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 2013

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 on Corporate Governance

Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company or MRM) is a German company which operates in New Zealand through a branch. MRM is authorised by the Reserve Bank of New Zealand to conduct non-life reinsurance business in New Zealand.

Munich Holdings of Australasia Pty Limited (MHA) is a wholly owned subsidiary of MRM. MHA's primary function is to provide administration services for the Munich Re Group in Australia, New Zealand and the Pacific area. It carries out oversight of the New Zealand reinsurance activities in conjunction with strategic and operational guidance provided by MRM.

In providing administration and other services, the MHA Group provides the primary governance oversight of MRM's New Zealand branch (MRNZ).

MHA's key responsibilities, including to:

a) ensure best practice corporate governance;

b) monitor the performance of the Branch's management;

c) adopt appropriate risk management systems, internal control and reporting systems and compliance frameworks and monitor their operation;

d) review the financial performance of MRNZ;

e) review decisions concerning MRNZ's capital position;

g) monitor compliance with the reporting and other requirements of the Companies Act, Insurance Act and other applicable legislation concerning the New Zealand branch; and

h) review the preparation of financial reports and statements including those of the New Zealand branch..

MHA's Board comprises a majority of independent non-executive directors. All directors and executive management are subject to annual competency and Fit & Proper requirements and collectively must have the full range of skills needed for the effective and prudent operation of a company operating in the insurance industry.

To assist in fulfilling its functions, the MHA Board has established the following:

- Risk and Compliance committee. Amongst other things, the committee provides oversight of the systems, controls and processes used to manage those risks to which MRNZ is exposed and to monitor compliance with all MRNZ's legal and statutory obligations.
- Audit Committee. Amongst other things, the committee provides oversight of the integrity of the accounting and financial reporting used by MRNZ including to implement and monitor the potential impact of financial risks on MRNZ and to review the performance and independence of the external auditor.

Munichre New Zealand Service Limited (NZS) is the employer of all Munich Re Group staff in New Zealand and provides certain administrative services to MRNZ. NZS is a 100% owned subsidiary of MHA.

MHA has established a Remuneration Committee and has a Remuneration Policy that aligns remuneration and risk management. The Remuneration Committee's functions include conducting regular reviews of, and making recommendations to the Board on remuneration matters of the key staff, including New Zealand management.

All Munich Re Group staff globally are required to comply with Munich Re Code of Conduct. The purpose of the Code is to provide clear information and guidance for employees on the basic legal and ethical requirements with which they must comply in the course of their work.

To support the Governance function, the MHA Board has approved the following policies and procedures which are applicable to New Zealand:

- Privacy Policy
- Conflict of Interest Policy and Procedure
- Whistle blowing Policy
- Fraud Risk Management Policy
- Insider Trading Policy and Procedure
- Incident Reporting and Investigation Policy
- Outsourcing Policy
- Fit and Proper Policy
- Business Continuity Management Policy

Munich Reinsurance Company – New Zealand Branch

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

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Revenue from operating activities	4	101,603	120,975
Expenses from operating activities	5	84,321	97,369
Profit before tax		17,282	23,606
Tax (benefit)/expense	6(a)	(34,610)	7,479
Profit for the year		51,892	16,127
Other comprehensive income		-	-
Total comprehensive income for the year		51,892	16,127

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 6 to 26.

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 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	9	8,924	4,172
Outstanding premiums	10	84,966	71,221
Deferred acquisition costs	13	3,867	4,817
Financial assets	11	115,000	188,076
Reinsurance recoveries	14	34,586	60,302
Current tax receivable	6(c)	121	633
Other	12	56,114	34,884
Total current assets		303,578	364,105
Non-current assets			
Financial assets	11	618,798	820,371
Reinsurance recoveries	14	62,217	55,663
Deferred tax assets	15	22,973	24,356
Other	16	630	-
Total non-current assets		704,618	900,390
Total assets		1,008,196	1,264,495
Current liabilities			
Payables	17	8,520	3,111
Outstanding claims	18	257,285	396,498
Unearned premiums	19	15,230	20,036
Provisions	20	1,633	1,875
Total current liabilities		282,668	421,520
Non-current liabilities			
Outstanding claims	18	600,333	769,672
Total non-current liabilities		600,333	769,672
Total liabilities		883,001	1,191,192
Net assets		125,195	73,303
Head office account			
Accumulated surplus – head office		125,195	73,303
Total head office account		125,195	73,303

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 6 to 26.

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 2013

	Head office account $'000
Balance at 1 January 2012	57,176
Total comprehensive income	16,127
Balance at 31 December 2012	73,303
Balance at 1 January 2013	73,303
Total comprehensive income	51,892
Balance at 31 December 2013	125,195

The Statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 6 to 26.

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 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Inwards reinsurance premium received		29,965	11,407
Inwards reinsurance claims paid		(296,165)	(219,737)
Outward reinsurance premium paid	5	(5,123)	(7,116)
Income tax refunded	6(c)	512	2,970
Tax loss transfers received		15,213	1,636
Other operating receipts	4	741	1,121
Other operating payments		(26,914)	(20,159)
Net cash from operating activities	23	(281,771)	(229,878)
Cash flows from investing activities			
Payments for investments		(436,787)	(459,874)
Proceeds from sale of investments		672,118	506,887
Interest received		51,858	61,931
Investment expenses paid	5	(666)	(942)
Net cash from investing activities		286,523	108,002
Cash flows from financing activities			
Short term loan to related entity		(80,424)	-
Loan repayment		80,424	-
Net cash from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		4,752	(121,876)
Cash and cash equivalents at 1 January		4,172	126,048
Cash and cash equivalents at 31 December	9	8,924	4,172

The Statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 6 to 26.

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 2013

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 as a foreign company, Münchener Ruckversicherungs-Gesellschaft AG (the Company), which is domiciled and incorporated in Germany. The Branch's principal activity is general reinsurance. The Branch is an issuer in terms of the Financial Reporting Act 1993. The financial statements also comply with IFRS.

The financial report was authorised for issue by the directors on 8 April 2014.

(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 which is the Branch's presentation and functional currency. The financial statements are prepared in accordance with the fair value basis of 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 profit or loss. 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 2013 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)

(g) 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 adequacy 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

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 Profit or Loss.

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 Profit or Loss.

(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.

1. Summary of significant accounting policies (continued)

(l) Rounding of amounts

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

(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 Profit or Loss.

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 2013. The liability valuation report was prepared by the Actuarial team and reviewed by the Appointed Actuary, Ms Susan Ley FIAA, FNZSA, FIA. 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:

	2013	2012
Weighted average term to settlement (years)	2.3	2.3
Discount rate	3.1%-5.6%	2.5%-4.4%
Claims handling expense ratio	1.1%	1.1%
Risk margin	10.2%	9.5%

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. Inflation is built in to the actuarial models implicitly.

- **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 2013 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**

Insurance costs are subject to inflationary pressures. Inflation is built in to the actuarial models implicitly.

- **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 10.2%, a 1% increase would mean a 11.2% 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%	(8,109)
	-10%	8,063
Risk Margin	+1%	7,708
	-1%	(7,708)
Discount rate	+1%	(14,623)
	-1%	15,295
Claims handling expense ratio	+1%	7,783
	-1%	(7,783)

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	
		2013	2012
	Note	$'000	$'000
Cash and cash equivalents	9	8,924	4,172
Financial assets at fair value through profit or loss			
- Debt securities	11	618,798	1,008,447
- Term deposits with banks	11	115,000	-
Reinsurance recoveries	14	96,803	115,965
Amount due from ceding companies in respect of outstanding premium	10	84,966	71,221
Income tax receivable	6(c)	121	633
Tax loss transfers receivable	12	41,889	21,109
Accrued income	12	6,372	10,668
Other receivables	12	7,853	3,107
Deposit retained	16	630	-
Total		981,356	1,235,322
No financial assets are either past due or impaired			
Standard & Poor's A- to AAA		980,416	1,213,041
Unrated or Standard & Poor's BB+ to BBB+		940	22,281
Total		981,356	1,235,322

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, which has a Standard & Poors credit rating of AA, 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
2013					
Amount due to ceding companies	17	8,280	-	-	8,280
Other creditors	17	240	-	-	240
Outstanding claims	18	257,285	523,147	77,186	857,618
Total		265,805	523,147	77,186	866,138
2012					
Amount due to ceding companies	17	2,897	-	-	2,897
Other creditors	17	214	-	-	214
Outstanding claims	18	396,498	618,070	151,602	1,166,170
Total		399,609	618,070	151,602	1,169,281

(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 mismatch 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 (continued)

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
2013						
Cash	2.0%	1,024	-	-	-	1,024
Deposits at call	2.8%	7,900	-	-	-	7,900
Term deposits	3.7%		115,000	-	-	115,000
Investments Government bonds	5.9%	-	-	485,176	133,622	618,798
Total		8,924	115,000	485,176	133,622	742,722
2012						
Cash	2.00%	1,222	-	-	-	1.222
Deposits at call	2.45%	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

A +/- 1% movement in the Government Bonds interest rate would have an impact of $35,072,203 (2012: $52,816,834) in the Profit or Loss. A +/- 1% movement in the bank interest rate would have an impact of $20,479 (2012: $24,430) in the Profit or Loss.

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

The Company received a licence on 2 April 2013 from the Reserve Bank of New Zealand to carry on insurance business in New Zealand. This replaced the provisional licence under which the Company previously operated. The Company has been granted an exemption from compliance with the solvency standard under section 59 of the Insurance (Prudential Supervision) Act 2010. The Company's solvency ratio as at 31 December 2013 fully meets the German regulatory minimum requirements.

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

We confirm that Munich Reinsurance Company's solvency ratio as at 31 December 2013 fully meets the German regulatory minimum requirements.

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 2013

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 2013. 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	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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	17,529	
One year later	53,020	92,554	52,019	81,093	1,156,827	138,119	15,199		
Two years later	53,248	85,909	48,625	129,134	1,106,547	85,510			
Three years later	51,443	78,579	46,563	135,866	1,148,848				
Four years later	49,497	80,512	45,089	153,358					
Five years later	48,777	79,331	44,235						
Six years later	49,590	78,385							
Seven years later	51,471								
Current estimate of ultimate claims cost	51,471	78,385	44,235	153,358	1,148,848	85,510	15,199	17,529	1,594,533
Cumulative net payments	(46,208)	(72,136)	(38,765)	(76,991)	(460,476)	(43,668)	(6,484)	(1,605)	(746,333)
Net undiscounted outstanding claims for the eight most recent underwriting years	5,263	6,249	5,470	76,367	688,372	41,842	8,715	15,924	848,200

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 2013

	2013 $'000	2012 $'000
4. Revenue from operating activities		
Reinsurance revenue		
Inwards reinsurance premium revenue	48,509	58,982
Total reinsurance revenue	48,509	58,982
Investment revenue		
Interest	47,560	60,872
Total investment revenue	47,560	60,872
Other revenue		
Foreign exchange gains	4,793	-
Other income	741	1,121
Total other revenue	5,534	1,121
Total revenue from operating activities	101,603	120,975
5. Expenses from operating activities		
Reinsurance expense		
Inwards reinsurance claims (benefit)/expense	(2,308)	32,014
Reinsurance recoveries expense	19,162	7,911
Outwards reinsurance expense	5,123	7,116
Acquisition expenses	15,915	16,454
Other underwriting expenses	242	90
Total reinsurance expense	38,134	63,585
Investment expense		
Net realised and unrealised losses on investments	39,319	25,888
Investment management expenses	666	942
Total investment expense	39,985	26,830
Other expenses		
General and administration expenses	6,202	6,954
Total other expenses	6,202	6,954
Total expenses from operating activities	84,321	97,369

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 2013

	2013 $'000	2012 $'000
6. Taxes		
(a) Income tax expense/(benefit)		
Current taxes	(35,993)	(19,276)
Deferred taxes	1,383	26,755
Tax (benefit)/expense	(34,610)	7,479
(b) Reconciliation of prima facie tax payable to income tax expense		
Profit before tax	17,282	23,606
Prima facie income tax expense at the tax rate of 28%	4,839	6,610
(Recognised)/Unrecognised tax losses at the tax rate of 28%	(38,857)	310
Temporary differences	(597)	543
Non-deductible expenses	5	16
Tax (credit)/expense	(34,610)	7,479

The recognition of tax losses results from the transfer of tax losses to related entities, the utilisation of tax losses to offset current year income tax expense, and any variations to the balance of recoverable tax losses.

	2013 $'000	2012 $'000
(c) Income tax receivable		
Opening balance at 1 January	633	3,603
Income tax received	(512)	(2,970)
Closing balance at 31 December	121	633

7. Net claims incurred

	2013 Current year $'000	2013 Prior years $'000	2013 Total $'000	2012 Current year $'000	2012 Prior years $'000	2012 Total $'000
Gross claims expenses						
Gross claims incurred - undiscounted	18,856	2,128	20,984	9,349	3,119	12,468
Discount movement	(709)	100	(609)	(368)	32,384	32,016
Discounted gross claims expenses	18,147	2,228	20,375	8,981	35,503	44,484
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	-	(16,400)	(16,400)	-	(10,000)	(10,000)
Discount movement	-	(1,098)	(1,098)	-	2,612	2,612
Discounted reinsurance and other recoveries revenue	-	(17,498)	(17,498)	-	(7,388)	(7,388)
Net claims incurred	18,147	19,726	37,873	8,981	42,891	51,872

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 reallocation of claims incurred from loss events subject to retrocession recoveries to loss events not subject to retrocession recoveries, as more and better information became available.

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 2013

	2013 $'000	2012 $'000
8. Underwriting result		
Inwards reinsurance premium revenue (note 4)	48,509	58,982
Total reinsurance revenue	48,509	58,982
Inwards reinsurance claims (benefit)/expense (note 5)	(2,308)	32,014
Reinsurance recoveries expense (note 5)	19,162	7,911
Outwards reinsurance expense (note 5)	5,123	7,116
Acquisition expenses (note 5)	15,915	16,454
Other underwriting expenses (note 5)	242	90
Total reinsurance expense	38,134	63,585
Underwriting result	10,375	(4,603)

9. Current assets – cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank	1,024	1,222
Deposits at call	7,900	2,950
Total	8,924	4,172

(a) Cash at bank

Cash at bank is bearing an average weighted floating interest rate of 2% during the financial year (2012: 2%).

(b) Deposits at call

The deposits at call are bearing a floating interest rate of 2.6% to 3.0% during the financial year (2012: 2.45%).

10. Current assets – outstanding premiums

	2013 $'000	2012 $'000
Amounts due from ceding companies	84,966	71,221

11. Financial assets

Financial assets – fair value through profit or loss

	2013 $'000	2012 $'000
Debt securities – unsecured	618,798	1,008,447
Deposits with banks	115,000	-
Total financial assets – fair value through profit or loss	733,798	1,008,447
Current financial assets	115,000	188,076
Non-current financial assets	618,798	820,371
Total financial assets – fair value through profit or loss	733,798	1,008,447

Changes in the fair value of financial assets through the profit or loss are recorded as revenue/expense in the Statement of Profit or Loss and Other Comprehensive Income (note 1(m)).

12. Current assets – other

	2013 $'000	2012 $'000
Tax loss transfers receivable	41,889	21,109
Accrued income	6,372	10,668
GST receivable	7,853	3,107
Total	56,114	34,884

	2013 $'000	2012 $'000
13. Deferred acquisition costs		
Total	3,867	4,817
Reconciliation of movement in deferred acquisition costs		
Balance at 1 January	4,817	8,769
Costs deferred in financial year	6,617	11,612
Amortisation of costs deferred	(7,567)	(15,564)
Balance at 31 December	3,867	4,817
14. Reinsurance recoveries		
Current	34,586	60,302
Non-current	62,217	55,663
Total	96,803	115,965
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	21,279	22,138
Deferred acquisition costs	(1,083)	(1,349)
Insurance provision	2,777	3,567
Deferred tax assets	22,973	24,356
Movements:		
Balance at 1 January	24,356	51,111
Charged to Profit or Loss	(1,383)	(26,755)
Balance at 31 December	22,973	24,356

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses amounting to $196.086m (2012: $239.271m) because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits therefrom.

	2013 $'000	2012 $'000
16. Non-current assets – others		
Deposit retained	630	-
17. Current liabilities – payables		
Amount due to ceding companies	8,280	2,897
Sundry creditors and accrued expenses	240	214
Total	8,520	3,111

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 2013

18. Outstanding claims

(a) Outstanding claims

	2013 $'000	2012 $'000
Gross outstanding claims	834,632	1,117,033
Claims handling cost	9,429	12,289
Discount to present value	(64,788)	(64,179)
Discounted central estimate	779,273	1,065,143
Risk margin	78,345	101,027
Total outstanding claims – discounted	857,618	1,166,170
Current	257,285	396,498
Non-current	600,333	769,672
Total outstanding claims – discounted	857,618	1,166,170

(b) Reconciliation of movement in discounted outstanding claims liability

	2013 $'000	2012 $'000
Balance at 1 January	1,166,170	1,353,893
Inwards reinsurance claims (benefit)/expense (note 5)	(2,308)	32,014
Claim payments during the year	(301,549)	(219,737)
Foreign exchange gains	(4,695)	-
Balance at 31 December	857,618	1,166,170

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 $771 million (2012: $1,000 million) which is the undiscounted central estimate of outstanding claims liabilities arising from the NZ Earthquakes. This estimate represents actuarial projection as at 31 December 2013 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).

After reinsurance and other recoveries the net outstanding claims liabilities in relation to the NZ Earthquakes amounts to $676 million at 31 December 2013 (2012: $900 million).

19. Unearned Premium

	2013 $'000	2012 $'000
Unearned premium - current	15,230	20,036
Reconciliation of movement in unearned premium		
Balance at 1 January	20,036	35,776
Deferral of premium on contracts written in the period	13,709	16,057
Earning of premium written	(18,515)	(31,797)
Balance at 31 December	15,230	20,036

20. Current liabilities – provisions

	2013 $'000	2012 $'000
Profit and sliding scale commissions	1,290	1,487
Withholding tax	343	388
Total	1,633	1,875

21. 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.

	2013 $'000	2012 $'000
Net central estimate of the present value of expected future cash flows	7,610	11,814
Risk margin	1,514	2,369
Percentage risk margin	19.9%	20.1%
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.

22. Remuneration of auditors

	2013 $	2012 $
KPMG - Audit fees	38,525	37,110

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

	2013 $'000	2012 $'000
Profit for the year	51,892	16,127
Unrealised loss on revaluation of investments	32,390	19,205
Net loss on sale of investments	6,929	6,683
Interest income	(47,560)	(60,872)
Investment management expenses	666	942
Increase in outstanding premiums	(13,745)	(31,835)
Decrease in reinsurance recoveries	19,162	7,911
Increase in other receivables	(26,157)	(19,413)
Decrease in current tax	512	2,970
(Decrease)/increase in withholding tax	(45)	198
Decrease in deferred tax	1,383	26,755
Decrease in deferred acquisition costs	950	3,952
Increase in payables	5,407	109
Decrease in outstanding claims	(308,552)	(187,724)
Decrease in unearned premium	(4,806)	(15,740)
(Decrease)/increase in profit commission	(197)	854
Net cash flows from operating activities	(281,771)	(229,878)

24. 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:

	2013 $	2012 $
Head office:		
Münchener Rückversicherungs-Gesellschaft AG		
Management services	146,632	130,054
The Branch pays a percentage of its net premium revenue to head office as a fee for management services rendered.		
Subsidiaries of Münchener Rückversicherungs-Gesellschaft AG:		
MEAG Munich ERGO Asset Management		
Investment management fees	666,007	941,498
Munich Reinsurance America, Inc		
Outwards reinsurance expense	5,123,000	7,116,015
The Branch has in place a Catastrophe retrocession agreement to indemnify it from liability on individual losses or series of losses fourteen million dollars up to a limit of one billion dollars per loss event for Marine and Property classes.		
Munich Holdings of Australasia Pty Ltd		
Intercompany service fees	3,332,579	3,570,700
The related party provides management services to the Branch.		
Munich Reinsurance Company of Australasia Limited – New Zealand Branch		
Transfer of tax losses	-	2,429,862
MunichRe New Zealand Service Limited		
Transfer of tax losses	35,993,310	16,845,071
Intercompany service fees	2,677,972	3,100,565
Short term loan provided by the branch	80,424,000	-
Short term loan repaid to the branch	80,424,000	-
The related party provides management services to the Branch.		

24. Related party transactions (continued)

	2013 $	2012 $
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Inwards reinsurance premium written	15,245,232	13,785,924
Inwards reinsurance claims paid	5,090,250	6,630,702
Inwards reinsurance commission expense on premium written	10,890,804	7,762,550

(c) Outstanding balances

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

	2013 $	2012 $
Münchener Rückversicherungs-Gesellschaft AG		
Management service fees	146,632	130,054
MunichRe New Zealand Service Limited		
Transfer of tax losses	(41,888,868)	(16,845,071)
Intercompany service fees	(7,853,128)	(3,106,472)
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)
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Great Lakes Reinsurance (UK) PLC (subsidiary of the ultimate parent company)		
Premiums receivable net of commission	(2,313,699)	(3,373,293)
Deposit retained	(630,000)	-

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.

25. Directors' disclosure

The following persons were Directors of Munich Reinsurance Company during the financial year:

Directors	Area of accountability
Dr. jur. Nikolaus von Bomhard first appointed: 2000	Chairman of the Board of Management; Chairman of the Group Committee; Group Development; Group Investments; Group Communications; Group Compliance; Group Audit; Health (since 1.10.2013 until 31.12.2013);
Dr. rer. pol. Ludger Arnoldussen first appointed: 2006	Germany, Asia Pacific and Africa; Services
Dr. rer. pol. Thomas Blunck first appointed: 2005	Special and Financial Risks; Reinsurance Investments; Central Procurement
Georg Daschner first appointed: 2003	Europe and Latin America
Dr. rer. nat. Torsten Jeworrek first appointed: 2003	Chairman of the Reinsurance Committee; Reinsurance Development; Corporate Underwriting; Corporate Claims (since 1.1.2014); Accounting, Controlling and Central Reserving for Reinsurance; Information Technology; Global Business Architecture; Geo Risks Research/Corporate Climate Centre
Dr. rer. pol. Peter Röder first appointed: 2007	Global Clients and North America
Dr. jur. Jörg Schneider first appointed: 2000	Group Reporting; Group Controlling; Corporate Finance M&A; Integrated Risk Management; Group Legal; Group Taxation; Investor and Rating Agency Relations
Dr. oec. publ. Joachim Wenning first appointed: 2009	Life; Human Resources (since 1.10.2013)

26. Contingencies

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

27. 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.

28. Subsequent events

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

29. 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 (2012: AA-)

Munich Reinsurance Company – New Zealand Branch

Directors' Declaration

The Directors are pleased to present the financials statements of Munich Reinsurance Company – New Zealand Branch for the year ended 31 December 2013.

In the opinion of the Directors of Munich Reinsurance Company, the financial statements and notes of the New Zealand Branch (the Branch), on pages 2 to 26:

(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 2013 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.

Signed in Munich on 08/04 2014 in accordance with a resolution of the Directors.

For and on behalf of the Board of Management:

5.4.2014 | 08.04.2014

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 26. The financial statements comprise the balance sheet as at 31 December 2013 and statements of profit or loss and comprehensive income, changes in equity and cash flows 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.

Opinion

In our opinion the financial statements of Munich Reinsurance Company - New Zealand Branch on pages 1 to 26:

- 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 2013 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

Sydney

30 April 2014

Munich RE

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 2 April 2013.

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 second 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 2013 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 15 May 2014.

   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 this information and am satisfied that the approach and checks 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.

Munich RE

I have reviewed the notes to the accounts that I consider to contain actuarial information, specifically notes 2, 3(d), 7, 14, and 18(a) and 21, and have confirmed that they materially match the information that I provided to MRNZ.

9. In my opinion the actuarial information contained in and used in the preparation of the 2013 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 2013 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 21 January 2014 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
15 May 2014

Munich RE

Munich Reinsurance Company
Annual Report 2013

2013

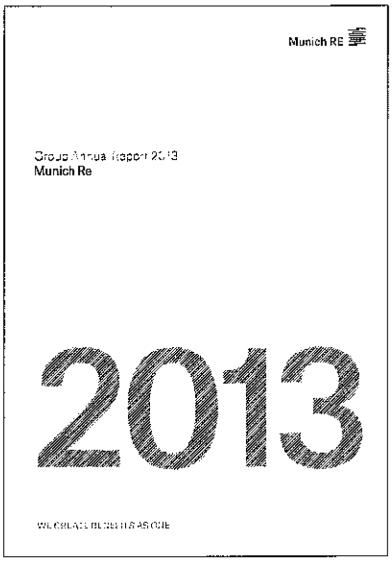
NOT IF, BUT HOW

Key figures

Munich Reinsurance Company

€m	2013	2012	2011
Gross premiums written	24,574	25,541	23,305
Investments	71,534	75,618	72,664
Net technical provisions	51,533	52,682	53,844
Shareholders' equity	11,238	11,051	9,855
Profit/loss for the year	1,646	2,390	1,051
Dividend	1,300	1,255	1,110
Dividend per share in €	7.25	7.00	6.25
Share price at 31 December in €[1]	160.15	136.00	94.78
Market capitalisation at 31 December	28,721	24,390	16,998

1 Source: Datastream



All the facts and figures for the 2013 financial year can be found in our Group Annual Report. More at www.munichre.com/annualreport2013

Contents

Munich Reinsurance Company
Report on the 134th year of business
1 January to 31 December 2013

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

Dr. Bernd Pischetsrieder
Chairman of the
Supervisory Board

Ladies and gentlemen,

In the financial year 2013, the Supervisory Board fulfilled all the tasks and duties incumbent upon it by law and under the Articles of Association and its rules of procedure. No member of the Supervisory Board or of the committees attended fewer than half the meetings. We monitored the Board of Management in its conduct of the business, and gave advice on all matters of importance for the Group.

Collaboration between Supervisory Board and Board of Management

The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects, both verbally and in writing. The Supervisory Board was involved in all important business transactions and decisions of fundamental significance for the Group. During meetings, we held in-depth discussions with the Board of Management about the information provided to us. Cooperation with the Board of Management was characterised in every regard by responsible and focused action aimed at promoting the successful development of Munich Re.

Outside of Supervisory Board meetings, the Board of Management informed us promptly about important events in the Group, including the change in Chief Risk Officer, the sale of the Windsor Health Group (WHG), the acquisition of RenRe Energy Advisors Ltd. (REAL), and the planned share buy-back programme. The shareholder representatives and the employee representatives met with the Chairman of the Board of Management before the meetings for separate discussions of strategic issues and other matters of essential importance.

Between meetings, I held regular discussions with Dr. Nikolaus von Bomhard, Chairman of the Board of Management, about individual questions of strategic development and risk management, as well as about Munich Re's current business situation. Also between meetings, the Chairman of the Audit Committee, Professor Dr. Henning Kagermann, remained in close contact with Dr. Jörg Schneider, the member of the Board of Management responsible for Group reporting.

Focal points of the meetings of the full Supervisory Board

There were six meetings of the Supervisory Board in the year under review. Two representatives of the German Federal Financial Supervisory Authority (BaFin) routinely attended one of the meetings as guests. At five meetings, we discussed the business performance of Munich Re (Group) and other current topics. The Board of Management reported regularly on the situation of Munich Re's investments, addressing the development of the global economy and financial markets in detail, and their impact on the Group's assets and earnings. It also kept us informed about the relevant supervisory requirements, particularly regarding the systemic importance of insurers and the introduction of Solvency II, Europe's new supervisory regime. We took a very close look at the Board of Management's strategic considerations regarding the individual fields of business. In this context, we also always critically examined developments in life primary insurance and Munich Health. We also dealt with the following topics in the individual meetings in 2013.

The meeting on 11 March focused on the Company and Group financial statements for 2012 and the motions for resolution by the 2013 Annual General Meeting. We gave details of this in our report for the financial year 2012. Moreover, we obtained an overview of Munich Re's handling of compliance requirements and its anti-fraud management. We conferred and took decisions regarding the extension of appointments to the Board of Management and the assignment of responsibility for personnel and welfare matters to another Board member, and regarding related adjustments to the Board of Management's distribution of responsibilities. In addition, we established the personal objectives for the Board members' variable remuneration for 2013. Finally, we appointed the auditor for the financial year 2013 and for the review of the half-year financial report 2013.

The meeting on 24 April was devoted solely to matters involving the Board of Management, specifically the evaluation of the individual Board members' annual performance for 2012 and their multi-year performance for 2010–2012.

On 25 April, directly prior to the Annual General Meeting, we heard the Board of Management's report on the present status of business performance in 2013.

On 17 July, the Supervisory Board requested a presentation of Munich Re's Core Principles, i.e. the pillars of its strategy. We dealt with the focal points of human resources work in the Group and were briefed on the 2012 compensation report in accordance with the German Remuneration Regulation for Insurance Companies (VersVergV).

At the meeting on 17 October, we made adjustments to the Board of Management's distribution of responsibilities owing to planned changes involving individual Board members with effect from 1 January 2014 and 1 January 2015 respectively. We also determined the reference groups on the basis of which the appropriateness of the Board of Management's compensation was to be reviewed in vertical terms. The annual efficiency review was also on the agenda, as was the resolution regarding the Declaration of Conformity. In addition, we discussed Munich Re's asset management with the CEO of MEAG. The President of the Specialty Markets Division of Munich Reinsurance America reported on new developments in the reinsurance market. As part of the request for proposals for our audit mandate that had been initiated by the Audit Committee, we considered a comprehensive report by the Chair of the Committee and conferred at length on the benefits and drawbacks of a change in auditor. Our resolution to re-appoint KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as external auditor for 2014 was then adopted by written consent in lieu of a meeting in November.

On 11 December, the CEO of ERGO presented "Moving forward – My ERGO 2018", ERGO's strategy for the coming five years. Besides this, the Supervisory Board obtained an overview of development, succession planning and appointments at management level. After a detailed consultation, we decided on the Board of Management's remuneration with effect from 1 January 2014 and the assessment bases for the variable remuneration for 2014 (financial objectives for annual and multi-year performance). We took a close look at the report on the Group's risk situation and risk-bearing capacity, and its risk strategy. In its report on Group planning for 2014 to 2016, the Board of Management provided explanations in cases where actual business performance deviated from the planning for the year under review.

→ Details of the composition of the committees can be obtained on page 120 and from our website at www.munichre.com/supervisory board

Work of the committees

There are five Supervisory Board committees. They prepare the topics to be addressed and resolved by the full Supervisory Board. At each Supervisory Board meeting, information about the work of the committees was provided to the full Board by the respective Chairs of the committees.

The Personnel Committee met six times in 2013. It essentially prepared the resolutions on matters involving the Board of Management already mentioned in the report on the work of the full Supervisory Board. In addition, it passed resolutions on the extension of the appointment of one member of the Board of Management and looked at fringe benefits for members of the Board of Management. The Committee also adapted the rules of the deferred compensation scheme to take account of revised statutory age limits. It reviewed changes in the memberships of supervisory and advisory boards and comparable offices held by members of the Board of Management, and extended the agreement with a former member of the Board of Management regarding the unremunerated assumption of mandates and representational functions. Besides this, the Committee took a close look at succession planning for members of the Board of Management.

At its four meetings in 2013, the Standing Committee dealt with the preparation of Supervisory Board meetings and topics of corporate governance. It agreed to an informal review of the efficiency of the Supervisory Board's work in 2013, and determined that the measures proposed in 2012 for improving efficiency had been implemented. The Committee regularly obtained information on changes in shareholder structure and took delivery of the annual report on expenditure for donations and sponsoring.

The Audit Committee held nine meetings in the period under review. At the beginning of the year, the Committee performed a self-evaluation of its work on the basis of a comprehensive questionnaire. In the presence of the auditor, it discussed 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 2012. It also concerned itself in detail with the quarterly financial reports in 2013 and discussed the half-year financial report for 2013 with the auditor.

Another key task of the Committee consisted in monitoring the Group's risk situation and risk management on an ongoing basis. In addition to the quarterly and written reports, it also obtained detailed verbal information from the Chief Risk Officer on several occasions. Further issues discussed were the internal control system and risk strategy. Apart from this, the Audit Committee gained an overview of the Group's IT security, and its security and continuity management. The Head of Group Audit informed the members of the Committee about the outcome of the audits for 2012 and the audit planning for 2013. Besides the Group Chief Compliance Officer's annual report, the Committee regularly dealt with compliance and corporate governance issues. The Committee received regular updates about compliance cases brought to its attention, or commissioned reviews of its own accord. The members of the Audit Committee also took advantage of the opportunity – in the absence of the Board of Management – to confer amongst themselves or with the Head of Group Audit, the Group Chief Compliance Officer, the Chief Risk Officer and the external auditors. The Committee closely considered the management-level changes with regard to three of the internal control functions that took place in the year under review. The new Head of Group Audit has already attended a meeting of the Committee to respond to its questions.

The Audit Committee reviewed and monitored the auditor's independence. In this connection, the Committee obtained reports from the auditors on their auditing and non-audit-related services. Likewise, the Audit Committee prepared a report for the full Supervisory Board on the appointment of the external auditor for the financial year 2013, determined the main points of the audits, and set the auditor's fees. Following a resolution by the full Supervisory Board, the Chair of the Committee commissioned KPMG with the audit for the financial year 2013 and also commissioned the auditor's review of the 2013 half-year financial report. At the same time, after intensive preparation, the Audit Committee issued a tender for proposals for the external audit 2014, the result of which was submitted to the full Supervisory Board for resolution.

The Nomination Committee prepared the election of shareholders' representatives to be held at the Annual General Meeting in 2014. At three meetings, it discussed the re-election of Supervisory Board members and suitable candidates for election to the Supervisory Board. With regard to the nomination proposals submitted to the full Board, the Committee took account of the catalogue of criteria adjusted in the year under review, and the objectives determined by the Supervisory Board for its composition.

The Conference Committee pursuant to item 7.5 of the rules of procedure for the Supervisory Board did not need to convene in the past financial year.

Corporate governance and Declaration of Conformity

Details of this can be found in the corporate governance report on page 6 ff

The Supervisory Board pays close attention to good corporate governance. Together with the Board of Management, we therefore published the compulsory annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation

Act (AktG) in November 2013. We again complied with all the recommendations of the German Corporate Governance Code and intend to continue to comply with it in future. We confirmed the assessment we made in 2012 that all 20 members of the Supervisory Board are to be regarded as independent and that they do not have any conflicts of interests.

Munich Re offered all the members of the Supervisory Board an internal information event again in 2013. Nearly all of them took advantage of the opportunity to enhance their understanding of the core elements of Munich Re's financial planning and control.

Changes on the Board of Management

At the end of the year under review, Dr. Wolfgang Strassl left Munich Re's Board of Management, of which he had been a member since 2005. We would like to thank Dr. Strassl for his long service on the Board, with which he helped to shape Munich Re's development over many years. Dr. Joachim Wenning took over responsibility for personnel and welfare matters from Dr. Strassl with effect from 1 October 2013.

Company and Group financial statements for 2013

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the Company and Group management reports and financial statements as at 31 December 2013 and issued them with 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 3 February 2014, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2013. On 18 March 2014, 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, who was present at the meeting, and gave detailed consideration to the auditor's reports. The Chair of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting.

The full Supervisory Board also reviewed 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 raised no objections to the outcome of the external audit. It approved the Company and Group financial statements on 19 March 2014. The financial statements were thus adopted. Having carefully weighed all relevant aspects, the Supervisory Board followed 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 worldwide. With their work, they have once again contributed to another gratifying result for Munich Re.

Munich, 19 March 2014

For the Supervisory Board

Dr. Bernd Pischetsrieder
Chairman

Corporate governance report

Corporate governance report[1]

The corporate governance report and the Statement on Corporate Governance can also be found 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. Since 2013, this has included a reference to the principles of the United Nations (UN) Global Compact, which are included in an annex to the Code of Conduct. Further information on Munich Re's corporate governance is included in the Statement on Corporate Governance. In accordance with Section 289a of the German Commercial Code (HGB), the Statement on Corporate Governance forms 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, effective collaboration between these bodies and with the Group's staff, and open and transparent corporate communications.

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 set out in the Stock Corporation Act (AktG) and the German Corporate Governance Code. The Insurance Supervision Act (VAG) standardises specific requirements for the business organisation of insurance companies and the "fit and proper" criteria for their Board members and members of the Supervisory Board. The Act also provides particular rules for insurance companies' remuneration systems. These rules formed the basis for the Remuneration Regulation for Insurance Companies (VersVergV) issued by the German Federal Ministry of Finance.

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

Also applicable to Munich Reinsurance Company is a co-determination agreement concluded pursuant to the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG).

The Declaration of Conformity is available 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 make a declaration of how far they have complied, and are complying, with the Code's recommendations.

We have underscored our approach to corporate responsibility by adopting 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. Since signing up to the agreement, we also report annually in our "Communication on Progress" on our progress in implementing the principles. Guidelines for investments geared to sustainability criteria are provided by the Principles for Responsible Investment (PRI), which we have implemented via our asset manager MEAG since 2006. In 2012, we signed up to the Principles for Sustainable Insurance (PSI). We also report annually on our progress with these two initiatives.

Corporate legal structure

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

Munich Reinsurance Company is a joint-stock company (Aktiengesellschaft) within the meaning of the German Stock Corporation 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 119.

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 guidelines. The Group Compliance Division of Munich Reinsurance Company reports directly to the Chairman of the Board of Management. At the instigation of the Board of Management, we have established another channel to complement the external independent ombudsman and thus strengthen the compliance system: the compliance whistleblowing portal. Employees and third parties can use this portal to anonymously report criminal behaviour such as bribery and corruption, fraud, conduct liable to cause damage to reputation, and contraventions of antitrust, insider trading and data protection laws.

Information about the working methods of the Board of Management can be found in the Statement on Corporate Governance on page 61 ff.

Pursuant to Article 16 of the Articles of Association, the Board of Management must consist of at least two members; beyond this, the number of members is determined by the Supervisory Board. The Board of Management of Munich Reinsurance Company had nine members in the year under review.

Collaboration between Board of Management and Supervisory Board

The Board of Management and the Supervisory Board cooperate closely for 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 159 f. More details about the work of the Supervisory Board can be found in the Statement on Corporate Governance on page 61 ff. 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 Group's employees in the European Economic Area (EEA).

Objectives of the Supervisory Board for its composition, diversity and independence
In accordance with Section 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 Section 5.4.2 of the German Corporate Governance Code, including at least eight shareholder representatives. No members of the Supervisory Board should have any 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 women, 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 towards meeting these objectives, 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. This objective has been achieved with the adoption by the European Electoral Board, on 18 November 2013, of a set of criteria for employee representatives on the Supervisory Board of Munich Reinsurance Company.

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

During this reporting period, there were five women on the Supervisory Board, three of whom were shareholder representatives and two who were employee representatives.

The Supervisory Board is of the opinion that all 20 of its members are to be regarded as independent within the meaning of Section 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 more than 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 approval of 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. Certain corporate contracts also require the approval of the Annual General Meeting to become effective.

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

Share trading and shares held by Board members

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 undue delay.

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

Contents

Management report

Munich Reinsurance Company

Structure

Munich Re combines primary insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. At the same time, it leverages synergies in revenue and costs, whilst reducing the risk-based capital required through broad diversification. Almost all reinsurance units operate worldwide under the uniform brand of Munich Re. The ERGO Insurance Group (ERGO) 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 Corporation Act (AktG). 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 business is organised in five divisions.

Our international life business is written in the Life Division.

Four other divisions conduct property-casualty reinsurance. We intend to further strengthen our competitiveness by introducing various structural adjustments scheduled to be implemented by the end of 2014.

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.

Our Europe and Latin America Division is responsible for property-casualty business with our clients from Europe (except Germany), Latin America and the Caribbean. In future, the four market units will be condensed into three, with the exact split to be decided on in the first half of 2014.

The Germany, Asia Pacific and Africa Division conducts property-casualty business with our clients in Germany, Africa, Asia, Australia and the Pacific Islands. As is already the case in the Global Clients/North America Division, facultative business (reinsurance of single risks) will now also be pooled in the two other regional divisions – Europe and Latin America, and Germany, Asia Pacific and Africa.

Special and Financial Risks is in charge of the classes of credit, aviation and space, agriculture, enterprise and contingency risks, and of risk solutions for industrial clients. Insurance risk securitisation and risk transfer to the capital markets are handled by our Risk Trading Unit. In addition, the division is responsible for handling our own reinsurance requirements (retrocession). As part of the structural changes, central responsibility for marine business will be allocated to this division in a new divisional unit. The bundling of this business is intended to further enhance underwriting quality and service for clients worldwide, and also product development.

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 Ltd. – New Zealand Branch, Auckland Munich Reinsurance Company of Australasia Ltd., Sydney Munich Re, London (Life Branch)
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 Bell & Clements (London) Ltd., London First Marine Insurance Company, Amelia, Ohio Global Standards, LLC, Wilmington, Delaware Groves, John & Westrup Ltd., London HSB Engineering Insurance Ltd., London HSB Group, Inc., Dover, Delaware HSB Professional Loss Control, Inc., Lenoir City, Tennessee HSB Solomon Associates LLC, Dover, Delaware HSB Specialty Insurance Company, Hartford, Connecticut MSP Underwriting Ltd., London Munich Re Holding Company (UK) Ltd., London Munich Reinsurance America, Inc., Wilmington, Delaware[3] Munich Reinsurance Company of Canada, Toronto Munich Re Underwriting Ltd., London NMU Group Ltd., London Roanoke Group 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

Europe and Latin America	Munich Re do Brasil Resseguradora S.A., São Paulo[3] Munich Re, Madrid[3] Munich Re, Milan Munich Re, Paris Munich Re, London (General Branch)
Germany, Asia Pacific and Africa	Great Lakes, Sydney Great Lakes, 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, Zurich Great Lakes, Dublin Great Lakes, Milan Munich Re of Malta p.l.c., Ta' Xbiex[3] New Reinsurance Company Ltd., Zurich[3] Munich Re Weather & Commodity Risk Advisors, Wilmington, Delaware

1 A detailed list of shareholdings can be found on page 125 ff. in the notes to the financial statements.
2 The companies listed here are mainly subsidiaries and branches outside Germany with equity capital exceeding €5m.
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 context. 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 through 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. The core of this is available financial resources, which describe the economic capital position of Munich Re. We also 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 whether an activity is beneficial 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 specify the levers for adding value for both management and staff.

Contrasting aspects have to be considered and evaluated when selecting suitable target figures. On the one hand, undue complexity should be avoided in order to ensure target figures remain transparent 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 emphasising added value as the Group's overriding guiding principle. Our business activities are multi-faceted, and the parallel use of different performance indicators is unavoidable.

The Group's performance indicators

At Group level, the most important performance indicators are economic earnings and the return on risk-adjusted capital after tax (RORAC).

Economic earnings

Economic earnings are the Group's key performance indicator

The starting point for value-based management is the economic value added in a reporting period. We calculate the value we have created in a given period at Group level using the key performance indicator economic earnings, largely in alignment with the future Solvency II supervisory regime. Economic earnings are defined as the change in economic equity in a given period, adjusted for capital inflows and outflows, including dividend payouts and share buy-backs.

Central performance measurement is conducted separately for our underwriting and investments. The main factors here, besides value changes from our new business, are in particular the changes from the market risk (interest, shares and exchange rates), changes from the credit risk (risk spreads, credit ratings and defaults), changes from the market environment of health and life insurance business (mortality, morbidity, longevity and lapses), and the development of claims and costs in property-casualty business.

In applying the uniform Group performance measurement model of economic earnings in the individual business fields, we use conceptually consistent measurement approaches that are individually geared to the characteristics of each of the respective businesses and responsibilities. They include the value added by property-casualty reinsurance and Munich Heath, and the excess return from our investment activity (asset-liability management). In life insurance and the bulk of our health primary insurance business, the "value added by new business" and the "change in value of in-force business" on the basis of Market Consistent Embedded Value (MCEV) are additionally applied. The performance metric economic earnings is used directly for ERGO's primary insurance business, as no adjustments for this field of business are necessary. Group corporate management is designed so that we are in a position to maximise value creation while observing subsidiary parameters.

Return on risk-adjusted capital (RORAC)

To highlight Munich Re's value orientation, we also use the after-tax return on risk-adjusted capital (RORAC) as a Group performance indicator applied uniformly at Group level. RORAC relates the performance indicator customary in the capital markets (IFRS consolidated result), which we adjust to eliminate the return on additional available equity, to the risk-based capital required (economic risk capital). We determine the level of risk-based capital with our internal, economically focused risk model that is oriented towards future regulatory frameworks.

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

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. Only when the requirements of Solvency II for capital resources and performance calculation have been reliably established and tested do we intend to gear our targets to these performance measures. Although we emphasise risk-based perspectives, we always aspire to meet the high, but fair, expectations of our investors with regard to the return on the total capital placed at our disposal – the return on equity (RoE).

Other performance indicators

Market Consistent Embedded Value (MCEV)

For life insurance and most of our health primary insurance business, corporate management is carried out on the basis of Market Consistent Embedded Value, which is valued on the basis of the European Insurance CFO Forum Principles of Market Consistent Embedded Value (MCEV)©[1]. The change in MCEV within one year, adjusted for effects from exchange-rate fluctuations, acquisition or sale of companies, dividends and capital injections, is shown 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 "value added by new business" and "changes in value of in-force business". Our corporate management takes these two parameters into account.

Value added

We use value added as a component of economic earnings for corporate management in property-casualty insurance and Munich Health. 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 capital on the basis of risk capital.

IFRS consolidated result

The IFRS consolidated result is a performance measure derived from our external group accounting. It serves as an important criterion for investors, analysts and the general public to assess the performance of the Group and our segments. With its standardised measurement basis, the IFRS consolidated result can be compared to the results of our market competitors and is thus an indicator used in Munich Re's financial reporting.

1 © Stichting CFO Forum Foundation 2008.

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

Asset-liability management
The economic value added by the investment result is calculated collectively for reinsurance and Munich Health due to their joint investment management. 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. With ALM, we aim to ensure that changes in macroeconomic factors influence the value of our investments and that of our technical provisions and liabilities in the same way. 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, where possible. This reduces our vulnerability to the effect of capital market fluctuations and stabilises our equity.

Combined ratio
The combined ratio is regularly posted for property-casualty business and international health business. Calculated as the percentage ratio of the sum of expenses for claims and benefits plus operating expenses to earned premiums (all of which are 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. Operating expenses chiefly comprise the costs arising in the acquisition of new business and for the ongoing administration of insurance contracts.

For us, the combined ratio by itself is not a sufficiently informative performance measure. It is 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.

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 also 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 members support this orientation: in general, the higher the hierarchical level, the more 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 2014, 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 somewhat below the level reached in the year under review. As things stand at present, we expect to achieve a very good German GAAP result in 2014.

Governing bodies of the Company

Munich Reinsurance Company is a joint-stock company (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (AktG). 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. Detailed information on the Company's governing bodies is provided on page 119 ff. in the notes to the financial statements.

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. 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. The Board of Management of Munich Reinsurance Company had nine members in the year under review.

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).

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.

The Board of Management and the 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.

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 Section 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 remuneration system for members of the Board of Management focuses strongly on long-term objectives, and thus creates a pronounced incentive for sustainable corporate development. Adjustments were made to the variable remuneration component as at 1 January 2013. Particular attention was paid to simplifying the current system of objectives by focusing on the most important personal objectives. In addition, the Supervisory Board was given the possibility to react to developments during the year.

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% performance evaluation/ achievement of objectives)		Group objective Business field objectives Divisional objectives Personal objectives Overall performance	**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% performance evaluation/ achievement of objectives)		Objectives for the business fields – reinsurance – primary insurance – Munich Health Personal objectives Overall performance	**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 prior to 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 as from 2009 who had not reached the age of 55 in 2008 and Board members first appointed as from 2009)	–	Target overall direct remuneration[2]	Pension contribution		–

1 For the variable remuneration, the share shown presupposes 100% performance evaluation/achievement of objectives.
2 Target overall direct remuneration comprises basic remuneration plus variable remuneration based on 100% performance evaluaton/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 extent to which the annually set objectives for annual and multi-year performance are met, and how the component newly introduced in 2013 "Evaluation of overall performance" - which considers the performance of individual members of the Board and of the whole Board - is assessed.

Processes have been laid down for specifying objectives and assessing their achievement, and these processes require review 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 notified to the Supervisory Board.

Achievement and evaluation of objectives is measured at the end of the periods under consideration, there being no adjustment of targets during these periods. Payouts are made at the end of the one-year 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, members of the Board of Management are obliged to invest 50% and 25% respectively of the paid-out variable remuneration in Munich Reinsurance Company shares.

Variable remuneration based on annual performance

Firstly, annual targets for the variable remuneration component geared to annual performance are set on the basis of the consolidated result of Munich Re (Group), the results from the business fields reinsurance and primary insurance, divisional results and personal objectives. In addition, for financial years as from 2013 the Supervisory Board assesses overall performance - particularly performance not taken into account in the objectives - of the Board of Management and the individual Board members, and it also takes into account developments during the appraisal period that are beyond the influence of the Board. Full achievement of the annual objectives (100%) allows for payment of 30% of the overall target amount for variable remuneration.

Details of the assessment bases for the annual performance can be seen in the following table:

Variable remuneration based on annual performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	30%–60%		
Group objective		Derived from key performance indicators in external reporting and other important portfolio and performance data	Return on risk-adjusted capital, RORAC[2]
Business field objectives			
– Reinsurance		Value-based economic performance indicators: – Property-casualty reinsurance – Life reinsurance	Components of economic earnings:[3] – Value added – Value added by new business – Change in the value of in-force business
– Primary insurance		Value-based economic performance indicator	Economic earnings[3]
Individual contribution to corporate success	20%–50%		
Divisional objectives		Value-based economic performance indicators: – Property-casualty reinsurance and Munich Health – Life reinsurance	Components of economic earnings:[3] – Value added – Value added by new business – Change in the value of in-force business
Personal objectives		Personal objectives per Board member	Special focal points such as – Pricing and cycle management – Client management
Overall performance evaluation	20%	Performance of individual Board members and of Board as a whole that is not considered in the objectives or subject to developments during the year	Assessment by Supervisory Board taking into account Section 87 of the German Stock Corporation Act and the German Corporate Governance Code

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 Further information on RORAC is provided on page 16 f.
3 Further information on economic earnings is provided on page 16.

The variable remuneration for annual performance is determined on the basis of evaluation by the full Supervisory Board and then paid out in the year after the one-year assessment period. 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. In addition, multi-year performance plans in effect since 2013 envisage an assessment by the Supervisory Board of the overall performance of the Board of Management and the individual Board members. This allows for a response to developments during the three-year appraisal period that are beyond the influence of Board members, and which can also be taken into account along with performance not included in the agreement of objectives. Full achievement of the multi-year objectives (100%) allows for payment of 70% of the overall target amount for variable remuneration.

Details of the assessment bases for the multi-year performance can be seen in the following table:

Variable remuneration based on multi-year performance

Category of objective	Share[1]	Assessment basis	Parameters
Collective contribution to corporate success	20%–60%		
Business field objectives (three-year average)			
– Reinsurance		Value-based economic performance indicators: – Property-casualty reinsurance – Life reinsurance	Components of economic earnings:[2] – Value added – Value added by new business – Change in the value of in-force business
– Primary insurance		Value-based economic performance indicator	Economic earnings[2]
– Munich Health		Value-based economic performance indicator	Component of economic earnings:[2] – Value added
Individual contribution to corporate success	20%–60%		
Personal objectives (three-year period)		Personal objectives per Board member	Special focal points such as – Staff development, including diversity – Sustainable development, social tasks
Overall performance evaluation	20%	Performance of individual Board members and the Board as a whole that is not considered in the objectives or subject to developments during the year	Assessment by Supervisory Board taking into account Section 87 of the German Stock Corporation Act and the German Corporate Governance Code

1 The objectives are weighted individually according to the responsibilities of the individual Board members.
2 Further information on economic earnings is provided on page 16.

The variable remuneration for the multi-year performance is determined on the basis of evaluation by the full Supervisory Board and then paid out in the year after the three-year assessment period. 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 "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

> Further information about the Long-Term Incentive Plan can be found in the notes to the financial statements on page 1[illegible]

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 since 1999, was set up for the last time in 2009 for members of the Board of Management. The participants were granted a certain number of stock appreciation rights. These could only be exercised if, after a two-year vesting period, Munich Re's share price had risen by at least 20% since inception of the plan and the shares had outperformed the EURO STOXX 50 at least twice over a three-month period during the term of the plan.

The exercising of the rights and proceeds obtained depended on the development of the share price and on fulfilment of the exercise conditions. The amount of income from the stock appreciation rights was limited. The members of the Board of Management were only able to exercise stock appreciation rights under the plans set up in 1999 and 2003–2009. As at 31 December 2013, no further exercisable stock appreciation rights existed.

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 2013 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, overall performance evaluation 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 conforms with the recommendations of the German Corporate Governance Code for 2013. In particular, it also complies with the German Remuneration Regulation for Insurance Companies (VersVergV) of 6 October 2010 concerning the supervisory law requirements for remuneration schemes in the insurance sector.

The level of the 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 for the appropriateness of compensation are 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. Other criteria are the relevant comparative benchmarks for Board remuneration and the prevailing remuneration structure at Munich Reinsurance Company. The Supervisory Board takes account of the level of Board salaries in relation to the level of salaries paid to senior managers and to general staff members over a period of time, and also determines how senior managers and general staff are to be classified for the purpose of this comparison. The consideration of what level of remuneration is appropriate also takes into account data from peer-group companies. 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 another 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 Board members are incapacitated for a period of longer than 12 months and it is probable that they will be permanently unable to fully perform the duties conferred on them (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. This excludes remuneration for board 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 Securities Acquisition and Takeover Act – WpÜG) and may not cover more than the remaining period of the employment contract. If the employment contract is terminated for good cause on grounds that are 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, members of the Board appointed for the first time have become members of a defined contribution plan. For this plan, the Company provides the Board members with a pension contribution geared to their 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 first 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 first appointed as from 1 January 2009, a uniform pension contribution rate of 25.5% of the target overall direct remuneration has been 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. For future service years as of 1 January 2009, these Board members receive an incremental pension benefit generally based on the defined contribution plan for Board members first appointed as from 2009. Since the conversion of the pension system took place while Board members' contracts were still 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.

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. The Supervisory Board determines the relevant target pension level for pension commitments from defined benefit plans and defined contribution plans – also considering length of service on the Board – and takes account of the resultant annual and long-term cost for the Company.

Benefits on termination of employment

Occupational pension

Board members first appointed prior to 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 first 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 members first appointed 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 Members are incapacitated for a period of longer than 12 months and it is probable that they will be permanently unable to fully perform the duties conferred on them.

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 members first appointed 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 defined benefit plan up to 2008 and 80% of the insured occupational pension 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 their appointment without their having given cause for this through a gross violation of their duties, or at their own request. The precondition is that the Board members have already passed the age of 50, have been in the employment of the Company for more than ten years when the contract terminates, and have had their 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 members first appointed 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 (BetrAVG)
Board members have vested benefits under the 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 previously.

Benefit amount:
- Under the defined contribution plan for members first appointed 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 (Employers' Retirement Benefits Act, Section 2 para. 1). The entitlement from the incremental pension comprises pension benefits fully financed under the insurance contract up to the occurrence of the insured event and based on the pension contributions made up to the date of leaving the Company (Employers' Retirement Benefits Act, Section 2 para. 5a). 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 pre-condition 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 first 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: 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 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 prior to 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 not by more than 50%
— Orphan's pension amounting to 20% of the defined benefit or insured occupational pension per orphan
— Doubling of the orphan's pension if no widow(er)'s pension or pension for registered civil partner is payable
— Surviving dependants' pensions together may not exceed the occupational pension of the Board member. If necessary, the orphans' pensions will be reduced proportionally

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

Pension adjustment

In the case of Board members appointed prior to 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 first appointed between 1 January 2009 and 31 March 2012 who received a pension commitment from the Company for the first time before 1 January 1999. For Board members first appointed as from 2009 who did not receive a pension commitment from the Company before 1 January 1999, and for Board members first 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 (1) of the 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 2013 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 2010–2012 is recognised in the year of payment, i.e. in 2013. The members of Munich Reinsurance Company's Board of Management received remuneration totalling €24.7m (13.3m) 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 around €11.5m compared with the previous year. The main reason for the increase is that, in accordance with DRS 17, remuneration is recognised for the multi-year components for the first time again since 2009, and this totals €12.8m. The basic remuneration and remuneration in kind/fringe benefits increased by €0.3m compared with the previous year, while the amount paid out for annual performance is projected to decrease by €1.6m, as the overall achievement of objectives was lower than in the previous year according to current estimates.

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

Name	Financial year	Basic remuneration	Remuneration in kind/fringe benefits	Annual performance[1]	Multi-year performance[2]	Total
		€	€	€	€	€
Nikolaus von Bomhard	**2013**	**1,200,000**	**30,992**	**1,038,240**	**2,158,156**	**4,427,388**
	2012	1,200,000	32,376	1,160,670	-	2,393,046
Ludger Arnoldussen	**2013**	**570,000**	**46,856**	**505,333**	**1,313,935**	**2,436,124**
	2012	570,000	47,975	706,440	-	1,324,415
Thomas Blunck	**2013**	**570,000**	**37,862**	**413,763**	**1,296,981**	**2,318,606**
	2012	570,000	33,340	642,281	-	1,245,621
Georg Daschner	**2013**	**585,000**	**32,692**	**485,871**	**1,443,050**	**2,546,613**
	2012	585,000	35,806	684,623	-	1,305,429
Torsten Jeworrek	**2013**	**855,000**	**34,418**	**690,070**	**1,898,750**	**3,478,238**
	2012	855,000	35,860	945,417	-	1,836,277
Peter Röder	**2013**	**570,000**	**37,459**	**467,528**	**1,230,880**	**2,305,867**
	2012	570,000	34,829	749,419	-	1,354,248
Jörg Schneider[3]	**2013**	**855,000**	**177,690**	**719,397**	**1,567,020**	**3,319,107**
	2012	855,000	35,394	778,680	-	1,669,074
Wolfgang Strassl[3]	**2013**	**570,000**	**125,134**	**324,826**	**796,838**	**1,816,798**
	2012	570,000	32,990	345,081	-	948,071
Joachim Wenning	**2013**	**570,000**	**33,695**	**416,619**	**1,063,300**	**2,083,614**
	2012	540,000	34,921	613,339	-	1,188,260
Total	**2013**	**6,345,000**	**556,798**	**5,061,647**	**12,768,910**	**24,732,355**
	2012	6,315,000	323,491	6,625,950	-	13,264,441

The total expenditure recognised in 2013 for the Long-Term Incentive Plans (reserve allocations/releases due to the development in value of stock appreciation rights from the 2006-2009 plans) breaks down as follows: von Bomhard €818,075, Arnoldussen €308,570, Blunck €356,314, Daschner €538,881, Jeworrek €653,965, Röder €361,585, Schneider €949,572, Strassl €356,314, Wenning €114,771.

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2013 annual performance. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted.
For the 2012 annual performance, a total of €169,276 less was paid out than had been reserved in the financial year 2012. The additional/reduced expenditure breaks down as follows: von Bomhard €42,000, Arnoldussen -€21,347, Blunck -€69,227, Daschner -€54,669, Jeworrek -€43,093, Röder -€47,182, Schneider €23,940, Strassl -€9,337, Wenning €9,639. This results in the following actual bonus payments for 2012: von Bomhard €1,150,800, Arnoldussen €598,500, Blunck €550,620, Daschner €581,490, Jeworrek €807,975, Röder €554,610, Schneider €813,960, Strassl €331,170, Wenning €525,420.
The amounts shown for the annual performance 2013 comprise the respective provision for 2013 and the relevant additional/reduced expenditure for 2012.
2 The amounts paid out in 2013 were for multi-year performance 2010-2012.
3 Remuneration in kind/fringe benefits for 2013 including anniversary payment.

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 100% performance evaluation as per DRS 17 (revised 2010), corridor 0-200%

Name			Annual performance[1,3]	Multi-year performance[2,3]	Total amounts payable
	Set in	for	€	€	€
Nikolaus von Bomhard	**2013**	**2014**	**861,000**	**2,009,000**	**2,870,000**
	2012	2013	840,000	1,960,000	2,800,000
Ludger Arnoldussen	**2013**	**2014**	**420,000**	**980,000**	**1,400,000**
	2012	2013	399,000	931,000	1,330,000
Thomas Blunck	**2013**	**2014**	**420,000**	**980,000**	**1,400,000**
	2012	2013	399,000	931,000	1,330,000
Georg Daschner	**2013**	**2014**	**420,000**	**980,000**	**1,400,000**
	2012	2013	409,500	955,500	1,365,000
Torsten Jeworrek	**2013**	**2014**	**609,000**	**1,421,000**	**2,030,000**
	2012	2013	598,500	1,396,500	1,995,000
Peter Röder	**2013**	**2014**	**420,000**	**980,000**	**1,400,000**
	2012	2013	399,000	931,000	1,330,000
Jörg Schneider	**2013**	**2014**	**609,000**	**1,421,000**	**2,030,000**
	2012	2013	598,500	1,396,500	1,995,000
Wolfgang Strassl	**2013**	**2014**	**-**	**-**	**-**
	2012	2013	399,000	931,000	1,330,000
Joachim Wenning	**2013**	**2014**	**420,000**	**980,000**	**1,400,000**
	2012	2013	399,000	931,000	1,330,000
Total	**2013**	**2014**	**4,179,000**	**9,751,000**	**13,930,000**
	2012	2013	4,441,500	10,363,500	14,805,000

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for 2013. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted in the table on page 30.
2 The remuneration set for multi-year performance for 2013 is payable in 2016, that for 2014 in 2017.
3 The information on the assessment bases and parameters on page 22 ff. for the amounts set for 2013 also applies to the amounts set for 2014.

Pension entitlements

Personnel expenses of €0.5m (11.0m) were incurred in the financial year to finance the pension entitlements for active members of the Board of Management. Of these, -€2.1m was apportionable to defined benefit plans and €2.6m 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]	Defined benefit plan: Present value of defined benefit as at 31 December	Defined benefit plan: Personnel expenses for provisions[2]
		€/year	€	€
Nikolaus von Bomhard[3, 10]	**2013**	**407,100**	**7,604,278**	**-557,994**
	2012	407,100	8,054,910	2,618,407
Ludger Arnoldussen[4, 10]	**2013**	**157,500**	**1,231,628**	**-145,016**
	2012	157,500	1,211,429	496,209
Thomas Blunck[5, 10]	**2013**	**120,000**	**1,089,650**	**-136,849**
	2012	120,000	1,179,386	515,384
Georg Daschner[6]	**2013**	**234,000**	**5,165,315**	**-150,978**
	2012	224,250	5,372,309	1,095,380
Torsten Jeworrek[7, 10]	**2013**	**171,000**	**2,264,265**	**-237,044**
	2012	171,000	2,471,632	974,520
Peter Röder[7, 10]	**2013**	**90,000**	**1,256,639**	**-102,557**
	2012	90,000	1,344,385	518,698
Jörg Schneider[7,10]	**2013**	**275,000**	**4,384,644**	**-363,605**
	2012	275,000	4,691,530	1,671,684
Wolfgang Strassl[8]	**2013**	**120,000**	**2,701,373**	**-350,964**
	2012	120,000	2,445,012	769,359
Joachim Wenning[9, 10]	**2013**	**–**	**–**	**-69,429**
	2012	–	–	23,990
Total	**2013**	**1,574,600**	**25,697,792**	**-2,114,436**
	2012	1,564,850	26,770,593	8,683,631

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	Defined contribution plan: Personnel expenses for provisions[2]
		%	€/year	€	€
Nikolaus von Bomhard[3, 10]	**2013**	**17.00**	**131,714**	**2,881,362**	**512,609**
	2012	17.00	104,839	2,186,772	502,317
Ludger Arnoldussen[4, 10]	**2013**	**14.75**	**57,111**	**1,102,478**	**196,705**
	2012	14.75	45,339	840,803	205,684
Thomas Blunck[5, 10]	**2013**	**16.25**	**67,373**	**1,189,573**	**211,469**
	2012	16.25	53,774	914,033	221,568
Georg Daschner[6]	**2013**	**–**	**–**	**–**	**–**
	2012	–	–	–	–
Torsten Jeworrek[7, 10]	**2013**	**19.50**	**111,923**	**2,144,637**	**394,691**
	2012	19.50	88,696	1,629,943	405,365
Peter Röder[7, 10]	**2013**	**20.25**	**73,236**	**1,501,324**	**277,432**
	2012	20.25	57,526	1,131,822	261,705
Jörg Schneider[7, 10]	**2013**	**16.50**	**93,303**	**1,936,126**	**340,547**
	2012	16.50	74,453	1,474,799	66,429
Wolfgang Strassl[8]	**2013**	**21.00**	**77,258**	**1,719,251**	**305,298**
	2012	21.00	61,489	1,282,754	295,596
Joachim Wenning[9, 10]	**2013**	**25.50**	**76,807**	**1,157,919**	**368,518**
	2012	25.50	58,957	854,219	302,278
Total	2013		688,725	13,632,670	2,607,269
	2012		545,073	10,315,145	2,260,942

1 In the case of Board members transferred from the old system to the new, the amount corresponds to the value of the annual vested pension at 31 December 2008; in the case of Mr. Daschner, it corresponds to the defined benefit at 31 December.
2 Expenses for defined benefit plan, including provision for continued payment of salary for surviving dependants.
3 Entitled to a reduced occupational pension on early retirement, and to an occupational pension in the event of regular termination of employment.
4 Entitled to vested benefits under the 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 Employers' Retirement Benefits Act in the event of premature termination of employment up to 7 March 2015, and to a reduced occupational pension on early retirement in the event of premature termination of employment as from 8 March 2015 or 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 Left the Company as at 31 December 2013 owing to regular termination of employment and is entitled to a reduced occupational pension on early retirement of €175,560 p.a.
9 Entitled to vested benefits under the 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.
10 Entitled to an occupational pension in the event of termination of employment owing to incapacity to work.

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.

[illegible] on RORAC [illegible] page [illegible]

The Company result bonus allows employees to 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 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-term 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 an annual 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 basic earnings per share from continuing operations, as shown in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS): each Supervisory Board member receives €4,000 for each full euro by which earnings per share exceed €12, up to a maximum of €40,000. Based on earnings per share of €18.50, variable result-related remuneration of €24,000 is payable for the financial year 2013. The result-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 2013.

Members of the Supervisory Board committees receive an additional 50% of their fixed remuneration, with the Chairs of the committees receiving an additional 100% of their fixed remuneration. 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.

The resolution passed by the Annual General Meeting 2013 to switch the remuneration of the Supervisory Board to a purely fixed remuneration will not be effective until the financial year 2014.

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
		€	€	€	€	€
Hans-Jürgen Schinzler	**2013**	**-**	**-**	**-**	**-**	**-**
(Chairman until 31.12.2012)	2012	125,000.00	139,000.00	50,000.00	25,000.00	339,000.00
Honorary Chairman						
Bernd Pischetsrieder	**2013**	**125,000.00**	**149,000.00**	**60,000.00**	**25,000.00**	**359,000.00**
Chairman (from 1.1.2013)	2012	50,000.00	52,000.00	20,000.00	10,000.00	132,000.00
Hans Peter Claußen	**2013**	**75,000.00**	**25,000.00**	**36,000.00**	**15,000.00**	**151,000.00**
Deputy Chairman	2012	75,000.00	25,000.00	30,000.00	15,000.00	145,000.00
Ann-Kristin Achleitner	**2013**	**49,726.03**	**-**	**23,868.50**	**9,945.21**	**83,539.74**
(from 3.1.2013)	2012	-	-	-	-	-
Herbert Bach	**2013**	**50,000.00**	**50,000.00**	**24,000.00**	**10,000.00**	**134,000.00**
	2012	50,000.00	50,000.00	20,000.00	10,000.00	130,000.00
Dina Bösch	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Annika Falkengren	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Frank Fassin	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Benita Ferrero-Waldner	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Christian Fuhrmann	**2013**	**50,000.00**	**43,000.00**	**24,000.00**	**10,000.00**	**127,000.00**
	2012	50,000.00	37,000.00	20,000.00	10,000.00	117,000.00
Peter Gruss	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Henning Kagermann	**2013**	**50,000.00**	**99,000.00**	**1,000.00[3]**	**0.00[3]**	**150,000.00[3]**
	2012	50,000.00	64,000.00	20,000.00	10,000.00	144,000.00
Peter Löscher	**2013**	**50,000.00**	**6,000.00**	**24,000.00**	**10,000.00**	**90,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Wolfgang Mayrhuber	**2013**	**50,000.00**	**50,000.00**	**24,000.00**	**10,000.00**	**134,000.00**
	2012	50,000.00	25,000.00	20,000.00	10,000.00	105,000.00
Silvia Müller	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Marco Nörenberg	**2013**	**50,000.00**	**41,000.00**	**24,000.00**	**10,000.00**	**125,000.00**
	2012	50,000.00	35,000.00	20,000.00	10,000.00	115,000.00
Reinhard Pasch	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Anton van Rossum	**2013**	**50,000.00**	**43,000.00**	**24,000.00**	**10,000.00**	**127,000.00**
	2012	50,000.00	37,000.00	20,000.00	10,000.00	117,000.00
Andrés Ruiz Feger	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Richard Sommer	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Ron Sommer	**2013**	**50,000.00**	**-**	**24,000.00**	**10,000.00**	**84,000.00**
	2012	50,000.00	-	20,000.00	10,000.00	80,000.00
Total	**2013**	**1,099,726.03**	**506,000.00**	**504,868.50**	**209,945.21**	**2,320,539.74**
	2012	1,100,000.00	464,000.00	440,000.00	220,000.00	2,224,000.00

1 Plus turnover tax in each case, in accordance with Article 15 para. 6 of the Articles of Association (version 09/2013).
2 Including attendance fees in the case of members of the Audit Committee and/or Nomination Committee, as per Article 15 para. 4 of the Articles of Association (version 09/2013).
3 After capping in accordance with Article 15 para. 5 of the Articles of Association (version 09/2013).

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]

Name	Financial year	Fixed remuneration		Result-related remuneration	Total
		Annual[2]	For committee work[2]	Annual	
		€	€	€	€
Hans Peter Claußen	**2013**	**24,895.00**	**-**	**0**	**24,895.00**
Deputy Chairman	2012	38,499.88	2,231.24	0	40,731.12
Frank Fassin	**2013**	**27,000.00**	**-**	**0**	**27,000.00**
	2012	27,000.00	-	0	27,000.00
Silvia Müller	**2013**	**27,000.00**	**-**	**0**	**27,000.00**
	2012	27,000.00	-	0	27,000.00
Marco Nörenberg	**2013**	**27,000.00**	**6,750.00**	**0**	**33,750.00**
	2012	27,000.00	6,750.00	0	33,750.00
Richard Sommer	**2013**	**27,000.00**	**-**	**0**	**27,000.00**
	2012	27,000.00	-	0	27,000.00
Total	**2013**	**132,895.00**	**6,750.00**	**0**	**139,645.00**
	2012	146,499.88	8,981.24	0	155,481.12

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.

Macroeconomic and industry environment

In 2013, as in the previous year, the global economy grew only moderately. The economies of the USA, Japan and the UK expanded. By contrast, the annual average economic output of the eurozone fell: whilst it moved out of recession in the second quarter, the recovery was weak against the background of the still-smouldering sovereign debt and banking crisis. German GDP grew slightly compared with the previous year. Although economic growth was curbed in the major emerging countries, the growth rates of Asian emerging markets were still high by global comparison.

Capital markets

Persistently low interest-rate level

Monetary policy in the most important economies remained very expansive. For example, the European Central Bank (ECB) lowered its key interest rate twice in the course of the year. Nevertheless, in the first half-year the US Federal Reserve indicated that it would begin a gradual exit from bond buying ("tapering") in 2013 if the positive economic development held. It finally announced in December that it would reduce its monthly bond buying. Long-term interest rates in the USA and in Germany rose over the course of the year. At year-end, yields on US and German bonds with periods to maturity of ten years were 3.0% and 1.9% respectively, compared with 1.8% and 1.3% at the end of 2012. The rise in interest rates had a negative impact on the market value of fixed-income bonds. Interest rates remained at historically low levels, presenting insurers with considerable challenges. Regular interest income fell again because - even after the increase in market interest rates - yields on new highly rated fixed-interest securities are far lower than the average return on the securities maturing or sold. Life primary insurers, which have to meet interest-rate guarantees, were particularly affected.

The euro rose by 4%: from US$ 1.32 at the start of the year to US$ 1.37 at year-end. It gained considerably against the Japanese yen (26%) and the Canadian dollar (12%), and slightly against the British pound sterling (2%). As we write a large part of our business outside the eurozone, the rise in the euro distorts the reported premium income development downwards. It also affects the value of the investments accordingly.

Insurance industry

Whilst the weak eurozone economy dampened demand for insurance and thus also business potential for reinsurance, premium development was buoyed by a further very dynamic increase in demand for insurance cover in many emerging markets. A further positive contribution came from price increases on the US market, by far the largest property-casualty insurance market in the world. Rate development varied globally: industrial insurance in particular saw prices decline in many regions.

According to provisional estimates, the German insurance industry's premium income increased appreciably in 2013. Premiums in property-casualty insurance rose as in the previous years. After stagnating last year, premiums in life insurance were also up.

Chiefly on account of the rise in interest rates, the shareholders' equity of most reinsurers initially sank slightly in 2013 because fixed-interest investments were valued lower under current accounting regulations. In the course of the year, their capital resources improved, partly thanks to the good results. Additionally, in natural catastrophe business there was an increase in the supply of capacity from established and new market players, leading to a decline in rates. Whilst the price level for reinsurance had remained stable in the January and April 2013 renewals, it receded slightly in the renewals as at 1 July. This general trend continued in the renewals at 1 January 2014. There were isolated price increases, however, particularly in regions and classes with high loss frequencies.

Overview and key figures

Business experience in the financial year 2013 was very good overall, with major-loss expenditure remaining below the volume to be expected. Moreover, the selective release of loss reserves for prior underwriting years, which we were able to make following a review of our very solid reserving position, made a positive contribution to the technical result before claims equalisation provisions.

Munich Reinsurance Company wrote gross premiums totalling €24.6bn (25.5bn) in the financial year 2013, a year-on-year decrease of 3.8% (+9.6%). In contrast to the previous year, the development of the euro against other currencies had a negative effect of €1.2bn on our premium income. Without currency translation effects, premium volume would have risen by 0.9% compared with the previous year. Approximately €20.4bn (21.4bn) or 83% (84%) of premium was written in foreign currency, of which 32% (31%) was in Canadian dollars, 20% (18%) in US dollars, and 9% (11%) in pounds sterling. 17% (16%) of our premium volume was transacted in euros, with non-German business accounting for an unchanged 94% compared with the previous year.

In the year under review, we posted reduced premium income in both life and health reinsurance. Gross premiums were down by 5.0% to €8.7bn (9.2bn) in life reinsurance and by 5.5% to €4.0bn (4.2bn) in health reinsurance, mainly owing to currency translation effects resulting from the strengthened euro. Adjusted for currency exchange effects, premium volume in the year under review would have been up by 0.7% in life business, whilst maintaining the same level year on year in health reinsurance. The development in premium volume in recent years has been favourably influenced by a number of large-volume treaties where reinsurance primarily serves as a capital substitute. In 2013, we were able to conclude or renew a number of such treaties. It is in the nature of this business segment, however, that premium development can be volatile. We also saw a moderately positive development in our core business – the systematic acceptance of underwriting risks.

In property-casualty reinsurance, we posted a decline in premium income of 2.3% to €11.9bn (12.1bn) in 2013. One of the main reasons for this was also currency translation effects resulting from the stronger euro. Although the renewal negotiations for reinsurance treaties took place in a very competitive market environment, Munich Re maintained its clear, profit-oriented underwriting policy and accepted risks only at commensurate prices, terms and conditions. In most lines and regions, capacity continued to be available in sufficient quantities. We experienced a growing supply of capacity for non-proportional natural catastrophe covers from established competitors and from those capital providers new to the market. Especially pension funds regarded reinsurance as an attractive investment alternative for diversifying risks and meeting return requirements in the present low-interest-rate environment. Against this backdrop, it can be regarded as positive that price levels for reinsurance cover remained stable overall in our portfolio. Rate increases were achieved only in loss-affected segments. This was particularly evident in marine business, owing to Hurricane Sandy and the accident involving the Costa Concordia. Whilst rates in credit business came under pressure, prices in most other markets remained on the stable side.

Our technical result before claims equalisation provisions amounted to €1.1bn in 2013, compared with €656m in the previous year. This gratifying figure is essentially attributable to major losses being below our expectations and to an otherwise good business performance.

Major-loss expenditure totalling €1.4bn (1.3bn) after retrocession and before tax remained more or less at the same level as in the previous year.

Aggregate losses from natural catastrophes came to €609m (845m), representing 4.0 (5.3) percentage points of net earned premiums. The largest losses in 2013 were caused by the floods in central Europe in early summer (€166m) and the intense rain and hailstorms in Germany in June and July (€101m). Besides this, we were impacted by claims expenditure for Hurricanes Manuel and Ingrid, which made landfall in Mexico in mid-September (€144m). In Europe, Windstorms Christian and Xaver gave rise to major losses (€118m) in the fourth quarter. Further severe losses were brought about by heavy rains in Argentina at the beginning of April leading to floods and a fire in a crude oil refinery (€64m), and by Typhoon Haiyan in the Philippines in November (€64m). In July, intense rain also caused flooding in the Canadian province of Alberta (€50m).

At €823m, man-made major losses were at a higher level than in the previous year (€484m), accounting for 5.4 (3.0) percentage points in relation to net earned premiums. Sizeable losses resulted from the evacuation and loss of production at a copper mine in Utah damaged by a landslide (€88m) and from a fire in a Chinese plant of a Korean chip manufacturer (€86m). Other events included a heavily damaged hydroelectric power station in Russia (€75m) and a satellite loss (€41m).

The combined ratio, which reflects the relation of claims and costs to net earned premiums, came to 94.3% (97.3%) overall. Excluding claims burdens from natural catastrophes, it amounted to 90.3% (92.0%). Given the below-average burden from natural catastrophes, the combined ratio in property-casualty reinsurance was 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	2013	2012	2011[1]	2010	2009
Major losses total	1,432	1,329	4,665	2,097	1,038
Thereof natural catastrophes	609	845	4,197	1,510	171

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 2013, 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.

Against this background, the investment result showed a year-on-year decrease to €2,938m (3,315m). In accordance with German commercial law, some €491m (525m) of the investment result is incorporated in the technical result as interest on technical provisions. We report on our investment performance on page 45 ff.

In the financial year, the Company's return on investment (including deposits retained on assumed reinsurance) totalled 4.0% (4.5%) on the basis of carrying amounts.

Munich Reinsurance Company's results

€m	2013	2012	2011	2010	2009
Technical result	-82	84	-48	104	1,225
Investment result without interest on technical provisions	2,447	2,790	2,072	2,539	2,450
Other result	-124	169	-319	-451	-297
Taxes	-595	-653	-654	-832	-920
Profit/loss for the year	1,646	2,390	1,051	1,360	2,458
Net retained profits	**1,300**	**1,255**	**1,119**	**1,178**	**1,291**

In the financial year 2013, we posted a profit for the year of €1,646m. After consideration of the profit of €0.3m brought forward and the allocation of €346m to the revenue reserves, net retained profits totalled €1,300m. Subject to the approval of the Annual General Meeting, we intend to pay our shareholders a dividend of €7.25 per dividend-bearing share from the net retained profits for the financial year 2013.

Events after the balance sheet date

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management in November 2013, we repurchased a further 2.8 million Munich Re shares with a volume of €434m after the balance sheet date up to 6 March 2014.

Classes of business

Gross premium volume in **life reinsurance** was down on the previous year, mainly owing to the development of exchange rates as a result of the stronger euro. Positive effects on premium income in recent years have derived from a number of large-volume treaties where reinsurance primarily serves as a capital substitute. As a financially strong partner, we provide customised solutions that improve our clients' capital structure and solvency. In 2013, we were once again able to conclude or renew a number of such treaties. It is in the nature of such business, however, that premium development can be volatile. In addition, we saw a moderately positive trend in our core business – the systematic acceptance of underwriting risks. On the other hand, the sluggish economy in many developed regions impacted our clients' business development and hence reduced reinsurance business potential.

The result we achieved in life reinsurance was good, albeit slightly below that of the previous year, mainly because of claims burdens from Australian disability business. In all other respects, however, business performance in 2013 was again gratifying.

In **health reinsurance**, premium income in the year under review showed a decrease that was solely attributable to the development of exchange rates as a consequence of the strengthened euro.

The result declined marginally compared with the previous year.

In **property-casualty** business, premium income was also down year on year. The euro's development had a significantly negative impact on premium in this business segment. Without currency translation effects, premium would have risen slightly.

The technical result before claims equalisation provisions was clearly positive, partly owing to better-than-expected major-loss expenditure and reserve releases 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 44 f.

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

Our result before claims equalisation provisions fell somewhat year on year, but we nevertheless again posted a pleasing profit.

In **liability business**, we were also able to keep premium volume stable in the financial year.

We succeeded in slightly reducing the previous year's negative technical result before claims equalisation provisions, mainly through the release of loss reserves as a consequence of our actuarial review.

Motor reinsurance recorded a moderate rise in premium income, primarily owing to the conclusion of new large-volume treaties in Chinese motor business.

The previous year's technical loss before claims equalisation provisions was appreciably reduced in the year under review. A key factor in this was the reserve releases we effected for prior underwriting years in this class of business.

Marine business showed a marginal year-on-year reduction in premium income, essentially because of the development of exchange rates.

We moderately improved on the previous year's positive result before claims equalisation provisions, a development that was favoured especially by reserve releases.

Premium income in **aviation reinsurance**, which comprises the aviation and space classes, deteriorated in the financial year. The decrease was brought about not only by exchange-rate movements as a result of the euro's strengthening but also by our consistent cycle management policy.

The result in aviation reinsurance declined significantly on the previous year, mainly because of our selective underwriting policy and higher major-loss expenditure.

In **fire reinsurance**, we almost matched the previous year's high premium level, the reduced figure being largely due to the development of exchange rates on account of the stronger euro.

We again posted a pleasing profit before claims equalisation provisions in the year under review. This result benefited from major-loss expenditure remaining low. In addition, we were able to release reserves following a review of our reserving position.

In **engineering reinsurance** (machinery, EAR, CAR, EEI, etc.) premium income was down on the previous year.

After the negative result posted in 2012, we were able to achieve a pleasing profit in the year under review, chiefly on account of low major-loss expenditure and the reserve releases we were able to make in this line of business.

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 in the year under review, mainly because of business growth in agricultural reinsurance, in particular from the acquisition of further new business in the USA.

The combined technical result of these classes of business was slightly negative in the financial year, showing a significant improvement on the previous year, which had been impacted by above-average loss expenditure in agricultural business.

€m	Gross premiums written 2013	2012	Underwriting result before claims equalisation provision and similar provisions 2013	2012
Life	8,711	9,168	212	228
Health	4,001	4,234	23	37
Accident	228	210	67	86
Liability	1,658	1,648	-517	-608
Motor	2,332	2,224	-117	-397
Marine	501	572	132	87
Aviation	411	536	124	302
Fire	3,718	4,057	1,020	1,109
Engineering	819	921	164	-56
Other classes	2,195	1,971	-25	-132
Non-life combined	15,863	16,373	871	428
Total	**24,574**	**25,541**	**1,083**	**656**

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 €1,165m (572m) to €8,147m (6,982m) in the financial year 2013. Owing to positive results, we were able to strengthen the claims equalisation provisions by significant amounts in some classes of business, especially in fire, where the allocation amounted to €1,157m (1,226m), as well as in motor, accident and engineering, where the amounts concerned were €168m (-126m), €134m (-84m) and €39m (-64m) respectively.

By contrast, the maximum amounts allowed for the claims equalisation provision in aviation and marine had to be reduced by €170m (-91m) and €57m (-41m) respectively, owing to lower premium income. An above-average loss ratio in liability led to a withdrawal of €72m (171m) from the claims equalisation provision. In addition, negative performance in credit reinsurance and in other classes of business resulted in withdrawals of €37m (-36m) and €17m (395m) respectively. The current level of the claims equalisation provision is 100% of the legally stipulated maximum amount in the motor, aviation and marine classes of business, and more than 50% in fire, credit and accident.

Further allocations made by the Company in the financial year 2013 were €16m (18m) to the provision for terrorism risks, €4m (3m) to the provision for nuclear risks, and €1m (-3m) to the provision for pharmaceutical/product liability.

Investments

Investment principles

Our investment strategy is based on 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, with 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 66 ff.; our approach to asset-liability management is explained on page 18.

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	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Land, land rights and buildings, including buildings on third-party land	1,075	1,019	998	1,018	900
Investments in affiliated companies and participating interests	33,481	33,656	32,208	27,840	27,014
Loans to affiliated companies and participating interests	153	170	177	1,556	1,799
Shares, investment certificates and other non-fixed-interest securities	6,209	5,596	5,796	6,434	5,002
Bearer bonds and other fixed-interest securities	17,883	21,392	19,770	20,540	20,927
Other investments	1,823	864	838	1,200	717
Total	**60,624**	**62,697**	**59,787**	**58,588**	**56,359**

Development and structure of investments

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) fell by 3.3% to €60,624m in the financial year 2013. 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 decreased by €175m overall. The carrying amounts of investment companies for holding segregated funds fell by a total of €794m. This figure essentially includes a net amount of −€905m for capital increases and withdrawals, reinvested annual profits of €495m from 2013, and foreign exchange losses of €279m. In the case of Munich American Holding Corporation, there was a write-up of €484m in the carrying amount of our participation. In addition, capital increases were carried out at subsidiaries in the year under review, notably Munich Holdings of Australasia in the amount of €274m.

Loans to affiliated companies and participating interests

At €153m, the carrying amounts are almost unchanged compared with the previous year.

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

The increase of €613m concerns our equity portfolio held directly and indirectly via investment funds. The bulk of our equity portfolio comprises shares in European companies.

Bearer bonds and other fixed-interest securities

At €17,883m, investments in fixed-interest securities show a reduction of €3,509m compared with the previous year and account for 29.5% of total investments (excluding deposits retained on assumed reinsurance business).

Over 76% of our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable, 40% of which are from eurozone countries. We no longer have any government bonds from Portugal and Greece in our portfolio. Irish, Italian and Spanish government bonds now make up 3% of our holdings.

Additionally, around 13% of our bearer paper is in securities and debt instruments with top-quality collateralisation, mostly German pfandbriefs and European covered bonds.

At the reporting date, corporate bonds made up 6% 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 11% 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 2013, 98% of our fixed-interest securities were investment-grade and around 92% were rated "A" or better.

Deposits retained on assumed reinsurance business

As at 31 December 2013, deposits retained stood at €10.9bn.

Valuation reserves

Pursuant to Section 54 of the German Insurance Accounting Regulation (RechVersV), 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 9.2%, or €1.1bn, compared with the previous year. A detailed breakdown of the reserves is provided in the notes on page 106.

Valuation reserves

€m	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Real estate	1,742	1,586	1,525	1,338	1,344
Equity investments	7,858	8,112	8,745	6,849	4,920
Fixed-interest securities[1]	813	1,769	1,618	1,053	918
Total	**10,413**	**11,467**	**11,888**	**9,240**	**7,182**

1 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 investment companies for holding segregated funds. In the case of fixed-interest securities, the fall in valuation reserves is mainly a consequence of rising yields on Canadian and German government bonds.

Result

The investment result fell to €2,938m (3,315m) owing to deterioration in all areas.

Investment result

€m	2013	2012	2011	2010	2009
Regular income	3,445	3,276	3,083	2,655	2,480
Write-ups/write-downs	-487	-261	-280	189	3
Net capitalised gains	360	541	239	661	1,005
Other income/expenses	-380	-241	-480	-438	-384
Total	**2,938**	**3,315**	**2,562**	**3,067**	**3,104**

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	2013	2012	2011	2010	2009
Real estate	85	84	84	120	-3
Investments in affiliated companies and participating interests	1,736	1,031	1,391	1,425	718
Loans to affiliated companies and participating interests	6	8	28	48	69
Shares, investment certificates and other non-fixed-interest securities	584	461	80	142	900
Bearer bonds and other fixed-interest securities	504	1,048	1,078	1,019	1,132
Other investments	23	683	-99	313	288
Total	**2,938**	**3,315**	**2,562**	**3,067**	**3,104**

Financial position

Analysis of our capital structure

Investments on the assets side of the balance sheet serve mainly to cover technical provisions (67.7% of the balance sheet total). Equity (14.8% of the balance sheet total) and subordinated bonds classified as strategic debt (5.4%) are the most important sources of funds.

Strategic debt decreased by €1,023m compared with the previous year. A detailed analysis of the structuring of this type of funding is provided in the section on strategic debt.

Our equity increased by €187m in the 2013 financial year.

Equity

In the year under review, our equity rose by 1.7% compared with the previous year to €11,238m. €1,255m of the net retained profits for the previous year was distributed as a dividend to shareholders.

This distribution compares with a profit of €1,646m for the financial year 2013, from which a total of €346m has been allocated to the revenue reserves by the Board of Management to strengthen equity. The remaining €1,300m is available for dividend distribution.

Equity

€m	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Equity	11,238	11,051	9,855	10,265	10,760

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	31.12.2013
Subordinated bonds 2003/2028, £300m	360
Subordinated bonds 2007/perpetual, €1,349m[1]	1,349
Subordinated bonds 2011/2041, €1,000m	1,000
Subordinated bonds 2012/2042, €900m	900
Subordinated bonds 2012/2042, £450m	541
Total	**4,150**

1 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 bond issued in 2003 with a nominal value of £300m will mature in 2028 and is callable by us for the first time on 21 June 2018. 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 €900m and £450m will mature in 2042 and are callable by us for the first time on 26 May 2022.

On 25 April 2013, we called our subordinated bond 2003/2023 with a nominal volume outstanding of around €1bn, and fully redeemed it on 21 June 2013.

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 €4.5bn (5.9bn).

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 (ALM). With ALM, we aim to ensure that macroeconomic factors influence the value of our investments and that of our technical provisions and liabilities in the same way. This stabilises our position against capital market fluctuations. For this purpose, we mirror important features of the liabilities, such as maturity patterns, currency structures and inflation sensitivities, on the assets side of the balance sheet by acquiring investments with similar characteristics if possible. Further information on ALM as a corporate management tool is provided on page 18.

In this approach, any deviations from the structure of our liabilities are made consciously, taking due account of our risk tolerance and the achievable risk spreads. These have the purpose of generating income in excess of the expected return on funds required to meet the liabilities. Therefore, we measure investment risks incurred not only in absolute terms, but also in relation to changes of values in our liabilities. In terms of currency positioning, exchange-rate fluctuations thus affect assets and liabilities in equal measure as a result of this approach. Currency translation losses on assets are largely offset economically by currency translation gains on underwriting liabilities, although owing to accounting regulations that are imperfect from an economic perspective, this relationship is not always adequately reflected in the financial statements. 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 in order to hedge investment products against fluctuations on the interest-rate, equity and currency markets.

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 equity 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. Furthermore, in addition to dividend payments, we still generally consider share buy-backs an important instrument of active capital management. In November 2013, we announced a buy-back programme for up to €1bn by the 2014 Annual General Meeting. By 6 March 2014, we had repurchased shares with a value of €734m. Including dividend payouts and the share buy-backs from 2006 to 2013, we have returned over €14.7bn to our shareholders since 2006.

On 21 June 2013, we called our subordinated bond 2003/2023 on the first ordinary call date and repaid the outstanding nominal value of around €1bn after previous partial buy-backs.

In the financial year 2013, we achieved a profit for the year of €1,300m. Including the net retained profits, the Company's revenue reserves amounted to €3,812m as at the balance sheet date. 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 €7,703m. Given this robust capitalisation according to all metrics, we intend – subject to the approval of the Annual General Meeting – to pay our shareholders a dividend of €7.25 per share, or a total of €1,300m, from the net retained profits for the financial year 2013.

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

Composition of the issued capital

As at 31 December 2013, 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 1,919,312 shares held by Munich Re itself at 31 December 2013 (Section 71b of the German Stock Corporation Act – AktG). 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 Corporation 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. 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.

Contractual agreements are in place with the members of the Board of Management providing for two- or four-year minimum holding periods for the shares of the Company they have to purchase as part of share-based remuneration programmes. More detailed information on this is available in the remuneration report on page 20.

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 (WpHG) 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 March 2014, Berkshire Hathaway Inc. reported that its participation in Munich Reinsurance Company as at 31 December 2013 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 their 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 Corporation Act (AktG), and Section 121a paras. 1 and 7a of the German Insurance Supervision Act (VAG). Munich Re's co-determination agreement and Articles of Association have taken over the legal tenets of the German Co-Determination Act (MitbestG). 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. The Board of Management currently comprises eight members. The Supervisory Board appoints the members of the Board of Management pursuant to Section 84 of the Stock Corporation Act 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. For the appointment or dismissal of members of the Board of Management, Article 13 para. 4 of the Articles of Association stipulates a two-thirds majority of the votes cast on the Supervisory Board. If the requisite majority is not obtained in the initial resolution, the appointment or dismissal of the Board of Management requires a simple majority of the votes cast. The second resolution is only possible following a suitable period of reflection and after the issue has been dealt with in the competent committee, but is thereafter also possible by written consent in lieu of a meeting. In exceptional cases, members of the Board of Management may also be appointed by a court of law, pursuant to Section 85 of the Stock Corporation Act.

The German Stock Corporation Act contains general provisions governing amendments to the Articles of Association (Section 124 para. 2 sentence 2, and Sections 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, such a resolution must receive the votes cast by at least three-quarters of 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 Corporation 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 AktG). 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 Corporation 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 complete wordings can be viewed on our website at www.munichre.com/agm

The powers of the members of the Board of Management are defined in Sections 71 and 76–94 of the German Stock Corporation 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 (8) of the German Stock Corporation 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 Corporation 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 permissible 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 (8) of the German Stock Corporation Act to retire the shares without requiring further approval from the Annual General Meeting. By resolution of 7 November 2013, the Board of Management decided to utilise this authorisation to acquire own shares. Around 1.9 million shares had been acquired by 31 December 2013 at a purchase price of €300m.

- 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 24 April 2018 by an amount of up to €280m by issuing new shares against cash or non-cash contribution (Authorised Capital Increase 2013). 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 also 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, and 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.

Overall, the **cash inflows from operating activities** remained positive. The year-on-year decline in premium volume was more than compensated for by the stronger decrease in payments for (major) claims. Regular income from investments remained stable overall, despite the persistently low interest rates. There was again a reduction in the balance of accounts receivable on reinsurance business, deposits retained on assumed reinsurance, and the corresponding liabilities items.

Inflows resulting from portfolio reductions in fixed-interest securities had a key influence on **cash flows from investing activities**, significantly exceeding allocations of capital for portfolio increases, particularly in the cases of investment fund certificates and other investments.

The 2013/2014 share buy-back begun in November 2013, the dividend payment of Munich Reinsurance Company for the preceding financial year and the repayment of a portion of long-term subordinated liabilities resulted in **cash outflows for financing activities.**

In the year under review, cash – which encompasses cash with banks, cheques and cash in hand – fell by €36m to €386m overall.

Stakeholders

For Munich Reinsurance Company, dialogue with clients, brokers, shareholders, investors, staff members and the society within which we operate as an enterprise is a crucial requirement for identifying new challenges and changes at an early stage and for developing appropriate solutions.

Clients and client relationships

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

The product we sell is invisible and sometimes difficult to understand, so we need to be close to clients, understand their needs, and give them comprehensive advice. We focus particularly on close consultation and successful cooperation with our clients and sales partners with the objective of offering them optimum solutions. We want to be a competent, reliable and transparent partner, whom they can trust.

As reinsurers, we apply our extensive risk knowledge to find individual solutions that meet our clients' diverse requirements and add value. We know our cedants' needs, develop innovative risk transfer solutions with them and aim to continue driving forward the expansion of risk competence through strategic cooperations, thus the Group provides our cedants with the full range of underwriting products. Furthermore, clients can access a wide variety of services: as well as our own client platform (connect) and special product publications, the range we offer includes tools to improve business processes, individual consulting services and client seminars on many aspects of underwriting.

Depending on the clients' wishes, we work directly with them or via the reinsurance brokers they commission. We maintain relationships with all relevant reinsurance brokers at local operating and strategic level, and develop these contacts systematically in order to adapt them to changing circumstances. We view brokers as competent client representatives and key know-how partners in developing new, client-centric solutions.

Specialised client managers are responsible for determining clients' needs as precisely as possible and offering tailor-made solutions and support. To this end, we bring all our knowledge and innovative strength to bear and do not shy away from taking unusual approaches – true to our claim NOT IF, BUT HOW. We regularly assume a pioneering role in new coverage concepts, such as 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.

Staff

The efforts of our staff are crucial to the success of Munich Re. Their professional expertise, commitment and continual readiness to embrace innovation are the factors that drive our business forward. We create the necessary conditions for nurturing and enhancing their personal development and performance in all areas. Developing and keeping this high-level expertise and broad experience for the benefit of the Company is one of our most important objectives.

For this reason, we have extended our established programme of uniform succession planning set up in the previous year for our top managers. Greater emphasis is now placed on talent management for top management levels, with systematic development towards defined target positions. The resulting transparency also improves the potential for candidates to be appointed to positions across all the business segments.

Rotation of managers and staff members within the Company supports the accumulation of expertise and the transfer of knowledge. In the year under review, job moves to other areas and business fields and to other countries have been specifically introduced into the performance appraisal and staff development processes. Depending on business requirements, these changes take place on the basis of flexible models – as exchanges, for extended periods and also on a project basis. This is intended to enhance both professional expertise and intercultural competences.

Munich Reinsurance Company's position as a knowledge leader is promoted by the systematic development of outstanding specialists in business-relevant knowledge areas. The existing expert career path has been supplemented by the establishment of Leading Expert positions, creating career paths parallel to those in management functions up to senior management level. Potential candidates for these higher-level specialist functions are prepared for their roles via development programmes.
A training programme for Leading Experts with individual development measures has been offered as of this year.

A long-term and important issue for both staff and the Group is the maintenance of health. In all areas of the Company, staff benefits include measures to promote good health. Since April, staff members have been able to anonymously seek advice for professional and private crisis situations from external specialists. This Employee Assistance Programme goes beyond established internal corporate health-support initiatives.

Taking account of professional and private needs also plays an important role in other areas of life. How such needs can change in different life phases, and how to respond to such changes, is a focus of diversity management.

Another key focus, which is directly related to the growth of our business, is internationality. In this connection, the number of international assignments, job rotations and international project teams was further increased in 2013. Another directly measurable success of diversity management is the continually increasing number of women in management positions over the past three years. This is also illustrated by the fact that in 2013, 41.9% of all new managers at Munich Re Munich were women.

Munich Re had 4,050 employees as at 31 December 2013.

Shareholders

At the end of the year, our register of shareholders listed around 155,000 shareholders. The vast majority of shares were held by institutional investors such as banks, insurers or investment companies; around 12% were in the hands of private investors. At around 74%, the percentage of foreign investors was at around the same level as in the previous year. Our shareholders include sustainability-minded investors, with whom we have an active dialogue.

Our largest shareholder at the end of the year was still Warren E. Buffett, who holds a stake of around 11.2% in Munich Reinsurance Company via several companies in his group (Berkshire Hathaway Inc., OBH Inc., National Indemnity Co.). Asset manager BlackRock is our second-largest shareholder with around 6.2%. The People's Republic of China, represented by the People's Bank of China/SAFE, China, is the third-largest shareholder with around 3%.

Our corporate strategy geared to a sustained increase in value is accompanied by ongoing and open communication with all capital market participants. The main task of Investor and Rating Agency Relations at Munich Reinsurance Company is to cultivate contact with existing shareholders and attract new ones. At the same time, we ensure that due account is taken of our investors' opinions and preferences in internal decision-making processes. We chiefly use roadshows and investor conferences to initiate and intensify dialogue with institutional investors, our main focus being on financial centres in Europe and North America; we are now increasingly devoting attention to the emerging financial centres of Asia and the Arab world. We regularly supplement our investor relations activities with special events. We also offer regular forums for focused exchanges between investors who systematically gear their investment strategy to sustainability criteria.

Our investor relations work continues to meet with a positive response. In several cross-sector analyses of the quality of investor dialogue, we once more achieved leading positions in 2013, with our business partners particularly appreciating the consistency and transparency of our reporting. All the presentations we use in our meetings with analysts and investors and in our conferences and roadshows are published on the internet, and are sent to interested shareholders on request. Many of these events are transmitted live via webstreaming. Enquiries reaching us via our shareholder hotline or by e-mail are answered promptly by our team. Additionally, the service pages of our shareholder portal on the internet provide our registered shareholders with a wide range of information and communication options.

Around 4,500 shareholders and shareholder representatives participated in the 126th Annual General Meeting on 25 April 2013. Some 34% of the voting share capital was represented in the votes. All the motions were adopted with a clear majority in each case. With online participation in the Annual General Meeting and (electronic) postal voting, Munich Reinsurance Company again offered its shareholders all the facilities for casting their votes on agenda items.

Environment and society

In addition to corporate responsibility in core business, the topics of environment and social commitment constitute major elements of our corporate responsibility strategy. Munich Reinsurance Company's measures in this area form part of the Group strategy.

Environment

We continued to work intensively in 2013 to make sure that our Group-wide environmental management system is applied consistently and that we reach our target of covering 75% of all Munich Re (Group) staff. We attach great importance to a continual improvement in the quality of data collection. Seventeen of our locations have been certified to international standard ISO 14001. We have set Group-wide targets to reduce CO_2 emissions – from 2009 to 2015 we will reduce CO_2 emissions by 10% and the whole Group will be carbon-neutral by 2015. Most of our CO_2 emissions derive from our energy consumption and our business travel.

Allocation of CO_2 emissions in 2013 (data for Munich Re Munich)

Indirect energy consumption (electricity, district heating)	56.3%
Business travel	40.5%
Direct energy consumption (diesel, petrol, gas)	1.1%
Waste handling	1.1%
Paper consumption	0.7%
Water consumption	0.3%

Therefore, we are focusing our reduction efforts on the two above-mentioned areas by investing in energy-efficient technologies and minimising travel by using digital communication.

We offset unavoidable CO_2 emissions by buying carbon credits. Selections are made on the basis of best-practice standards and positive social influence through preferred projects. Our successes so far on the road to Group-wide carbon-neutrality by 2015:

- Our Munich site has been carbon-neutral since 2009.
- The entire reinsurance group has been carbon-neutral since 2012.

We will continue to apply our environmental objectives consistently in 2014 by giving advice to and liaising closely with our individual locations.

Society

We also undertake social commitments everywhere we do business.

In order to establish a sensible framework for our international civic commitment, we have established a Group-wide corporate citizenship concept with specific sponsorship criteria. We have a clear focus on business-related topics such as the environment, prevention of natural catastrophes, demographic change, health, and the promotion of science, education and cultural activities in the places we do business. A recent example of this is a new collaboration with the Lenbachhaus municipal art gallery in Munich, in which representatives of the two partners work together to develop various exhibition, educational, publication and event formats that can also be used for Munich Re staff and client events.

In the environmental field, in a public-private partnership (PPP) founded by Water Benefit Partners (WBP) and the Swiss Agency for Development and Cooperation (DEZA), we have joined together with 14 other partners to develop an innovative financing mechanism – the Water Benefit Standard – for projects in regions where there are severe water shortages.

Our staff are involved in a wide variety of non-profit projects across the world. In Munich and the international units of the reinsurance group, we support various initiatives through the Dr. Hans-Jürgen Schinzler Foundation. In 2013, our staff volunteered more than 2,000 hours of their time to these projects. The Munich Re Foundation supplements this Group-wide approach to corporate citizenship with its various projects. Its foundation capital amounts to a total of €47m. Foundation funds generated from this are used to support various projects at diverse places where we do business. These schemes include long-term projects in microinsurance, the prevention of natural catastrophes, innovative methods of obtaining water, and youth and education projects. The Munich Re Foundation sponsors the world's largest international microinsurance conference, and presents the RISK Award in conjunction with the United Nations. This substantial prize supports groundbreaking projects in disaster prevention.

Detailed information about our Group-wide activities in the area of corporate responsibility and our approach to the subject can be found in our corporate responsibility portal. The figures listed there in detail, and the description of the projects we are involved in, demonstrate our commitment in these areas and explain how we embrace these principles in our day-to-day work.

Statement on Corporate Governance

Munich Reinsurance Company has submitted the following Statement on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB).

Working procedure of the Board of Management

General information on the duties of the Board of Management is provided on page 7 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, currently Nikolaus von Bomhard and Jörg Schneider. A further member in the period under review was 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. In the period under review, these were 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 66 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 Corporation Act (AktG), 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 2013 were Bernd Pischetsrieder (Chairman), Herbert Bach, Hans Peter Claußen, Henning Kagermann and Wolfgang Mayrhuber.

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 2013 were Bernd Pischetsrieder (Chairman), Herbert Bach and Wolfgang Mayrhuber.

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 Group Chief 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 2013 were Henning Kagermann (Chairman), Christian Fuhrmann, Marco Nörenberg, Bernd Pischetsrieder and Anton van Rossum.

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 2013 were Bernd Pischetsrieder (Chairman), Henning Kagermann and Peter Löscher.

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 2013 were Bernd Pischetsrieder (Chairman), Herbert Bach, Hans Peter Claußen and Henning Kagermann.

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 3 f.

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 Corporation Act, issued in November 2013

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München fulfils all the recommendations of the German Corporate Governance Code of 13 May 2013 (published on 10 June 2013) and will continue to do so in future. Since the last Declaration of Conformity in November 2012, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 15 May 2012 (published on 15 June 2012).

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 Group Chief Compliance Officer, thus supporting Munich Re's anti-fraud management. Furthermore, employees and third parties can use a compliance whistleblowing portal to anonymously report criminal behaviour such as bribery and corruption, fraud, conduct liable to cause damage to reputation, and contraventions of antitrust, insider trading and data protection laws.

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. Since 2013, the ten principles of the UN Global Compact have also been included in an annex to Munich Re's Code of Conduct.

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 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 the Group. It is headed by the Chief Risk Officer (CRO), who – like the local CROs at individual companies – is supported by multidisciplinary 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, and this provides the basis for active management of the risks we incur.

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:

Ensuring that risk management and risk governance systems are in place and continuously enhanced at Group level is one of the most important tasks of the Group Committee, which convenes quarterly together with the CRO and specialists from the business segments as the Group Risk Committee to address fundamental risk issues arising throughout the Group. The Group Committee also meets quarterly together with the CRO and managers from the business segments with responsibility for investments as the Group Investment Committee – the central management committee for important Group-wide issues relating to investments and specific investment risks.

Additionally, there is the Group Compliance Committee (GCC), which deals with compliance and reputational issues and risks at Group level, with a view to standardising the way they are handled throughout the Group. In contrast to the Group Corporate Responsibility Committee (GCRC), which concerns itself with identifying sensitive issues on an abstract level and defining the Group's position on them, the GCC focuses on actual 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 Remuneration Regulation for Insurance Companies (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 (a Board committee), was created to function as a special risk committee for reinsurance.

Determining the risk strategy

The assumption of risks is an essential part of our business strategy. Our risk strategy defines the extent of the risks we are prepared to incur for our clients and shareholders. The development of our risk strategy is embedded in the annual planning cycle, and hence in our business strategy. It is approved by the Board of Management and discussed regularly with the Supervisory Board. Its objectives are:

Risk strategy

Objectives

Maintain our financial strength, thereby ensuring that we can meet our liabilities to our clients	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. Of particular note 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 will 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 2013, economic earnings at risk stood at €4.3bn.

- Supplementary criteria: limit losses that can arise out of individual risk types or accumulations, such as natural hazards, terrorism and pandemics, and also 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 sovereign 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. If capacity shortages or conflicts with the limit system or regulations arise, defined escalation and decision-making processes must be followed. These have been designed to ensure that the interests of the business are reconciled with risk-management considerations. 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 (restriction to a level we have defined as appropriate) and monitoring. All significant risks are covered.

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.

We are constantly refining 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 or legal entity level, or also by 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 objective 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 standard formula of Solvency II and take part in the Quantitative Impact Studies and stress tests (e.g. 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 areas and specialists to this end. This provides us with a quantitative and qualitative assessment that considers possible interactions between risks.

Risk limits are derived from the risk strategy. Taking the defined risk appetite as a basis, limits, 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.

The risk management system is subject to internal auditing by Group Audit, which carries out annual checks on various functions in accordance with its audit plan.

Control and monitoring systems

Our internal control system (ICS) is an integrated uniform Group-wide system for managing operational risks that covers all risk dimensions and areas of the Group. It meets Group management requirements, while complying with local regulations.

The risk and control assessments are performed at least annually by managers, specialists and staff in the relevant departments.

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

Controls performed for the ICS at entity level are based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), a recognised internal control standard in the finance industry. IT-level controls are based on COBIT (Control Objectives for Information and Related Technology), an internationally recognised framework for IT governance.

However, notwithstanding the careful design and diligent use of our ICS, which has now developed into a high-quality system, it can provide only adequate – but not total – certainty that all operational 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. We are nevertheless certain that the controls and documentation requirements in place justify the maximum possible confidence on the part of our stakeholders.

The identification, management and control of risks arising out of the accounting process is indispensable for the production of reliable annual financial statements at both consolidated and individual-company level. It is essential for all items in the accounts to be shown correctly and valued appropriately and for the information provided in the notes and the management report to be complete and correct.

Financial accounting and reporting are subject to carefully defined materiality thresholds to ensure that the cost of the internal controls performed is proportionate to the benefits derived. 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.

An important feature of the accounting process is timely compliance with new legal requirements in the Group's reporting. 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, income statement and other components of the financial statements. Any amendments are subject to a mandatory 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 operational risks are controlled at a number of levels. We rely primarily on automated, system-based checks of the content of our defined processes.

The Audit Committee of the Supervisory Board regularly calls for reports on the effectiveness of the ICS and changes to the risk map from the previous year. The reports prepared by our external auditors and Group Audit describe the controls applied and state whether 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.

Risk reporting

Internal risk reporting provides the Board of Management with regular information on the risk situation, as regards both the individual risk categories (ongoing) and the entire Group (quarterly).

Early-warning mechanisms thus ensure that negative trends are identified in sufficient time for countermeasures to be taken. The Audit Committee of the Supervisory Board and the Federal Financial Supervisory Authority (BaFin) also receive the quarterly internal risk report.

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

Our general definition of risk is possible future developments or events that could result in a negative deviation from the Group's prognoses or targets. According to our classification, significant risks are risks that could have a long-term adverse effect on the assets, liabilities, financial position and results 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

The property-casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident, marine, aviation and space, and credit classes of insurance, together with special classes also allocated to property-casualty. Underwriting risk is defined as the risk of insured losses 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 design internal processes in such a way as to ensure that quality requirements are met. In doing so, they take account of both the specific exposures in their business and the knowledge and experience of their staff.

In particularly critical areas, the underwriting authorities granted to the operating units are restricted by mandatory Group-wide instructions or limited 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. 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 profit (excluding life business) taking into account adjustment premiums amounted to €306m in the year under review, following the previous year's run-off loss totalling €336m. In the year under review, most sectors experienced comparatively low claims-reporting activity from previous years, which had a positive influence on the ultimate-loss projection. Exceptions were individual major liability claims and the latent claims complex of asbestos, for which reserves were strengthened. Significant run-off profits resulted in the financial year in fire, motor, engineering and health business.

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

%	2013	2012	2011[3]	2010	2009	2008	2007[2]	2006	2005[1]	2004
Including natural catastrophes	94.3	97.3	112.1	101.4	98.2	102.4	95.9	97.9	117.0	96.4
Excluding natural catastrophes	90.3	92.0	84.2	89.8	96.8	97.1	91.5	96.6	97.5	91.2

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.

Actuarial risk: Life and health insurance

The underwriting risk is defined here 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 information provided on underwriting guidelines and limits for property-casualty insurance also applies to life and health reinsurance.

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 use appropriate limit and early-warning systems in our asset-liability management to manage market risks. Applying stress tests, sensitivity and duration analyses, we simulate market fluctuations and devise strategies for counteracting them where necessary. Derivatives such as equity futures, options and interest-rate swaps, which are used in particular for the hedging of exposures, also play an important role in our management of the risks.

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 and total return swaps on catastrophe and reinsurance risks (Insurance derivatives III, IV and weather derivatives) also serve the purpose of risk transfer. Further information on the carrying amounts and fair value of the derivatives is provided on page 104 in the notes to the financial statements.

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

Our investments must comply with Group-wide minimum standards as defined in our General Investment Guidelines (GIG). We also take account of risk restrictions on investments defined in 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 2013. 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%	€1.876bn
Increase of 10%	€0.926bn
Decrease of 10%	-€0.926bn
Decrease of 20%	-€1.851bn
Market values at 31 December 2013	€8.016bn

Market risk – Interest rates

Change in interest rates	Change in market value of investments sensitive to interest rates
Increase of 200 BP	-€2.556bn
Increase of 100 BP	-€1.373bn
Decrease of 100 BP	€1.562bn
Decrease of 200 BP	€3.312bn
Market values at 31 December 2013	€33.210bn

Market risk – Exchange rates

Change in exchange rates	Change in market value of investments sensitive to exchange rates
Increase of 10%	€2.427bn
Decrease of 10%	-€2.427bn
Market values at 31 December 2013	€26.137bn

A breakdown of investments by type can be found on page 103. 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 in securities 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). There are also volume limits for securities lending and repurchase transactions. Investments in asset-backed securities (ABSs) are also controlled through volume limits separate from the counterparty limit system. The resultant credit risk is reduced by means of Group-wide rules for collateral management, for example for OTC derivatives and catastrophe bonds issued.

Exposure to issuers of interest-bearing securities and CDSs in the financial sector is additionally limited by a financial sector limit.

We also make use of credit derivatives, especially CDSs, in our management of credit risks. 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 comprehensively assess 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 and reinsurance counterparties 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

%	31.12.2013	Prev. year
AAA	0.4	0.3
AA	62.5	69.9
A	26.9	22.6
BBB or lower	4.5	0.4
No rating available	5.7	6.8

As at 31 December 2013, the rating split for our accounts receivable on ceded business was as follows:

Rating of accounts receivable

€m	31.12.2013
AAA	0.1
AA	15.4
A	12.8
Without external rating	80.3

An amount of €34.0m of our total receivables of €2.4bn on underwriting business at the balance sheet date was outstanding for more than 90 days. The average defaults of the last three years total €3.9m.

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.

We use scenario analyses to quantify operational risks. The analyses are produced or updated annually at workshops attended by experienced staff from all business segments and affected companies. The results are fed into the modelling of the economic risk capital for operational risks and are validated using various sources of information, such as the ICS (internal control system) and internal and external loss data.

ICS is the main instrument used for the management of operational risks.

In addition, our Security and Continuity Risk Management Framework (SCRM) defines the rules for a standard Group-wide procedure, in particular identifying, assessing and managing security risks for people, information and property. Our aim is to protect our employees, ensure the confidentiality, integrity and availability of information, and guarantee the smooth operation of our businesses.

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. Through stringent requirements regarding the availability of liquidity, 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 in our Strategy Committee and regularly monitoring their implementation. The Strategy Committee comprises the members of the Group Committee, the Chief Executive

Officers (CEOs) of the business segments and the Head of Group Development. 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).

The action we take to monitor and limit reputational risk ranges from the general identification and recording of risks for the ICS to establishment of whistleblower and ad-hoc reporting procedures. 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. A 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).

Overview of the risk situation

We use our 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, 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 an insurer and reinsurer, we manage not only our own assets, but above all those of our clients. This applies in particular to insurances of the person. When we invest, in addition to traditional market risks we also have to accept certain credit risks (the risks of deteriorations in creditworthiness and debtors defaulting). This is clearly the case for corporate bonds, but recently risks have also emerged for types of investment that have previously been widely considered to be safe, examples being the "haircut" for private investors in Greek government bonds, or savings being used to cover the costs of the bank bailout in Cyprus.

Munich Re has substantial investments in the eurozone. We attach importance to a correspondingly broad diversification of investments to cover the euro liabilities arising out of our insurance business. We use government bonds to match our underwriting liabilities in terms of currency and duration, especially for life and health primary insurance.

The sovereign debt crisis eased slightly in the eurozone in 2013, but there is also still a great deal of political and economic uncertainty. The spreads on government bonds of peripheral eurozone countries as compared to German Bunds have decreased further, and the eurozone as a whole has moved out of recession. Yet the fundamental state of public finances remains critical in many countries. The need for budget consolidation and expansion of austerity measures despite weak growth and high unemployment present real challenges, especially for politicians at the national level. Currently, the primary default risk in the USA comes from the polarisation of the political standpoints, and particularly from the necessity of agreeing repeated increases to the federal debt ceiling. However, we still regard the default risk in the USA as low, as the parties are well aware of the likely serious consequences of default - including for the global financial system – and recently there has been a noticeable increase in willingness to compromise on issues of budgetary policy.

Despite the increase in interest rates in 2013, bond yields from low-credit-risk countries remain at a relative historical low. The low-interest-rate environment continues to present life insurance companies in the eurozone in particular with major challenges. There is also the risk that highly indebted nations will seek to solve their problems at the cost of savers. The fluctuations on the capital markets give rise to considerable volatility in our investments and liabilities at the valuation dates. We counter these risks with various risk management measures.

In monitoring the country risks, we do not simply rely on the usual ratings, but perform independent analyses of the political, economic and fiscal situation in key 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 or derivatives 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 Investment Committee. These limits are mandatory throughout the Group for investments and the insurance of political risks, and any exceptions must be approved by the Group Committee.

On the basis of defined stress scenarios relating to further developments in the eurozone 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, we counter any negative effects with the high degree of diversification in both our investments and our liability structure, and with our active Group-wide asset-liability management.

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), and definition of appropriate limits.

Climate change

Climate change represents one of the greatest long-term 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 of Munich Re.

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. The political and regulatory environment in which we operate is developing fast and 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 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.

New and complex risks

Our early identification of risks also covers emerging risks, i.e. those that change or arise as a result of legislative, socio-political, scientific or technological changes, and that may have unmeasured or unknown effects on our portfolio. The degree of uncertainty as to the extent of damage and probability of occurrence is by its nature very high for these risks.

We identify trends and faint signals in many ways, including systematic trend research, using Munich Re's knowledge management. Regular structured discussions are held in our "emerging risks think-tank" and by our group of experts – the global "emerging risk community" – which investigate the possible impact of emerging risks on Munich Re. They look at interconnections and interdependencies between different risks and other consequences linked 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 test the limits of traditional scenario-based risk management are occurring with greater frequency. Both the occurrence of an event and its potential consequences are increasingly difficult to foresee – past examples of this are 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 affected regions, but they also hit worldwide supply chains, 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 Complex Accumulation Risk Explorer software (CARE). Using this method, risks and their interaction can be made more transparent and at least partially quantified. With CARE, we can improve the identification and structuring of complex accumulation risks for our own risk management and provide support for our clients, thus enabling us to meet the rising demand for reinsurance of these types of risks.

Legal, supervisory, balance sheet, and tax risks

Legal risks

In December 2009, Munich Re's Spain and Portugal branch lodged an appeal against the Spanish antitrust authority (Comisión Nacional de la Competencia - CNC) with respect to an administrative order imposing a fine of €15.9m for alleged collusion restricting competition. The appeal was upheld. The CNC then appealed against the court's decision within the prescribed period. The EU Commission has now intervened in the proceedings as an "amicus curiae".

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

Former minority shareholders of ERGO Versicherungsgruppe AG are seeking to gain increased squeeze-out cash compensation by way of shareholder compensation complaint proceedings. The material risk is limited by the number of shares eligible for compensation (approx. 237,000) and the upper limit on the scale within which the corporate value of ERGO Versicherungsgruppe AG can be set as at the date of valuation.

Following the 2012 Annual General Meeting, three of our shareholders brought legal actions against Munich Reinsurance Company to contest resolutions and to require disclosure. Both complaints were dismissed in December 2012. The dismissal of the disclosure action is not subject to appeal, but an appeal has been submitted in relation to the contesting action. We do not believe that the appeal will be successful. Contesting actions to set aside resolutions of the Annual General Meeting 2013 were also filed, and these were dismissed in December 2013. It is possible that appeals may be lodged.

There is legacy litigation between several former insurance intermediaries and ERGO Lebensversicherung AG, which has now mostly been concluded. In connection with far-reaching claims made by the former intermediaries, serious allegations have been levelled in the media since May 2011, including reports of misconduct on incentive trips and errors in the sale of insurance products at ERGO. There has also been extensive internal auditing at Group level and at ERGO. ERGO has initiated the rectification of errors, and has set aside reserves for any liabilities that may arise. In relation to all these events, additional claims for damages against ERGO and Munich Re have been announced. It is also not possible to completely rule out financial burdens and reputational damage for Group companies in the future as a result of these allegations.

Balance sheet risks

Balance sheet risk is especially the risk of our annual results being adversely affected by unforeseen reductions in the value of our assets due to provisions or write-downs or increases in our liabilities. It arises primarily out of changes in capital-market parameters or an unforeseen need to adjust assumptions relating to insurance liabilities that could lead to reserves having to be strengthened.

Tax risks

As a reaction to the financial markets and sovereign debt crisis, a trend towards increased corporate tax burdens is apparent across Europe. In Germany, discussion is focused on the introduction of a financial transactions tax and the restriction of tax privileges for investment funds. After the already implemented abolition of tax exemption for free-float dividends, it is not unlikely that in future there will be taxation of gains on disposals of 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

After many years of discussions, the European Council, European Parliament and European Commission have decided that Solvency II will come into effect on 1 January 2016. Member States must ensure that the Solvency II Directive has been implemented no later than 31 March 2015. Therefore, we should be able to apply for authorisation of our internal model as from April 2015. EIOPA has published Preparatory Guidelines for Solvency II requirement specifications for the transitional period until Solvency II is implemented.

Consultation continues in the European Parliament and the European Council on the proposals by the European Commission to revise the Insurance Mediation Directive (IMD2), the Markets in Financial Instruments Directive (MiFID2), and the Regulation on key information documents for investment products (PRIPs Regulation). Controversy remains, especially on the issues of transparency of remuneration, and prohibitions on commission. The Scandinavian countries, the Netherlands and the United Kingdom are all seeking to establish the predominance of their own regulatory environment across the EU. However, the German government favours minimum harmonisation that leaves room for national distribution structures.

Work is still in progress at a 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 global financial markets and the real economy. The insurance industry believes that the core business of primary insurers and reinsurers does not give rise to systemic risk. In fact, during the financial crisis insurers contributed towards increased stability. Nonetheless, the Financial Stability Board (FSB) has published a list of nine globally operating primary insurance companies that it classifies as systemically important – the global systemically important insurers (G-SIIs). A decision on the possible systemic importance of reinsurers has been postponed by one year, and is expected in July 2014. It is possible that the global debate will be followed by a national one. In addition, certain legal consequences could have an indirect effect on companies that are not classified as systemically important.

It is, for example, to be assumed that certain aspects of a recovery and resolution plan will ultimately be prescribed for all larger insurance companies. Our supervisory experts and many supervisory authorities already regard such plans as constituting an integral part of good risk management today.

The G-20 summit in Pittsburgh in 2009 resolved to make over-the-counter (OTC) derivative trading more transparent and secure. The European Market Infrastructure Regulation (EMIR) - Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories - came into force in August 2012. This introduced a clearing obligation, i.e. standardised OTC derivatives must be cleared by central counterparties (CCPs). Bilateral risk-mitigation techniques - such as the obligation to exchange collateral, or the daily valuation of outstanding contracts - apply to OTC derivatives that are not cleared by a CCP. The Regulation also requires that derivatives should be registered with a trade repository. These obligations will be substantiated in various detailed regulations (technical standards), some of which have yet to be drawn up.

Other legal developments

The German Federal Court of Justice (BGH) had referred a question to the European Court of Justice (ECJ) regarding whether the limitation period for policy models within the meaning of Section 5a para. 2 sentence 4 of the Insurance Contract Act (VVG) (old version) complied with the European directives on life insurance. By a ruling dated 19 December 2013, the ECJ decided that the provision violated European law. In its ruling, the Court made no statement as to the effects on the contracts concerned and the German Federal Court of Justice must now rule on this. The ruling affects all life insurance contracts concluded between 1 January 1995 and 1 January 2008 where there was no proper instruction as regards the right to object, or where not all pertinent contractual information was provided at the conclusion of the contract. The ruling cannot be transferred to apply to classes of business other than life insurance.

The ongoing discussions regarding the German healthcare system may result in further changes to the statutory parameters, notably the "citizens' insurance scheme". If, unlike now, all citizens were to be compulsory members of the German public health insurance scheme, 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 key figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout Munich Re. During the whole of 2013, risk exposures were regularly quantified and compared with the risk appetite. We assess Munich Re's risk situation to be 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 expanded our range of profitable growth opportunities. 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 is likely to 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 for 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 demand surge and an increase in premium income in most classes of insurance would be triggered by a stronger economic recovery in the USA, or quicker success of reform programmes in the eurozone with a more rapid recovery of the economy, accompanied by sustained growth in the emerging countries. Besides this, such a development could further the gradual normalisation of the bond markets and thus contribute to a continuation of the 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, Munich Re could exploit this demand in all of its business fields. This will also benefit our clients, who will profit from a rapid adjustment of our product solutions to the circumstances of the newly emerging or changing markets.

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

Altogether, 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. In addition, we are making significant investments in our Exposure Roadmap, a tool to improve risk assessment by evaluating loss susceptibility. 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 property values in many regions exposed to natural hazards are increasing steeply and the demand for insurance is likely to grow at least as strongly as the supply of capacity from traditional reinsurers and capital market instruments. Munich Re is excellently positioned with its competence in the analysis of major loss events and possible product solutions based on this.

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, e.g. for business interruption risks without prior physical damage, or cyber risks.

The rapid development of emerging countries also provides opportunities for profitably expanding and further diversifying our business portfolio. To provide our clients throughout the world with extensive support, Munich Re already operates as one of the leading reinsurers in many Asian and Latin American growth markets.

Additional opportunities exist in attractive niche markets. 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 the need for farmers 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, with rising demand for old-age provision due to greater life expectancy on the one hand, and volatile capital markets with low interest rates on the other. As a reinsurer, Munich Re is a competent partner for life primary insurance companies thanks to its tailored offering of asset protection solutions. We also see growth potential in the coverage of longevity risk, although we are adopting a very prudent and selective approach here, given the difficulties involved in robust trend estimates. Additionally, we have closely supported ERGO in structuring its new product family, with the products ERGO Annuity Guarantee and ERGO Annuity Opportunity launched in 2013.

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 2013 with the result achieved

Munich Re (Group)

Comparison of Munich Re (Group) targets for 2013 with results achieved

		Target 2013	Result 2013
Gross premiums written	€bn	50–52	51.1
Consolidated result	€bn	Close to 3	3.3
Return on investment	%	Around 3.3	3.5
Return on risk-adjusted capital (RORAC)	%	15	12.2

At €51.1bn, gross premiums were in the middle of the target corridor of €50–52bn for 2013.

With a consolidated result of more than €3.3bn, our original target of close to €3bn was clearly surpassed, the main reasons being lower-than-anticipated expenditure for major losses in property-casualty reinsurance and claims reserve releases for prior accident years. In addition, we posted a very low tax burden for the year as a whole, chiefly due to the recalculation of tax for prior years and the utilisation of loss carry-forwards. Currency translation effects had a negative impact overall in 2013.

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. We are very satisfied with the RORAC of 12.2% for 2013, as well as with the return of 12.5% on total IFRS capital (return on equity, ROE).

Outlook for 2014

In the European Union, state supervision for primary insurers and reinsurers is set to undergo profound changes with the Solvency II regulations. After many years of negotiation, the institutions involved in the EU legislation process (European Parliament, European Commission and Council of the European Union) have agreed on standards which are scheduled to come into effect as at 1 January 2016 and will already impact supervisory practice before that date. More or less parallel to this, the Omnibus II Directive, delegated acts and technical implementation standards will need to be adopted in the respective national legal systems. The new supervisory regulations will impose greater requirements on insurance companies in terms of capital, risk management and reporting. For 2014 and 2015, the European insurance supervisor, EIOPA, has introduced a pre-structured preparatory phase during which the national supervisory authorities are required to bring forward the reporting on selected areas. The aim is to ensure that the insurers and authorities make appropriate progress with their preparations and that the key elements of the new supervisory scheme are consistently structured within Europe. These elements include the governance rules, the requirements regarding the own risk and solvency assessment (forward-looking assessment of own risks, FLAOR) and the criteria for using internal models. The details regarding selected quantitative data, including economic balance sheet and equity information, have also been defined.

Far-reaching changes are on the horizon in the medium term for accounting, in particular the accounting of insurance contracts and financial instruments. These changes will have a major impact on the insurance and reinsurance markets. In June 2013, the International Accounting Standards Board (IASB) published revised proposals for the future accounting of insurance contracts, which will ensure for the first time that such contracts are accounted for in financial statements in an internationally standardised manner. The new requirements for the accounting and measurement of financial instruments under IFRS 9 are scheduled to be published in a final standard in the first half of 2014.

Although the requirements under the new regulatory frameworks (Solvency II, IFRS 4 and IFRS 9) have not been finalised in detail yet and will only become mandatory in subsequent years, all insurance companies concerned will have to make every effort to ensure that they comply with these requirements and begin to prepare themselves for their impact. Given the profound changes to these frameworks, we are anticipating a substantial impact on the insurance industry's product landscape and market environment before the official dates of introduction.

Munich Re (Group) targets

		Target 2014
Gross premiums written	€bn	Around 50
Consolidated result	€bn	3
Combined ratio property-casualty reinsurance	%	Around 94
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 also make it difficult. 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, based on our position at the beginning of the year, a moderately rising interest-rate level will initially tend to lead to higher results, and falling interest rates to lower results, than those forecast in these prospects. Changes in the market value and net gains or losses on the disposal of derivatives used by us as hedging instruments and for fine-tuning investments can substantially impact the result. Changes in exchange rates influence our premium income and results in different directions, depending on which foreign currencies are affected. There may be significant swings if exchange-rate fluctuations are strong, although economically speaking – relative to the volume of our business and our investments – we hold few open currency items on our books.

Reinsurance

Reinsurance remains an attractive business field, with a wide variety of earnings opportunities for us. Although insurance density in the western industrialised countries and some Asian nations is already high, these markets have an additional need for insurance cover – for instance, because exposure to weather-related natural hazards is growing as the climate changes. In regions with very rapid economic development, the demand for insurance protection remains significant for the large centres of high-quality industrial manufacturing and the rising prosperity of their population. As a result, the primary insurance and reinsurance sectors' ever increasing supply of capacity is matched by largely untapped demand potential in many classes of business.

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 provides primary insurers with efficient and flexible protection against major claims and accumulation losses, and strengthens their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance and to an increasing extent also beyond the conventional boundaries of insurability. 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 therefore see further good development opportunities in life reinsurance. Stimuli will derive especially 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. We structure our products so that they are tailored to our clients' needs while conforming to our risk strategy.

We also expect increasing demand for the management of investment risks in life insurance portfolios. Particularly in life reinsurance, there will also continue to be demand for solutions geared to the optimisation of capital and balance sheets. Despite a principally intact growth trend, premium volume in primary insurance has seen short-term stagnation in many important regions for us due to the weak economy and reduced readiness to purchase insurance because of the financial crisis, which has also had a dampening effect on the demand for reinsurance.

For 2014, we expect gross premiums written in life reinsurance to be around €10.5bn, and the technical result to amount to over €400m, assuming that demand for reinsurance is stable in light of the above factors.

In property-casualty reinsurance, which is traditionally exposed to pricing cycles and random fluctuations in the amount of major losses, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions. We are currently seeing competition gaining in intensity. Given their good capitalisation, primary insurers are ceding fewer risks to reinsurers. At the same time, reinsurers have been able to provide ample capacity, since their capital base has also continued to improve thanks to the good results posted in 2013. There has thus been surplus capacity on the supply side. Last but not least, insurance-linked securities are increasingly being favoured by institutional investors such as pension funds in their search for a reasonable return. This capital is mainly being channelled into non-proportional catastrophe business such as covers for hurricane losses in the USA, whilst reinsurers that previously focused on this segment are seeking to diversify into other segments. The prices for reinsurance cover in non-proportional catastrophe business accordingly came under pressure during the renewals in 2013. Munich Re's portfolio is not as strongly affected by this development, because proportional treaty business accounts for the major part – around two-thirds – of premium volume from traditional property business. However, competition in all lines of business has increased at least temporarily, whilst weak growth in many markets that have traditionally been highly insured is not being balanced by rising demand from the growth regions.

As a well-diversified reinsurer with extensive know-how, we – unlike most providers – are also able to offer specially tailored solutions. These include multi-year treaties (occasionally incorporating cross-line and cross-regional covers), retroactive reinsurance solutions, transactions for capital relief, comprehensive consultation on capital management, and the insurance of complex liability, credit and large industrial risks. Moreover, with our technical expertise and risk knowledge, we are in a position to support rapidly growing industries and to judiciously extend the boundaries of insurability with needs-based covers.

In the renewals at 1 January 2014, we were therefore able to hold our own in a very competitive market environment. In January, treaties with a volume of €8.7bn – somewhat more than half of our treaty business in property-casualty reinsurance – were up for renewal. Our premium volume rose by €235m or 2.7%. This increase is due above all to individual tailor-made risk-transfer solutions for portfolio clients in Asia and Australia. We did not renew business that failed to meet our profitability requirements.

Overall, the prices in our portfolio fell by around 1.5%, especially in natural catastrophe business, with stronger decreases in North America than in Europe. Price levels in casualty business and in credit and bond reinsurance were marginally down overall. In marine and aviation reinsurance, prices fell more than in the other lines of business on average. The fact that the price erosion for Munich Re was relatively low compared with the rest of the market underscores our consistently profit-oriented underwriting policy.

The renewals at 1 April 2014 (mainly Japan) and 1 July 2014 (parts of the US market, Australia and Latin America) will involve a premium volume of around €3.2bn of reinsurance treaty business, with a greater proportion of natural catastrophe business than the renewals in January. Munich Re expects the environment to remain competitive, should there be no major loss events.

For 2014, we anticipate that gross premiums written in property-casualty reinsurance will total around €17.5bn, i.e. slightly higher than last year. We are still aiming for a combined ratio of around 94% of net earned premiums, which would correspond to the ratio for 2013, had there not been fewer random major losses than expected in that period. The fluctuating incidence of major losses in individual years will be a factor of uncertainty in 2014 as well. We have based our estimates on major losses totalling around €2bn, or 12% of net earned premiums.

Gross premiums in reinsurance as a whole should be around €28bn overall in 2014, i.e. about the same level as last year, although currency translation effects could potentially have a considerable impact. We project that the consolidated result for 2014 in reinsurance will be in the range of €2.3–2.5bn, some €0.4bn below the result for 2013, which was particularly good, partly for tax-related reasons.

Investments

In the current environment of pronounced political uncertainty and the resultant recurring price volatility in the capital markets, we will continue to attach great importance to a widely diversified investment portfolio. We see the main risks for the current year in the further development of the sovereign debt and banking crisis. A persistently low interest-rate environment in the foreseeable future will have a significant impact on the whole insurance industry and other major investors.

Thanks to our strongly diversified investments, we are well prepared for various capital market scenarios, each of which involves potential losses in individual asset classes. Given the regional diversification of our portfolio, however, we are proceeding on the assumption that these losses will be absorbed by increases in value in other asset classes. This balanced investment strategy has proved its worth in recent years. For 2014, we are planning to further reduce our portfolio of government bonds in individual industrialised countries, and to moderately build up investments in corporate and emerging-market bonds.

The duration of the investment portfolio is a key lever of our asset-liability management. We gear the duration of our investments closely to the duration of our liabilities. As a result, both sides of the economic risk-based balance sheet – important for managing our business – respond similarly to changes in interest rates, whilst there may be significant fluctuations in the consolidated balance sheet under IFRS. We marginally cut the duration in the reinsurance segment in the 2013 financial year. In principle, we intend to keep the duration constant in 2014. In life primary insurance, we aim to prolong the average investment period somewhat in the current financial year. Besides the duration, we also take the currencies and inflation sensitivity of our liabilities into account in the development of our investment strategy. For 2014, we plan to moderately reduce our portfolio of inflation-linked bonds. Over the course of the year, we will make the fine-tuning of our investments dependent on our current market assessments, whilst rigorously adhering to our fundamental strategy of gearing assets to the structure of our liabilities.

In 2013, we increased our investments and equity investment commitments in infrastructure, renewable energies and new technologies (RENT) to around €1.5bn. We are planning to further expand this investment in 2014, provided that the parameters are reliable and we can generate an appropriate return. We are aiming to achieve this by continuing to strongly diversify our infrastructure investments both regionally and by segment. This enables us to achieve a spread of the technological and political risks and thus of this portfolio's main risk drivers. We will be additionally focusing on bonds and loans for infrastructure projects in 2014. We plan to slightly expand our real estate portfolio over the next few years, subject to market developments.

For 2014, we anticipate consistently low interest-rate levels and hence somewhat lower regular income from fixed-interest securities and loans. We also intend not to significantly increase our relatively low equity-backing ratio of 4.5%, so that write-down risks are low, but so are our chances of realising gains on disposal. Regular income from our investments should total around 3.2%, or 0.2 percentage points lower than last year. Taking into consideration the result from the disposal of investments, write-ups and write-downs, and other income and expenses, we expect the investment result to be marginally lower than last year at almost €7.5bn, equivalent to an annual investment return of around 3.3% or decrease of 0.2 percentage points on last year.

Munich Re (Group) and Munich Reinsurance Company

We estimate that the Group's gross premiums written for 2014 will total around €50bn, roughly €1bn less than in 2013, mainly owing to foreseeable negative currency translation effects and the sale of WHG.

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 very low level of interest rates on low-risk investments.

As regards the economic value added in terms of economic earnings, we anticipate a pleasing albeit lower figure than last year, in line with the IFRS results anticipated for the Group and the business segments. This forecast is based on the assumption of unchanged capital markets and modelling parameters, and a normal major-loss incidence. Adjusted to eliminate special factors in the past year, economic earnings would thus be at around the same level as in 2013.

Provided that loss experience is average, our assumption for 2014 is that Munich Re will post a technical result of the same level as last year's €3.7bn.

For 2014, we are aiming for a consolidated result of €3bn, some €0.3bn below the particularly good result in 2013. 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. We anticipate that compared with last year, the effective tax rate will return to a normal range of 20–25%.

Munich Reinsurance Company's gross premiums should total around €25bn in 2014, 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, the Company can achieve a combined ratio of around 94% of our net earned premiums. An accurate forecast is not possible, partly due to the obvious fluctuations in the incidence of major losses. Taking the past financial year as a basis and assuming similarly favourable claims experience for 2014, 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 slightly below the level reached in the year under review. As things stand at present, we expect that we will be able to achieve a good German GAAP result in 2014.

In the period from mid-November 2013 to the end of February 2014, we bought back shares with a value of around €700m; another €300m are to be repurchased before the Annual General Meeting on 30 April 2014. We are using this measure to return unneeded capital to shareholders. Despite the buy-back, our good capital position will allow us to continue paying attractive dividends and selectively utilising opportunities for profitable growth. Since November 2006, Munich Re has carried out share buy-backs with a total volume of €6.7bn. Subject to approval by the Annual General Meeting, the dividend will rise by 25 cents to €7.25 per share.

Contents

Munich Reinsurance Company
Report on the 134th year of business
1 January to 31 December 2013

Financial statements as at 31 December 2013

Balance sheet as at 31 December 2013

Assets

	Notes				Prev. year
		€k	€k	€k	€k
A. Intangible assets	(1)			**24,113**	**20,260**
B. Investments	(2, 3)				
I. Land, land rights and buildings, including buildings on third-party land			1,075,011		1,019,151
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		33,237,532			33,398,046
2. Loans to affiliated companies		128,413			144,698
3. Participating interests		243,562			258,268
4. Loans to participating interests		24,567			25,197
			33,634,074		33,826,209
III. Other investments					
1. Shares, investment fund certificates and other non-fixed-interest securities		6,209,264			5,595,952
2. Bearer bonds and other fixed-interest securities		17,883,310			21,391,717
3. Loans secured on property		1,026			1,416
4. Other loans		54			61
5. Deposits with banks		693,715			543,403
6. Miscellaneous investments		1,127,495			319,137
			25,914,864		27,851,686
IV. Deposits retained on assumed reinsurance			10,910,148		12,920,752
				71,534,097	**75,617,798**
C. Receivables					
I. Accounts receivable on reinsurance business			2,397,429		2,694,641
Thereof from - affiliated companies: €329,065k (378,129k) - participating interests: €48,140k (71,469k)					
II. Other receivables			1,222,340		1,015,405
Thereof from - affiliated companies: €98,779k (134,638k) - participating interests: €56k (1,688k)					
				3,619,769	**3,710,046**
D. Other assets					
I. Tangible assets and inventories			30,228		30,149
II. Cash at banks, cheques and cash in hand			385,825		421,688
				416,053	**451,837**
E. Deferred items					
I. Accrued interest and rent			342,017		421,805
II. Miscellaneous deferred items	(4)		34,264		40,536
				376,281	**462,341**
F. Excess of plan assets over pension liabilities	(5)			**192,904**	**246,859**
Total assets	(12)			**76,163,217**	**80,509,141**

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: Accounting value of own shares held		-6,251			-2,335
			581,474		585,390
II. Capital reserve			6,844,639		6,836,403
III. Revenue reserves			2,511,865		2,373,602
IV. Net retained profits			1,300,224		1,255,388
				11,238,202	**11,050,783**
B. Subordinated liabilities	(7)			**4,150,492**	**5,173,283**
C. Technical provisions	(8)				
I. Unearned premiums					
1. Gross amount		3,377,181			3,767,715
2. Less for retroceded business		326,352			358,484
			3,050,829		3,409,231
II. Provision for future policy benefits					
1. Gross amount		9,522,639			10,655,398
2. Less for retroceded business		951,328			1,052,818
			8,571,311		9,602,580
III. Provision for outstanding claims					
1. Gross amount		33,306,240			34,765,193
2. Less for retroceded business		1,866,592			2,414,060
			31,439,648		32,351,133
IV. Provision for premium refunds					
1. Gross amount		4,110			5,803
2. Less for retroceded business		-			-
			4,110		5,803
V. Claims equalisation provision and similar provisions			8,147,014		6,981,992
VI. Other technical provisions					
1. Gross amount		316,035			340,153
2. Less for retroceded business		3,759			9,274
			319,794		330,879
				51,532,706	**52,681,618**
D. Other accrued liabilities	(9)				
I. Provisions for employees' pensions and similar commitments			16,396		13,042
II. Provisions for tax			2,123,638		2,667,957
III. Other provisions			689,611		667,395
				2,829,645	**3,348,394**
E. Deposits retained on retroceded business				**1,608,291**	**2,120,189**
F. Other liabilities					
I. Accounts payable on reinsurance business Thereof to - affiliated companies: €1,466,022k (1,126,563k) - participating interests: €11,817k (24,016k)			4,226,157		4,857,994
II. Miscellaneous liabilities Thereof towards - affiliated companies: €395,299k (873,606k) Thereof from taxes: €67,754k (52,733k) Thereof for social security: €1,050k (811k)	(10)		487,167		1,040,045
				4,713,324	**5,898,039**
G. Deferred items	(11)			**90,557**	**236,835**
Total equity and liabilities	(12)			**76,163,217**	**80,509,141**

Income statement for the financial year 2013

Items

	Notes	€k	€k	€k	Prev. year €k
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		24,574,156			25,540,658
b) Retroceded premiums		-1,735,610			-1,920,881
			22,838,546		23,619,777
c) Change in gross unearned premiums		180,751			328,065
d) Change in retroceded share of unearned premiums		13,722			50,511
			194,473		378,576
				23,033,019	23,998,353
2. Interest on technical provisions for own account	(14)			440,696	476,267
3. Other underwriting income for own account				6,846	17,202
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		-16,776,890			-19,894,609
ab) Retroceded amount		1,222,108			1,464,137
			-15,554,782		-18,430,472
b) Change in provision for outstanding claims					
ba) Gross amount		-99,651			1,455,330
bb) Retroceded amount		-359,043			-417,177
			-458,694		1,038,153
				-16,013,476	-17,392,319
5. Change in other technical provisions for own account					
a) Net provision for future policy benefits			-35,301		-231,375
b) Other net technical provisions			146		-226
				-35,155	-231,601
6. Expenses for premium refunds for own account				-5,548	-7,206
7. Operating expenses for own account	(15, 19, 20, 23)				
a) Gross operating expenses			-6,612,008		-6,543,947
b) Less commission received on retroceded business			285,864		357,298
				-6,326,144	-6,186,649
8. Other underwriting expenses for own account				-16,959	-17,637
9. Subtotal				1,083,279	656,410
10. Change in claims equalisation provision and similar provisions	(13)			-1,165,022	-572,341
11. Underwriting result for own account	(13)			-81,743	84,069

Items

	Notes	€k	€k	€k	€k	Prev. year €k
II. Non-technical account						
1. Investment income	**(16)**					
a) Dividends from participating interests						
Thereof from affiliated companies: €1,334,871k (1,314,405k)			1,353,761			1,335,099
b) Income from other investments						
Thereof from affiliated companies: €990,433k (641,487k)						
ba) Rents from land and buildings, including buildings on third-party land		129,713				124,975
bb) Income from other investments		1,960,881				1,815,683
			2,090,594			1,940,658
c) Income from write-ups			552,781			75,452
d) Realised gains on the disposal of investments			1,126,283			1,496,648
e) Income from profit-transfer agreements			40,467			49,996
				5,163,886		4,897,853
2. Investment expenses	**(15, 17, 19, 20, 23)**					
a) Expenses for the management of investments, interest paid and other expenses for investments			-345,026			-289,509
b) Write-downs of investments			-1,039,560			-336,354
c) Realised losses on the disposal of investments			-766,012			-955,704
d) Expenses from loss transfers			-75,358			-1,135
				-2,225,956		-1,582,702
				2,937,930		3,315,151
3. Interest income on technical provisions				-491,281		-525,502
					2,446,649	2,789,649
4. Other income	**(21, 22)**				468,161	1,232,556
5. Other expenses	**(21, 23)**				-591,769	-1,063,262
6. Operating result before tax					2,241,298	3,043,012
7. Taxes on income				-592,855		-647,417
8. Other taxes				-2,779		-5,792
					-595,634	-653,209
9. Profit for the year					1,645,664	2,389,803
10. Profit brought forward from previous year					296	8,654
11. Appropriations to revenue reserves					-345,736	-1,143,069
12. Accounting value of own shares deducted from subscribed capital					6,251	2,335
13. Reversal of accounting value of own shares deducted from subscribed capital					-2,335	-
14. Allocation to reserve for own shares					-6,251	-2,335
15. Release of reserve for own shares					2,335	-
16. Proceeds from sale of own shares					96,844	92,857
17. Allocation to capital reserve from sale of own shares					-8,236	-4,366
18. Allocation to revenue reserve from sale of own shares					-88,608	-88,491
19. Release of revenue reserve for acquisition of own shares					299,997	177,099
20. Expenses for acquisition of own shares					-299,997	-177,099
21. Net retained profits					1,300,224	1,255,388

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 (HGB) and the German Stock Corporation Act (AktG), the German Insurance Accounting Regulation (RechVersV) and the German Insurance Supervision Act (VAG), 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 €6,183m. 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 21.0%, and for the Italian branch to 34.3%.

Munich Reinsurance Company has total loss carry-forwards of €591m. The loss carry-forwards stem solely from the Company's foreign business units. Loss carry-forwards of €167m will probably be utilised within the next five years.

Owing to a change in disclosure in Munich Reinsurance Company's consolidated financial statements, interest on income taxes paid as per Section 233a of the German Fiscal Code (AO) is shown in the financial year for the first time under taxes on income (previous year: other expenses).

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 adjustments. 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 4.89%. 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, 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

	31.12.2013	Prev. year
Australian dollar	1.54020	1.26990
Japanese yen	144.8300	113.9960
Canadian dollar	1.46405	1.31270
Pound sterling	0.83200	0.81110
Taiwan dollar	41.0677	38.2850
US dollar	1.37795	1.31840
Chinese renminbi	8.34200	8.21405

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 109 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 112 ff.

Notes to the balance sheet – Assets

1, 2 Intangible assets and investments

	Carrying amount 31.12.2012	Currency translation	Additions	Disposals	Write-ups	Write-downs	Carrying amount 31.12.2013
	€k	€k	€k	€k	€k	€k	€k
(1) Intangible assets	**20,260**	**0**	**18,174**	**-8**	**36**	**-14,349**	**24,113**
(2) Investments							
Land, land rights and buildings, including buildings on third-party land	1,019,151	-	75,019	-966	6,367	-24,560	1,075,011
Investments in affiliated companies and participating interests							
Shares in affiliated companies	33,398,046	-308,046	2,845,665	-3,061,102	527,525	-164,556	33,237,532
Loans to affiliated companies	144,698	-1,461	324,911	-338,644	-	-1,091	128,413
Participating interests	258,268	-1,661	11,269	-25,330	1,016	-	243,562
Loans to participating interests	25,197	-630	-	-	-	-	24,567
	33,826,209	**-311,798**	**3,181,845**	**-3,425,076**	**528,541**	**-165,647**	**33,634,074**
Other investments							
Shares, investment fund certificates and other non-fixed-interest securities	5,595,952	-82,066	5,383,639	-4,187,437	21,061	-521,885	6,209,264
Bearer bonds and other fixed-interest securities	21,391,717	-1,139,090	10,870,589	-12,981,332	1,842	-260,416	17,883,310
Loans secured on property	1,416	-	-	-390	-	-	1,026
Other loans	61	-2	-	-5	-	-	54
Deposits with banks	543,403	-63,575	213,887	-	-	-	693,715
Miscellaneous investments	319,137	-	7,708,572	-6,791,027	-	-109,187	1,127,495
	27,851,686	**-1,284,733**	**24,176,687**	**-23,960,191**	**22,903**	**-891,488**	**25,914,864**
Total investments (2)	**62,697,046**	**-1,596,531**	**27,433,551**	**-27,386,233**	**557,811**	**-1,081,695**	**60,623,949**
Total (1) + (2)	**62,717,306**	**-1,596,531**	**27,451,725**	**-27,386,241**	**557,847**	**-1,096,044**	**60,648,062**

The statement of changes in assets and investments is shown at year-end (31 December 2013) exchange rates.

Intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of owner-occupied property totals €235m.

Of our total investments (excluding deposits retained on assumed reinsurance) with a carrying amount of €60,624m, an amount of €4,496m is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us.

Since the financial year 2013, the item "miscellaneous investments" has included a portfolio of physical gold, with a carrying amount of €290m.

Derivatives	Balance sheet item	Carrying amount	Fair value	Notional principal amount
		€k	€k	€k
Interest-rate risks				
Interest-rate swaps	Other provisions	-4,455	10,970	1,408,492
Interest-rate swaps (subordinated bond)	Other provisions	–	184,276	1,349,050
Inflation swaps	Other provisions	-186,706	-185,584	4,450,929
Interest-rate futures	–	–	68	149,023
Bund futures	Other provisions	-17,856	5,783	4,409,038
Currency risks				
Long currency options	Shares, investment fund certificates and other non-fixed-interest securities	152	152	49,710
Short currency options	Other liabilities	-225	-627	15,200
	Other provisions	-402		
Currency forwards	Other provisions	-124,838	-15,812	14,436,825
Currency forwards (for Can$ hedging)	Shares, investment fund certificates and other non-fixed-interest securities	–	5,029	1,294,696
Other transactions				
Insurance derivatives I (swaps)	Other provisions	-5,797	-5,797	439,058
Insurance derivatives II (cat bonds)	Deferred asset items	463	955	84,295
Insurance derivatives III (short options)	Other liabilities	-487	-111	8,700
Insurance derivatives IV (Total return swaps, insurance-linked)	Other provisions	-16	801	175,885
Weather derivatives I (Weather options, short)	Other liabilities	-509	-344	5,310
	Other provisions	-1		
Weather derivatives II (Total return swaps, weather)	Other provisions	-100	-100	3,000
Single credit default swaps	Other provisions	-751	-381	197,646
	Deferred asset items	890		
	Deferred liability items	-1,792		
Commodity swaps	Other provisions	-3,263	818	1,116,578

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 €184m. 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
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
Interest-rate and 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
Weather derivatives	Theoretical price	Event estimates Historical data	Monte Carlo

The fair value of investments (excluding deposits retained on assumed reinsurance) amounts to €71,037m. The relevant carrying amount totals €60,642m. This results in valuation reserves of €10,413m for the financial year 2013.

The valuation reserves contain hidden losses of €31m from land and buildings. These are largely 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 €6m for participating interests. Of this, €4m is apportionable to a participating interest whose fair value is influenced by non-recurring changes in exchange rates. For this reason, no write-down has been made. Another €2m is apportionable to a participating interest which, for reasons of prudence, has only been recognised at the proportional net asset value at 31 December 2012, despite a higher valuation by an international accounting firm.

The valuation reserves also contain hidden losses of €2m 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 at 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 31.12.2013	Fair values 31.12.2013	Valuation reserves 31.12.2013
Land, land rights and buildings, including buildings on third-party land	1,075	2,817	1,742
Investments in affiliated companies and participating interests			
Shares in affiliated companies	33,237	40,029	6,792
Loans to affiliated companies	128	131	3
Participating interests	244	511	267
Loans to participating interests	25	35	10
	33,634	40,706	7,072
Other investments			
Shares, investment fund certificates and other non-fixed-interest securities	6,209	7,001	792
Bearer bonds and other fixed-interest securities	17,883	18,682	799
Loans secured on property	1	1	0
Deposits with banks	694	694	0
Miscellaneous investments	1,128	1,136	8
	25,915	27,514	1,599
Total investments	**60,624**	**71,037**	**10,413**

At 31 December 2013, 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	4,908	4,821	87	738
Bond funds	775	562	213	28
Total	**5,683**	**5,383**	**300**	**766**

3 Information on shareholdings

A list of all our shareholdings can be found on page 125 ff.

4 Deferred items

These include €12m 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 €825m for liabilities from pension commitments is more than covered by plan assets with a total fair value of €1,000m. Netting at individual plan level results in both an excess of €191m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €16m. The acquisition costs of the assets to be netted amounts to €899m. The expenses for these assets and the interest expenditure for the pension provisions and comparable long-term commitments in the financial year totalled €54m and €55m respectively.

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

€k	2013
Expenses for discounting liabilities for pension commitments	36,392
Expenses for change in the discount rate for liabilities for pension commitments	18,234
Expenses for plan assets to be netted with liabilities for pension commitments	53,676
Net expenses for pension commitments	**108,302**
Expenses for discounting liabilities for semi-retirement commitments	2,126
Expenses for change in the discount rate for liabilities for semi-retirement commitments	151
Income from plan assets to be netted with liabilities for semi-retirement commitments	15
Net expenses for semi-retirement commitments	**2,262**

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.

Notes to the balance sheet – Equity and liabilities

6 Equity

The total share capital of €587,725,396.48 at 31 December 2013 is divided into 179,341,212 no-par-value registered shares, each fully paid up and carrying one vote.

Composition of the capital authorised for capital increases:

€m	31.12.2013
Authorised Capital Increase 2011 (until 19 April 2016)	10
Authorised Capital Increase 2013 (until 24 April 2018)	280
Total	**290**

Composition of contingent capital:

€m	31.12.2013
Contingent Capital Increase 2010 (until 27 April 2015)	117
Total	**117**

An amount of €6m is shown deducted from the subscribed capital for the accounting value of own shares held at 31 December 2013. The portion of the acquisition costs for these own shares in excess of this accounting value, i.e. €294m, has been deducted from the revenue reserves.

€346m of the profit for the year 2013 was allocated to the revenue reserves by the Board of Management. Revenue reserves contain a reserve of €6m to take account of the own shares held. Net retained profits for the year under review include a profit of €0.3m carried forward from the previous year. €107m 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 2013, a total of 1,919,312 Munich Reinsurance Company shares with a calculated nominal value of around €6.3m were held by Group companies. This represents 1.1% of the share capital.

On 7 November 2013, Munich Reinsurance Company's Board of Management decided on a share buy-back programme, thus availing itself of the authorisation granted by the Annual General Meeting on 20 April 2011, in accordance with Section 71 para. 1 (8) of the German Stock Corporation Act (AktG). From 14 November 2013 to 31 December 2013, a total of 1,905,838 shares were purchased via the stock exchange at an average price of €157.41.

In the financial year 2013, the complete portfolio of 712,000 Munich Re shares held by the Company at the beginning of the year to hedge stock appreciation rights granted to the Board of Management and top Munich Reinsurance Company executives since 1999 was sold at an average price of €136.02 as part of the reduction of hedges for these obligations. The proceeds of the sale totalling €96.8m were used to strengthen liquid funds. In accordance with Section 272 para. 1b of the German Commercial Code (HGB), the resultant gain on disposal of €8m was allocated to the Company's capital reserve.

In the financial year 2013, companies of the ERGO Insurance Group acquired 16,415 shares at an average price of €133.35 to cover future commitments from the long-term incentive plans launched since 2002 and sold a total of 38,250 shares at a price of €142.64 each, also as part of the reduction of hedges for these obligations. The proceeds of the sale totalling €5.5m were used to strengthen liquid funds. As at 31 December 2013, no more Munich Re shares were held for these incentive plans.

MEAG MUNICH ERGO AssetManagement GmbH sold 66,633 shares at an average price of €151.36 in the financial year 2013 in connection with the hedging of obligations from its long-term incentive plan. The sale produced proceeds of €10.1m, which were used to strengthen liquid funds. With the remaining Munich Re shares acquired in prior years to hedge the stock appreciation rights granted, MEAG had a total portfolio of 13,474 shares at 31 December 2013.

The acquisition costs of all Munich Re shares in the possession of Group companies at the end of the financial year totalled €301,688,353.67m.

The Company has received the following notifications pursuant to Section 21 of the German Securities Trading Act (WpHG) regarding voting-right percentages (status at 31 December 2013):

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 (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. On 1 March 2014, 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 2013, 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, (6) in conjunction with sentence 2). In this connection, the following companies of the BlackRock 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, (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 (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.

7 Subordinated liabilities

The subordinated bond issued in 2003 with a nominal values of £300m will mature in 2028 and is callable by us for the first time on 21 June 2018. The subordinated bond issued in 2011 with a nominal value of €1,000m 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 €900m and £450m will mature in 2042 and are callable by us for the first time on 26 May 2022.

The subordinated bond issued by the Company in June 2007 with a volume of €1,500m is a perpetual bond, callable by us for the first time from ten years after the date of issue, in 2017. 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 113.

On 25 April 2013, we called our subordinated bond 2003/2023 with a nominal volume outstanding of nearly €1,000m, and fully redeemed it on 21 June 2013.

The remaining term of the subordinated liabilities with a total amount of €4,150m is more than five years.

Subordinated liabilities

€m	31.12.2013
Subordinated bonds 2003/2028, £300m 7.625% p.a. until 2018, thereafter floating	360
Subordinated bonds 2007/perpetual, €1,349m[1] 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	541
Total	**4,150**

1 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 2003/2028 £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[1] 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 €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	373	8,571	1,169	12	352	10,477	138
Health	183	–	231	5	8	427	11
Accident	16	–	2,355	508	-4	2,875	1,434
Liability	226	–	11,952	617	1	12,796	795
Motor	749	–	5,742	884	-115	7,260	314
Marine	98	–	789	293	20	1,200	241
Aviation	155	–	912	883	5	1,955	507
Fire	523	–	4,786	3,328	25	8,662	254
Engineering	505	–	2,114	245	10	2,874	382
Other classes	223	–	1,390	1,372	22	3,007	156
Non-life combined	2,678	–	30,271	8,135	-28	41,056	273
Total	**3,051**	**8,571**	**31,440**	**8,147**	**324**	**51,533**	**228**

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	31.12.2013	31.12.2012
Claims equalisation provision	7,703,243	6,559,147
Provision for major risks	443,771	422,845
Thereof:		
For nuclear facilities	84,736	81,040
For pharmaceutical product liability risks	81,331	80,393
For terrorism risks	277,704	261,412
Total	**8,147,014**	**6,981,992**

9 Other accrued liabilities

As at 31 December 2013, prior to netting, the provision for employees' pensions and similar commitments totalled €825m, compared with assets of €1,000m prior to netting. There was an excess of €247m of plan assets over pension liabilities as at 31 December 2012, an amount which decreased to €191m by 31 December 2013. In addition, there was a pension provision of €13m as at 31 December 2012, which rose to €16m by 31 December 2013.

For semi-retirement commitments, a settlement amount of €53m compares with assets of €27m to be netted. Netting at individual plan level results in both an excess of €2m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €29m. 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 €278m have been posted.

There are provisions of €345m for anticipated losses from derivatives.

10 Miscellaneous liabilities

Liabilities secured by charges on property total €0.5m. These have a remaining term of more than five years.

11 Deferred items

These deferred items contain an adjustment item of €71m 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: 19,927m (€14,461m) - Pound sterling: 4,860m (€5,842m) - Australian dollar: 3,942m (€2,559m) - Canadian dollar: 4,840m (€3,306m) - Chinese renminbi 12,787m (€1,533m) - Israeli new shekel 3,223m (€674m) - Japanese yen: 88,668m (€613m) - New Zealand dollar: 1,030m (€615m) - Norwegian krone: 3,187m (€381m)			
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 2013: Can$ 1,873m (€1,279m)	Open currency forward contracts as at 31 Dec. 2013: Sell Can$ 1,896m in exchange for €1,288m		
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 2013: €184m 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 99.96% Ineffectiveness results mainly from changes in the contents of the deposit and minor delay until hedge volume is adjusted in the 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 99.78%		Dollar offset method, retrospective

Notes to the income statement

13 Reinsurance underwriting result by class of business

€m	Gross premiums written 2013	2012	Underwriting result before claims equalisation provision and similar provisions 2013	2012	Change in claims equalisation provision and similar provisions 2013	2012	Combined ratio % 2013	2012
Life	8,711	9,168	212	228	-1	-1	-	-
Health	4,001	4,234	23	37	-	-	99,4	99,1
Accident	228	210	67	86	-134	84	67,4	32,3
Liability	1,658	1,648	-517	-608	69	172	131,4	138,1
Motor	2,332	2,224	-117	-397	-168	126	105,3	116,0
Marine	501	572	132	87	57	-40	74,1	84,6
Aviation	411	536	124	302	170	-90	70,9	44,1
Fire	3,718	4,057	1,020	1,109	-1,171	-1,243	70,8	70,2
Engineering	819	921	164	-56	-38	64	79,5	106,1
Other classes	2,195	1,971	-25	-132	51	356	208,1	106,8
Non-life combined	15,863	16,373	871	428	-1,164	-571	94,3	97,3
Total	**24,574**	**25,541**	**1,083**	**656**	**-1,165**	**-572**	-	-

14 Interest on technical provisions

We have calculated the interest on technical provisions in accordance with Section 38 of the German Insurance Accounting Regulation (RechVersV) 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	2013	Prev. year
Wages and salaries	462,187	495,613
Social insurance contributions and voluntary assistance	71,500	67,412
Expenses for employees' pensions	15,263	71,240
Total	**548,950**	**634,265**

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

€782m of the write-downs is for impairments as per Section 253 para. 3 sentences 3 and 4 of the German Commercial Code (HGB).

Owing to the negative development of gold prices in the 2013 financial year, we had to make write-downs of €108m on our gold portfolio. The original acquisition cost of the portfolio was around €400m.

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 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 €10.9m 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 2013, this resulted in expenses of €18.6m. The weighted average share price for the stock appreciation rights exercised in 2013 was €139.72 for plan year 2006, €161.00 for plan year 2007, €147.84 for plan year 2008, €145.44 for plan year 2009, and €144.67 for plan year 2010. The intrinsic value of the exercisable stock appreciation rights amounted to €11.0m at the balance sheet date.

Munich Reinsurance Company's Long-Term Incentive Plans 2006-2010

		Incentive Plan 2006	Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement		1.7.2006	1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end		30.6.2013	30.6.2014	30.6.2015	30.6.2016	30.6.2017
Initial share price	€	108.87	134.07	121.84	97.57	109.11
Intrinsic value 2013 for one right	€	48.03	22.83	35.06	59.33	47.79
Fair value 2013 for one right	€	–	22.83	35.06	59.33	47.79
Number of rights on 31 Dec. 2006		442,590	–	–	–	–
Additions		6,123	341,737	–	–	–
Exercised		–	–	–	–	–
Forfeited		8,514	503	–	–	–
Number of rights on 31 Dec. 2007		440,199	341,234	–	–	–
Additions		–	4,013	444,104	–	–
Exercised		–	–	–	–	–
Forfeited		5,388	5,848	3,063	–	–
Number of rights on 31 Dec. 2008		434,811	339,399	441,041	–	–
Additions		–	–	463	459,271	–
Exercised		–	–	–	–	–
Forfeited		2,904	2,804	4,194	–	–
Number of rights on 31 Dec. 2009		431,907	336,595	437,310	459,271	–
Additions		–	–	–	–	675,029
Exercised		–	–	–	–	–
Forfeited		1,653	1,379	1,462	1,287	–
Number of rights on 31 Dec. 2010		430,254	335,216	435,848	457,984	675,029
Additions		–	–	–	–	6,546
Exercised		–	–	–	–	–
Forfeited		4,631	5,333	7,623	7,338	16,266
Number of rights on 31 Dec. 2011		425,623	329,883	428,225	450,646	665,309
Exercised		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
Exercised		22,005	269,776	385,298	90,862	168,961
Forfeited		–	7,842	–	–	–
Number of rights on 31 Dec. 2013		**–**	**51,482**	**41,505**	**37,822**	**127,164**
Exercisable at year-end		**–**	**51,482**	**41,505**	**37,822**	**127,164**

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 2010–2013

		Incentive Plan 2010	Incentive Plan 2011	Incentive Plan 2012	Incentive Plan 2013
Plan commencement		1.1.2010	1.1.2011	1.1.2012	1.1.2013
Plan end		31.12.2012	31.12.2013	31.12.2014	31.12.2015
Fair value 2013 for one right	€	-	320.22	323.87	326.72
Number of rights on 1 January 2010		38,284	-	-	-
Additions		-	-	-	-
Forfeited		-	-	-	-
Number of rights on 31 December 2010		38,284	-	-	-
Number of rights on 1 January 2011		38,284	63,769	-	-
Additions		-	-	-	-
Forfeited		843	-	-	-
Number of rights on 31 December 2011		37,441	63,769	-	-
Number of rights on 1 January 2012		37,441	63,769	78,568	-
Additions		-	185	-	-
Forfeited		184	424	-	-
Number of rights on 31 December 2012		37,257	63,530	78,568	-
Number of rights on 1 January 2013		37,257	63,530	78,568	-
Additions		-	761	977	51,168
Exercised		37,257	-	-	-
Forfeited		-	2,147	2,891	-
Number of rights on 31 December 2013		-	62,144	76,654	51,168

In the financial year 2013, expenses of €37.2m were recognised for the mid-term incentive plans. The provision at the reporting date amounted to €73.5m.

21 Income and expenses from currency translation

€161m from currency translation has been recognised in other income and €208m in other expenses.

22 Income from the discounting of provisions

"Other income" includes €116m from the discounting of provisions.

23 Remuneration report

The total remuneration of Munich Reinsurance Company's Board of Management amounted to €24.7m and that of the Supervisory Board to €2.3m, which does not include remuneration of €0.1m for membership of supervisory boards of other Group companies.

Payments to retired members of the Board of Management or their surviving dependants totalled €5.7m.

Personnel expenses of €0 were incurred for pension commitments to retired members of the Board of Management. As at 31 December 2013, the pension provisions and provisions for comparable benefits for the retired members of the Board of Management or their surviving dependants amounted to €0 after deduction of plan assets held by a separate entity (under a contractual trust agreement). The amount of the liability is €93.2m.

There are no pension commitments for former members of the Board of Management or their surviving dependants.

The members of the Supervisory Board and Board of Management did not receive any cash advances or loans in the year under review.

All other disclosures on the remuneration and structure of the remuneration system for the Board of Management can be found in the remuneration report on page 20 ff. Information on share trading and shares held by the members of the Board of Management and the Supervisory Board is provided in the corporate governance report on page 9.

24 Governing bodies of the Company

Board of Management

Dr. jur. Nikolaus von Bomhard
(Chairman of the Board of Management)
(Chairman of the Group Committee)
Group Development
Group Investments
Group Communications
Group Compliance
Group Audit
Health (since 1 October 2013; until 31 Dec. 2013 together with Dr. Strassl)

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
Corporate Claims (since 1 January 2014)
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
(Chief Financial Officer)
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
(until 31 December 2013)
(Labour Relations Director)
(until 30 September 2013)
Health (from 1 October 2013 together with Dr. von Bomhard)
Human Resources
(until 30 September 2013)

Dr. oec. publ. Joachim Wenning
(Labour Relations Director)
(since 1 October 2013)
Life
Human Resources (since 1 October 2013)

Supervisory Board

Dr. jur. Hans-Jürgen Schinzler
(Honorary Chairman)
Member from 2 January 2004 until 31 December 2012
Chairman from 26 May 2004 until 31 December 2012

Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder
(Chairman)
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. Deutscher Automobil Schutz 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
President of the Board of Trustees of the Siemens Foundation and former Chairman of the Board of Management of Siemens AG

Wolfgang Mayrhuber
Member since 13 December 2002, last re-elected 22 April 2009
Chairman of the Supervisory Board 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. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach
Hans Peter Claußen
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Wolfgang Mayrhuber

Personnel Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach
Wolfgang Mayrhuber

Audit Committee
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann (Chair)
Christian Fuhrmann
Marco Nörenberg
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder
Anton van Rossum

Nomination Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Peter Löscher

Conference Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach
Hans Peter Claußen
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann

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 (until 31 December 2013)	–	Apollo Munich Health Insurance Company Ltd., India
Dr. oec. publ. Joachim Wenning	–	–

1 Status: 31 December 2013.
2 Own group company within the meaning of Section 18 of the German Stock Corporation Act.

Supervisory Board[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chairman)	–	Tetra-Laval International S.A. Group, Switzerland
Hans Peter Claußen (Deputy Chairman)	D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG[2]	–
Prof. Dr. oec. Dr. jur. Ann-Kristin Achleitner	METRO AG Linde AG	GDF SUEZ S.A., France
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 (until February 2013) Alpine Bau Holding GmbH, Austria (until April 2013)
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) Deutsche Lufthansa AG (Chairman) Lufthansa-Technik AG (until June 2013)	AUA Austrian Airlines, Austria (until June 2013) Österreichische Luftverkehrs-holding GmbH, Austria (until June 2013) Heico Corporation, USA UBS AG, Switzerland (until May 2013)
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	–	Sistema Shyam Teleservices Ltd., India Tata Consultancy Services Ltd., India

1 Status: 31 December 2013.
2 Own group company within the meaning of Section 18 of the German Stock Corporation Act.

25 Number of staff

The number of staff employed by the Company in Munich and at its offices abroad in the financial year 2013 averaged 4,070, of which an average of 3,720 were employed in Germany and 350 abroad.

26 Auditor's fees

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

27 Contingent liabilities, other financial commitments

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

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 €6m per annum.

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 €5m, 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 a maximum amount of €400m per claim.

In addition, the Company has assumed a payment obligation equivalent to around €24m 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 €523m (€454m 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 104 of this annual report.

28 Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

In November 2013, 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 Corporation Act. This declaration can be publicly and permanently accessed on the Company's website.

29 Proposal for appropriation of profit

The net retained profits at the disposal of the Annual General Meeting amount to €1,300,223,787.00. The Board of Management proposes that this amount be appropriated as follows: payment of a dividend of €7.25 per dividend-bearing share, with the remaining amount being carried forward to new account.

List of shareholdings as at 31 December 2013 in accordance with Section 285 (11) of the German Commercial Code (HGB)

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 Corporation Act – AktG) 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 2012. 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	39,245	2,393
80e LIMITED, Bristol[5]	100.0000	1	0
Adelfa Servicios a Instalaciones Fotovoltaicas, S.L., Santa Cruz de Tenerife	100.0000	15,861	-5,404
AGC Gerechtsdeurwaarders & Incasso B.V., Stadskanaal	100.0000	–	–
aktiva Vermittlung von Versicherungen und Finanz-Dienstleistungen GmbH, Cologne	100.0000	3,491	325
Aleama 150015 S.L., Madrid	100.0000	-144	-21
ALICE GmbH, Düsseldorf	100.0000	94,992	906
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000	118,502	17,979
American Family Home Insurance Company, Jacksonville, Florida	100.0000	115,899	8,166
American Modern Home Insurance Company, Amelia, Ohio	100.0000	221,433	14,263
American Modern Home Service Company, Amelia, Ohio	100.0000	1,578	144
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000	6,448	343
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000	122,357	37,882
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000	2,533	-67
American Modern Select Insurance Company, Amelia, Ohio	100.0000	30,929	3,723
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000	21,180	836
American Southern Home Insurance Company, Jacksonville, Florida	100.0000	27,814	1,735
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000	47,704	2,716
Amicus Legal Ltd., Bristol	100.0000	4,489	2,464
Amicus Ltd., Bristol[5]	100.0000	1	0
Arridabra 130013 S.L., Madrid	100.0000	-145	-22
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000	1	-38
ArztPartner almeda AG, Munich	100.0000	1,245	9
Associated Asset Management Corporation B.V., 's-Hertogenbosch	51.0000	340	-283
avanturo GmbH, Düsseldorf	100.0000	10,224	611
B&C International Insurance, Hamilton, Bermuda	100.0000	1,878	-54
B&D Acquisition B.V., Amsterdam	100.0000	953	-191
B&D Business Solutions B.V., Utrecht	100.0000	99	-33
Badozoc 1001 S.L., Madrid	100.0000	-85	1
Bagmoor Holdings Limited, London	100.0000	1	–
Bagmoor Wind Limited, Bristol	100.0000	1	–
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna	100.0000	642	466
Baqueda 7007 S.L., Madrid	100.0000	-146	-22
Beaufort Dedicated No. 1 Ltd, London	100.0000	6,492	106
Beaufort Dedicated No. 2 Ltd, London	100.0000	20,613	-1,507
Beaufort Dedicated No. 3 Ltd, London	100.0000	700	0
Beaufort Dedicated No. 4 Ltd, London	100.0000	68	0
Beaufort Dedicated No. 5 Ltd, London	100.0000	2,162	1,733
Beaufort Dedicated No. 6 Ltd, London	100.0000	-90	0
Beaufort Underwriting Agency Limited, London	100.0000	14,700	2,153

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Beaufort Underwriting Services Limited, London	100.0000	1	0
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000	1,906	-10
Bell & Clements (London) Ltd, London	100.0000	766	120
Bell & Clements (USA) Inc, Reston, Virginia	100.0000	54	0
Bell & Clements Inc, Reston, Virginia	100.0000	429	-98
Bell & Clements Ltd, London	100.0000	3,050	273
BioEnergie Verwaltungs-GmbH, Elsterwerda	100.0000	20	-3
Blitz 01-807 GmbH, Munich[5]	100.0000	25	0
Bobasbe 6006 S.L., Madrid	100.0000	-158	-23
Bos Incasso B.V., Groningen	89.7640	13,389	-8
Botedazo 8008 S.L., Madrid	100.0000	-149	-22
Callopio 5005 S.L., Madrid	100.0000	-151	-22
Camcichu 9009 S.L., Madrid	100.0000	-146	-22
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000	16,285	3,163
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000	32	0
Caracuel Solar Catorce S.L., Madrid	100.0000	-152	-19
Caracuel Solar Cinco S.L., Madrid	100.0000	-157	-12
Caracuel Solar Cuatro S.L., Madrid	100.0000	-141	-11
Caracuel Solar Dieciocho S.L., Madrid	100.0000	-129	-11
Caracuel Solar Dieciseis S.L., Madrid	100.0000	-145	-21
Caracuel Solar Diecisiete S.L., Madrid	100.0000	-148	-12
Caracuel Solar Diez S.L., Madrid	100.0000	-138	-12
Caracuel Solar Doce S.L., Madrid	100.0000	-142	-13
Caracuel Solar Dos S.L., Madrid	100.0000	-131	-9
Caracuel Solar Nueve S.L., Madrid	100.0000	-141	-11
Caracuel Solar Ocho S.L., Madrid	100.0000	-139	-12
Caracuel Solar Once S.L., Madrid	100.0000	-138	-12
Caracuel Solar Quince S.L., Madrid	100.0000	-140	-12
Caracuel Solar Seis S.L., Madrid	100.0000	-152	-13
Caracuel Solar Siete S.L., Madrid	100.0000	-149	-13
Caracuel Solar Trece S.L., Madrid	100.0000	-144	-18
Caracuel Solar Tres S.L., Madrid	100.0000	-146	-13
Caracuel Solar Uno S.L., Madrid	100.0000	-108	-37
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000	37	77
Ciborum GmbH, Munich[5]	100.0000	25	0
CJSIC "European Travel Insurance", Moscow	100.0000	3,637	-622
Comino Beteiligungen GmbH, Grünwald	100.0000	135	-20
Compagnie Européenne d'Assurances, Nanterre	100.0000	3,859	-313
Compania Europea de Seguros S.A., Madrid	99.9985	10,111	1,627
Copper Leaf Research, Bingham Farms, Michigan[5]	100.0000	0	0
Corion Pty Limited, Sydney	100.0000	2,011	205
Cotatrillo 100010 S.L., Madrid	100.0000	-148	-21
D.A.S. Defensa del Automovilista y de Siniestros – Internacional, S.A. de Seguros y Reaseguros, Barcelona	100.0000	3,573	68
D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Munich[1,3]	100.0000	254,509	0
D.A.S. HELLAS Allgemeine Rechtsschutz-Versicherungs-AG, Athens	99.9983	2,796	192
D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest	100.0000	3,746	330
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	99.9500	3,354	296
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000	2,424	-260
D.A.S. pojišťovna právní ochrany, a.s., Prague	100.0000	6,667	928
D.A.S. Prawo i Finanse Sp. z o.o., Warsaw	100.0000	19	-
D.A.S. Rechtsschutz Aktiengesellschaft, Vienna	99.9800	59,747	3,010
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	99.9900	16,654	1,966
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9524	2,949	73
D.A.S., Tomasz Niedzinski Kancelaria Prawna Spolka komandytowa, Warsaw	95.0000	25	-
Daman Health Insurance – Qatar LLC, Doha	100.0000	14,251	3,544
DAS Assistance Limited, Bristol	100.0000	1,222	1,105

Company and registered seat	% share of capital	Equity €k	Result for the year €k
DAS Consultancy & Detachering Rotterdam B.V., Rotterdam	85.0200	-1,504	-1,002
DAS Financial Services B.V., Amsterdam	51.0000	-77	-95
DAS Holding N.V., Amsterdam	51.0000	186,649	23,057
DAS Incasso Arnhem B.V., Arnhem	100.0000	-635	-518
DAS Incasso Eindhoven B.V., 's-Hertogenbosch	80.0000	-1,799	-175
DAS Incasso Rotterdam B.V., Rotterdam	80.0000	2,418	-910
DAS Law Limited, Bristol[5]	100.0000	1	0
DAS Law Solicitors Limited, Bristol	100.0000	-435	304
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000	5,664	1,693
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000	71,103	790
DAS Legal Finance B.V., Amsterdam	100.0000	54,726	2,572
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000	4,432	-3,262
DAS Legal Protection Ireland Limited, Dublin[5]	100.0000	1	0
DAS Legal Protection Limited, Christchurch, New Zealand[5]	100.0000	0	0
DAS Legal Protection Limited, Vancouver[5]	100.0000	1	0
DAS Legal Protection Pty. Ltd., Sydney[5]	100.0000	1	0
DAS LEGAL SERVICES LIMITED, Bristol	100.0000	-105	-125
DAS Lex Assistance, S.L., L'Hospitalet de Llobregat	100.0000	56	-56
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000	111,958	22,008
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000	13,141	1,031
DAS Services Limited, Bristol	100.0000	-3,930	1,145
DAS Support B.V., Amsterdam	100.0000	-1,696	-1,438
DAS UK Holdings Limited, Bristol	100.0000	38,618	680
De Wit Vissers Incasso Holding B.V., Breda	95.0000	-387	-116
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	146,641	19,702
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne[1, 3]	100.0000	504,917	0
DKV Gesundheits Service GmbH, Cologne	100.0000	63	0
DKV Immobilienverwaltungs GmbH, Cologne[5]	100.0000	25	0
DKV Luxembourg S.A., Luxembourg	75.0000	16,927	913
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000	5,433	55
DKV Residenz am Tibusplatz gGmbH, Münster	100.0000	1,204	-5
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000	124,589	24,245
DKV Servicios, S.A., Saragossa	100.0000	1,042	153
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000	-1,323	-52
DRA Debt Recovery Agency B.V., The Hague	100.0000	3,288	1,015
Economic Data Research B.V., Leidschendam	100.0000	-1,604	-82
Economic Data Resources B.V., Leidschendam	100.0000	933	402
EDR Acquisition B.V., Amsterdam	100.0000	4,067	555
EDR Credit Services B.V., The Hague	100.0000	1,731	961
EIG, Co., Wilmington, Delaware	100.0000	107,503	12,261
ERGO Alpha GmbH, Düsseldorf	100.0000	27	0
ERGO Asia Management Pte. Ltd., Singapore	100.0000	457	0
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000	5,200	-809
ERGO Assicurazioni S.p.A., Milan	100.0000	52,384	-1,177
ERGO Austria International AG, Vienna	100.0000	423,579	-4,561
ERGO Beratung und Vertrieb AG, Düsseldorf[1]	100.0000	50	0
ERGO DIREKT Krankenversicherung AG, Fürth[1]	100.0000	79,849	0
ERGO DIREKT Lebensversicherung AG, Fürth[1]	100.0000	94,137	0
ERGO Direkt Lebensversicherung AG, Schwechat	100.0000	6,569	19
ERGO DIREKT Versicherung AG, Fürth[1]	100.0000	50,381	0
ERGO Életbiztosító Zrt., Budapest	100.0000	3,834	-123
ERGO Elfte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	875	-1
ERGO Emeklilik ve Hayat A.S., Istanbul	100.0000	8,367	-7,926
ERGO Funds AS, Tallinn	100.0000	5,068	187
ERGO General Insurance Company S.A., Athens	99.9999	66,568	10,263
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000	21,328	4,599

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO GmbH, Herisau	100.0000	5,587	467
ERGO Gourmet GmbH, Düsseldorf	100.0000	334	308
ERGO Grubu Holding A.Ş., Istanbul	100.0000	379,499	523
ERGO Grundstücksverwaltung GbR, Düsseldorf	100.0000	226,271	8,316
ERGO Immobilien-GmbH 14. Victoria & Co. KG, Kreien[2]	100.0000	97,975	2,240
ERGO Immobilien-GmbH 15. Victoria & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-GmbH 4. DKV & Co. KG, Kreien	100.0000	-1	-1
ERGO Immobilien-GmbH 5. Hamburg-Mannheimer & Co. KG, Kreien[2]	100.0000	164,602	-19,612
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000	40	15
ERGO Insurance N.V., Brussels	99.9999	60,645	-32,746
ERGO Insurance SE, Tallinn	100.0000	48,413	4,453
ERGO International Aktiengesellschaft, Düsseldorf[1, 3]	100.0000	1,752,660	0
ERGO International Services GmbH, Düsseldorf[1]	100.0000	25	0
ERGO Invest SIA, Riga	100.0000	5,555	252
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000	15,725	0
ERGO Italia Direct Network s.r.l., Milan	100.0000	5,299	3,399
ERGO Italia S.p.A., Milan	100.0000	403,763	99,042
ERGO Leben Asien Verwaltungs GmbH, Munich	100.0000	27	1
ERGO Lebensversicherung Aktiengesellschaft, Hamburg[1, 3]	100.0000	630,423	0
ERGO Life Insurance Company S.A., Thessaloniki	100.0000	4,299	-5,215
ERGO Life Insurance SE, Vilnius	100.0000	25,898	2,895
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf[1]	100.0000	288,335	0
ERGO osiguranje d.d., Zagreb	100.0000	3,721	-130
ERGO Partners N.V., Brussels	100.0000	3,435	56
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf[3]	100.0000	4,458	24
ERGO Pensionskasse AG, Düsseldorf	100.0000	54,299	1,550
ERGO Poisťovna, a. s., Bratislava	100.0000	7,784	-1,831
ERGO pojišťovna, a.s., Prague	100.0000	14,209	1,464
ERGO PORTFÖY YÖNETIMI A.S., Istanbul	100.0000	792	230
ERGO Previdenza S.p.A., Milan	100.0000	418,491	58,412
ERGO Private Capital Dritte GmbH & Co. KG, Düsseldorf	100.0000	-1	-1
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000	98,675	6,486
ERGO Private Capital GmbH, Düsseldorf	100.0000	27	2
ERGO Private Capital Komposit GmbH & Co. KG, Düsseldorf	100.0000	124,062	6,106
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000	69,231	5,630
ERGO Private Capital Vierte GmbH & Co. KG, Düsseldorf[5]	100.0000	0	0
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000	26	-8
ERGO PRO S.r.l., Verona	100.0000	-32	-42
ERGO Pro Sp. z o.o., Warsaw	100.0000	1,126	10
ERGO Pro, spol. s r.o., Prague	100.0000	738	93
ERGO RUSS Versicherung AG, St. Petersburg	100.0000	23,716	413
ERGO Shisn, Moscow	100.0000	10,971	867
ERGO SIGORTA A.S., Istanbul	100.0000	67,505	-31,086
ERGO Specialty GmbH, Hamburg	100.0000	36	-16
ERGO Versicherung Aktiengesellschaft, Düsseldorf[1,3]	100.0000	634,434	0
ERGO Versicherung Aktiengesellschaft, Vienna	93.4536	52,463	-2,164
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000	571	210
ERGO Versicherungsgruppe AG, Düsseldorf[1]	100.0000	2,246,421	322,459
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000	36,812	2,541
ERGO Zehnte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	24	-1
ERGO Zivljenjska zavarovalnica d.d., Ljubljana	100.0000	3,984	-1,412
ERGO Zivotno osiguranje d.d., Zagreb	100.0000	4,507	-198
ERGO Zweite Beteiligungsgesellschaft mbH, Düsseldorf	99.9999	33	0
ERIN Sigorta Aracilik Hizmetleri Limited Sirketi, Istanbul	99.9950	1,097	-215
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000	993	844
ERV (India) Travel Service and Consulting Private Limited, Mumbai	99.9999	29	-41
ERV Försäkringsaktiebolag (publ), Stockholm	100.0000	1,519	-927

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERV pojišťovna, a.s., Prague	90.0000	8,373	1,296
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.0000	106	64
Etics, s.r.o., Prague	100.0000	66	1
Etoblete 160016 S.L., Madrid	100.0000	-148	-21
EUREKA GmbH, Düsseldorf	99.9999	69	-4
Euro Alarm Assistance Prague, s.r.o., Prague	100.0000	683	311
Euro-Center (Cyprus) Ltd., Larnaca	100.0000	362	-19
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000	665	74
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000	66	-28
Euro-Center China (HK) Co., Ltd., Beijing	100.0000	227	1
Euro-Center Holding North Asia (HK) Pte. Ltd., Hong Kong	100.0000	387	372
Euro-Center Holding SE, Prague	83.3330	4,988	-502
Euro-Center Ltda., São Paulo	100.0000	-53	-132
Euro-Center North Asia Consulting Services (Beijing) Co., Ltd., Beijing	100.0000	161	22
Euro-Center USA, Inc., New York City, New York	100.0000	683	233
Euro-Center Yerel Yardim, Istanbul	100.0000	375	-77
Euro-Center, S.A. (Spain), Palma de Mallorca	100.0000	288	-206
Europaeiske Rejseforsikring A/S, Copenhagen	100.0000	35,143	3,491
Europäische (UK) Ltd., London[5]	100.0000	1	0
EUROPÄISCHE Reiseversicherung Aktiengesellschaft, Munich[1, 3]	100.0000	62,806	0
European Assistance Holding GmbH, Munich	100.0000	19	-1
Evaluación Médica TUW, S.L., Barcelona	100.0000	1,044	-475
Everything Legal Ltd., Bristol	100.0000	1,320	686
EVV Logistik Management GmbH, Düsseldorf	100.0000	14	-2
Exolvo GmbH, Hamburg	100.0000	41	12
FAIRANCE GmbH, Düsseldorf[1]	100.0000	63,880	0
First Legal Protection Limited, Bristol[5]	100.0000	79	0
First Marine Financial Services, Amelia, Ohio[5]	100.0000	0	0
First Marine Insurance Company, Amelia, Ohio	100.0000	5,519	151
Flexitel Telefonservice GmbH, Berlin	100.0000	3,703	577
Forst Ebnath AG, Ebnath	96.7315	9,622	639
FOTOUNO S.r.l., Turin	100.0000	82,291	4,562
FOTOWATIO ITALIA GALATINA S.r.l., Turin	100.0000	43,056	2,012
Gamaponti 140014 S.L., Madrid	100.0000	-148	-22
GBG Vogelsanger Straße GmbH, Cologne	94.7826	-229	-243
Gebäude Service Gesellschaft Überseering 35 mbH, Hamburg	100.0000	202	177
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000	207	0
Geschlossene Aktiengesellschaft Europäische Reiseversicherung, Kiev	99.9999	958	80
Global Standards, LLC, Dover, Delaware	100.0000	56,262	9,654
Globality S.A., Luxembourg	100.0000	17,196	-3,023
goDentis – Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000	310	952
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000	95	-5
goMedus GmbH & Co. KG, Cologne	100.0000	1,656	-3,260
GRANCAN Sun-Line S.L., Madrid	100.0000	-24,295	-3,513
Great Lakes Re Management Company (Belgium) S.A., Brussels[5]	100.0000	0	0
Great Lakes Reinsurance (UK) Plc., London	100.0000	460,296	35,296
Group Risk Services Limited, London	100.0000	2,998	-4,988
Groves, John & Westrup Limited, London	100.0000	22	0
Guanzu 2002 S.L., Madrid	100.0000	-138	-21
Hamburger Hof Management GmbH, Hamburg[5]	100.0000	31	0
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000	92	0
Hamburg-Mannheimer Pensionskasse AG, Hamburg	100.0000	34,175	1,400
Hamburg-Mannheimer Rechtsschutz Schaden-Service GmbH, Hamburg	100.0000	33	-3
Hands On Arnhem B.V., Arnhem	100.0000	–	–
Hartford Steam Boiler (M) Sdn. Bhd., Kuala Lumpur	100.0000	451	-31
Hartford Steam Boiler (Singapore) PTE Ltd, Singapore	100.0000	170	-71
Hartford Steam Boiler Colombia Ltda, Bogotá	100.0000	462	40

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Hartford Steam Boiler International India Pvt. Ltd., Kolkata	100.0000	116	-15
Hartford Steam Boiler International-GmbH, Rheine	100.0000	422	-2,170
Hestia Advanced Risk Solutions Sp. z o.o., Sopot	100.0000	90	-16
Hestia Loss Control Sp. z o.o., Sopot	100.0000	54	-40
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000	62	-5,390
Horbach GmbH Versicherungsvermittlung und Finanzdienstleistungen, Düsseldorf	70.1000	106	41
HSB Associates, Inc., New York, New York	100.0000	803	1
HSB Brasil Servicos de Engenharia e Inspecao, Ltda., São Paulo	100.0000	173	36
HSB Engineering Finance Corporation, Dover, Delaware	100.0000	-12,606	-1
HSB Engineering Insurance Limited, London	100.0000	127,173	13,540
HSB Engineering Insurance Services Limited, London	100.0000	9,042	473
HSB Group, Inc., Dover, Delaware	100.0000	491,380	95,625
HSB Inspection Quality Limited, Chelmsford	100.0000	72	6
HSB Japan KK, Minato-KU, Tokyo	100.0000	1,456	152
HSB Professional Loss Control, Inc., Lenoir City, Tennessee	100.0000	769	-388
HSB Solomon Associates Canada Ltd., Saint John, Province of New Brunswick	100.0000	2,403	249
HSB Solomon Associates LLC, Dover, Delaware	100.0000	9,515	2,297
HSB Specialty Insurance Company, Hartford, Connecticut	100.0000	36,019	-123
HSB Technical Consulting & Service (Shanghai) Company, Ltd, Shanghai	100.0000	1,801	1,199
HSB Ventures, Inc., Dover, Delaware[5]	100.0000	0	0
Humanity B.V., The Hague	100.0000	-487	-406
IDEENKAPITAL Anlagebetreuungs GmbH, Düsseldorf[1]	100.0000	37	0
Ideenkapital Client Service GmbH, Düsseldorf[1]	100.0000	26	0
Ideenkapital erste Investoren Service GmbH, Düsseldorf	100.0000	39	1
IDEENKAPITAL Financial Engineering GmbH, Düsseldorf	100.0000	451	-173
IDEENKAPITAL Financial Service GmbH, Düsseldorf	100.0000	21	-541
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000	38	2
IDEENKAPITAL GmbH, Düsseldorf	100.0000	2,345	1,682
IDEENKAPITAL Media Finance GmbH, Düsseldorf	50.1000	377	27
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000	391	291
IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf	72.3477	46,984	-323
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	40	6
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000	46	5
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000	20	5
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000	33	-1
IK Einkauf Objekt Eins GmbH & Co. KG, Düsseldorf	100.0000	8,370	429
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000	12	0
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000	31	4
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0387	9,190	374
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	34	3
IK FE Fonds Management GmbH, Düsseldorf	100.0000	57	1
IK Komp GmbH, Düsseldorf	100.0000	838	1
IK Objekt Bensheim GmbH, Düsseldorf	100.0000	36	4
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000	19	-3
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000	28	2
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000	-13,739	-2,996
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000	-16,192	-2,211
IK Property Eins Verwaltungsgesellschaft mbH, Hamburg	100.0000	34	1
IK Property Treuhand GmbH, Düsseldorf	100.0000	28	-12
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000	39	2
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000	37	2
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000	35	2
IKFE Properties I AG, Zurich	63.5708	12,294	330
InterAssistance GmbH, Munich[1, 3]	100.0000	5,484	0
InterAssistance Gesellschaft für Dienstleistungen mit beschränkter Haftung, Munich	100.0000	27	0
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143	28,673	-12
ITERGO Informationstechnologie GmbH, Düsseldorf[1, 3]	100.0000	23,643	0
Janus Vermögensverwaltungsgesellschaft mbH, Munich[5]	100.0000	34	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Joint Stock Insurance Company ERGO, Minsk	92.3114	1,543	81
Jordan Health Cost Management Services W.L.L., Amman	100.0000	1,512	77
Jupiter Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	150	1
Juventus Vermögensverwaltungs AG, Hamburg[5]	100.0000	52	0
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000	35	2
K & P Objekt München Hufelandstraße GmbH, Düsseldorf	100.0000	36	2
K & P Pflegezentrum IMMAC Uelzen Renditefonds GmbH & Co. KG, Düsseldorf	84.8445	1,152	173
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000	-719	-945
Kapdom-Invest GmbH, Moscow	100.0000	4,911	0
Koole & Sennef Gerechtsdeurwaarders kantoor B.V., The Hague	100.0000	-	-
KQV Solarpark Franken 1 GmbH & Co. KG, Fürth	100.0000	276	36
Kuik & Partners Credit Management BVBA, Brussels	98.9000	-16,330	8,943
Kuik & Partners Gerechtsdeurwaarders & Incassobureau B.V., Eindhoven	100.0000	316	782
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen	89.7640	29,979	5,707
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	288	10
LAVG Associatie van Gerechtsdeurwaarders Zuid Holding B.V., Breda	80.0000	10,792	1,605
LAVG Zuid B.V., Breda	100.0000	9	2
LawAssist Limited, Bristol[5]	100.0000	1	0
Legal Net GmbH, Munich	100.0000	225	200
LEGIAL AG, Munich	100.0000	6,423	1,368
LifePlans Inc., Waltham, Massachusetts	100.0000	14,374	1,034
LifePlans LTC Services, Inc., Toronto, Ontario	100.0000	206	40
Lloyds Modern Corporation, Dallas, Texas	100.0000	0	-1
Longial GmbH, Düsseldorf	100.0000	1,146	479
m:editerran POWER FRANCE GmbH, Nuremberg	100.0000	4,284	-41
m:editerran POWER GmbH & Co. KG, Nuremberg	100.0000	11,895	-14
m:editerran Power S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	7,584	211
MAGAZ FOTOVOLTAICA, S.L.U., Alcobendas	100.0000	10,582	-3,375
MAM Munich Asset Management GmbH, Munich[5]	100.0000	24	-1
Marbury Agency, Inc., Amelia, Ohio[5]	100.0000	0	0
Marina Salud S.A., Alicante	65.0000	12,810	5,740
Marina Sp.z.o.o., Sopot	100.0000	16,003	-48
MAYFAIR Financing GmbH, Munich	100.0000	530	0
MAYFAIR Holding GmbH, Düsseldorf	100.0000	32	1
MEAG Cash Management GmbH, Munich	100.0000	186,441	100
MEAG Hong Kong Limited, Hong Kong	100.0000	4,980	280
MEAG Luxembourg S.à r.l., Luxembourg	100.0000	616	-284
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000	143,808	67,362
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich[1]	100.0000	19,665	0
MEAG New York Corporation, Wilmington, Delaware	100.0000	10,307	2,738
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000	33	0
MEAG US Real Estate Management Holdings, Inc., Wilmington, Delaware	100.0000	3,257	308
Mediastream Consulting GmbH, Grünwald	100.0000	29	1
Mediastream Dritte Film GmbH, Grünwald	100.0000	33	14
Mediastream Film GmbH, Grünwald	100.0000	29	-4
Mediastream Vierte Medien GmbH, Grünwald	100.0000	35	2
Mediastream Zweite Film GmbH, Grünwald	100.0000	7	-48
MedNet Bahrain W.L.L., Manama	100.0000	1,307	2
MedNet Europa GmbH, Munich	100.0000	18	0
MedNet Greece S.A., Athens	78.1419	1,163	139
MedNet Gulf E.C., Manama	100.0000	-1,562	0
MedNet Holding GmbH, Munich	100.0000	18,820	-1,255
MedNet International Ltd., Nicosia	100.0000	5,353	-89
MedNet International Offshore SAL, Beirut[5]	99.6700	0	0
MedNet Saudi Arabia LLC, Riyadh	100.0000	720	259
MedNet UAE FZ L.L.C., Dubai	100.0000	1,780	383
MedWell Gesundheits-AG, Cologne	100.0000	418	-16
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf[1]	100.0000	5,347	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MESA ASISTENCIA, S.A., Madrid	99.9000	65	-142
MFI Munich Finance and Investment Holding Ltd.,Ta' Xbiex	99.9999	625,287	1,085
MFI Munich Finance and Investment Ltd., Ta' Xbiex	99.9999	624,096	768
miCura Pflegedienste Berlin GmbH, Berlin	100.0000	-275	-101
miCura Pflegedienste Bremen GmbH, Bremen	100.0000	212	112
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000	340	100
miCura Pflegedienste GmbH, Cologne	100.0000	-260	-58
miCura Pflegedienste Hamburg GmbH, Hamburg	100.0000	-125	-20
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000	248	66
miCura Pflegedienste München/Dachau GmbH, Dachau	51.0000	114	69
miCura Pflegedienste München GmbH, Munich	100.0000	-223	-11
miCura Pflegedienste München Ost GmbH, Munich	65.0000	9	95
miCura Pflegedienste Münster GmbH, Münster	100.0000	298	138
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000	165	38
Midland-Guardian Co., Amelia, Ohio	100.0000	76,516	30,860
Midwest Enterprises, Inc., Miami, Florida	100.0000	-3,486	-1,227
MR Beteiligungen 1. GmbH, Munich[1, 3]	100.0000	242,330	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	63,409	2,438
MR Beteiligungen 18. GmbH, Grünwald	100.0000	27	1
MR Beteiligungen 19. GmbH, Munich	100.0000	52,971	-830
MR Beteiligungen 2. EUR AG & Co. KG, Grünwald[2]	100.0000	843,599	106,107
MR Beteiligungen 3. EUR AG & Co. KG, Grünwald[2]	100.0000	573,372	12,064
MR Beteiligungen AG, Grünwald	100.0000	715	53
MR Beteiligungen EUR AG & Co. KG, Grünwald[2]	100.0000	5,398,089	182,658
MR Beteiligungen GBP AG & Co. KG, Grünwald[2]	100.0000	1,436,701	56,533
MR Beteiligungen USD AG & Co. KG, Grünwald[2]	100.0000	5,112,782	366,478
MR ERGO Beteiligungen GmbH, Grünwald	100.0000	57	-8
MR Infrastructure Investment GmbH, Grünwald	100.0000	170,924	-198
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	682,424	0
MR RENT-Management GmbH, Munich	100.0000	43	9
MR Solar Beneixama GmbH, Nuremberg	100.0000	46	-1
MR Solar GmbH & Co. KG, Nuremberg	100.0000	44,347	443
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000	12,728	725
MSP Underwriting Ltd., London	100.0000	21,250	0
MTU Moje Towarzystwo Ubezpieczeniowe S.A., Sopot	100.0000	45,103	8,408
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000	756	69
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000	37	36
Münchener de Colombia S.A. Corredores de Reaseguros i.L., Bogotá	100.0000	1,334	-281
Münchener de Mexico S. A., Mexico	100.0000	1,512	8
Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas	100.0000	1	1
Münchener Ecoconsult GmbH i.L., Munich[5]	100.0000	60	0
Münchener Finanzgruppe AG Beteiligungen, Munich[5]	100.0000	53	0
Münchener Vermögensverwaltung GmbH, Munich[5]	100.0000	27	0
Munich American Holding Corporation, Wilmington, Delaware	100.0000	7,769,600	448,718
Munich American Life Reinsurance Company, Atlanta, Georgia	100.0000	16,661	467
Munich American Reassurance Company, Atlanta, Georgia	100.0000	614,963	16,615
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000	14,794	1,107
Munich Canada Systems Corporation, Toronto, Ontario	100.0000	1	0
Munich Columbia Square Corp., Wilmington, Delaware	100.0000	22	2
Munich Health Alpha GmbH, Munich[3]	100.0000	129,231	0
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000	29,934	7,752
Munich Health Holding AG, Munich[1, 3]	100.0000	660,808	0
Munich Health North America, Inc., Wilmington, Delaware	100.0000	166,036	378

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Munich Holdings Ltd., Toronto, Ontario	100.0000	236,481	32,767
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000	1,002,406	-104,039
Munich Life Management Corporation Ltd., Toronto, Ontario	100.0000	-849	1,786
Munich Management Pte. Ltd., Singapore	100.0000	1,757	1,192
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000	37,523	3,294
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000	2,045	4
Munich Re America Corporation, Wilmington, Delaware	100.0000	2,827,198	243,388
Munich Re America Management Ltd., London	100.0000	3,848	1,283
Munich Re America Services Inc., Wilmington, Delaware	100.0000	9,840	205
Munich Re Automation Solutions GmbH, Munich	100.0000	31	15
Munich Re Automation Solutions Inc., Wilmington, Delaware	100.0000	-96	12
Munich Re Automation Solutions KK, Tokyo	100.0000	-28	26
Munich Re Automation Solutions Limited, Dublin	100.0000	10,913	2,665
Munich Re Automation Solutions Pty Limited, Sydney	100.0000	-27	22
Munich Re Capital Limited, London	100.0000	-19,945	25,939
Munich Re Capital Markets GmbH, Munich	100.0000	1,300	198
Munich Re Capital Markets New York, Inc., Wilmington, Delaware	100.0000	8,560	256
Munich Re do Brasil Resseguradora S.A., São Paulo	100.0000	63,468	6,333
Munich Re Holding Company (UK) Ltd., London	100.0000	43,587	23,893
Munich Re India Services Private Limited, Mumbai	100.0000	677	211
Munich Re Japan Services K. K., Tokyo	100.0000	1,607	30
Munich Re Life and Health (UK) Plc. i.L., London[5]	100.0000	60	0
Munich Re of Malta Holding Limited, Ta' Xbiex	99.9999	914,638	175,702
Munich Re of Malta p.l.c., Ta' Xbiex	99.9999	1,112,285	195,331
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000	0	0
Munich Re Trading LLC, Wilmington, Delaware	100.0000	0	0
Munich Re UK Services Limited, London	100.0000	27,196	-6,229
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000	1,514	50
Munich Re Underwriting Limited, London	100.0000	1,441	376
Munich Re Weather & Commodity Risk Advisors LLC, Wilmington, Delaware	100.0000	0	0
Munich Re Weather & Commodity Risk Holding, Inc., Wilmington, Delaware	100.0000	0	0
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000	3,507,912	294,212
Munich Reinsurance Company of Africa Ltd, Johannesburg	100.0000	194,281	32,491
Munich Reinsurance Company of Australasia Ltd, Sydney	100.0000	428,236	-40,821
Munich Reinsurance Company of Canada, Toronto, Ontario	100.0000	209,972	25,154
Munich-American Global Services (Munich) GmbH i.L., Munich	100.0000	816	404
Munich-American Risk Partners GmbH, Munich	100.0000	59	2
Munich-Canada Management Corp. Ltd., Toronto, Ontario	100.0000	4	0
MunichFinancialGroup AG Holding, Munich	100.0000	52	0
MunichFinancialGroup GmbH, Munich	100.0000	645	608
MunichFinancialServices AG Holding, Munich[5]	100.0000	53	0
Munichre General Services Limited i.L., London	100.0000	1	0
Munichre New Zealand Service Ltd., Auckland	100.0000	745,520	24,202
Munichre Service Limited, Hong Kong	100.0000	55	37
N.M.U. (Holdings) Limited, Leeds	100.0000	186	0
Naretoblera 170017 S.L., Madrid	100.0000	-144	-21
Neckermann Versicherung AG, Nuremberg	100.0000	25,134	4,164
Nerruze 120012 S.L., Madrid	100.0000	-145	-22
New Reinsurance Company Ltd., Zurich	100.0000	636,306	51,176
Nightingale Legal Services Ltd., Bristol	100.0000	-207	-74
NMU Group Limited, London	100.0000	2,466	0
Northern Marine Underwriters Limited, Leeds	100.0000	178	0
One State Street Intermediaries, Inc., Hartford, Connecticut	100.0000	0	0
Orrazipo 110011 S.L., Madrid	100.0000	-148	-22
P.A.N. GmbH & Co. KG, Grünwald[2]	99.0000	322,401	29,275
P.A.N. Verwaltungs GmbH, Grünwald	99.0000	54	1
PLATINIA Verwaltungs-GmbH, Munich	100.0000	32	-1
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000	1,049	-66

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000	501	-52
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000	971	0
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000	218	-97
ProContact Sp. z o.o., Danzig	100.0000	1,090	463
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000	39	3
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	0
PRORENDITA FÜNF Verwaltungsgesellschaft mbH, Hamburg	100.0000	36	1
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000	30	-5
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000	40	4
Proserpina Vermögensverwaltungsges. mbH, Munich	100.0000	96,285	1,060
ProVictor Immobilien GmbH, Düsseldorf[4]	50.0000	1,250	-22
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[7]	100.0000	351	-161
Reaseguradora de las Américas S. A., Havana[5]	100.0000	637	0
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000	1,126	-110
Roanoke Group Inc., Schaumburg, Illinois	100.0000	11,326	463
Roanoke Insurance Group Inc., Schaumburg, Illinois	100.0000	9,521	209
Roanoke International Brokers Limited, London	100.0000	1,955	1,049
Roanoke Trade Insurance Inc., Schaumburg, Illinois[5]	100.0000	1	0
SAINT LEON ENERGIE S.A.R.L., Strasbourg	100.0000	69	135
Schloss Hohenkammer GmbH, Hohenkammer[1]	100.0000	3,788	0
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000	387	192
Scout Moor Group Limited, Manchester	100.0000	48,788	-
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	1,683	-
Seldac 1. Verwaltungs-GmbH, Düsseldorf	100.0000	22	-3
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	100.0000	2,625	468
Sensus Group B.V., Stadskanaal	100.0000	3,924	521
Silvanus Vermögensverwaltungsges. mbH, Munich[1]	100.0000	159,612	0
Solarfonds Garmisch-Partenkirchen 2011 GmbH & Co. KG, Nuremberg	100.0000	1,428	35
Solomon Associates Limited, London	100.0000	788	66
Sopocki Instytut Ubezpieczeń S.A., Sopot	100.0000	1,719	137
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000	22	-1
Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot	100.0000	257,609	43,153
Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot	100.0000	54,574	8,936
Specialty Insurance Services Corp., Amelia, Ohio	100.0000	173	11
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000	198	29
SunEnergy & Partners S.r.l., Brindisi	100.0000	27,546	1,025
Sydney Euro-Center Pty. Ltd., Sydney	100.0000	180	6
Synkronos Italia SRL, Milan	60.1000	1,573	104
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000	38	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
Temple Insurance Company, Toronto, Ontario	100.0000	96,360	8,030
TGR Biztosítás Többesügynöki Zrt., Budapest	100.0000	45	-133
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000	447	-12
The Boiler Inspection and Insurance Company of Canada, Toronto, Ontario	100.0000	56,385	11,792
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000	50,168	11,562
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000	618,053	88,865
The Midland Company, Cincinnati, Ohio	100.0000	48,531	30,795
The Polytechnic Club, Inc., Hartford, Connecticut[5]	100.0000	0	0
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000	43,847	7,167
Three Lions Underwriting Ltd., London	100.0000	1,038	-16

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Tillobesta 180018 S.L., Madrid	100.0000	-144	-22
Tir Mostyn and Foel Goch Limited, London	100.0000	1	-
Titus AG, Düsseldorf	100.0000	79	-5
Trusted Documents GmbH, Nuremberg	100.0000	131	-52
UK Wind Holdings Ltd, London	100.0000	1	-
Union Beteiligungsholding GmbH, Vienna	100.0000	245	13
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000	5,787	495
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000	34	1
Van Arkel Gerechtsdeurwaarders B.V., Leiden	79.0000	9,782	-197
VB VICTORIA Zastupanje u Osiguranju d.o.o., Zagreb	74.9000	13	2
Venus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	49,914	49,370
Verwaltungsgesellschaft "PORT VICTORIA" GmbH, Düsseldorf	100.0000	134	2
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000	633	-74
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	18,022	4,442
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000	8,809	-16
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	970	845
VICTORIA Immobilien Management GmbH, Munich	100.0000	676	35
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000	179	-49
Victoria Investment Properties Two L.P., Atlanta, Georgia	100.0000	520	289
VICTORIA Italy Property GmbH, Düsseldorf	100.0000	149	3,123
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf[1, 3]	100.0000	550,923	0
VICTORIA US Beteiligungsgesellschaft mbH, Munich	100.0000	18	-1
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000	5,153	-550
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000	1,092	1,996
VICTORIA US Property Zwei GmbH, Düsseldorf	100.0000	147	7,586
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	187,858	1,708
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000	60,499	2,594
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000	50	26
Victoria VIP II, Inc., Wilmington, Delaware	100.0000	9	0
VICTORIA-VOLKSBANKEN Biztosító Zrt., Budapest	100.0000	2,442	-386
Viwis GmbH, Munich[1]	100.0000	2,013	0
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf[1, 3]	100.0000	27,746	0
Vorsorge Luxemburg Lebensversicherung S.A., Munsbach	100.0000	18,265	2,243
Vorsorge Service GmbH, Düsseldorf	100.0000	157	-241
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000	414	225
VV-Consulting Többesügynöki Kft., Budapest	100.0000	47	-9
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000	123	0
Watkins Syndicate Labuan Limited (WSLAB), Labuan	100.0000	123	0
Watkins Syndicate Middle East Limited, Dubai	100.0000	522	58
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000	178	0
welivit GmbH, Nuremberg	100.0000	2,401	-1,446
welivit New Energy GmbH, Fürth	100.0000	194	-178
welivit Solar España GmbH, Nuremberg	100.0000	33	-3
Welivit Solar Italia s.r.l., Bolzano	100.0000	303	-92
welivit Solarfonds GmbH & Co. KG, Nuremberg	100.0000	35,164	44
welivit Solarfonds S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	22,187	-311
WFB Stockholm Management AB, Stockholm[7]	50.0000	52,408	-375
Wind Farms Götaland Svealand AB, Hässleholm	100.0000	38,719	292
Windpark Langengrassau Infrastruktur GbR, Bremen[5]	83.3300	0	0
Windpark MR-B GmbH & Co. KG, Bremen[2]	100.0000	18,611	-390
Windpark MR-D GmbH & Co. KG, Bremen[2]	100.0000	17,108	-272
Windpark MR-N gmbH & Co. KG, Bremen[2]	100.0000	4,284	-160
Windpark MR-S GmbH & Co. KG, Bremen[2]	100.0000	7,030	-261
Windpark MR-T GmbH & Co. KG, Bremen[2]	100.0000	3,703	61
Windpark Osterhausen-Mittelhausen Infrastruktur GbR, Bremen	60.0000	-	-
Windsor Health Plan of Georgia, Inc., i.L., Atlanta, Georgia	100.0000	2,249	-1
Windsor Health Plan of Louisiana, Inc., i.L., Lafayette, Louisiana	100.0000	2,900	-5

Company and registered seat	% share of capital	Equity €k	Result for the year €k
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Nuremberg	100.0000	-725	-164
Wohnungsgesellschaft Brela mbH, Hamburg[1]	100.0000	102	0
wse Solarpark Spanien 1 GmbH & Co. KG, Fürth	75.1243	1,782	-3,719
Zacobu 110011 S.L., Madrid	100.0000	-214	-5
Zacuba 6006 S.L., Madrid	100.0000	-239	-30
Zacubacon 150015 S.L., Madrid	100.0000	-219	-10
Zafacesbe 120012 S.L., Madrid	100.0000	-213	-9
Zapacubi 8008 S.L., Madrid	100.0000	-238	-31
Zarzucolumbu 100010 S.L., Madrid	100.0000	-213	-8
Zetaza 4004 S.L., Madrid	100.0000	-130	-2
Zicobucar 140014 S.L., Madrid	100.0000	-215	-9
Zucaelo 130013 S.L., Madrid	100.0000	-210	-5
Zucampobi 3003 S.L., Madrid	100.0000	-232	-26
Zucarrobiso 2002 S.L., Madrid	100.0000	-228	-26
Zucobaco 7007 S.L., Madrid	100.0000	-233	-25
Zulazor 3003 S.L., Madrid	100.0000	-122	-2
Zumbicobi 5005 S.L., Madrid	100.0000	-237	-30
Zumcasba 1001 S.L., Madrid	100.0000	-139	-13
Zuncabu 4004 S.L., Madrid	100.0000	-234	-29
Zuncolubo 9009 S.L., Madrid	100.0000	-238	-28
Associates			
"PORT ELISABETH" GmbH & Co. KG, Hamburg	31.9660	10,217	806
"PORT LOUIS" GmbH & Co. KG, Hamburg	25.8178	-4,696	-1,092
"REISEGARANT" Gesellschaft für die Vermittlung von Insolvenzversicherungen mbH, Hamburg	24.0000	218	79
13th & F associates Limited Partnership, Washington D.C.[9]	80.0000	115,454	12,793
Agricultural Management Services S.r.l., Verona	33.3333	143	11
Apollo Munich Health Insurance Co. Ltd., Hyderabad	25.5800	63,668	655
Assistance Partner GmbH & Co. KG, Munich	21.6600	1,147	154
Avantha ERGO Life Insurance Company, Mumbai	26.0000	14,061	-
BF.direkt AG, Stuttgart	27.2000	619	235
BHS tabletop AG, Selb	28.9134	33,167	1,768
Bloemers Beheer B.V., Rotterdam	23.1824	39,627	-105
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000	3,060	334
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027	57,870	8,202
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920	21,832	11,812
DAMAN - National Health Insurance Company, Abu Dhabi[8]	20.0000	208,106	31,369
EGM Wind SAS, Paris	40.0000	101,596	-
ERGO China Life Insurance Co., Ltd., Jinan	50.0000	71,925	-
Europai Utazasi Biztosito Rt., Budapest	26.0000	6,644	1,755
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100	13,828	3,303
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	39.3354	2,419	0
Finsure Investments (Private) Limited, Harare	24.5000	5,719	1,837
Global Aerospace Underwriting Managers Ltd., London	40.0000	27,959	6,243
Global Insurance Company, Ho Chi Minh City	35.0000	24,799	1,234
Grundeigentümer - Interessengemeinschaft City Nord GmbH, Hamburg	20.0000	48	-20
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH, Hillerse	20.0000	-1,073	965
Hartford Research, LLC, Lewes, Delaware[5]	41.7500	0	0
HDFC ERGO General Insurance Company Ltd., Mumbai	26.0000	62,354	-5,098
HighTech Beteiligungen GmbH und Co. KG, Düsseldorf	23.1000	3,132	184
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000	-32	-72
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co.KG, Düsseldorf	36.6889	-1,238	-5,507
KarstadtQuelle Finanz Service GmbH, Düsseldorf	50.0000	1,057	225
LCM Logistic Center Management GmbH, Hamburg	50.0000	441	115
Marchwood Power Limited, Marchwood	50.0000	85,036	-
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf	71.4285	17,396	15,284
MCAF Management GmbH, Düsseldorf	50.0000	36	1
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000	-2,472	-3,030

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000	12,640	-93
MEDICLIN Aktiengesellschaft, Offenburg	35.0042	196,469	1,868
MEGA 4 GbR, Berlin	34.2569	78,456	-1,945
MSMR Parkview LLC, Dover, Delaware	38.4600	28,218	-221
POOL Sp. z o.o., Warsaw[5]	33.7500	1	0
Rendite Partner Gesellschaft für Vermögensverwaltung mbH, Frankfurt/Main[5]	33.3333	–	0
RM 2264 Vermögensverwaltungs GmbH, Munich[5]	25.0000	20	-1
RP Vilbeler Fondsgesellschaft mbH, Frankfurt/Main[5]	40.0000	831	-1,958
Rumba GmbH & Co. KG, Munich	25.0000	31	-43
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000	461	334
Sana Kliniken AG, Munich	21.7025	356,895	19,307
Saudi National Insurance Company B.S.C.(c), Manama	22.5000	48,253	4,476
SEBA Beteiligungsgesellschaft mbH, Nuremberg	44.7969	157,397	5,735
Secundi CVBA, Brussels	33.0000	9,995	-1
Storebrand Helseforsikring AS, Oslo	50.0000	22,402	4,456
Teko - Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000	53	27
TERTIANUM Besitzgesellschaft Berlin Passauer Strasse 5-7 mbH, Munich	25.0000	24,103	-129
TERTIANUM Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstrasse 5-9 mbH, Munich	25.0000	30,922	834
TERTIANUM Besitzgesellschaft München Jahnstrasse 45 mbH, Munich	33.3333	41,979	1,758
TERTIANUM Seniorenresidenz Betriebsgesellschaft München mbH, Munich	33.3333	77	-56
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0000	262	4
Trend Capital GmbH & Co. Solarfonds 2 KG, Mainz	34.4234	-181	-111
Triple IP B.V., Amsterdam	50.0000	-748	0
T-Solar Global Operating Assets S.L.U., Madrid	37.0000	255,172	4,442
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286	129,564	-1,721
U.S. Property Management III L.P., Atlanta, Georgia	20.0000	593	3,972
US PROPERTIES VA GmbH & Co. KG, Düsseldorf	46.0939	22,700	1,573
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Hamburg	50.0000	41	5
Verwaltungsgesellschaft "PORT KELANG" mbH, Hamburg	50.0000	40	5
Verwaltungsgesellschaft "PORT LOUIS" GmbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT MENIER" mbH, Hamburg	50.0000	39	5
Verwaltungsgesellschaft "PORT MOODY" mbH, Hamburg	50.0000	38	4
Verwaltungsgesellschaft "PORT MORESBY" mbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT MOUTON" mbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT NELSON" mbH, Hamburg	50.0000	39	4
Verwaltungsgesellschaft "PORT RUSSEL" GmbH, Hamburg	50.0000	38	4
Verwaltungsgesellschaft "PORT SAID" GmbH, Hamburg	50.0000	38	4
Verwaltungsgesellschaft "PORT STANLEY" GmbH, Hamburg	50.0000	38	4
Verwaltungsgesellschaft "PORT STEWART" mbH, Hamburg	50.0000	38	4
Verwaltungsgesellschaft "PORT UNION" mbH, Hamburg	50.0000	38	4
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft, Vienna	47.5028	16,095	807
VICTORIA-VOLKSBANKEN Vorsorgekasse AG, Vienna	50.0000	5,041	758
Vier Gas Investments S.à r.l., Luxembourg	43.7516	472,968	–
VisEq GmbH, Grünwald	34.0000	388	-157
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319	3,432	306
VV Immobilien GmbH & Co. GB KG, Düsseldorf	40.9241	623	9
VV Immobilien GmbH & Co. United States KG, Munich	28.9514	21,683	4,625
VV Immobilien GmbH & Co. US City KG, Munich	23.0999	82,999	-1,247
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG, Munich	20.4082	359	-378
VV Immobilien Verwaltungs GmbH, Munich	30.0000	373	112
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000	1,295	-10
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf	65.0000	43,450	42,376
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000	33	1

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Other shareholdings of 20% or more			
Capital Dynamics Champion Ventures VI, L.P., Woodside, California	27.3400	73,254	6,150
FIA Timber Partners II L.P., Wilmington, Delaware	39.0800	82,501	-1,085
Hines Pan-European Core Fund FCP-FIS, Luxembourg	20.7500	222,841	274
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside, California	44.8788	85,560	15,467
ORM Timber Fund III (Foreign) LLC, Wilmington, Delaware	39.1000	1,083	-81
RMS Forest Growth International, L.P., Grand Cayman, Cayman Islands	43.4700	25,042	-
Other shareholdings exceeding 5% of the voting rights in large companies			
Admiral Group plc, Cardiff	10.1033	260,697	287,491
Best Doctors, Health Resources and Technology, Inc., Boston, Massachusetts	5.6100	24,124	-490
Credit Guarantee Insurance Corporation, Johannesburg	7.1037	44,429	17,146
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000	67,240	2,200
Jordan Insurance Co. p.l.c., Amman	10.0000	48,253	5,046
New National Assurance Company Ltd., Durban, South Africa	16.0000	11,484	465
Protektor Lebensversicherungs-AG, Berlin	10.7597	90,372	4,800
Saudi Enaya Cooperative Insurance Company, Jeddah	15.0000	68,902	-8,817
Suramericana S.A., Medellín	18.8669	796,966	105,880
Swaziland Royal Insurance Corporation, Mbabane	16.0000	34,705	12,044
Wataniya Cooperative Insurance Company, Jeddah	10.0000	16,137	-169

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 (HGB), intends to fulfil the conditions required in Section 264b of the German Commercial Code and, in the financial year 2013, to avail itself of the relevant provision exempting it from preparing annual financial statements.
3 This fully consolidated German subsidiary intends to fulfil the conditions required in Section 264 para. 3 of the German Commercial Code and, in the financial year 2013, 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 Significant influence owing to reduced voting power.

Drawn up and released for publication, Munich,
10 March 2014.

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 2013. 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 (HGB) 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, 12 March 2014

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Frank Ellenbürger
Wirtschaftsprüfer
(Certified public accountant)

Roland Hansen
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, 19 March 2014

Imprint

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Responsible for content
Reinsurance Accounting
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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

Important dates 2015

11 March 2015
Balance sheet press conference
for 2014 consolidated financial statements

23 April 2015
Annual General Meeting

7 May 2015
Interim report as at 31 March 2015

6 August 2015
Interim report as at 30 June 2015

6 August 2015
Half-year press conference

5 November 2015
Interim report as at 30 September 2015

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