat bonds) are derived from the market value of the related underlying assets.

One interest-rate swap (notional principal 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 €249m. 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/index futures	Quoted price		
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present-value method
Bund futures	Quoted price		
Currency risks			
Currency options	Theoretical price	At-the-money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
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 ISDA CDS Standard Model
Commodity swaps	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Weather derivatives	Theoretical price	Event estimates Historical data	Monte Carlo

The fair value of investments (excluding deposits retained on assumed reinsurance) amounts to €74,164m. The relevant carrying amount totals €62,697m. This results in valuation reserves of €11,467m for the financial year 2012.

The valuation reserves contain hidden losses of €21m from land and buildings. These are apportionable to a plant under construction. According to a current valuation assessment, however, it can be assumed that the hidden losses do not constitute a sustained impairment in value.

The valuation reserves additionally contain hidden losses of €9m for participating interests, apportionable to an investment holding company whose sole purpose is to hold 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 €8m 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 31.12.2012	Fair values 31.12.2012	Valuation reserves 31.12.2012
Land, land rights and buildings, including buildings on third-party land	1,019	2,605	1,586
Investments in affiliated companies and participating interests			
Shares in affiliated companies	33,398	40,514	7,116
Loans to affiliated companies	145	138	-7
Participating interests	258	500	242
Loans to participating interests	25	37	12
	33,826	**41,189**	**7,363**
Other investments			
Shares, investment fund certificates and other non-fixed-interest securities	5,596	6,351	755
Bearer bonds and other fixed-interest securities	21,392	23,156	1,764
Loans secured on property	1	1	0
Deposits with banks	544	544	0
Miscellaneous investments	319	318	-1
	27,852	**30,370**	**2,518**
Total investments	**62,697**	**74,164**	**11,467**

At 31 December 2012, 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	4,015	4,012	3	385
Bond funds	1,249	929	320	20
Total	**5,264**	**4,941**	**323**	**405**

3 Information on shareholdings

A list of all our shareholdings can be found on page 127 ff.

4 Deferred items

These include €14m for a difference (as defined in Section 250 para. 3 of the German Commercial Code) in respect of the settlement amount of a liability.

5 Excess of plan assets over pension liabilities

A total settlement amount of €792m for liabilities from pension commitments is more than covered by plan assets with a total fair value of €1,026m. Netting at individual plan level results in both an excess of €247m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €13m. The acquisition costs of the assets to be netted amounts to €843m. The income from these assets and the interest income for the pension provisions and comparable long-term commitments in the financial year totalled €80m and €131m respectively.

Netted income and expenses from pension commitments and plan assets to be netted

€k	2012
Expenses for discounting liabilities for pension commitments	28,640
Income from reducing pension commitments	159,608
Income from plan assets to be netted with liabilities for pension commitments	80,109
Net expenses for pension commitments	**211,077**
Expenses for discounting liabilities for semi-retirement commitments	2,320
Expenses for change in the discount rate for liabilities for semi-retirement commitments	94
Income from plan assets to be netted with liabilities for semi-retirement commitments	758
Net expenses for semi-retirement commitments	**1,656**

The additional funding obligation resulting from the contract trust agreement has decreased, owing to the reduction in the IAS actuarial interest rate. The relevant expenses provisions were set up prior to the introduction of BilMoG (German Act to Modernise Accounting Law) and have therefore been maintained, in accordance with Section 67 para. 3 of the Act Introducing the German Commercial Code. The additional funding obligation arises from the trust agreement to finance pension commitments on the basis of the defined benefit obligation as per IAS 19. The above-mentioned income derives mainly from a partial release of this expenses provision. Besides this, a small expense results from the change in the discount rate.

Notes to the balance sheet – Equity and liabilities

6 Equity

The total share capital of €588m at 31 December 2012 is divided into 179,341,212 no-par-value registered shares, each fully paid up and entitled to one vote.

Composition of the capital authorised for capital increases:

€m	31.12.2012
Authorised Capital Increase 2009 (until 21 April 2014)	280
Authorised Capital Increase 2011 (until 19 April 2016)	10
Total	**290**

Composition of contingent capital:

€m	31.12.2012
Contingent Capital Increase 2010 (until 27 April 2015)	117
Total	**117**

An amount of €2m is shown deducted from the subscribed capital for the calculated value of own shares held at 31 December 2012. The portion of the acquisition costs for these own shares in excess of this calculated value, i.e. €86m, has been deducted from the revenue reserves.

€1,143m of the profit for the year 2012 was allocated to the revenue reserves by the Board of Management. Revenue reserves contain a reserve of €2m to take account of the own shares held. Net retained profits include a profit of €8m carried forward from the previous year. €191m resulting from the capitalisation of assets at fair value and from the reserve for own shares is subject to a restriction on distribution.

By resolution of the Annual General Meeting on 28 April 2010, Munich Reinsurance Company was authorised to buy back shares amounting to a maximum of 10% of the share capital up to 27 April 2015. This authorisation was cancelled by the Annual General Meeting on 20 April 2011 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 19 April 2016.

On 31 December 2012, a total of 813,942 Munich Reinsurance Company shares with a calculated nominal value of around €2.7m were held by Group companies. This represents 0.5% of the share capital.

Owing to the potential effects of the still-volatile capital market environment and possible capital requirements for organic growth, Munich Reinsurance Company's Board of Management only availed itself of the authorisation granted by the Annual General Meeting on 20 April 2011, in accordance with Section 71 para. 1 item 8 of the German Stock Companies Act, to a very limited extent - merely in connection with hedging obligations arising from the long-term incentive plans.

As in the previous year, no employee share programmes were set up in 2012 for the employees of Munich Reinsurance Company or of dependent Group companies or enterprises in which the Company has a majority shareholding. The Company has no remaining portfolio from prior employee share programmes.

One subsidiary, which at the beginning of the year held 1,423,055 shares to hedge stock appreciation rights granted to the Board of Management and top Munich Reinsurance Company executives since 1999, assigned its full portfolio of Munich Re shares to Munich Reinsurance Company in the 2012 calendar year. Munich Reinsurance Company, in turn, did not acquire further shares for hedging these programmes but began to sell shares to the market as part of the release of LIP hedges. In the year under review, it consequently sold a total of 711,055 shares at an average price of €130.59. The gain on disposal of €4m was allocated to the Company's capital reserve, in accordance with Section 272 para. 1b of the German Commercial Code. At 31 December 2012, there were 712,000 shares remaining.

In the financial year 2012, also with a view to reducing hedges, companies of the ERGO Insurance Group acquired no shares to cover future commitments from the long-term incentive plans launched since 2002, but sold a total of 155,633 shares at a price of €126.69 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 21,835 shares at 31 December 2012.

MEAG MUNICH ERGO AssetManagement GmbH acquired 81,563 shares at an average price of €124.46 in the financial year 2012 to safeguard obligations from its long-term incentive plan, and sold 153,395 shares at an average price of €124.52, leaving it with a portfolio of 80,107 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 €79.3m.

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 2012):

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. Since the notification of October 2010, we have received no further voting rights notification from Warren E. Buffett or his companies. On 1 March 2013, however, Berkshire Hathaway reported in its annual letter to shareholders that it held a total of 20,060,390 shares in our Company as at 31 December 2012, which is equivalent to 11.2% of our share capital.

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 of the Black Rock Group notified us that they held 3% or more of the voting rights in our Company on 6 May 2010:
— BlackRock International Holdings Inc. (4.10%),
— BR Jersey International Holdings L.P. (4.10%) and
— BlackRock Advisors Holdings Inc. (4.10%).

In addition, we were notified in October 2012 that the threshold of 3% of the voting rights had also been exceeded on 25 July 2011 by
— BlackRock Group Limited (3.02%).

We were also notified in October 2012 that the threshold of 5% of the voting rights had been exceeded on 20 April 2011 by
— BlackRock Financial Management, Inc. (5.29%) and
— BlackRock Holdco 2, Inc. (5.29%).

These voting rights are attributable in accordance with Section 22 of the German Securities Trading Act (para. 1, sentence 1, item 6 in conjunction with sentence 2).

In September 2011, the People's Bank of China/SAFE, Beijing, China, notified us on behalf and as authorised agent of the People's Republic of China, in accordance with Article 21 para. 1 of the German Securities Trading Act, that the share of the voting rights in our Company held by the People's Republic of China had exceeded the threshold of 3% on 5 August 2011 and totalled 3.04% (5,450,911 voting rights) on that date. Of this, 3.04% (5,450,911 voting rights) was attributable to the People's Republic in accordance with Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act via shares held by the People's Bank of China/State Administration of Foreign Exchange (SAFE), which are under its control and whose voting rights in our Company amount to 3% or more. We have received no further information since the notification of September 2011.

/ 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. The subordinated bond issued in 2011 with a nominal value of €1,000m will mature in 2041 and is callable for us for the first time on 26 May 2021. The subordinated bonds issued in 2012 with nominal values of €900m and £450m will mature in 2042 and are callable by us for the first time on 26 May 2022.

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 115. It is a perpetual bond, callable by us from ten years after the date of issue.

In line with our active capital management, we bought back a nominal amount of €678m of the subordinated bond 2003/23 in 2012, out of the total outstanding amount of €1,678m as at the end of 2011.

The remaining term of the subordinated liabilities with a total amount of €5,173m is more than five years.

Subordinated liabilities

€m	31.12.2012
Subordinated bonds 2003/2023, €1,000m[1] 6.75% p.a. until 2013, thereafter floating	1,000
Subordinated bonds 2003/2028, £300m 7.625% p.a. until 2018, thereafter floating	370
Subordinated bonds 2007/perpetual, €1,349m[2] 5.767% p.a. until 2017, thereafter floating	1,349
Subordinated bonds 2011/2041, €1,000m 6.00% p.a. until 2021, thereafter floating	1,000
Subordinated bonds 2012/2042, €900m 6.25% p.a. until 2022, thereafter floating	900
Subordinated bonds 2012/2042, £450m 6.625% p.a. until 2022, thereafter floating	554
Total	**5,173**

1 With original nominal value of €3,000m (thereof €1,000m 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 €1,000m[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
Subordinated bonds 2011/2041, €1,000m 6.00% p.a., until 2021, thereafter floating	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a+	A	-	A
Subordinated bonds 2012/2042, €900m, 6.25% p.a. until 2022, thereafter floating	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a+	A	-	A
Subordinated bonds 2012/2042 £450m, 6.625% p.a. until 2022, thereafter floating	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	-	A

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

8 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	494	8,612	1,162	12	383	10,663	133
Health	157	991	275	5	154	1,582	39
Accident	21	-	2,641	374	-56	2,980	2,629
Liability	270	-	11,602	686	-13	12,545	767
Motor	673	-	5,767	716	-101	7,055	321
Marine	116	-	854	349	-9	1,310	228
Aviation	203	-	991	1,053	-3	2,244	432
Fire	661	-	5,597	2,157	34	8,449	227
Engineering	569	-	2,258	206	6	3,039	354
Other classes	245	-	1,204	1,424	-58	2,815	154
Non-life combined	2,915	991	31,189	6,970	-46	42,019	269
Total	**3,409**	**9,603**	**32,351**	**6,982**	**337**	**52,682**	**223**

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	31.12.2012	31.12.2011
Claims equalisation provision	6,559,147	6,005,521
Provision for major risks	422,845	404,130
Thereof:		
For nuclear facilities	81,040	77,693
For pharmaceutical product liability risks	80,393	83,415
For terrorism risks	261,412	243,022
Total	**6,981,992**	**6,409,651**

9 Other accrued liabilities

As at 31 December 2012, prior to netting, the provision for employees' pensions and similar commitments totalled €792m, compared with assets of €1,026m prior to netting. There was an excess of €41m of plan assets over pension liabilities as at 31 December 2011, an amount which increased to €247m by 31 December 2012. In addition, there was a pension provision of €12m as at 31 December 2011, which rose to €13m by 31 December 2012.

For semi-retirement commitments, a settlement amount of €48m compares with assets of €27m to be netted. The acquisition costs of the assets to be netted amounts to €27m.

We have agreed to pay pensions to nearly all our staff and their surviving dependants. These commitments are to be met by the Company itself, by the Munich Re staff pension fund, and by Allianz Pensions Management e.V.

For personnel expenses not yet payable on the balance sheet date, provisions of €269m have been posted.

There are provisions of €338m for anticipated losses from derivatives.

10 Amounts due to banks

On the balance sheet date, there were no amounts due to banks. The strategic bank loan of US$ 250m assumed from Munich Re America Corporation in 2009 was repaid as planned in 2012.

11 Deferred items

These deferred items contain an adjustment item of €212m for unrealised currency gains. This item will be released as planned by 2014.

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	Exchange-rate risks	Currency result from hedged foreign currency liabilities Recognition of effective 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
	The following hedging relationships – the largest in terms of volume – were recognised at the balance sheet date: - US dollar: 20,460m (€15,519m) - Pound sterling: 4,988m (€6,150m) - Australian dollar: 4,683m (€3,687m) - Canadian dollar: 4,667m (€3,535m) - Chinese renminbi 11,151m (€1,358m) - Japanese yen: 91,333m (€801m) - New Zealand dollar: 1,265m (€792m) - Norwegian krone: 2,937m (€400m) - Swiss franc: 374m (€310m)			
Portfolio hedge	Variable portfolio of securities (Canadian dollar) in deposit MXA016F100	Hedging by means of currency forward transactions (sale of Canadian dollars in exchange for euros) Hedging always annually with regular adjustments in line with book value change in the deposit	Exchange-rate risk	Currency result from hedged securities deposit MXA016F100 Recognition of effective 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 relationship
	Book value (basis for hedging) as at 31 December 2012: Can$ 1,893m (€1,442m)	Open currency forward contracts as at 31 Dec. 2012: Sell Can$ 1,896m in exchange for €1,453m		
Micro-hedge	Subordinated bond XS0304987042 2007/ perpetual; nominal volume/ book value €1,349m 5.767% p.a. until 2017	Interest-rate swap Nominal volume €1,349m Market value as at 31 December 2012: €249m Receive fix 5.767% p.a., pay EURIBOR 3 Months + spread 101.35 BP	Interest-rate risk	Accounting at nominal value using the "net method"; Munich Reinsurance Company's own issue; therefore no valuation of the interest-rate risk and no omitted write-up or write-down, owing to recognition as hedging relationship

→ Details of effectiveness

Reason	Scope	Period	Method for measuring effectiveness
Currency match	Probable compensation of countervailing changes in the fair value	According to duration of liabilities	Critical term match method, prospective
Identity of underlying	Probable compensation of countervailing changes in the fair value	Commenced on 1 Oct. 2011	Critical term match method, prospective
Currency match		Unlimited term	
Volume of hedge is regularly adjusted to the status of the deposit	Effectiveness 85.4% Ineffectiveness results mainly from swap premium (difference between forward rate and spot rate in currency forward transactions)		Dollar offset method, retrospective
Identity of underlying	Probable compensation of countervailing changes in the fair value	Term until June 2017	Critical term match method, prospective
Currency match			
Identical parameters	Effectiveness 99.5%		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	2012	2011	2012	2011	2012	2011	2012	2011
Life	9,168	7,783	228	279	-1	-1	-	-
Health	4,234	3,861	37	25	-	-	99.1	99.4
Accident	210	206	86	159	84	-256	32.3	16.1
Liability	1,648	1,518	-608	-20	172	-362	138.1	101.4
Motor	2,224	2,716	-397	-18	126	-355	116.0	100.7
Marine	572	391	87	44	-40	230	84.6	90.8
Aviation	536	515	302	180	-90	72	44.1	63.9
Fire	4,057	3,547	1,109	-2,551	-1,243	2,556	70.2	177.8[1]
Engineering	921	929	-56	-42	64	73	106.1	104.6
Other classes	1,971	1,839	-132	395	356	-456	106.8	135.9
Non-life combined	16,373	15,522	428	-1,828	-571	1,502	97.3	112.1
Total	**25,541**	**23,305**	**656**	**-1,549**	**-572**	**1,501**	**-**	**-**

1 The figure for 2011 is not adjusted for relief of 6.4 percentage points from economic risk transfer to the capital markets.

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	2012	Prev. year
Wages and salaries	495,613	392,463
Social insurance contributions and voluntary assistance	67,412	67,056
Expenses for employees' pensions	71,240	96,689
Total	**634,265**	**556,208**

16 Investment income

The write-ups result from the reversal of write-downs because the reasons for these write-downs no longer apply.

17 Investment expenses

€253m 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

From 1999 to 2010, Munich Reinsurance Company 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. In 2010, these share-price-related remuneration plans were only provided for members of senior management in Munich and selected top executives in the international organisation.

Under the long-term incentive plans, participants received a certain number of stock appreciation rights.

The relevant initial share price for the stock appreciation rights was calculated from the average of closing prices for Munich Re shares in Frankfurt Xetra trading over the last three months prior to the relevant plan commencement. The obligations arising from the long-term incentive plans are partly 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 €20.7m 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 2012, this resulted in expenses of €35.0m. The weighted average share price for the stock appreciation rights exercised in 2012 was €109.45 for plan year 2005, €131.38 for plan year 2006, €120.60 for plan year 2009, and €131.59 for plan year 2010. The intrinsic value of the exercisable stock appreciation rights amounted to €18.3m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2005-2010

		Incentive Plan 2005	Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement		1.7.2005	1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end		30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Initial share price	€	88.10	108.87	134.07	121.84	97.57	109.11
Intrinsic value 2012 for one right	€	46.30	25.53	0.33	12.56	36.83	25.29
Fair value 2012 for one right	€	-	25.53	7.06	12.99	36.83	25.29
Number of rights on 31 Dec. 2005		485,527	-	-	-	-	-
Additions		-	443,609	-	-	-	-
Forfeited		-	1,019	-	-	-	-
Number of rights on 31 Dec. 2006		485,527	442,590	-	-	-	-
Additions		-	6,123	341,737	-	-	-
Exercised		84,329	-	-	-	-	-
Forfeited		3,892	8,514	503	-	-	-
Number of rights on 31 Dec. 2007		397,306	440,199	341,234	-	-	-
Additions		-	-	4,013	444,104	-	-
Exercised		31,716	-	-	-	-	-
Forfeited		-	5,388	5,848	3,063	-	-
Number of rights on 31 Dec. 2008		365,590	434,811	339,399	441,041	-	-
Additions		-	-	-	463	459,271	-
Exercised		19,213	-	-	-	-	-
Forfeited		715	2,904	2,804	4,194	-	-
Number of rights on 31 Dec. 2009		345,662	431,907	336,595	437,310	459,271	-
Additions		-	-	-	-	-	675,029
Exercised		72,662	-	-	-	-	-
Forfeited		1,936	1,653	1,379	1,462	1,287	-
Number of rights on 31 Dec. 2010		271,064	430,254	335,216	435,848	457,984	675,029
Additions		-	-	-	-	-	6,546
Exercised		122,681	-	-	-	-	-
Forfeited		957	4,631	5,333	7,623	7,338	16,266
Number of rights on 31 Dec. 2011		147,426	425,623	329,883	428,225	450,646	665,309
Exercised		147,426	403,618	-	-	320,709	365,529
Forfeited		-	-	783	1,422	1,253	3,655
Number of rights on 31 Dec. 2012		-	**22,005**	**329,100**	**426,803**	**128,684**	**296,125**
Exercisable at year-end		-	**22,005**	**329,100**	**426,803**	**128,684**	**296,125**

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 value-based performance targets are set in the form of an average target to be achieved over the three following years and are allocated according to responsibilities.

The share-based factor TSR represents the total return on Munich Re shares and comprises share price performance 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 calendar days prior to plan commencement and plan termination respectively.

At plan commencement, the PSUs are granted on the basis of the set target amount for 100% achievement of the objectives and 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 basis for full and partial allocation of PSUs is the first plan year.

The final number of PSUs is calculated from the number of PSUs at plan commencement and 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 company management, and to 300% of the target amount for senior management.

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 Plans 2009-2012

		Incentive Plan 2009	Incentive Plan 2010	Incentive Plan 2011	Incentive Plan 2012
Plan commencement		1.1.2009	1.1.2010	1.1.2011	1.1.2012
Plan end		31.12.2011	31.12.2012	31.12.2013	31.12.2014
Fair value 2012 for one right	€	-	261.98	264.54	266.48
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	-	-
Number of rights (for 100% achievement of objectives) on 1 January 2011		56,496	38,284	63,769	-
Additions		-	-	-	-
Forfeited		842	843	-	-
Number of rights (for 100% achievement of objectives) on 31 December 2011		55,654	37,441	63,769	-
Number of rights (for 100% achievement of objectives) on 1 January 2012		55,654	37,441	63,769	78,568
Additions		-	-	185	-
Exercised		55,654	-	-	-
Forfeited		-	184	424	-
Number of rights (for 100% achievement of objectives) on 31 December 2012		-	37,257	63,530	78,568

In the financial year 2012, expenses of €39.2m were recognised for the mid-term incentive plans. The provision at the reporting date amounted to €58.0m.

21 Income and expenses from currency translation

€811m from currency translation has been recognised in other income and €377m in other expenses.

22 Remuneration report

The total remuneration of Munich Reinsurance Company's Board of Management amounted to €13.3m and that of the Supervisory Board to €2.2m, 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 45 ff.

Payments to retired members of the Board of Management or their surviving dependants totalled €5.8m.

No personnel expenses were incurred for pension commitments to retired members of the Board of Management.

As at 31 December 2012, 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 €97.0m.

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.

23 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 Compliance
Group Audit

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
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
(Honorary Chairman,
Chairman until 31 December 2012)

Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder
(Chairman since 1 January 2013)
Member since 17 April 2002,
last re-elected 22 April 2009
Former Chairman of the Board of Management of Volkswagen AG

Hans Peter Claußen
(Deputy Chairman)
Member since 22 April 2009
Employee of D.A.S. Allgemeine Rechtsschutz Versicherungs-AG

Prof. Dr. oec. Dr. jur. Ann-Kristin Achleitner
Member since 3 January 2013
Scientific Director of the Center for Entrepreneurial and Financial Studies (CEFS) at the Technical University of Munich

Herbert Bach
Member since 9 December 1994,
last re-elected 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)

Annika Falkengren
Member since 20 April 2011
President and Chief Executive Officer of Skandinaviska Enskilda Banken AB (publ)

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
Member of the Board of Governors and President of the EU-LAC Foundation

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 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 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

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 Munich Re, Sucursal en España

Richard Sommer
Member since 22 April 2009
Trades Union Secretary and former Head of the Federal Specialist Group, Insurances, ver.di

Dr. phil. Ron Sommer
Member since 5 November 1998,
last re-elected 22 April 2009
Chairman of the Supervisory Board of MTS OJSC, Russia

Membership of the Supervisory Board Committees

Standing Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman until 31 December 2012)
Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder
(Chairman since 1 January 2013)
Herbert Bach
Hans Peter Claußen
Prof. Dr. rer. nat. Dr.-Ing. e.h. Henning Kagermann
(since 1 January 2013)
Wolfgang Mayrhuber

Personnel Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman until 31 December 2012)
Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder
(Chairman since 1 January 2013)
Herbert Bach
Wolfgang Mayrhuber
(since 1 January 2013)

Audit Committee
Prof. Dr. rer. nat. Dr.-Ing. e. h. Henning Kagermann
(Chairman)
Christian Fuhrmann
Marco Nörenberg
Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder
(since 1 January 2013)
Anton van Rossum
Dr. jur. Hans-Jürgen Schinzler
(until 31 December 2012)

Nomination Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman until 31 December 2012)
Dr. Ing. e.h. Dipl.-Ing.
Bernd Pischetsrieder
(Chairman since 1 January 2013)
Prof. Dr. rer. nat. Dr.-Ing. e.h.
Henning Kagermann
Peter Löscher
(since 1 January 2013)

Conference Committee
Dr. jur. Hans-Jürgen Schinzler
(Chairman until 31 December 2012)
Dr. Ing. e.h. Dipl.-Ing.
Bernd Pischetsrieder
(Chairman since 1 January 2013)
Herbert Bach
Hans Peter Claußen
Prof. Dr. rer. nat. Dr.-Ing. e.h.
Henning Kagermann
(since 1 January 2013)

A report on the remuneration of the Board of Management and the Supervisory Board is provided on page 45 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	-	Global Aerospace Underwriting Managers Ltd. (GAUM), United Kingdom (Chairman) New Reinsurance Company Ltd., Switzerland[2] (Chairman)
Georg Daschner	-	-
Dr. rer. nat. Torsten Jeworrek	-	-
Dr. rer. pol. Peter Röder	EXTREMUS Versicherungs-AG	Munich Re America Corp., USA[2] (Chairman) Munich Reinsurance America, Inc., USA[2] (Chairman)
Dr. jur. Jörg Schneider	MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH[2] (Chairman)	-
Dr. oec. publ. Wolfgang Strassl	-	Apollo Munich Health Insurance Company Ltd., India
Dr. oec. publ. Joachim Wenning	-	-

1 Status: 31 December 2012.
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 (Honorary Chairman, Chairman until 31 December 2012)	METRO AG	UniCredit S.p.A., Italy (until 11 May 2012)
Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder (Chairman since 1 January 2013)	METRO AG (until 23 May 2012)	Tetra-Laval International S.A. Group, Switzerland
Hans Peter Claußen (Deputy Chairman)	D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG[2] ERGO Versicherungsgruppe AG[2]	-
Herbert Bach	-	-
Dina Bösch	-	-
Annika Falkengren	Volkswagen AG	Securitas AB (publ), Sweden
Frank Fassin	ERGO Versicherungsgruppe AG[2] Provinzial NordWest Holding AG	-
Dr. jur. Benita Ferrero-Waldner	-	Gamesa Corporación Tecnológica S.A., Spain Alpine Bau Holding GmbH, Austria
Christian Fuhrmann	-	Munich Re Holding Company (UK) Ltd., United Kingdom[2]
Prof. Dr. rer. nat. Peter Gruss	Siemens AG	Actelion Ltd., Switzerland
Prof. Dr. rer. nat. Dr.-Ing. e.h. Henning Kagermann	Bayerische Motoren-Werke AG Deutsche Bank AG Deutsche Post AG Franz Haniel & Cie. GmbH	Nokia Corporation, Finland Wipro Ltd., India
Peter Löscher	Deutsche Bank AG	TBG Ltd. (Thyssen-Bornemisza Group), Malta
Wolfgang Mayrhuber	Bayerische Motoren-Werke AG Infineon Technologies AG (Chairman) Lufthansa-Technik AG	AUA Austrian Airlines, Austria Österreichische Luftverkehrs-holding GmbH, Austria Heico Corporation, USA UBS AG, Switzerland
Silvia Müller	ERGO Versicherungsgruppe AG[2]	-
Marco Nörenberg	ERGO Versicherungsgruppe AG[2]	-
Reinhard Pasch	-	-
Anton van Rossum	-	Credit Suisse Groupe AG, Switzerland Royal Vopak NV, Netherlands (Chairman) Solvay S.A., Belgium
Andrés Ruiz Feger	-	-
Richard Sommer	ERGO Versicherungsgruppe AG[2]	-
Dr. phil. Ron Sommer	-	JSFC Sistema, Russia (until 30 June 2012) Sistema Shyam Teleservices Ltd., India Tata Consultancy Services Ltd., India

1 Status: 31 December 2012.
2 Own group company within the meaning of Section 18 of the German Stock Companies Act.

24 Number of staff

The number of staff employed by the Company in Munich and at its offices abroad in the financial year 2012 averaged 4,114 (4,157), of which an average of 247 (256) were senior executive staff and 3,867 (3,901) non-senior-executive staff.

25 Auditor's fees

Information on the auditor's fees can be found in Munich Re's Group annual report.

26 Contingent liabilities, other financial commitments

The Company has assumed a guarantee for certain reinsurance liabilities of Munich American Reassurance Company (MARC Life).

There is an agreement between the Company and Munich American Capital Markets in which a target minimum capitalisation and the liquidity of the subsidiary is guaranteed.

The Company has given a guarantee for the liabilities of a foreign subsidiary under certain insurance contracts.

For three foreign subsidiaries, a guarantee for office rents has been assumed for a total amount equivalent to around €7m per annum.

Moreover, the Company has assumed a guarantee of €0.5m for a small German subsidiary's pension obligation towards a former member of its Board of Management.

In isolated cases, we have given time-limited 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.

For one of its subsidiaries, the 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 €10m for financial commitments.

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 around €0.5m, the Company has guaranteed sufficient capital resources for one subsidary. To collaterise another subsidiary's repayment obligation of around €4.9m, the Company has guaranteed settlement of the payment in question.

For one subsidiary's contingent contractual obligations to compensate losses at other Group companies, the Company has assumed joint and several liability up to an maximum amount of €400m per claim.

In addition, the Company has assumed a payment obligation equivalent to around €25m towards a participating interest.

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 €819m (€739m of these to 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 106 of this annual report.

27 Declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act

In November 2012, the Board of Management and Supervisory Board of Munich Reinsurance Company published their annual declaration of conformity with the German Corporate Governance Code as per Section 161 of the German Stock Companies Act. This declaration can be publicly and permanently accessed on the Company's website.

28 Proposal for appropriation of profit

The net retained profits at the disposal of the Annual General Meeting amount to €1,255,388,484.00. The Board of Management proposes that this amount be appropriated as follows: payment of a dividend of €7.00 per dividend-bearing share, with the remaining amount being carried forward to new account.

List of shareholdings as at 31 December 2012 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 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 2011. 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	36,851	-3,079
50 Plus Strategies, Inc., Atlanta, Georgia	100.0000	17	8
80e LIMITED, Bristol[5]	100.0000	1	0
Acalater 140014 S.L., Playa del Inglés	100.0000	1	-1
ADB ERGO Lietuva, Vilnius	100.0000	24,735	259
Adelfa Servicios a Instalaciones Fotovoltaicas, S.L., Santa Cruz de Tenerife	100.0000	29,500	1,012
Aitesacho 5005 S.L., Playa del Inglés	100.0000	1	-1
aktiva Vermittlung von Versicherungen und Finanz-Dienstleistungen GmbH, Cologne	100.0000	3,167	1,203
Albulzaga 8008 S.L., Playa del Inglés	100.0000	1	-1
Aleama 150015 S.L., Madrid	100.0000	-123	-37
ALICE GmbH, Düsseldorf	100.0000	113	13
almeda GmbH, Munich[1]	100.0000	5,484	0
almeda Versicherungs-Aktiengesellschaft, Munich[1]	100.0000	3,200	0
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000	118,496	19,430
American Family Home Insurance Company, Jacksonville, Florida	100.0000	126,777	-4,940
American Modern Home Insurance Company, Amelia, Ohio	100.0000	249,300	2,773
American Modern Home Service Company, Amelia, Ohio	100.0000	3,022	157
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000	6,610	-282
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000	120,821	53,112
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000	2,737	218
American Modern Select Insurance Company, Amelia, Ohio	100.0000	31,232	473
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000	21,856	-1,092
American Southern Home Insurance Company, Jacksonville, Florida	100.0000	28,395	480
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000	49,076	-798
Amicus Legal Ltd., Bristol	100.0000	2,123	640
Amicus Ltd., Bristol[5]	100.0000	1	0
Amladeza 7007 S.L., Playa del Inglés	100.0000	1	-1
Arkansas Life Insurance Company, Phoenix, Arizona	100.0000	298	-54
Arridabra 130013 S.L., Madrid	100.0000	-123	-33
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000	5	-1,397
ArztPartner almeda AG, Munich	100.0000	1,237	0
Associated Asset Management Corporation B.V., 's-Hertogenbosch	51.0000	623	-71
avanturo GmbH, Düsseldorf	100.0000	10,013	417
B&C International Insurance, Hamilton, Bermuda	100.0000	2,017	-15
B&D Acquisition B.V., Amsterdam	80.0000	1,087	-480
B&D Business Solutions B.V., Utrecht	100.0000	516	348

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Badozoc 1001 S.L., Madrid	100.0000	-86	-16
Bagmoor Holdings Limited, London	100.0000	1	-
Bagmoor Wind Limited, Bristol	100.0000	1	-
Bank Austria Creditanstalt Versicherung AG, Vienna	90.0000	113,168	16,504
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna	100.0000	520	331
Baqueda 7007 S.L., Madrid	100.0000	-125	-36
Beaufort Dedicated No. 1 Ltd, London	100.0000	178	-6
Beaufort Dedicated No. 2 Ltd, London	100.0000	20,808	558
Beaufort Dedicated No.3 Ltd, London	100.0000	718	0
Beaufort Dedicated No.4 Ltd, London	100.0000	70	0
Beaufort Dedicated No.5 Ltd, London	100.0000	-145	-599
Beaufort Dedicated No.6 Ltd, London	100.0000	-87	-7
Beaufort Underwriting Agency Limited, London	100.0000	9,748	2,533
Beaufort Underwriting Services Limited, London	100.0000	1	0
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000	2,002	-10
Bell & Clements (London) Ltd, London	100.0000	721	6
Bell & Clements (USA) Inc, Reston, Virginia	100.0000	57	0
Bell & Clements Inc, Reston, Virginia	100.0000	547	183
Bell & Clements Ltd, London	100.0000	3,130	90
Bell & Clements Underwriting Managers Ltd, London	100.0000	6	0
BioEnergie Elbe-Elster GmbH & Co. KG, Elsterwerda	100.0000	0	-10
BioEnergie Verwaltungs-GmbH, Elsterwerda	100.0000	23	-2
Blitz 01-807 GmbH, Munich[5]	100.0000	25	0
Bobasbe 6006 S.L., Madrid	100.0000	-135	-32
Bos Incasso B.V., Groningen	89.7640	13,397	1,342
Botedazo 8008 S.L., Madrid	100.0000	-127	-38
Bureau voor kredietinformaties Janssen B.V., The Hague	100.0000	-111	-12
Bureau voor kredietinformaties Janssen Holding B.V., The Hague	100.0000	-63	-443
Callopio 5005 S.L., Madrid	100.0000	-129	-34
Camcichu 9009 S.L., Madrid	100.0000	-125	-37
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000	13,121	175,974
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000	32	0
Capitol Life & Accident Insurance Company, Jonesboro, Arkansas	100.0000	269	19
Caracuel Solar Catorce S.L., Madrid	100.0000	-133	-50
Caracuel Solar Cinco S.L., Madrid	100.0000	-145	-55
Caracuel Solar Cuatro S.L., Madrid	100.0000	-130	-54
Caracuel Solar Dieciocho S.L., Madrid	100.0000	-118	-48
Caracuel Solar Dieciseis S.L., Madrid	100.0000	-124	-55
Caracuel Solar Diecisiete S.L., Madrid	100.0000	-136	-52
Caracuel Solar Diez S.L., Madrid	100.0000	-126	-50
Caracuel Solar Doce S.L., Madrid	100.0000	-129	-56
Caracuel Solar Dos S.L., Madrid	100.0000	-123	-54
Caracuel Solar Nueve S.L., Madrid	100.0000	-130	-56
Caracuel Solar Ocho S.L., Madrid	100.0000	-127	-49
Caracuel Solar Once S.L., Madrid	100.0000	-127	-50
Caracuel Solar Quince S.L., Madrid	100.0000	-129	-52
Caracuel Solar Seis S.L., Madrid	100.0000	-139	-56
Caracuel Solar Siete S.L., Madrid	100.0000	-136	-56
Caracuel Solar Trece S.L., Madrid	100.0000	-126	-55
Caracuel Solar Tres S.L., Madrid	100.0000	-133	-54
Caracuel Solar Uno S.L., Madrid	100.0000	-72	-21
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000	-41	-29
Chobocuga 150015 S.L., Playa del Inglés	100.0000	1	-1
Ciborum GmbH, Munich[5]	100.0000	25	0
CJSIC "European Travel Insurance", Moscow	100.0000	5,099	759

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Comino Beteiligungen GmbH, Grünwald	100.0000	25	-
Compagnie Européenne d'Assurances, Nanterre	100.0000	4,215	-1,051
Compañía Europea de Seguros S.A., Madrid	99.9985	11,265	1,611
Copper Leaf Research, Bingham Farms, Michigan[5]	100.0000	0	0
Corion Pty Limited, Sydney	100.0000	5,325	276
Cotatrillo 100010 S.L., Madrid	100.0000	-126	-36
D.A.S. Defensa del Automovilista y de Siniestros - Internacional, S.A. de Seguros y Reaseguros, Barcelona	100.0000	3,422	58
D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Munich[1]	100.0000	255,972	0
D.A.S. HELLAS Allgemeine Rechtsschutz-Versicherungs-AG, Athens	99.9983	4,073	272
D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest	100.0000	3,540	477
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	99.9500	3,108	374
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000	2,688	-267
D.A.S. Österreichische Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Vienna	99.9800	56,988	2,476
D.A.S. poisťovna právnej ochrany, a.s., Bratislava	100.0000	5,101	0
D.A.S. pojišťovna právní ochrany, a.s., Prague	100.0000	6,311	807
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	99.9800	14,778	2,012
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9524	2,831	141
Daman Health Insurance - Qatar LLC, Doha, Qatar	100.0000	15,839	-1,916
DAS Assistance Limited, Bristol	100.0000	652	566
DAS Consultancy & Detachering Rotterdam B.V., Rotterdam	75.0200	-502	-526
DAS Financial Services B.V., Amsterdam	51.0000	18	-
DAS Holding N.V., Amsterdam	51.0000	163,079	27,320
DAS Incasso Arnhem B.V., Arnhem	100.0000	-116	-112
DAS Incasso Eindhoven B.V., 's-Hertogenbosch	80.0000	-1,624	-596
DAS Incasso Rotterdam B.V., Rotterdam	80.0000	3,328	-237
DAS Law Limited, Bristol[5]	100.0000	1	0
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000	5,874	-2,480
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000	59,779	5,715
DAS Legal Finance B.V., Amsterdam	100.0000	52,154	5,149
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000	8,344	-3,338
DAS Legal Protection Ireland Limited, Dublin[5]	100.0000	1	0
DAS Legal Protection Limited, Christchurch[5]	100.0000	0	0
DAS Legal Protection Limited, Vancouver, British Columbia[5]	100.0000	1	0
DAS Legal Protection Pty. Ltd., Sydney[5]	100.0000	0	0
DAS LEGAL SERVICES LIMITED, Bristol	100.0000	208	202
DAS Lex Assistance, S.L., L'Hospitalet de Llobregat	100.0000	40	-10
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000	104,637	22,716
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000	12,666	1,283
DAS Services Limited, Bristol	100.0000	-6,989	976
DAS Support B.V., Amsterdam	100.0000	-958	-627
DAS UK Holdings Limited, Bristol	100.0000	26,573	325
De Wit Vissers Incasso Holding B.V., Breda	95.0000	-271	-111
Diana Vermögensverwaltungs AG, Munich[5]	100.0000	68	0
DKV - Beta Vermögensverwaltungs GmbH, Cologne[5]	100.0000	25	0
DKV BELGIUM S.A., Brussels	100.0000	126,939	12,301
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne[1]	100.0000	506,766	0
DKV Gesundheits Service GmbH, Cologne	100.0000	163	-250
DKV Immobilienverwaltungs GmbH, Cologne[5]	100.0000	25	0
DKV Luxembourg S.A., Luxembourg	75.0000	16,015	-1,260
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000	5,378	-362
DKV Residenz am Tibusplatz GmbH, Münster	100.0000	1,459	105
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000	157,343	69,756
DKV Servicios, S.A., Saragossa	100.0000	890	105

Company and registered seat	% share of capital	Equity €k	Result for the year €k
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000	-1,270	-2
DRA Debt Recovery Agency B.V., The Hague	100.0000	2,274	9
Economic Data Research B.V., Leidschendam	100.0000	-1,522	158
Economic Data Resources B.V., Leidschendam	100.0000	548	398
EDR Acquisition B.V., Amsterdam	100.0000	3,389	-153
EDR Credit Services B.V., The Hague	100.0000	787	109
EIG, Co., Wilmington, Delaware	100.0000	111,991	18,075
Einzelanlage Hohenseefeld GmbH & Co KG, Bremen	100.0000	568	-21
ERGO Alpha GmbH, Düsseldorf	100.0000	27	2
ERGO Asia Management Pte. Ltd., Singapore	100.0000	494	0
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000	5,013	-1,358
ERGO Assicurazioni S.p.A., Milan	100.0000	53,562	-8,199
ERGO Austria International AG, Vienna	100.0000	386,756	-53,618
ERGO DIREKT Krankenversicherung AG, Fürth[1]	100.0000	80,048	0
ERGO DIREKT Lebensversicherung AG, Fürth[1]	100.0000	73,980	0
ERGO Direkt Lebensversicherung AG, Schwechat	100.0000	6,550	7
ERGO DIREKT Versicherung AG, Fürth[1]	100.0000	50,499	0
ERGO Életbiztosító Zrt., Budapest	100.0000	5,246	-470
ERGO Elfte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	30	1
ERGO Emeklilik ve Hayat A.S., Istanbul	100.0000	9,145	-5,943
ERGO Eurosolar GmbH & Co. KG, Nuremberg	100.0000	35,164	44
ERGO Eurosolar S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	21,554	-86
ERGO Funds AS, Tallinn	100.0000	4,678	165
ERGO General Insurance Company S.A., Athens	99.9999	70,637	4,170
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000	16,729	3,457
ERGO GmbH, Herisau	100.0000	5,197	-110
ERGO Gourmet GmbH, Düsseldorf	100.0000	427	401
ERGO Grubu Holding A.S., Istanbul	100.0000	462,785	266
ERGO Grundstücksverwaltung GbR, Düsseldorf	100.0000	226,260	19,942
ERGO Immobilien-GmbH 1. DKV & Co. KG, Kreien	100.0000	-1	-1
ERGO Immobilien-GmbH 14. Victoria & Co. KG, Kreien	100.0000	98,483	2,748
ERGO Immobilien-GmbH 15. Victoria & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-GmbH 4. DKV & Co. KG, Kreien	100.0000	-1	0
ERGO Immobilien-GmbH 5. Hamburg-Mannheimer & Co.KG, Kreien	100.0000	184,214	6,562
ERGO Immobilien-GmbH 6. Hamburg-Mannheimer & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000	36	11
ERGO Insurance N.V., Brussels	99.9999	73,391	-15,324
ERGO Insurance Service GmbH, Vienna	99.6000	607	-27
ERGO International Aktiengesellschaft, Düsseldorf[1]	100.0000	1,752,660	38
ERGO International Services GmbH, Düsseldorf[1]	100.0000	25	0
ERGO Invest SIA, Riga	100.0000	5,342	98
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000	14,366	0
ERGO Italia Direct Network s.r.l., Milan	100.0000	4,400	4,088
ERGO Italia S.p.A., Milan	100.0000	318,720	-26,069
ERGO Kindlustuse AS, Tallinn	100.0000	53,973	-1,938
ERGO Latvija Versicherung AG (ERGO Latvija Apdrošināšanas akciju sabiedrība), Riga	100.0000	16,896	1,727
ERGO Leben Asien Verwaltungs GmbH, Munich	100.0000	26	1
ERGO Lebensversicherung Aktiengesellschaft, Hamburg[1]	100.0000	609,070	0
ERGO Life Insurance Company S.A., Thessaloniki	100.0000	5,804	235
ERGO Life Insurance SE, Vilnius	100.0000	24,613	1,937
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	24	-1
ERGO osiguranje d.d., Zagreb	100.0000	3,767	-100
ERGO Partners N.V., Brussels	100.0000	3,379	-445
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf	100.0000	4,434	-83

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO Pensionskasse AG, Düsseldorf	100.0000	52,749	2,100
ERGO pojišťovna, a.s., Prague	100.0000	13,949	-330
ERGO PORTFÖY YÖNETIMI A.S., Istanbul	100.0000	973	254
ERGO Previdenza S.p.A., Milan	100.0000	219,513	9,445
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000	160,000	4,711
ERGO Private Capital GmbH, Düsseldorf	100.0000	28	3
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000	267,719	7,509
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000	34	-4
ERGO Private Equity Gesundheit GmbH, Düsseldorf	100.0000	104,571	2,269
ERGO Private Equity Komposit GmbH, Düsseldorf	100.0000	85,491	919
ERGO Private Equity Leben GmbH, Düsseldorf	100.0000	102,407	4,240
ERGO Pro Sp. z o.o., Warsaw	100.0000	1,137	125
ERGO Pro, spol. s r.o., Prague	100.0000	726	74
ERGO RUSS Versicherung AG, St. Petersburg	100.0000	26,240	6,805
ERGO Shisn, Moscow	100.0000	11,423	-5,484
ERGO SIGORTA A.S., Istanbul	100.0000	111,573	-26,525
ERGO Specialty GmbH, Hamburg	100.0000	137	11
ERGO Versicherung Aktiengesellschaft, Düsseldorf[1]	100.0000	702,732	0
ERGO Versicherung Aktiengesellschaft, Vienna	100.0000	50,865	-10,495
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000	651	290
ERGO Versicherungsgruppe AG, Düsseldorf	100.0000	2,024,366	179,407
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000	34,271	-451
ERGO Zehnte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	25	0
ERGO Zivljenjska zavarovalnica d.d., Ljubljana	100.0000	5,453	-1,867
ERGO životná poisťovňa, a.s., Bratislava	100.0000	6,801	-696
ERGO Zivotno osiguranje d.d., Zagreb	100.0000	4,598	-60
ERGO Zweite Beteiligungsgesellschaft mbH, Düsseldorf	99.9999	33	152
ERIN Sigorta Aracilik Hizmetleri Limited Sirketi, Istanbul	99.9950	1,609	-438
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000	447	285
ERV (India) Travel Service and Consulting Private Limited, Mumbai	99.9999	89	-15
ERV Försäkringsaktiebolag (publ), Stockholm	100.0000	1,899	36
ERV pojišťovna, a.s., Prague	90.0000	9,051	1,416
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.0000	64	-37
Esoleme 120012 S.L., Playa del Inglés	100.0000	1	-1
Etics, s.r.o., Prague	100.0000	71	2
Etoblete 160016 S.L., Madrid	100.0000	-127	-36
Etogibon 100010 S.L., Playa del Inglés	100.0000	1	-1
Etolede 6006 S.L., Playa del Inglés	100.0000	1	-1
EUREKA GmbH, Düsseldorf	99.9999	223	165
Euro Alarm Assistance Prague, Prague	100.0000	648	224
Euro-Center (Cyprus) Ltd., Larnaca	100.0000	381	37
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000	671	10
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000	117	37
Euro-Center China (HK) Co., Ltd., Beijing	100.0000	239	123
Euro-Center Holding A/S, Copenhagen	83.3330	5,487	694
Euro-Center Holding North Asia (HK) Pte. Ltd., Hong Kong	100.0000	15	42
Euro-Center Ltda., Rio de Janeiro	100.0000	64	-29
Euro-Center USA, Inc., New York, New York	100.0000	479	54
Euro-Center Yerel Yardim, Istanbul	100.0000	555	189
Euro-Center, S.A. (Spain), Palma de Mallorca	100.0000	494	113
Europæiske Rejseforsikring A/S, Copenhagen	100.0000	32,977	-8
Europäische (UK) Ltd., London[5]	100.0000	1	0
EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich[1]	100.0000	62,806	0
European Assistance Holding GmbH, Munich	100.0000	20	-1
European International Holding A/S, Copenhagen	100.0000	51,299	882

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Evaluación Médica TUW, S.L., Barcelona	100.0000	1,519	-404
Everything Legal Ltd., Bristol	100.0000	1,354	718
EVV Logistik Management GmbH, Düsseldorf	100.0000	16	-2
Exolvo GmbH, Hamburg	100.0000	29	11
FAIRANCE GmbH, Düsseldorf[1]	100.0000	63,880	0
First Legal Protection Limited, Bristol	100.0000	81	452
First Marine Financial Services, Amelia, Ohio[5]	100.0000	0	0
First Marine Insurance Company, Amelia, Ohio	100.0000	5,711	-173
Flexitel Telefonservice GmbH, Berlin	100.0000	6,073	398
Forst Ebnath AG, Ebnath	96.7315	9,622	639
FOTOUNO S.r.l., Turin	100.0000	-79,458	-1,732
FOTOWATIO ITALIA GALATINA S.r.l., Turin	100.0000	-42,233	-1,280
Gamaponti 140014 S.L., Madrid	100.0000	-126	-37
GBG Vogelsanger Straße GmbH, Cologne	94.0000	14	-223
Gebäude Service Gesellschaft Überseering 35 mbH, Hamburg	100.0000	167	142
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000	212	5
Geschlossene Aktiengesellschaft Europäische Reiseversicherung, Kiev	99.9999	1,197	32
Global Standards LLC, Dover, Delaware	100.0000	58,479	9,748
Globality S.A., Luxembourg	100.0000	9,019	-4,409
goDentis - Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000	-642	-871
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000	100	3
goMedus GmbH & Co. KG, Cologne	100.0000	666	-3,205
GRANCAN Sun-Line S.L., Madrid	100.0000	-5,642	-1,065
Great Lakes Marine Insurance Agency Pty Ltd i.L., Sydney	100.0000	1,644	175
Great Lakes Re Management Company (Belgium) S.A., Brussels[5]	100.0000	0	0
Great Lakes Reinsurance (UK) Plc., London	100.0000	426,686	50,926
Great Lakes Services Ltd., London[5]	100.0000	0	0
Group Risk Services Limited, London	100.0000	3,548	-9,716
Groves, John & Westrup Limited, London	100.0000	22	0
Guanzu 2002 S.L., Madrid	100.0000	-117	-34
Hamburger Hof Management GmbH, Hamburg[5]	100.0000	31	0
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000	93	2
Hamburg-Mannheimer Pensionskasse AG, Hamburg	100.0000	32,775	1,000
Hamburg-Mannheimer Rechtsschutz Schaden-Service GmbH, Hamburg	100.0000	36	-16
Hartford Steam Boiler (M) Sdn. Bhd., Kuala Lumpur	100.0000	537	57
Hartford Steam Boiler (Singapore), PTE Ltd., Singapore	100.0000	257	-19
Hartford Steam Boiler Colombia Ltda., Bogotá	100.0000	475	19
Hartford Steam Boiler International India Pyt Ltd., Kolkata	100.0000	153	27
Hartford Steam Boiler International-GmbH, Rheine	100.0000	2,970	173
Health OÜ, Tallinn[5]	100.0000	3	0
Hestia Advanced Risk Solutions Sp. z o.o., Sopot	100.0000	10	-16
Hestia Loss Control Sp. z o.o., Sopot	100.0000	97	6
HMI S.r.l., Verona	100.0000	-83	-94
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000	5,552	-7,244
Horbach GmbH Versicherungsvermittlung und Finanzdienstleistungen, Düsseldorf	70.1000	96	25
HSB Associates, Inc, New York, New York	100.0000	834	-64
HSB Engineering Finance Corporations, Dover, Delaware	100.0000	-13,174	-1
HSB Engineering Insurance Limited, London	100.0000	135,935	21,476
HSB Engineering Insurance Services Limited, Oldham	100.0000	5,209	0
HSB Group, Inc., Dover, Delaware	100.0000	513,418	122,365
HSB Inspection Quality, Limited, Oldham[5]	100.0000	0	0
HSB Investment Corporation, Hartford, Connecticut	100.0000	23	-9
HSB Japan KK, Minato-KU, Tokyo	100.0000	1,649	351
HSB Professional Loss Control, Inc., Lenoir City, Tennessee	100.0000	804	-401

Company and registered seat	% share of capital	Equity €k	Result for the year €k
HSB Solomon Associates LLC, Dover, Delaware	100.0000	7,608	2,052
HSB Specialty Insurance Company, Hartford, Connecticut	100.0000	37,893	-10
HSB Technical Consulting & Services (Shanghai) Company, Ltd., Shanghai	100.0000	1,739	1,141
HSB Ventures, Inc., Dover, Delaware[5]	100.0000	0	0
Humanity B.V., The Hague	100.0000	-81	-238
Hyneman Life Corporation, Jonesboro, Arkansas	100.0000	106	19
IDEENKAPITAL Anlagebetreuungs GmbH, Düsseldorf	100.0000	37	12
Ideenkapital Client Service GmbH, Düsseldorf[1]	100.0000	26	0
Ideenkapital erste Investoren Service GmbH, Düsseldorf	100.0000	38	4
IDEENKAPITAL Financial Engineering GmbH, Düsseldorf	100.0000	624	0
IDEENKAPITAL Financial Service GmbH, Düsseldorf	100.0000	562	0
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000	35	5
IDEENKAPITAL GmbH, Düsseldorf	100.0000	2,345	1,682
IDEENKAPITAL Media Finance GmbH, Düsseldorf	50.1000	350	-152
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000	99	-4
IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf	72.3477	50,672	-5,922
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	34	6
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000	41	6
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000	16	-66
Ideenkapital Treuhand GmbH, Düsseldorf	100.0000	16	-4
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000	34	-16
IK Einkauf Objekt Eins GmbH & Co. KG, Düsseldorf	100.0000	8,370	429
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000	12	-2
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000	27	4
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0387	9,494	369
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	32	3
IK FE Fonds Management GmbH, Düsseldorf	100.0000	56	1
IK FE Management GmbH, Düsseldorf	100.0000	66	-15
IK Komp GmbH, Düsseldorf	100.0000	837	4
IK Objekt Bensheim GmbH, Düsseldorf	100.0000	33	4
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000	22	-3
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000	27	3
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000	-10,743	-1,789
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000	-14,380	-391
IK Property Eins Verwaltungsgesellschaft mbH, Hamburg	100.0000	32	2
IK Property Treuhand GmbH, Düsseldorf	100.0000	40	2
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000	36	1
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000	35	2
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000	34	3
IKFE Properties I AG, Zurich	63.5532	12,148	309
InsuranceAssistance FLLC, Minsk	100.0000	585	-
InterAssistance Gesellschaft für Dienstleistungen mit beschränkter Haftung, Munich	100.0000	27	0
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143	28,739	-13
ITERGO Informationstechnologie GmbH, Düsseldorf[1]	100.0000	23,754	0
Itus Verwaltungs AG, Grünwald	100.0000	531,791	9,940
Janus Vermögensverwaltungsgesellschaft mbH, Munich[5]	100.0000	34	-1
Joint Stock Insurance Company ERGO, Minsk	92.3110	1,474	149
Jordan Health Cost Management Services W.L.L., Amman	100.0000	1,498	133
Jupiter Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	149	2
Juventus Vermögensverwaltungs AG, Hamburg[5]	100.0000	51	1
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000	33	2
K & P Objekt Munich Hufelandstraße GmbH, Düsseldorf	100.0000	34	2
K & P Pflegezentrum IMMAC Uelzen Renditefonds GmbH & Co. KG, Düsseldorf	84.8445	984	-737
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000	226	-1,634
Kapdom-Invest GmbH, Moscow	100.0000	5,521	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
KQV Solarpark Franken 1 GmbH & Co. KG, Fürth	100.0000	491	9
Kuik & Partners Gerechtsdeurwaarders & Incassobureau B.V., Eindhoven	100.0000	-466	-14
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen	89.7640	24,272	7,585
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	279	12
LAVG Associatie van Gerechtsdeurwaarders Zuid Holding B.V., Breda	80.0000	9,187	1,789
LAVG Zuid B.V., Breda	100.0000	9	2
LawAssist Limited, Bristol[5]	100.0000	1	0
Legal Net GmbH, Munich	100.0000	25	0
LEGIAL AG, Munich	100.0000	5,055	1,193
LifePlans Inc., Waltham, Massachusetts	100.0000	13,365	853
LifePlans LTC Services, Inc., Toronto, Ontario	100.0000	154	146
Lloyds Modern Corporation, Dallas, Texas	100.0000	1	0
Longial GmbH, Düsseldorf	100.0000	1,167	537
m:editerran POWER FRANCE GmbH, Nuremberg	100.0000	2,630	5
m:editerran POWER GmbH & Co. KG, Nuremberg	100.0000	12,922	-103
m:editerran Power S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	8,373	-46
MAGAZ FOTOVOLTAICA, S.L.U., Alcobendas	100.0000	19,622	563
MAM Munich Asset Management GmbH, Munich[5]	100.0000	24	0
Marbury Agency, Inc., Amelia, Ohio[5]	100.0000	0	0
Marina Salud S.A., Alicante	65.0000	7,071	-9,921
Marina Sp.z.o.o., Sopot	100.0000	16,357	128
MAYFAIR Financing GmbH, Munich	100.0000	530	-9
MAYFAIR Holding GmbH, Düsseldorf	100.0000	32	1
MEAG Cash Management GmbH, Munich	100.0000	87	62
MEAG Hong Kong Limited, Hong Kong	100.0000	4,924	-16
MEAG Luxembourg S.à r.l., Luxembourg	100.0000	901	-146
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000	121,446	50,285
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich[1]	100.0000	19,665	0
MEAG New York Corporation, Wilmington, Delaware	100.0000	7,629	-740
MEAG Property Management GmbH, Munich[1]	100.0000	108	0
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000	33	1
MEAG US Real Estate Management Holdings, Inc., Wilmington, Delaware	100.0000	2,957	420
Mediastream Consulting GmbH, Grünwald	100.0000	28	0
Mediastream Dritte Film GmbH, Grünwald	100.0000	18	-19
Mediastream Film GmbH, Grünwald	100.0000	33	-2
Mediastream Vierte Medien GmbH, Grünwald	100.0000	33	3
Mediastream Zweite Film GmbH, Grünwald	100.0000	5	-36
MedNet Bahrain W.L.L., Manama	100.0000	1,364	45
MedNet Europa GmbH, Munich	100.0000	18	-1
MedNet Greece S.A., Athens	78.1419	1,024	239
MedNet Gulf E.C., Manama	100.0000	-1,633	0
MedNet Holding GmbH, Munich	100.0000	30,076	5,603
MedNet International Ltd., Nicosia	100.0000	5,486	2,013
MedNet International Offshore SAL, Beirut[5]	99.6700	0	0
MedNet Saudi Arabia LLC, Riyadh	100.0000	491	-54
MedNet UAE FZ L.L.C., Dubai	100.0000	1,474	-8
MedWell Gesundheits-AG, Cologne	100.0000	434	-19
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf[1]	100.0000	6,547	0
MESA ASISTENCIA, S.A., Madrid	99.9000	207	19
MFI Munich Finance and Investment Holding Ltd., Ta' Xbiex	99.9999	102	-
MFI Munich Finance and Investment Ltd., Ta' Xbiex	99.9999	76	-
miCura Pflegedienste Berlin GmbH, Berlin	100.0000	-175	-96
miCura Pflegedienste Bremen GmbH, Bremen	100.0000	205	125
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000	358	112
miCura Pflegedienste GmbH, Cologne	100.0000	-202	-96

Company and registered seat	% share of capital	Equity €k	Result for the year €k
miCura Pflegedienste Hamburg GmbH, Hamburg	100.0000	-105	-19
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000	223	63
miCura Pflegedienste Munich/Dachau GmbH, Dachau	51.0000	45	-17
miCura Pflegedienste Munich GmbH, Munich	100.0000	-259	-92
miCura Pflegedienste Munich Ost GmbH, Munich	65.0000	-85	44
miCura Pflegedienste Münster GmbH, Münster	100.0000	315	153
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000	127	-41
Midland-Guardian Co., Amelia, Ohio	100.0000	76,091	17,754
Midwest Enterprises, Inc., Miami, Florida	100.0000	-2,408	-792
Modern Life Insurance Company of Arizona, Inc., Phoenix, Arizona	100.0000	1,276	51
MR Beteiligungen 1. GmbH, Munich[3]	100.0000	206,273	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 18. GmbH & Co. Immobilien KG, Grünwald[2]	100.0000	63,303	-107
MR Beteiligungen 18. GmbH, Grünwald	100.0000	26	1
MR Beteiligungen 19. GmbH, Munich	100.0000	50,086	1,098
MR Beteiligungen 2. EUR AG & Co. KG, Grünwald[2]	100.0000	380,689	15,972
MR Beteiligungen 3. EUR AG & Co. KG, Grünwald[2]	100.0000	353,659	5,409
MR Beteiligungen AG, Grünwald	100.0000	662	39
MR Beteiligungen EUR AG & Co. KG, Grünwald[2]	100.0000	5,580,774	161,078
MR Beteiligungen GBP AG & Co. KG, Grünwald[2]	100.0000	1,685,945	88,179
MR Beteiligungen USD AG & Co. KG, Grünwald[2]	100.0000	5,859,144	311,781
MR ERGO Beteiligungen GmbH, Munich	100.0000	65	-3,081
MR Infrastructure Investment GmbH, Grünwald	100.0000	30	0
MR Parkview Holding Corporation, Wilmington, Delaware	100.0000	1	0
MR RENT UK Investment Limited, London	100.0000	1	-
MR RENT-Investment GmbH, Munich[1]	100.0000	418,591	0
MR RENT-Management GmbH, Munich	100.0000	34	10
MR Solar Beneixama GmbH, Nuremberg	100.0000	47	-10
MR Solar GmbH & Co. KG, Nuremberg	100.0000	44,347	443
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000	14,627	265
MSP Underwriting Ltd., London	100.0000	21,798	0
MTU Moje Towarzystwo Ubezpieczeniowe S.A., Sopot	100.0000	35,838	7,264
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000	774	101
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000	15	4
Münchener de Colombia S.A. Corredores de Reaseguros, Bogotá	100.0000	1,574	15
Münchener de Mexico S. A., Mexico	100.0000	1,813	279
Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas	100.0000	204	101
Münchener Ecoconsult GmbH i.L., Munich[5]	100.0000	60	0
Münchener Finanzgruppe AG Beteiligungen, Munich[5]	100.0000	52	0
Münchener Vermögensverwaltung GmbH, Munich[5]	100.0000	26	0
Munich American Holding Corporation, Wilmington, Delaware	100.0000	7,099,026	164,307
Munich American Life Reinsurance Company, Atlanta, Georgia	100.0000	15,549	-41
Munich American Reassurance Company, Atlanta, Georgia	100.0000	620,463	-16,045
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000	13,710	714
Munich Canada Systems Corporation, Toronto, Ontario	100.0000	1	0
Munich Columbia Square Corp., Wilmington, Delaware	100.0000	21	1
Munich Health Alpha GmbH, Munich	100.0000	129,231	0
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000	23,477	5,913
Munich Health Holding AG, Munich[1,3]	100.0000	639,795	0
Munich Health North America, Inc., Wilmington, Delaware	100.0000	992	-280,263
Munich Holdings Ltd., Toronto, Ontario	100.0000	264,526	36,026
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000	257,890	-535
Munich Life Management Corporation Ltd., Toronto, Ontario	100.0000	-9,282	1,300

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Munich Management Pte. Ltd., Singapore	100.0000	1,599	1,142
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000	34,993	-2,398
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000	2,177	0
Munich Re America Corporation, Wilmington, Delaware	100.0000	2,680,017	617,183
Munich Re America Management Ltd., London	100.0000	3,927	3,472
Munich Re America Services Inc., Wilmington, Delaware	100.0000	15,049	227
Munich Re Automation Solutions GmbH, Grünwald	100.0000	16	8
Munich Re Automation Solutions Inc., Wilmington, Delaware	100.0000	-112	12
Munich Re Automation Solutions KK, Tokyo	100.0000	-64	42
Munich Re Automation Solutions Limited, Dublin	100.0000	8,248	1,718
Munich Re Automation Solutions Pty Limited, Sydney	100.0000	-56	41
Munich Re Capital Limited, London	100.0000	-11,317	16,524
Munich Re Capital Markets GmbH, Munich	100.0000	1,102	128
Munich Re Capital Markets New York, Inc., Wilmington, Delaware	100.0000	12,517	1,610
Munich Re do Brasil Resseguradora S.A., São Paulo	100.0000	58,977	5,095
Munich Re General (UK) Limited i.L., London[5]	100.0000	62	0
Munich Re Holding Company (UK) Ltd., London	100.0000	45,040	267
Munich Re India Services Private Limited, Mumbai	100.0000	572	218
Munich Re Japan Services K. K., Tokyo	100.0000	2,008	13
Munich Re Life and Health (UK) Plc., London[5]	100.0000	62	0
Munich Re of Malta Holding Limited, Ta' Xbiex	99.9999	1,414,686	117,035
Munich Re of Malta p.l.c., Ta' Xbiex	99.9999	1,597,019	120,322
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000	3,143	1,999
Munich Re UK Services Limited, London	100.0000	29,424	-3,380
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000	1,532	376
Munich Re Underwriting Limited, London	100.0000	1,065	-143
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000	3,232,737	448,725
Munich Reinsurance Company of Africa Ltd, Johannesburg	100.0000	168,079	15,084
Munich Reinsurance Company of Australasia Ltd, Sydney	100.0000	251,221	-71,751
Munich Reinsurance Company of Canada, Toronto, Ontario	100.0000	236,225	35,543
Munich-American Global Services (Munich) GmbH i.L., Munich	100.0000	397	418
Munich-American Risk Partners GmbH, Munich	100.0000	57	-1
Munich-Canada Management Corp. Ltd., Toronto, Ontario	100.0000	4	0
MunichFinancialGroup AG Holding, Munich[5]	100.0000	52	0
MunichFinancialGroup GmbH, Munich	100.0000	37	0
MunichFinancialServices AG Holding, Munich[5]	100.0000	52	0
Munichre General Services Limited, London	100.0000	2,870	610
Munichre New Zealand Service Ltd., Auckland	100.0000	1,096	51
Munichre Service Limited, Hong Kong	100.0000	45	49
N.M.U. (Holdings) Limited, Leeds	100.0000	186	0
Naretoblera 170017 S.L., Madrid	100.0000	-123	-35
Nassau Incasso Services Den Haag B.V., The Hague	100.0000	363	-66
Neckermann Lebensversicherung AG, Fürth	100.0000	20,898	2,300
Neckermann Versicherung AG, Nuremberg	100.0000	20,970	3,110
Nerruze 120012 S.L., Madrid	100.0000	-124	-37
New Reinsurance Company Ltd., Zurich	100.0000	675,416	90,392
Nicamballo 1001 S.L., Playa del Inglés	100.0000	-2	0
Nightingale Legal Services Ltd., Bristol	100.0000	-134	-22
NMU Group Limited, London	100.0000	2,466	0
Northern Marine Underwriters Limited, Leeds	100.0000	178	0
OHM Services of Texas, Inc., Atlanta, Georgia[5]	100.0000	0	0
Olbodeca 4004 S.L., Playa del Inglés	100.0000	-1	-1
Olympic Health Management Services Inc., Atlanta, Georgia	100.0000	6	-109
Olympic Health Management Systems, Inc., Atlanta, Georgia	100.0000	4,869	703
One State Street Intermediaries, Hartford, Connecticut	100.0000	13	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Oracuet 160016 S.L., Playa del Inglés	100.0000	1	-1
Oragulno 9009 S.L., Playa del Inglés	100.0000	1	-1
Oraunte 130013 S.L., Playa del Inglés	100.0000	1	-1
Orrazipo 110011 S.L., Madrid	100.0000	-126	-37
Otusleme 3003 S.L., Playa del Inglés	100.0000	-1	-1
P.A.N. GmbH & Co. KG, Grünwald[2]	99.0000	294,450	-35,878
P.A.N. Verwaltungs GmbH, Grünwald	99.0000	52	2
PLATINIA Verwaltungs-GmbH, Munich	100.0000	33	0
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000	1,113	-63
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000	576	-50
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000	1,128	0
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000	1,086	-106
ProContact Sp. z o.o., Gdansk	100.0000	635	-176
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	5
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000	35	5
PRORENDITA Fünf Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	5
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000	35	5
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	5
Proserpina Vermögensverwaltungsges. mbH, Munich	100.0000	65,225	693
ProVictor Immobilien GmbH, Düsseldorf[4]	50.0000	1,272	6
ProVictor Property Fund IV Management, Inc., Atlanta, Georgia[5]	51.0000	0	0
ProVictor Property Fund V Management, Inc., Atlanta, Georgia[5]	51.0000	0	0
ProVictor Property Fund VI Management, Inc., Atlanta, Georgia[5]	51.0000	0	0
ProVictor US Corporation, Atlanta, Georgia[5]	100.0000	1	-1
Queensley Holdings Limited, Singapore	100.0000	1,030	-8,251
Quirinus AG, Düsseldorf	100.0000	50	-
Reaseguradora de las Américas S. A., La Habana[5]	100.0000	619	0
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000	1,235	732
Roanoke International Brokers Limited, London	100.0000	906	594
Roanoke International Insurance Agency Inc., Schaumburg, Illinois[5]	100.0000	1	0
Roanoke Real Estate Holdings Inc., Schaumburg, Illinois	100.0000	206	15
Roanoke Trade Insurance Inc., Schaumburg, Illinois[5]	100.0000	1	0
Roanoke Trade Services Inc., Schaumburg, Illinois	100.0000	9,317	178
Roanoke Trade Services of Texas Inc., Schaumburg, Illinois[5]	100.0000	1	0
SAINT LEON ENERGIE S.A.R.L., Strasbourg	100.0000	-66	-71
Schloss Hohenkammer GmbH, Hohenkammer[1]	100.0000	3,438	0
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000	195	-165
Scout Moor Group Limited, Manchester	100.0000	50,045	-
Scout Moor Holdings (No.1) Limited, Manchester	100.0000	1	-
Scout Moor Holdings (No.2) Limited, Manchester	100.0000	1	-
Scout Moor Wind Farm (No.2) Limited, Manchester	100.0000	1	-
Scout Moor Wind Farm Limited, Manchester	100.0000	1,726	-
Seldac 1. Kommunaler-Rendite-Fonds GmbH & Co. KG, Düsseldorf	100.0000	1	-17
Seldac 1. Verwaltungs-GmbH, Düsseldorf	100.0000	25	-2
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	100.0000	2,407	258
Silvanus Vermögensverwaltungsges.mbH, Munich[1]	100.0000	36,579	0
Solarfonds Garmisch-Partenkirchen 2011 GmbH & Co. KG, Nuremberg	99.7500	1,594	79
Solomon Associates Limited, London	100.0000	689	41
Sopocki Instytut Ubezpieczeń S.A., Sopot	100.0000	1,611	19
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000	23	3
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia Spółka Akcyjna, Sopot	100.0000	200,428	24,199
Sopockie Towarzystwo Ubezpieczeń na Życie Ergo Hestia Spółka Akcyjna, Sopot	100.0000	40,600	6,101
Specialty Insurance Services Corp., Amelia, Ohio	100.0000	170	9
Sterling Life Insurance Company, Atlanta, Georgia	100.0000	71,151	-14,825
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000	169	29

Company and registered seat	% share of capital	Equity €k	Result for the year €k
SunEnergy & Partners S.r.l., Brindisi	100.0000	32,256	1,789
Sydney Euro-Center Pty. Ltd., Sydney	100.0000	212	27
Synkronos Italia SRL, Milan	60.1000	1,469	-53
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000	36	2
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	-1	-1
Temple Insurance Company, Toronto, Ontario	100.0000	115,559	11,742
Tennessee Utilities Assistance Fund, Inc., Atlanta, Georgia[5]	100.0000	7	0
Tenoslema 110011 S.L., Playa del Inglés	100.0000	-1	-1
TGR Biztosítás Többesügynöki Zrt., Budapest	100.0000	-808	-994
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000	480	-313
The Boiler Inspection and Insurance Company of Canada, Toronto, Ontario	100.0000	59,100	15,909
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000	51,958	10,654
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000	669,223	108,395
The Midland Company, Cincinnati, Ohio	100.0000	50,801	46,828
The National Senior Membership Group, Atlanta, Georgia[5]	100.0000	0	0
The Polytechnic Club, Inc., Hartford, Connecticut[5]	100.0000	0	0
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000	43,943	7,588
The Roanoke Companies Inc., Schaumburg, Illinois	100.0000	11,254	427
Three Lions Underwriting Ltd., London	100.0000	1,065	-17
Tillobesta 180018 S.L., Madrid	100.0000	-122	-35
Tir Mostyn and Foel Goch Limited, London	100.0000	1	-
TIS Holdings Inc., Schaumburg, Illinois	100.0000	1	0
Titus AG, Düsseldorf	100.0000	84	29
Trade Insurance Services Inc, Schaumburg, Illinois	100.0000	1	0
Trusted Documents GmbH, Nuremberg	100.0000	183	-3
UK Wind Holdings Ltd, London	100.0000	1	-
Union Beteiligungsholding GmbH, Vienna	100.0000	231	13
Union Life Insurance Company, Jonesboro, Arkansas	100.0000	88	-6
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000	5,292	506
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000	34	-2
Van Arkel Gerechtsdeurwaarders B.V., Leiden	79.0000	9,979	1,072
VB VICTORIA Zastupanje u Osiguranju d.o.o., Zagreb	74.9000	12	0
Venus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	128,659	-5,235
Verwaltungsgesellschaft "PORT VICTORIA" GmbH, Hamburg	100.0000	132	-50
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000	706	-357
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	13,625	45
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000	8,825	-38
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	337	-48
VICTORIA Immobilien Management GmbH, Munich	100.0000	641	60
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000	229	-132
VICTORIA Investment Properties Two L.P., Atlanta, Georgia	100.0000	9,498	-303
VICTORIA Italy Property GmbH, Düsseldorf	100.0000	261	7,835
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf[1]	100.0000	551,686	0
VICTORIA US Beteiligungsgesellschaft mbH, Munich	100.0000	19	-1
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000	10,036	58
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000	3,095	-1,906
VICTORIA US Property Zwei GmbH, Düsseldorf	100.0000	1,661	24
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	573	184
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000	61,994	4,094
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000	25	1
Victoria VIP II, Inc., Wilmington, Delaware	100.0000	9	0
VICTORIA-VOLKSBANKEN Eletbiztosító Zrt., Budapest	100.0000	4,036	33
VICTORIA-VOLKSBANKEN Poisťovňa, a.s., Bratislava	100.0000	9,615	-833

Company and registered seat	% share of capital	Equity €k	Result for the year €k
VICTORIA-VOLKSBANKEN Biztosító Zrt., Budapest	100.0000	2,884	59
Viwis GmbH, Munich[1]	100.0000	2,013	0
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf[1]	100.0000	27,746	0
Vorsorge Luxemburg Lebensversicherung S.A., Munsbach	100.0000	18,730	2,813
Vorsorge Service GmbH, Düsseldorf	100.0000	398	-251
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000	239	25
VV-Consulting Többesügynöki Kft., Budapest	100.0000	57	1
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000	123	0
Watkins Syndicate Labuan Limited (WSLAB), Labuan	100.0000	129	-
Watkins Syndicate Middle East Limited, Dubai	100.0000	465	64
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000	178	0
welivit AG, Nuremberg	100.0000	3,847	757
welivit New Energy GmbH, Fürth	100.0000	602	245
welivit Solar España GmbH, Nuremberg	100.0000	36	0
Welivit Solar Italia s.r.l., Bolzano	100.0000	303	-92
WFB Stockholm Management AB, Stockholm[7]	50.0000	48,771	-2,919
Windpark Borghorst-Laer GmbH & Co.KG, Bremen	100.0000	1,400	-
Windpark Dargelütz GmbH & Co. KG, Bremen	100.0000	3,365	-
Windpark Frauenmark GmbH & Co., Bremen	100.0000	905	-
Windpark Geisleiden GmbH & Co KG, Bremen	100.0000	902	144
Windpark Großberendten 2 GmbH & Co KG, Bremen	100.0000	2,036	84
Windpark Hilmersdorf GmbH & Co KG, Bremen	100.0000	-48	72
Windpark Kladrum-Zölkow GmbH & Co.KG, Bremen	100.0000	3,002	-
Windpark Klein Bünzow GmbH & Co KG, Bremen	100.0000	-2,614	806
Windpark Kruge GmbH & Co KG, Bremen	100.0000	527	98
Windpark Langengrassau GmbH & Co KG, Bremen	100.0000	2,525	-85
Windpark Langengrassau Infrastruktur GbR, Bremen[5]	83.3300	0	0
Windpark Markee 6 GmbH & Co. KG, Bremen	100.0000	200	0
Windpark Marwitz GmbH & Co KG, Bremen	100.0000	1,535	154
Windpark Mittelhausen GmbH & Co KG, Bremen	100.0000	3,706	-13
Windpark Osterhausen-Mittelhausen Infrastruktur GbR, Bremen	60.0000	-205	-35
Windpark Sassenberg GmbH & Co KG, Bremen	100.0000	2,099	94
Windpark Westeregeln GmbH & Co. KG, Bremen	100.0000	3,305	-
Windsor DME Operations, Inc., Atlanta, Georgia[5]	100.0000	0	0
Windsor Health Group, Inc., Atlanta, Georgia	100.0000	126,049	-862
Windsor Health Plan of Georgia, Inc., Atlanta, Georgia	100.0000	2,351	0
Windsor Health Plan of Louisiana, Inc., Lafayette, Louisiana	100.0000	3,037	3
Windsor Health Plan, Inc., Atlanta, Georgia	100.0000	57,531	-38,317
Windsor HomeCare Network, LLC, Atlanta, Georgia	100.0000	3,084	1,466
Windsor Long Term Care, LLC, Atlanta, Georgia	100.0000	17	0
Windsor Management Services, Inc., Atlanta, Georgia	100.0000	7,721	-34,719
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Nuremberg	100.0000	-725	-164
Wohnungsgesellschaft Brela mbH, Hamburg[1]	100.0000	102	0
wpd Windpark Wergzahna GmbH & Co KG, Bremen	100.0000	1,385	49
wse Solarpark Spanien 1 GmbH & Co. KG, Fürth	75.1243	5,504	-9,132
Zacobu 110011 S.L., Madrid	100.0000	-209	-45
Zacuba 6006 S.L., Madrid	100.0000	-208	-43
Zacubacon 150015 S.L., Madrid	100.0000	-209	-43
Zafacesbe 120012 S.L., Madrid	100.0000	-204	-40
Zagacobi 180018 S.L., Playa del Inglés	100.0000	1	-1
Zapaceba 170017 S.L., Playa del Inglés	100.0000	1	-1
Zapacubi 8008 S.L., Madrid	100.0000	-207	-42
Zarzucolumbu 100010 S.L., Madrid	100.0000	-205	-41
Zetaza 4004 S.L., Madrid	100.0000	-127	-36

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Zicobucar 140014 S.L., Madrid	100.0000	-206	-41
Zucaelo 130013 S.L., Madrid	100.0000	-205	-41
Zucampobi 3003 S.L., Madrid	100.0000	-206	-41
Zucarrobiso 2002 S.L., Madrid	100.0000	-203	-36
Zucobaco 7007 S.L., Madrid	100.0000	-209	-36
Zulazor 3003 S.L., Madrid	100.0000	-121	-35
Zumbicobi 5005 S.L., Madrid	100.0000	-207	-43
Zumcasba 1001 S.L., Madrid	100.0000	-126	14
Zuncabu 4004 S.L., Madrid	100.0000	-205	-41
Zuncolubo 9009 S.L., Madrid	100.0000	-210	-43
Associates			
"PORT ELISABETH" GmbH & Co. KG, Hamburg	31.9658	10,217	806
"PORT LOUIS" GmbH & Co. KG, Hamburg	25.8178	-4,696	-1,092
13th & F associates Limited Partnership, Washington D.C.[9]	80.0000	91,317	10,456
Agricultural Management Services S.r.l., Verona	33.3333	132	4
Apollo Munich Health Insurance Co. Ltd., Hyderabad	25.6800	63,821	-6,909
Assistance Partner GmbH & Co. KG, Munich	21.6600	1,114	104
BF.direkt AG, Stuttgart	27.2000	619	235
BHS tabletop AG, Selb	28.9134	31,542	1,911
Bloemers Beheer B.V., Rotterdam	23.1824	39,627	-105
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000	2,726	46
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027	55,689	7,070
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920	17,520	2,761
DAMAN - National Health Insurance Company, Abu Dhabi[8]	20.0000	-	-
Dovull SPV GmbH & Co. KG, Frankfurt/Main	20.0597	15,441	-49,162
ERGO China Life Insurance Co., Ltd., Jinan	50.0000	73,046	-
Európai Utazási Biztosító Rt., Budapest	26.0000	6,777	1,484
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100	10,890	2,608
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	39.3354	1,003	0
Finsure Investments (Private) Limited, Harare	24.5000	4,196	394
Global Aerospace Underwriting Managers Ltd., London	40.0000	34,036	8,391
Global Insurance Company, Ho Chi Minh City	25.0000	24,402	1,358
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH, Hillerse	20.0000	-2,038	940
Hartford Research LLC, Wilmington, Delaware[5]	41.7500	0	0
HDFC ERGO General Insurance Company Ltd., Mumbai	26.0000	73,573	-5,782
HighTech Beteiligungen GmbH und Co. KG, Düsseldorf	23.1000	3,191	-14,565
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000	21	-228
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co.KG, Düsseldorf	36.6889	4,269	-900
KarstadtQuelle Finanz Service GmbH, Düsseldorf	50.0000	832	178
LCM Logistic Center Management GmbH, Hamburg	50.0000	441	115
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf	71.4285	8,614	522
MCAF Management GmbH, Düsseldorf	50.0000	35	1
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000	100	-94
MDP Ventures I L.L.C., New York, New York	50.0000	7,617	1,110
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000	12,731	4,196
MEDICLIN Aktiengesellschaft, Offenburg	35.0042	194,601	3,296
MEGA 4 GbR, Berlin	34.2569	78,456	-552
Millennium Entertainment Partners II L.P., New York, New York	42.2992	25,292	4,238
Millennium Entertainment Partners L.P., New York, New York	27.5400	2,755	1,786
Millennium Partners LLC, New York, New York	20.3039	-37,352	-35,397
MSMR Parkview LLC, Dover, Delaware	38.4600	32,598	1,560
POOL Sp. z o.o., Warsaw[5]	33.7500	1	0
Property Finance France S.A., Luxembourg	45.4605	570	479

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Reisegarant, Vermittler von Insolvenzversicherungen mbH, Hamburg	24.0000	209	75
Rendite Partner Gesellschaft für Vermögensverwaltung mbH, Frankfurt/Main[5]	33.3333	0	0
RM 2264 Vermögensverwaltungs GmbH, Munich[5]	25.0000	21	-1
RP Vilbeler Fondsgesellschaft mbH, Frankfurt/Main	40.0000	831	-1,958
Rumba GmbH & Co. KG, Munich	25.0000	275	909
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000	205	9
Sana Kliniken AG, Munich	21.7025	273,589	14,994
Saudi National Insurance Company B.S.C.(c), Manama	22.5000	28,770	2,322
SEBA Beteiligungsgesellschaft mbH, Nuremberg	48.9931	155,957	4,945
Storebrand Helseforsikring AS, Oslo	50.0000	24,296	4,995
Teko - Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000	52	27
TERTIANUM Besitzgesellschaft Berlin Passauer Strasse 5-7 mbH, Munich	25.0000	24,232	-264
TERTIANUM Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstrasse 5-9 mbH, Munich	25.0000	31,188	657
TERTIANUM Besitzgesellschaft München Jahnstrasse 45 mbH, Munich	33.3333	42,620	1,459
TERTIANUM Seniorenresidenz Betriebsgesellschaft Munich mbH, Munich	33.3333	733	-251
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0000	258	3
Trend Capital GmbH & Co. Solarfonds 2 KG, Mainz	34.4234	49	-218
Triple IP B.V., Amsterdam	50.0000	-748	-78
T-Solar Global Operating Assets S.L.U., Madrid	37.0000	248,958	678
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286	129,564	-1,721
U.S. Property Management II L.P., Atlanta, Georgia	33.3333	93	22
U.S. Property Management III L.P., Atlanta, Georgia	20.0000	563	7,750
Uelzener Lebensversicherungs-AG, Uelzen	23.9750	2,929	17
US PROPERTIES VA GmbH & Co. KG, Düsseldorf	46.0939	21,074	-1,027
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Hamburg	50.0000	36	5
Verwaltungsgesellschaft "Port Hedland" mbH, Hamburg	50.0000	19	-3
Verwaltungsgesellschaft "PORT KELANG" mbH, Hamburg	50.0000	35	5
Verwaltungsgesellschaft "Port Lincoln" mbH, Hamburg	50.0000	19	-3
Verwaltungsgesellschaft "PORT LOUIS" GmbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MENIER" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MOODY" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MORESBY" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT MOUTON" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT NELSON" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT RUSSEL" GmbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT SAID" GmbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT STANLEY" GmbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT STEWART" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "PORT UNION" mbH, Hamburg	50.0000	34	5
Verwaltungsgesellschaft "Port Williams" mbH, Hamburg	50.0000	18	-3
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft, Vienna	47.5028	15,288	85
VICTORIA-VOLKSBANKEN Vorsorgekasse AG, Vienna	50.0000	4,282	470
Vier Gas Investments S.à r.l., Luxembourg	43.7516	472,968	-
VisEq GmbH, Grünwald	34.0000	545	-55
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319	3,288	237
VV Immobilien GmbH & Co. GB KG, Düsseldorf	40.9241	623	9
VV Immobilien GmbH & Co. United States KG, Munich	28.9514	16,640	-8,574
VV Immobilien GmbH & Co. US City KG, Munich	23.0999	82,999	12,147
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG, Munich	20.4082	1,299	-1,405
VV Immobilien Verwaltungs GmbH, Munich	30.0000	261	-8
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000	1,305	34
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf	65.0000	6,919	108
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000	32	1

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Other shareholdings of 20% or more			
ARIES, Wilmington, Delaware	21.6000	1,881	-804
Capital Dynamics Champion Ventures VI, L.P., Woodside, California	27.3400	68,480	7,359
FIA Timber Partners II L.P., Wilmington, Delaware	39.0800	39,582	-233
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside, California	44.8788	84,306	7,342
ORM Timber Fund III (Foreign) LLC, Wilmington, Delaware	39.1000	1,132	-83
RMS Forest Growth International, L.P., Grand Cayman, Cayman Islands	40.3000	26,173	-
Other shareholdings exceeding 5% of the voting rights in large companies as defined in the German Commercial Code			
Admiral Group plc, Cardiff	10.2000	207,619	-9,122
Best Doctors, Health Resources and Technology, Inc., Boston, Massachusetts	5.9400	22,261	2,377
Credit Guarantee Insurance Corporation, Johannesburg	7.1037	43,346	16,908
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000	66,540	2,400
Jordan Insurance Co. p.l.c., Amman	10.0000	47,327	3,342
New National Assurance Company Ltd., Durban	16.0000	13,972	1,638
Protektor Lebensversicherungs-AG, Berlin	10.7597	85,572	3,456
Saudi Enaya Cooperative Insurance Company, Jeddah	15.0000	72,015	-9,108
Suramericana S.A., Medellín	18.8669	666,468	84,864
Swaziland Royal Insurance Corporation, Mbabane	16.0000	45,010	9,405
Wataniya Cooperative Insurance Company, Jeddah	10.0000	16,866	-175

1 There are profit-transfer agreements with this company.
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 2012, 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 264b para. 3 of the German Commercial Code and, in the financial year 2012, 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.
6 Not currently utilised.
7 Control owing to the existence of a special purpose entity as per SIC 12 in which the main risks and rewards remain with Munich Re.
8 No financial statements published.
9 Only significant influence owing to reduced voting power.

Drawn up and released for publication, Munich, 1 March 2013

The Board of Management

The following is a translation of the auditor's opinion in respect of the original German consolidated financial statements and Group management report:

Auditor's 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 2012. 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 Institute of Public Auditors in Germany (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, 4 March 2013

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Responsibility statement

"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 material opportunities and risks associated with the expected development of the Company."

Munich, 11 March 2013

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Important dates 2013

25 April 2013
Annual General Meeting

26 April 2013
Dividend payment

7 May 2013
Interim report as at 31 March 2013

6 August 2013
Interim report as at 30 June 2013

6 August 2013
Half-year press conference

7 November 2013
Interim report as at 30 September 2013

Important dates 2014

20 March 2014
Balance sheet press conference
for 2013 consolidated financial statements

30 April 2014
Annual General Meeting

8 May 2014
Interim report as at 31 March 2014

7 August 2014
Interim report as at 30 June 2014

7 August 2014
Half-year press conference

6 November 2014
Interim report as at 30 September 2014

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