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 2014

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.

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.

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.

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
- Investment Listing
- Search and Seizure 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 2014

	Note	2014 $'000	2013 $'000
Revenue from operating activities			
Reinsurance revenue		54,534	48,509
Investment revenue		32,729	47,560
Other revenue		4,885	5,534
Total revenue from operating activities	5	92,148	101,603
Expenses from operating activities			
Reinsurance expense		137,815	38,134
Investment expense		448	39,985
Other expense		5,558	6,202
Total expenses from operating activities	6	143,821	84,321
(Loss)/Profit before tax		(51,673)	17,282
Tax (benefit)/expense	7(a)	(35,460)	(34,610)
(Loss)/Profit for the year		(16,213)	51,892
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(16,213)	51,892

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 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	10	16,437	8,924
Outstanding premiums	11	36,714	84,966
Deferred acquisition costs	14	11,053	3,867
Financial assets	12	106,000	115,000
Reinsurance recoveries	15	14,080	34,586
Current tax receivable	7(c)	121	121
Other	13	39,786	56,114
Total current assets		224,191	303,578
Non-current assets			
Financial assets	12	353,707	618,798
Reinsurance recoveries	15	52,243	62,217
Deferred tax assets	16	24,224	22,973
Other	17	800	630
Total non-current assets		430,974	704,618
Total assets		655,165	1,008,196
Current liabilities			
Payables	18	6,777	8,520
Outstanding claims	19	165,149	257,285
Unearned premiums	20	25,368	15,230
Provisions	21	344	1,633
Total current liabilities		197,638	282,668
Non-current liabilities			
Outstanding claims	19	390,434	600,333
Total non-current liabilities		390,434	600,333
Total liabilities		588,072	883,001
Net assets		67,093	125,195
Head office account			
Accumulated surplus – head office		67,093	125,195
Total head office account		67,093	125,195

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 2014

	Head office account $'000
Balance at 1 January 2013	73,303
Total comprehensive income	51,892
Balance at 31 December 2013	125,195
Balance at 1 January 2014	125,195
Total comprehensive expense	(16,213)
Transfer to head office account – capital repatriation	(41,889)
Balance at 31 December 2014	67,093

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 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Inwards reinsurance premium received		112,942	29,965
Inwards reinsurance claims paid		(381,673)	(296,165)
Outward reinsurance premium paid	6	(2,667)	(5,123)
Income tax refunded	7(c)	-	512
Tax loss transfers received		42,299	15,213
Other operating receipts	5	293	741
Other operating payments		(30,978)	(26,914)
Net cash from operating activities	24	(259,784)	(281,771)
Cash flows from investing activities			
Payments for investments		(626,295)	(436,787)
Proceeds from sale of investments		903,826	672,118
Interest received		32,103	51,858
Investment expenses paid	6	(448)	(666)
Net cash from investing activities		309,186	286,523
Cash flows from financing activities			
Capital repatriation		(41,889)	-
Short term loan to related entity		-	(80,424)
Loan repayment		-	80,424
Net cash from financing activities		(41,889)	-
Net increase/(decrease) in cash and cash equivalents		7,513	4,752
Cash and cash equivalents at 1 January		8,924	4,172
Cash and cash equivalents at 31 December	10	16,437	8,924

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.

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 Rückversicherungs-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 24 April 2015.

(a) Statement of compliance

The financial statements have been prepared in accordance with both the Financial Reporting Act 1993 and the Insurance (Prudential Supervision) Act 2010. 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.

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993, and is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. This will be effective for the Branch's 31 December 2015 year end. It is expected that the change in legislation will have no material impact on the Branch's obligation to prepare general purpose financial statements.

In addition to the change in legislation the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the accounting standards to be applied to entities with statutory financial reporting obligations. The Branch is currently reporting under NZ IFRS. Under the new XRB framework, Management expects that the Branch will continue to apply NZ IFRS as applicable for Tier 1 for-profit entities. Management expects that this will have no material impact on the preparation and disclosures included in the financial statements.

Adoption of new standards and changes in accounting policies

The following accounting standard and interpretation was issued but is not yet mandatory and has not been adopted by the Branch for the financial year ended 31 December 2014.

An assessment of the impact of the new or amended standard is set out below:

NZ-IFRS 9 *Financial Instruments* includes requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. The application date of NZ-IFRS 9 has been deferred until 1 January 2018. Retrospective application is generally required, although there are exceptions. As the Branch currently classifies its financial assets either at amortised cost or fair value through the profit and loss, no material impact is expected on the Branch's financial performance or financial position on adoption of this standard. However, the Branch continues to monitor the impact of this standard.

(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.

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 2014

1. Summary of significant accounting policies (continued)

(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) Liability adequacy test

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

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

(f) Outwards reinsurance

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

(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.

1. Summary of significant accounting policies (continued)

(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.

(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 designated as fair value through Profit or Loss. They are initially recorded at fair value (being the cost of acquisition excluding transaction costs) and are subsequently 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 are 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.

1. Summary of significant accounting policies (continued)

(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. Critical accounting estimates and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where critical accounting estimates and judgements are applied are noted below.

The Branch currently recognises and measures assumed premium revenue, commissions and claims for a reporting period before the period ends based on a fast-close provisioning approach. The approach includes estimating the premium revenue, commissions paid and claims expense to be reported to and settled by the Branch from the fast close date to the end of the reporting period. The fast close date being the date when the re-insurance administration systems are closed for the period being reported.

Premium, commissions and claims provisions accrued at balance date include estimates of the amounts outstanding. The methodology used in the calculation of the amounts outstanding takes into account the number of premium, commission and claims instalments received and those which are expected to be received at balance date.

3. Summary of significant actuarial methods and assumptions

The effective date of the actuarial valuation on outstanding claims liability is 31 December 2014. The liability valuation report was prepared by the Actuarial team and reviewed by the Appointed Actuary, Ms Susan Ley, FNZSA, FIAA, FIA. The report indicates that the Appointed Actuary is satisfied with the nature, sufficiency and accuracy of the data provided upon which the outstanding claims liabilities have been determined. Methods utilised and assumptions made in determining the outstanding claims liability are in accordance with the requirements of NZ IFRS 4 *Insurance Contracts* and consistent with the New Zealand Society of Actuaries Professional Standard Number 4.1, "Valuation of General Insurance Claims".

(a) Key actuarial valuation methods and assumptions

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.

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

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

Outstanding claims liabilities (continued)

To determine the 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.

Key actuarial assumptions

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

	2014	2013
Weighted average term to settlement (years)	2.0	2.3
Inflation rate	Implicit	Implicit
Discount rate	3.6%-4.2%	3.1%-5.6%
Claims handling expense ratio	1.1%	1.1%
Risk margin	11.0%	10.2%

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 2014 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. 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.

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

(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. An increase or decrease in the weighted average term would have an opposite effect on outstanding claims liabilities.

- **Discount rate**

  An increase or decrease in the assumed discount rate will have an opposite impact on the overall outstanding claims liabilities.

- **Claims handling ratio**

  An increase or decrease in the expense rate assumption would have a corresponding change on outstanding claims liabilities.

- **Risk margin**

  . 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 summarised 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 1.0% 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%	(3,793)
	-10%	3,819
Risk Margin	+1%	5,007
	-1%	(5,007)
Discount rate	+1%	(9,957)
	-1%	10,385
Claims handling expense ratio	+1%	5,495
	-1%	(5,495)

4. 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.

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.
- 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.

	Note	Carrying amount 2014 $'000	Carrying amount 2013 $'000
Cash and cash equivalents	10	16,437	8,924
Financial assets at fair value through profit or loss			
- Debt securities - unsecured	12	353,707	618,798
- Deposits with banks	12	106,000	115,000
Reinsurance recoveries	15	66,323	96,803
Amount due from ceding companies in respect of outstanding premium	11	36,714	84,966
Current tax receivable	7(c)	121	121
Tax loss transfers receivable	13	33,798	41,889
Accrued income	13	3,556	6,372
GST receivable	13	2,432	7,853
Deposit retained	17	800	630
Total		619,888	981,356
Standard & Poor's A- to AAA		617,750	980,416
Unrated or Standard & Poor's BB+ to BBB+		2,138	940
Total		619,888	981,356

4. Risk management policies and procedures (continued)

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

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.

The Branch has a significant concentration of credit risk with the New Zealand government, which has a Standard & Poors credit rating of AA+, and a significant retrocession credit exposure to Munich Reinsurance America, Inc. which has a Standard & Poor's credit rating of AA-.

Past due but not impaired

As at 31 December 2014, outstanding premiums of $29.153m (2013: $85.345m) were past due but not impaired. These relate to a number of independent cedants for whom there is no history of default. The ageing analysis of these outstanding premiums is as follows:

	2014 $'000	2013 $'000
Up to 3 months	29,087	68,042
3 to 6 months	66	12,858
Greater than 6 months	-	4,445
	29,153	85,345

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 where 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
2014					
Amount due to ceding companies	18	6,546	-	-	6,546
Other creditors	18	231	-	-	231
Outstanding claims	19	165,149	374,273	16,161	555,583
Total		171,926	374,273	16,161	562,360
2013					
Amount due to ceding companies	18	8,280	-	-	8,280
Other creditors	18	240	-	-	240
Outstanding claims	19	257,285	523,147	77,186	857,618
Total		265,805	523,147	77,186	866,138

4. Risk management policies and procedures (continued)

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

Market risk

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

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

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

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:

			---- Fixed interest maturing in:----			
	Weighted average interest rate	Floating interest rate $'000	Up to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2014						
Cash	2.5%	1,037	-	-	-	1,037
Deposits at call	3.3%	15,400	-	-	-	15,400
Deposits with bank	4.2%	-	106,000	-	-	106,000
Investments Government bonds	5.1%	-	-	277,369	76,338	353,707
Total		16,437	106,000	277,369	76,338	476,144
2013						
Cash	2.0%	1,024	-	-	-	1,024
Deposits at call	2.8%	7,900	-	-	-	7,900
Deposits with banks	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

4. Risk management policies and procedures (continued)

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

Interest rate risk (continued)

A +/- 1% movement in the Government Bonds interest rate would have an impact of $26,357,480 (2013: $35,075,203) in the Profit or Loss. A +/- 1% movement in the bank interest rate would have an impact of $20,743 (2013: $20,479) in the Profit or Loss. A +/- 1% movement in the deposits at call interest rate would have an impact of $308,000 (2013: $158,000) in the Profit or Loss. A +/- 1% movement in the deposits with banks interest rate would have an impact of $2,120,000 (2013: $2,300,000) 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.

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.

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.

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.

4. Risk management policies and procedures (continued)

(b) Capital management

(i) Regulatory capital

The Branch is regulated by the Reserve Bank of New Zealand to carry on insurance business in New Zealand. The Branch 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 2014 fully meets the German regulatory minimum requirements.

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

(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 2014. Munich Reinsurance Company manages its capital rating by performing periodical analysis using Standard & Poor's Capital model.

(c) 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						
Estimate of net ultimate claims cost	**2009 & prior $'000**	**2010 $'000**	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**Total $'000**
At end of underwriting year	232,466	416,855	114,021	19,534	17,529	12,152	
One year later	278,686	1,156,827	138,119	15,199	13,129		
Two years later	316,916	1,106,547	85,510	22,727			
Three years later	312,451	1,148,848	47,007				
Four years later	328,455	1,139,813					
Five years & prior later	358,546						
Current estimate of ultimate claims cost	358,546	1,139,813	47,007	22,727	13,129	12,152	1,593,374
Cumulative net payments	(273,146)	(783,242)	(48,764)	(12,646)	(6,096)	(2,755)	(1,126,649)
Net undiscounted outstanding claims	85,400	356,571	(1,757)	10,081	7,033	9,397	466,725

5. Revenue from operating activities

	2014 $'000	2013 $'000
Reinsurance revenue		
Inwards reinsurance premium revenue	54,534	48,509
Total reinsurance revenue	54,534	48,509
Investment revenue		
Interest	29,288	47,560
Net realised and unrealised gains	3,441	-
Total investment revenue	32,729	47,560
Other revenue		
Interest on deposit retained by ceding company	829	-
Foreign exchange gains	3,763	4,793
Other income	293	741
Total other revenue	4,885	5,534
Total revenue from operating activities	92,148	101,603

6. Expenses from operating activities

	2014 $'000	2013 $'000
Reinsurance expense		
Inwards reinsurance claims expense/(benefit)	81,595	(2,308)
Reinsurance recoveries expense	30,481	19,162
Outwards reinsurance expense	2,667	5,123
Acquisition expenses	23,060	15,915
Other underwriting expenses	12	242
Total reinsurance expense	137,815	38,134
Investment expense		
Net realised and unrealised losses on investments	-	39,319
Investment management expenses	448	666
Total investment expense	448	39,985
Other expenses		
General and administration expenses	5,558	6,202
Total other expenses	5,558	6,202
Total expenses from operating activities	143,821	84,321

7. Taxes

(a) Income tax (benefit)/expense

	2014 $'000	2013 $'000
Current tax (benefit)	(34,209)	(35,993)
Deferred tax (benefit)/expense	(1,251)	1,383
Tax (benefit)/expense	(35,460)	(34,610)

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

	2014 $'000	2013 $'000
(Loss)/profit before tax	(51,673)	17,282
Prima facie income tax (benefit)/expense at the tax rate of 28%	(14,469)	4,839
(Recognised)/Unrecognised tax losses at the tax rate of 28%	(18,009)	(38,857)
Temporary differences	(2,985)	(597)
Non-deductible expenses	3	5
Tax (credit)/expense	(35,460)	(34,610)

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.

(c) Current tax receivable

	2014 $'000	2013 $'000
Opening balance at 1 January	121	633
Income tax received	-	(512)
Closing balance at 31 December	121	121

8. Net claims incurred

	2014 Current year $'000	2014 Prior years $'000	2014 Total $'000	2013 Current year $'000	2013 Prior years $'000	2013 Total $'000
Gross claims expenses						
Gross claims incurred - undiscounted	12,152	63,652	75,804	18,856	2,128	20,984
Discount movement	(619)	29,904	29,285	(709)	100	(609)
Discounted risk margin movement	1,051	(24,545)	(23,494)	808	(23,491)	(22,683)
Discounted gross claims expenses	12,584	69,011	81,595	18,955	(21,263)	(2,308)
Reinsurance and other recoveries (expense)						
Reinsurance and other recoveries (expense) - undiscounted	-	(30,100)	(30,100)	-	(16,400)	(16,400)
Discount movement	-	2,760	2,760	-	(1,098)	(1,098)
Discounted risk margin movement	-	(3,141)	(3,141)	-	(1,664)	(1,664)
Discounted reinsurance and other recoveries (expense)	-	(30,481)	(30,481)	-	(19,162)	(19,162)
Net claims incurred	12,584	99,492	112,076	18,955	(2,101)	16,854

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.

9. Underwriting result

	Note	2014 $'000	2013 $'000
Inwards reinsurance premium revenue	5	54,534	48,509
Total reinsurance revenue		54,534	48,509
Inwards reinsurance claims (benefit)/expense	6	81,595	(2,308)
Reinsurance recoveries expense	6	30,481	19,162
Outwards reinsurance expense	6	2,667	5,123
Acquisition expenses	6	23,060	15,915
Other underwriting expenses	6	12	242
Total reinsurance expense		137,815	38,134
Underwriting result		(83,281)	10,375

10. Current assets – cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank	1,037	1,024
Deposits at call	15,400	7,900
Total	16,437	8,924

(a) Cash at bank

Cash at bank bears an average weighted floating interest rate of 3.0% at balance date (2013: 2.0%).

(b) Deposits at call

The deposits at call bears a floating interest rate of 3.5% at balance date (2013:to 3.0%).

11. Current assets – outstanding premiums

	2014 $'000	2013 $'000
Amounts due from ceding companies	36,714	84,966

12. Financial assets

Financial assets – fair value through profit or loss

	2014 $'000	2013 $'000
Debt securities – unsecured	353,707	618,798
Deposits with banks	106,000	115,000
Total financial assets – fair value through profit or loss	459,707	733,798
Current financial assets	106,000	115,000
Non-current financial assets	353,707	618,798
Total financial assets – fair value through profit or loss	459,707	733,798

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)).

13. Current assets – other

	2014 $'000	2013 $'000
Tax loss transfers receivable	33,798	41,889
Accrued income	3,556	6,372
GST receivable	2,432	7,853
Total	39,786	56,114

	2014 $'000	2013 $'000
14. Deferred acquisition costs		
Total	11,053	3,867
Reconciliation of movement in deferred acquisition costs		
Balance at 1 January	3,867	4,817
Costs deferred in financial year	11,055	6,617
Amortisation of costs deferred	(3,869)	(7,567)
Balance at 31 December	11,053	3,867
15. Reinsurance recoveries		
Current	14,080	34,586
Non-current	52,243	62,217
Total	66,323	96,803
16. 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	25,510	21,274
Deferred acquisition costs	(3,094)	(1,083)
Insurance provision	1,803	2,777
Accrued audit fees	5	5
Deferred tax assets	24,224	22,973
Movements:		
Balance at 1 January	22,973	24,356
Charged to Profit or Loss	1,251	(1,383)
Balance at 31 December	24,224	22,973

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses amounting to $174.071m (2013: $196.086m) because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits there from.

	2014 $'000	2013 $'000
17. Non-current assets – others		
Deposit retained	800	630
18. Current liabilities – payables		
Amount due to ceding companies	6,546	8,280
Sundry creditors and accrued expenses	231	240
Total	6,777	8,520

19. Outstanding claims

(a) Outstanding claims

	2014 $'000	2013 $'000
Gross outstanding claims	530,132	834,632
Claims handling cost	6,102	9,429
Discount to present value	(35,503)	(64,788)
Discounted central estimate	500,731	779,273
Risk margin	54,852	78,345
Total outstanding claims – discounted	555,583	857,618
Current	165,149	257,285
Non-current	390,434	600,333
Total outstanding claims – discounted	555,583	857,618

(b) Reconciliation of movement in discounted outstanding claims liability

	2014 $'000	2013 $'000
Balance at 1 January	857,618	1,166,170
Inwards reinsurance claims (benefit)/expense	81,595	(2,308)
Claim payments during the year	(379,939)	(301,549)
Foreign exchange gains	(3,691)	(4,695)
Balance at 31 December	555,583	857,618

As identified in note 3(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 $457 million (2013: $771 million) which is the undiscounted central estimate of outstanding claims liabilities arising from the NZ Earthquakes. This estimate is an actuarial projection as at 31 December 2014 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 3(a)(ii).

After reinsurance and other recoveries the net outstanding claims liabilities in relation to the NZ Earthquakes amounts to $393 million at 31 December 2014 (2013: $676 million).

20. Unearned Premium

	2014 $'000	2013 $'000
Unearned premium - current	25,368	15,230
Reconciliation of movement in unearned premium		
Balance at 1 January	15,230	20,036
Deferral of premium on contracts written in the period	23,629	13,709
Earning of premium written	(13,491)	(18,515)
Balance at 31 December	25,368	15,230

21. Current liabilities – provisions

	2014 $'000	2013 $'000
Profit and sliding scale commissions	126	1,290
Withholding tax	218	343
Total	344	1,633

22. 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.

	2014 $'000	2013 $'000
Unearned premium liabilities	25,368	15,230
Related deferred acquisition costs	(11,053)	(3,867)
	14,315	11,363
Undiscounted net premium liabilities excluding risk margin	14,740	8,211
Discount	(958)	(601)
Risk margin	325	1,514
	14,107	9,124
Percentage risk margin	2.4%	19.9%
Probability of sufficiency	60%	75%

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

23. Remuneration of auditors

	2014 $	2013 $
KPMG - Audit fees	34,833	38,525

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

	2014 $'000	2013 $'000
(Loss)/profit for the year	(16,213)	51,892
Unrealised (gain)/loss on revaluation of investments	(5,225)	32,390
Net loss on sale of investments	1,785	6,929
Interest income	(29,288)	(47,560)
Investment management expenses	448	666
Decrease/(increase) in outstanding premiums	48,252	(13,745)
Decrease in reinsurance recoveries	30,480	19,162
Decrease/(increase) in other receivables	13,343	(26,157)
Decrease in current tax	-	512
Decrease in withholding tax	(125)	(45)
(Increase)/decrease in deferred tax	(1,251)	1,383
(Increase)/decrease in deferred acquisition costs	(7,186)	950
(Decrease)/increase in payables	(1,743)	5,407
Decrease in outstanding claims	(302,035)	(308,552)
Increase/(decrease) in unearned premium	10,138	(4,806)
(Decrease) in profit commission	(1,164)	(197)
Net cash flows from operating activities	(259,784)	(281,771)

25. 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:

	2014 $	2013 $
Head office:		
Münchener Rückversicherungs-Gesellschaft AG		
Management services	214,839	146,632
Capital repatriation	41,888,868	-
Subsidiaries of Münchener Rückversicherungs-Gesellschaft AG:		
MEAG Munich ERGO Asset Management		
Investment management fees	448,040	666,007
Munich Reinsurance America, Inc		
Outwards reinsurance expense	2,667,000	5,123,000
Munich Holdings of Australasia Pty Ltd		
Intercompany service fees	3,012,561	3,332,579
Munich Reinsurance Company of Australasia Limited – New Zealand Branch		
Transfer of tax losses	1,431,182	-
MunichRe New Zealand Service Limited		
Transfer of tax losses	34,208,704	35,993,310
Intercompany service fees	2,254,276	2,677,972
Short term loan provided by the Branch	-	80,424,000
Short term loan repaid to the Branch	-	80,424,000

25. Related party transactions (continued)

	2014 $	2013 $
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Inwards reinsurance premium written	39,079,255	15,245,232
Inwards reinsurance claims paid	5,837,195	5,090,250
Inwards reinsurance commission expense on premium written	27,614,759	10,890,804
Tax transfers	(79,916)	-

(c) Outstanding balances

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

	2014 $	2013 $
Münchener Rückversicherungs-Gesellschaft AG		
Management service fees	214,839	146,632
MunichRe New Zealand Service Limited		
Transfer of tax losses	(33,798,263)	(41,888,868)
Intercompany service fees	(2,431,607)	(7,853,128)
Munich Reinsurance Company of Australasia Limited – New Zealand Branch		
Transfer of tax losses	(1,431,182)	-
Great Lakes Reinsurance (UK) PLC (New Zealand Branch)		
Premiums receivable net of commission	(6,600,871)	(2,313,699)
Deposit retained	(800,000)	(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 provide services to a number of Munich Re's entities. It is not practical to apportion these payments. Therefore, these Financial Statements do not disclose any transactions with key management personnel.

26. 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 Audit; Group Development; Group Investments; Group Communications; Group Compliance; Health (until 30.4.2014)
Dr. rer. pol. Ludger Arnoldussen first appointed: 2006	Germany, Asia Pacific and Africa; Services; Central Procurement (since 1.1.2015);
Dr. rer. pol. Thomas Blunck first appointed: 2005	Special and Financial Risks; Reinsurance Investments; Central Procurement (until 31.12.2014);
Georg Daschner first appointed: 2003	Europe and Latin America (until 31.12.2014)
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
Doris Höpke first appointed: 2014	Health (since 1.5.2014)
Giuseppina Albo first appointed: 2014	Europe and Latin America (since 1.10.2014)

27. Contingencies

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

28. 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.

29. Subsequent events

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

30. 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 (2013: 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 2014.

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 2014 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 24 April 2015 in accordance with a resolution of the Directors.

For and on behalf of the Board of Management:

Member, Board of Management

Member, Board of Management

Independent auditor's report

To the shareholder 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 2 to 26. The financial statements comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other 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 International Financial Reporting Standards 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 auditor we have no relationship with, or interests in, the branch.

KPMG

Opinion

In our opinion the financial statements on pages 2 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the branch as at 31 December 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

KPMG

24 April 2015
Sydney

Munich RE

Munich Reinsurance Company
Annual Report 2014

2014

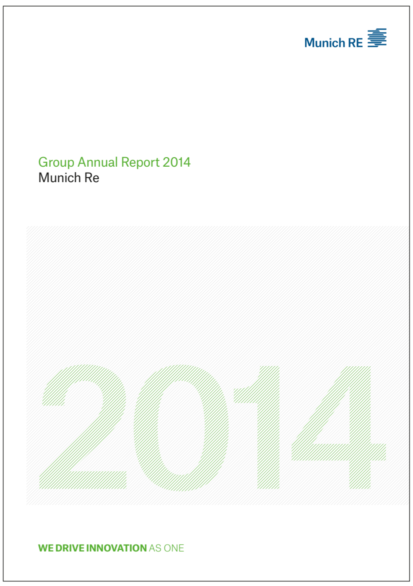
NOT IF, BUT HOW

Key figures

Munich Reinsurance Company

€m	2014	2013	2012
Gross premiums written	22,491	24,574	25,541
Investments	75,151	71,534	75,618
Net technical provisions	54,662	51,533	52,682
Shareholders' equity	10,597	11,238	11,051
Profit/loss for the year	2,006	1,646	2,390
Dividend	1,298	1,254	1,255
Dividend per share in €	7.75	7.25	7.00
Share price at 31 December in €[1]	165.75	160.15	136.00
Market capitalisation at 31 December	28,665	28,721	24,390

1 Source: Datastream



All the facts and figures for the 2014 financial year can be found in our Group Annual Report. More at www.munichre.com/annualreport2014

Contents

Munich Reinsurance Company
Report on the 135th year of business 1 January to 31 December 2014

Dr. Bernd Pischetsrieder
Chairman of the
Supervisory Board

Ladies and gentlemen,

In the financial year 2014, 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. No inspection measures in accordance with Section 111 (2) sentence 1 of the German Stock Corporation Act (AktG) were required at any time.

Collaboration between Supervisory Board and Board of Management

The Board of Management involved the Supervisory Board 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 targeted and responsible action aimed at promoting the successful development of Munich Re. The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects, both verbally and in writing.

Outside of Supervisory Board meetings, the Board of Management informed us promptly about important events in the Group, including the election of employee representatives to the Supervisory Board carried out in line with Munich Re's co-determination agreement, and ERGO's acquisition of the Greek insurance company ATE Insurance and the property-casualty insurer SHC Insurance Pte. Ltd.. The shareholder representatives and the employee representatives met with the Chairman of the Board of Management regularly 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 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 seven 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. We regularly held in-depth discussions with the Board of Management about Munich Re's business performance and current topics, with a special focus on strategic considerations of the Board of Management with respect to the individual business fields. In this context, we also always critically examined developments in life primary insurance. 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 developments in Solvency II, Europe's new supervisory regime. We also dealt with the following topics in the individual meetings in 2014:

The meeting on 19 March focused on the Company and Group financial statements for 2013 and the motions for resolution by the 2014 Annual General Meeting. We conferred and took decisions regarding two new appointments to the Board of Management and regarding the extension of another appointment, and on 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 2014. We also asked for an overview of the Group's restructured compliance organisation, and the Board of Management informed us about developments in the reinsurance markets and Munich Re's positioning in those markets.

The meeting on 29 April was devoted solely to matters involving the Board of Management, specifically the evaluation of the individual Board members' annual performance for 2013 and their multi-year performance for 2011–2013. The personal objectives for a newly appointed member of the Board of Management were also set for 2014.

On 30 April, directly prior to the Annual General Meeting, we heard the Board of Management's report on the present status of business performance in 2014. We also used the meeting to make last-minute preparations for the impending Annual General Meeting.

Immediately after the Annual General Meeting, we held the constituent meeting of the newly elected Supervisory Board, at which we addressed in particular the election of the Chairman and first deputy of the Supervisory Board, and the election of members of the five Supervisory Board committees.

At the meeting held on 15 July, we dealt with the focal points of human resources work in the Group, and were briefed on the 2013 compensation report in accordance with the German Remuneration Regulation for Insurance Companies (VersVergV). During his regular report on current issues, Dr. Nikolaus von Bomhard also referred to important provisions contained in the Life Insurance Reform Act (LVRG).

On 14 October, we discussed corporate governance issues, including the annual efficiency review and the resolution regarding the Declaration of Conformity. The Board also presented strategies in life reinsurance business, successes and "lessons learned". The personal objectives for a newly appointed member of the Board of Management were set for 2014.

On 9 December, the Chairman of ERGO presented a report on ERGO sales development in Germany, and he set out the current status of implementation of the strategy "Moving forward – My ERGO 2018". The Munich Re Board of Management outlined the strategic and operative orientation of the business field Munich Health. After a comprehensive discussion, we decided on remuneration for the Board of Management as from 1 January 2015 and the financial targets for members of the Board of Management for 2015. We looked into the Group's risk strategy in the course of the report on Munich Re's risk situation by the Group Chief Risk Officer. The Board of Management also reported on Group planning for 2015–2017, and provided explanations in cases where actual business performance deviated from the planning for the year under review.

Work of the committees

→ Details on the composition of the committees can be obtained on page 127 and from our website at www.munichre.com/supervisory-board

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 2014. 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. It also dealt with fringe benefits for members of the Board of Management, with seats held by members of the Board of Management on supervisory, advisory and similar boards, and with Group-wide succession planning, especially with respect to Board-level appointments.

At its four meetings in 2014, the Standing Committee dealt with the preparation of Supervisory Board meetings and topics of corporate governance. In addition, the Standing Committee carried out a review of the efficiency of the Supervisory Board's work in 2014, and determined that overall the reporting by the Board of Management and the work of the Supervisory Board was efficient and appropriate. A regular report by Dr. Nikolaus von Bomhard to the Standing Committee covered changes to the shareholder structure and the status of the share buy-back programme. The Committee also received the annual report on expenses for donations and sponsoring.

The Audit Committee met six times in the period under review, and two of these meetings were attended by the external auditors. At these meetings attended by the auditors, the Audit Committee discussed the annual financial statements and the management reports for the Company and for the Group, the auditors' reports, and the Board of Management's proposal for the appropriation of the net retained profits for the financial year 2013. The Committee also concerned itself with the quarterly financial reports in 2014, and discussed the half-year financial report for 2014 in detail with the auditor.

Another key task of the Committee consisted in monitoring the Group's risk situation and risk management, and developing a risk strategy. The Group Chief Risk Officer provided verbal input at several meetings of the Committee and in four written reports. Further issues discussed regularly were the internal control system and compliance topics. The Head of Group Audit informed the members of the Committee in full about the outcome of the audits for 2013 and the audit planning for 2014. The Committee received regular updates on the current status of individual compliance issues and the progress of audits. The Committee 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 Group Chief Risk Officer and the external auditors.

The Audit Committee reviewed and monitored the auditors' independence, and received regular reports on auditing and non-audit-related services. At two meetings, the Committee also addressed the potential effects of the European Union's new Directive and Regulation on statutory audits. Pursuant to a resolution taken by the full Committee in November 2013 with respect to the tender for the external audit 2014, the Chair of the Committee commissioned KPMG with the audit for the financial year 2014, and also commissioned the auditor's review of the 2014 half-year financial report.

The Nomination Committee continued the preparations for the election of shareholders' representatives at the Annual General Meeting 2014 that had already begun in 2013. At three meetings held in the first quarter of the year, 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, the Committee took account of the catalogue of criteria and the objectives determined by the Supervisory Board for its composition.

Pursuant to rule 7.5 of the rules of procedure, the Conference Committee for the Supervisory Board did not need to be convened in 2014.

Corporate governance and Declaration of Conformity

→ Details of this can be found in the corporate governance report on page 7 ff.

The Supervisory Board pays close attention to good corporate governance. Together with the Board of Management, we therefore published the mandatory annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in November 2014. We again complied with all recommendations of the German Corporate Governance Code, and intend to continue to comply with it in future. We confirmed the assessment we made in 2013 that all 20 members of the Supervisory Board are to be regarded as independent and that they do not have any relevant conflicts of interests.

Munich Re offered an internal information event to all the members of the Supervisory Board in 2014. Nearly all of them took advantage of the opportunity to enhance their understanding of increasing digitalisation and data management in the insurance industry, particularly at Munich Re, and to hold intensive discussions about these issues. Munich Re also held an induction course for newly elected members of the

Supervisory Board. This provided a customised overview of risk management, corporate governance, financial control, accounting and Board remuneration with particular reference to Munich Re.

Changes on the Supervisory Board

The five-year term of office of the Supervisory Board expired at the end of the Annual General Meeting on 30 April 2014. The following shareholders' representatives retired: Annika Falkengren and Peter Löscher. The following employee representatives retired: Herbert Bach, Dina Bösch, Hans Peter Claußen, Silvia Müller, Reinhard Pasch and Richard Sommer. The Supervisory Board wishes to thank all the retired members for their valuable and constructive counsel and their dedication to the development and supervision of Munich Re, in some cases over many years.

The Annual General Meeting elected Professor Ursula Gather and Gerd Häusler as new members of the Supervisory Board. Prior to the Annual General meeting, the following members of the Supervisory Board were elected by the relevant employee representative bodies on the basis of the co-determination agreement: Dr. Anne Horstmann, Ina Hosenfelder, Beate Mensch, Ulrich Plottke, Gabriele Sinz-Toporzysek, and Angelika Wirtz. The period of office of the new and re-elected members of the Supervisory Board began at the end of the Annual General Meeting.

Dr. Ulrich Hartmann passed away on 13 January 2014. He was a member of the Supervisory Board from December 1993 until April 2009, and acted as the Board's Chairman from December 1996 to May 2004. He proved to be a knowledgeable, far-sighted and valuable advisor, and made a significant contribution to overcoming the challenges faced by Munich Re in this period. We mourn the loss of an exceptional man.

Changes on the Board of Management

Dr. Doris Höpke was appointed a member of the Board of Management with effect from 1 May 2014, and has since been responsible for the business field Munich Health. Giuseppina Albo was appointed a member of the Board of Management with effect from 1 October 2014. Until 31 December 2014, she was jointly responsible with Georg Daschner for the Europe and Latin America Division; since 1 January 2015, she has had sole responsibility for this function.

Georg Daschner, who has been a member of the Board of Management since 2003, retired on 1 January 2015. We would like to thank him for his many years of dedicated service to the Group, and for his outstanding contribution to the success of Munich Re over many years.

Company and Group financial statements for 2014

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the Company and Group management reports and financial statements as at 31 December 2014 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 4 February 2015, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2014. On 9 March 2015, it prepared the Supervisory Board's resolution on the adoption of the Company financial statements and the approval of the Group financial statements. To this end, the Audit Committee examined the Company and Group financial statements, the management reports and the Board of Management's proposal for appropriation of the net retained profits. It discussed these at length with the auditor present at the meeting, and gave detailed consideration to the auditor's reports. 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 10 March 2015. 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 and commitment, they have once again contributed to another gratifying result for Munich Re.

Munich, 10 March 2015

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. Efficient practices on the Board of Management and Supervisory Board, good collaboration between these bodies and with the Group's staff, and open and transparent corporate communications are also very important.

What rules apply to Munich Re?

The benchmarks of good corporate governance are determined by national and international requirements, and by internal principles. 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 German Stock Corporation Act (AktG) and the German Corporate Governance Code. The German Insurance Supervision Act (VAG) and the European supervisory regulations (Solvency II implementation rules) formalise the 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 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, the co-determination agreement, rules of procedure and internal guidelines. 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 125

→ The remuneration system for the Board of Management and the remuneration tables are provided on page 20 ff. of the management report.

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 practices of the Board of Management can be found in the Statement on Corporate Governance on page 65 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 eight to ten members in the year under review (taking into account the two new appointments to the Board during the course of the year). In the period under review, the Supervisory Board appointed two women to the Board of Management who have extensive international experience and thus strengthen its diversity and internationality.

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 125 ff. More details about the work of the Supervisory Board can be found in the Statement on Corporate Governance 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 (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 professional knowledge, personal abilities and experience (especially of an international nature), independence, commitment to sustained corporate profitability 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. The Supervisory Board set itself the objective that at the beginning of the current term of office 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). This objective has already been surpassed: in the period under review, there were five women members of the Supervisory Board until 30 April 2014, and eight after this date. This means that women made up 25% of members until 30 April 2014, and 40% after that date.

The aforementioned objectives apply to the Supervisory Board as a whole. Shareholder and employee representatives will each contribute towards meeting these objectives. The Supervisory Board's Nomination Committee, which selects candidates for the shareholder representatives, and the European Electoral Board, which is responsible for the election of the employee representatives, both have a corresponding catalogue of criteria at their disposal. Besides the objectives mentioned, the catalogue includes criteria such as special professional skills and personal qualities.

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

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 not only temporary conflict of interest could arise. The Supervisory Board assumes that the members elected in accordance with the Act on the Co-Determination of Employees in Cross-Border Mergers and the co-determination agreement are independent as a matter of principle.

Annual General Meeting

The regular responsibilities of the Annual General Meeting include reaching a resolution on the appropriation of profits and approving the actions of the Board of Management and Supervisory Board. Besides this, the Annual General Meeting elects the shareholder representatives on the Supervisory Board and, in particular, votes on changes to the Articles of Association and certain capital measures. 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 a postal vote (also electronically).

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's investments worldwide are managed by MEAG, which also offers its expertise to private and institutional investors outside the Group. Munich Reinsurance Company is Munich Re's parent company.

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 international life business is written in the Life Division. This is split into four geographical regions and one international unit responsible for global activities in the area of risk and capital management, particularly the reinsurance of guarantees for savings products and transactions in the area of corporate financial management. In order to ensure proximity to our clients, we are represented in many markets with local subsidiaries and branches.

Four other divisions conduct property-casualty reinsurance. We further strengthened our competitiveness in 2014 by introducing various structural adjustments.

Global Clients and North America handles our accounts with major international insurance groups, globally operating Lloyd's syndicates and 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.

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

Special and Financial Risks 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). Global marine business, previously split between different divisions, has been centralised and allocated to this division as a new divisional unit. The bundling of this business will further enhance underwriting quality, service for our clients worldwide, and 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 Calliden Insurance Group Ltd., 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 133 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 health insurance value chain.

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 management philosophy – based on value creation

The overarching objective of Munich Re (Group) 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 observe a range of important additional conditions in managing our business. They include national accounting regulations, tax aspects, liquidity requirements, supervisory parameters, and rating agency requirements. These conditions may even determine a unit's short-term orientation.

Our value-based management is characterised by the following aspects:

— We assess business activities not only according to their earnings potential but also relative to the extent of the risks assumed. Only the risk-return relationship reveals how beneficial an activity is from the shareholder point of view.
— With value-based performance indicators, we ensure an economic valuation and the comparability of alternative initiatives.
— We clearly assign responsibilities and 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. As our business activities are multifaceted, the parallel use of different performance indicators is unavoidable.

The Group's performance indicators

The main performance metrics at Group level are economic earnings and the return on risk-adjusted capital after tax (RORAC).

Economic earnings are the Group's key performance indicator

Economic earnings

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 available financial resources in a given period, adjusted for capital measures, especially dividend payouts and share buy-backs.

Economic earnings	=	Available financial resources 31 Dec.	–	Available financial resources 1 Jan.	+/–	Capital measures

The main factors of central performance measurement, 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 Health, 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. In the future, we will derive these target figures from the calculation of the economic balance sheet under Solvency II. The performance metric economic earnings is used directly for ERGO, 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 performance indicator applied 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 through the internal risk model, and assigned specific 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, Group corporate management is carried out on the basis of Market Consistent Embedded Value (MCEV), which is valued on the basis of the European Insurance CFO Forum Market Consistent Embedded Value Principles ©[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 for Munich Health. The respective value added (adjusted for random fluctuation) is determined as follows:

$$\boxed{\text{Adjusted result}} - \boxed{\text{Cost of equity}} = \boxed{\text{Value added}}$$

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.

1 © Stichting CFO Forum Foundation 2008.

IFRS consolidated result

The IFRS consolidated result is a performance measure derived from our external 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.

Asset-liability management

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

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's German GAAP result are derived from the detailed description of 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 98% 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 average claims experience for 2015, we project that the technical result before claims equalisation provisions will be at a somewhat lower level than in 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 2015.

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, the co-determination agreement, rules of procedure and internal guidelines. Detailed information on the Company's governing bodies is provided on page 125 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 eight to ten members in the year under review (taking into account the two new appointments to the Board during the course of the year).

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

The remuneration report is structured as follows:

- Remuneration system for the Board of Management
- Total remuneration of the Board of Management
- Remuneration structure for senior executives
- Total remuneration of the Supervisory Board

Remuneration system for the Board of Management

The remuneration system for the Board of Management focuses strongly on long-term objectives, and thus creates a pronounced incentive for sustainable corporate development. It complies with the recommendations of the German Corporate Governance Code applicable since 2014, and with the provisions of the German Remuneration Regulation for Insurance Companies (VersVergV) of 6 October 2010.

The full Supervisory Board decides on the remuneration system for the Board of Management, and reviews it regularly. 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.

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	**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 – ERGO – 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	
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	> Premature termination or non-extension of employment contract under certain circumstances	–
b) Defined contribution plan (Board members appointed prior to 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

The fixed components of remuneration comprise basic remuneration plus remuneration in kind and fringe benefits.

Basic remuneration

The basic remuneration comprises a fixed cash compensation for the calendar year, paid out as a monthly salary.

Remuneration in kind/fringe benefits

Remuneration in kind and fringe benefits include – in particular – company cars, policy benefits, security measures, health screening examinations and anniversary benefits, and are in line with what is normally offered in the market (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 "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. 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 one-year and three-year periods in question, there being no adjustment of targets during these periods. The corridor for the achievement of the individual objectives and for the overall annual and multi-year performance is 0–200%. Payouts are made at the end of the periods under consideration. With a view to promoting a management approach that takes due account of the Company's long-term interests, the members of the Board of Management are obliged to invest a fixed part of the paid-out variable remuneration in Munich Reinsurance Company shares.

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.

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 ERGO, divisional results and personal performance. In addition, the Supervisory Board assesses overall performance – particularly also performance not taken into account in the objectives – of the Board of Management as a whole 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.

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. Of the net payout amount, 50% must be invested in Munich Reinsurance Company shares that must be held for at least a four-year period.

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	25%–55%		
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
– ERGO		Value-based economic performance indicator	Economic earnings[3]
Individual contribution to corporate success	25%–55%		
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 – Individual leadership
Overall performance evaluation	20%	Overall performance of individual Board members and of Board as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AktG) 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.

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, ERGO and Munich Health segments and on individual performance are fixed every year. The Supervisory Board also assesses the overall performance of the whole 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.

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. Of the net payout amount, 25% must be invested in Munich Reinsurance Company shares that must be held for at least a two-year period.

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	0%–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
– ERGO		Value-based economic performance indicator	Economic earnings[2]
– Munich Health[3]		Value-based economic performance indicator	Component of economic earnings:[2] – Value added
Individual contribution to corporate success	20%–80%		
Personal objectives (three-year period)		Personal objectives per Board member	Special focal points such as – Strategic objectives – Staff development, including diversity – Sustainable development, social tasks
Overall performance evaluation	20%	Overall performance of individual Board members and the Board as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AktG) 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.
3 The business-field objective for Munich Health is an “individual contribution to corporate success” for the Board member responsible.

Pro-rata calculation of the variable remuneration

Members of the Board of Management who have not been members of the Board for the full year receive a pro rata temporis amount of variable remuneration. The components based on annual performance are calculated for the months of the one-year plan term in which the Board members have held their position. Only the first year of the respective three-year plan term is pertinent for the pro-rata calculation of variable remuneration for the multi-year performance, i.e. the Board members receive pro-rata variable remuneration only for those months of the first plan year in which they have held their position. Pro-rata calculation also applies for the pertinent year in case of retirement, occupational disability, or death.

Weighting of remuneration components

In the case of 100% achievement of objectives, the weightings of the individual components in terms of total remuneration were as follows: basic remuneration 30%, variable remuneration 70%, of which 30% was based on annual performance and 70% on multi-year performance.

Share-based remuneration agreements that resulted in payments during the reporting period

Long-Term Incentive Plan

→ Further information about the Long-Term Incentive Plan can be found in the notes to the consolidated financial statements on page 121 f.

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 was set up each year from 1999 to 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 have 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. There were no more exercisable stock appreciation rights in the reporting year, only payments based on the exercise of rights at the end of 2013.

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 twelve 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

Remuneration for other board memberships

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

Severance cap and change of control

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 (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.

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 Munich Reinsurance 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 which is geared to their target overall direct remuneration for each calendar year (contribution year) during the term of their contract and uniformly amounts to 25.5%. 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.

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 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.

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
- In the case of a combination of defined benefit plans and defined contribution plans: 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 or from 1 April 2012: 80% of the insured occupational pension up to the age of 59 or 61, with subsequent occupational pension
- In the case of a combination of defined benefit plans and defined contribution plans: Vested pension from defined benefit plan up to 2008 and 80% of the insured occupational pension benefit up to age 59, with subsequent occupational pension based on the defined contribution plan.

Reduced occupational pension on early retirement

Board members are entitled to an occupational pension if the contract of employment is terminated as a result of non-extension or revocation of their appointment without the Board members 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
- In the case of a combination between defined benefit plans and defined contribution plans: 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
- In the case of a combination between defined benefit plans and defined contribution plans: The entitlement under the vested pension is a proportion of the vested pension based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether up to the fixed retirement age (Section 2 (1) of the Employers' Retirement Benefits Act). The entitlement from the incremental pension comprises the pension benefits fully financed under the insurance contract up to the occurrence of the insured event based on the pension contributions made up to the date of leaving the Company (Section 2 (5a) of the Employers' Retirement Benefits Act). This entitlement is paid out as an annuity or a lump sum.

Improved vested benefits: Improved vested benefits are granted if the contract ends owing to non-extension of the Board member's appointment (by the Company) but not due to gross violation of duties or to the Board member giving notice. A further precondition is that the Board member leaves the Board before reaching the age of 60 and has had 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 with a combination between defined benefit plans and defined contribution plans, 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 with a combination between defined benefit plans and defined contribution plans). 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 with a combination between defined benefit plans and defined contribution plans). 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.

Adjustment of pensions and benefits for surviving dependants

In the case of Board members appointed before 2009, occupational pensions and pensions for surviving dependants are reviewed for adjustment if salaries payable under pay-scale agreements in the insurance industry have increased by more than 12% (based on the average final salary of all pay-scale categories) since the pensions were last fixed or more than three years have passed since that date. The adjustment made will at least be in line with the increase in the cost of living in the meantime according to the consumer price index for Germany. This arrangement also applies to Board members newly appointed in the period from 1 January 2009 to 31 March 2012 who received a pension commitment from the Company for the first time before 1 January 1999. For Board members appointed as from 2009 who did not receive a pension commitment from the Company before 1 January 1999, and for Board members appointed as from 1 April 2012, occupational pension and benefits for surviving dependants are adjusted by 1% annually from the date when the pension or benefit starts being drawn, in accordance with Section 16 (3) no. 1 of the German Employers' Retirement Benefits Act. Vested benefits are not adjusted.

Total remuneration of the Board of Management

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 (DAX 30) companies. New Board members are placed at a level which allows sufficient potential for development of the remuneration in the first three years.

Board of management remuneration is disclosed under two different sets of rules: on the basis of German Accounting Standard No. 17 (DRS 17, revised 2010) and the new provisions of the German Corporate Governance Code applicable since financial year 2014. There are therefore deviations in individual remuneration components and total remuneration.

Board of management remuneration under DRS 17

Under DRS 17, remuneration for annual performance 2014 is shown as the provisions set aside for that purpose taking into account the relevant additional/reduced expenditure for the previous year, since the performance on which the remuneration is based has been completed as at the balance sheet date and the requisite Board resolution is already foreseeable. Under DRS 17, remuneration for multi-year performance 2011–2013 is recognised in the year of payment, i.e. in 2014.

Fixed and variable remuneration components

The members of Munich Reinsurance Company's Board of Management received remuneration totalling €24.1m 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 €1.2m compared with the previous year's figure, which was adjusted for the remuneration of a Board member who had left the Board as at 1 January 2014. The basic remuneration and remuneration in kind/fringe benefits accounted for €0.7m and the multi-year performance for €0.7m. In addition, the amount paid out for annual performance is projected to decrease by €0.2m, 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 (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	**2014**	**1,230,000**	**31,669**	**895,361**	**2,569,560**	**4,726,590**
	2013	1,200,000	30,992	1,038,240	2,158,156	4,427,388
Giuseppina Albo[3]	**2014**	**121,875**	**61,323**	**92,199**	**–**	**275,397**
	2013	–	–	–	–	–
Ludger Arnoldussen	**2014**	**600,000**	**46,133**	**370,524**	**1,246,119**	**2,262,776**
	2013	570,000	46,856	505,333	1,313,935	2,436,124
Thomas Blunck	**2014**	**600,000**	**40,860**	**402,244**	**1,287,720**	**2,330,824**
	2013	570,000	37,862	413,763	1,296,981	2,318,606
Georg Daschner	**2014**	**600,000**	**34,678**	**466,179**	**1,414,140**	**2,514,997**
	2013	585,000	32,692	485,871	1,443,050	2,546,613
Doris Höpke	**2014**	**325,000**	**17,086**	**184,731**	**–**	**526,817**
	2013	–	–	–	–	–
Torsten Jeworrek	**2014**	**870,000**	**34,293**	**615,620**	**1,885,520**	**3,405,433**
	2013	855,000	34,418	690,070	1,898,750	3,478,238
Peter Röder[4]	**2014**	**600,000**	**134,808**	**471,114**	**1,246,119**	**2,452,041**
	2013	570,000	37,459	467,528	1,230,880	2,305,867
Jörg Schneider	**2014**	**870,000**	**36,180**	**659,249**	**1,838,970**	**3,404,399**
	2013	855,000	177,690	719,397	1,567,020	3,319,107
Joachim Wenning	**2014**	**600,000**	**34,585**	**418,152**	**1,152,480**	**2,205,217**
	2013	570,000	33,695	416,619	1,063,300	2,083,614
Total	**2014**	**6,416,875**	**471,615**	**4,575,373**	**12,640,628**	**24,104,491**
	2013	5,775,000	431,664	4,736,821	11,972,072	22,915,557

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 2014 annual performance. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted.
For the 2013 annual performance, a total of €224,510 more was paid out than had been reserved in the financial year 2013. The additional/reduced expenditure breaks down as follows: von Bomhard €78,960, Arnoldussen –€27,930, Blunck €15,760, Daschner €12,285, Jeworrek €14,962, Röder €27,930, Schneider €58,653, Wenning €43,890. This results in the following actual bonus payments for 2013:
von Bomhard €1,075,200, Arnoldussen €498,750, Blunck €498,750, Daschner €552,825, Jeworrek €748,125, Röder €542,640, Schneider €754,110, Wenning €450,870.
The amounts shown for the annual performance 2014 comprise the respective provision for 2014 and the relevant additional/reduced expenditure for 2013.
2 The amounts paid out in 2014 were for multi-year performance 2011–2013.
3 Remuneration in kind/fringe benefits for 2014 including travel expenses for flights home to family members owing to the maintenance of two households.
4 Remuneration in kind/fringe benefits for 2014 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	Set in	for	Annual performance[1, 3] €	Multi-year performance[2, 3] €	Total amounts payable €
Nikolaus von Bomhard	**2014**	**2015**	**861,000**	**2,009,000**	**2,870,000**
	2013	2014	861,000	2,009,000	2,870,000
Giuseppina Albo	**2014**	**2015**	**341,250**	**796,250**	**1,137,500**
	2014	2014	85,313	199,063	284,376
Ludger Arnoldussen	**2014**	**2015**	**420,000**	**980,000**	**1,400,000**
	2013	2014	420,000	980,000	1,400,000
Thomas Blunck	**2014**	**2015**	**420,000**	**980,000**	**1,400,000**
	2013	2014	420,000	980,000	1,400,000
Georg Daschner	**2014**	**2015**	**–**	**–**	**–**
	2013	2014	420,000	980,000	1,400,000
Doris Höpke	**2014**	**2015**	**341,250**	**796,250**	**1,137,500**
	2014	2014	227,500	530,833	758,333
Torsten Jeworrek	**2014**	**2015**	**609,000**	**1,421,000**	**2,030,000**
	2013	2014	609,000	1,421,000	2,030,000
Peter Röder	**2014**	**2015**	**420,000**	**980,000**	**1,400,000**
	2013	2014	420,000	980,000	1,400,000
Jörg Schneider	**2014**	**2015**	**609,000**	**1,421,000**	**2,030,000**
	2013	2014	609,000	1,421,000	2,030,000
Joachim Wenning	**2014**	**2015**	**420,000**	**980,000**	**1,400,000**
	2013	2014	420,000	980,000	1,400,000
Total	**2014**	**2015**	**4,441,500**	**10,363,500**	**14,805,000**
	2013	2014	4,491,813	10,480,896	14,972,709

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for 2014. 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 2014 is payable in 2017, that for 2015 in 2018.
3 The information on the assessment bases and parameters on page 22 ff for the amounts set for 2014 also applies to the amounts set for 2015.

Pension entitlements

Personnel expenses of €4.9m were incurred in the financial year to finance the pension entitlements for active members of the Board of Management. Of these, €1.2m was apportionable to defined benefit plans and €3.7m 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, 4]	**2014**	**407,100**	**15,617,525**	**372,943**
	2013	407,100	10,474,789	384,766
Giuseppina Albo[4, 5]	**2014**	**–**	**–**	**–**
	2013	–	–	–
Ludger Arnoldussen[4, 6]	**2014**	**157,500**	**3,265,461**	**257,315**
	2013	157,500	1,850,243	269,261
Thomas Blunck[4, 7]	**2014**	**120,000**	**2,862,476**	**113,941**
	2013	120,000	1,670,842	120,889
Georg Daschner[8]	**2014**	**250,000**	**8,259,886**	**0**
	2013	234,000	6,544,532	0
Doris Höpke[4, 5]	**2014**	**–**	**–**	**1,856**
	2013	–	–	–
Torsten Jeworrek[4, 6]	**2014**	**171,000**	**5,314,770**	**141,610**
	2013	171,000	3,324,450	149,074
Peter Röder[4, 6]	**2014**	**90,000**	**2,894,574**	**75,812**
	2013	90,000	1,832,183	78,369
Jörg Schneider[4, 6]	**2014**	**275,000**	**9,575,691**	**244,725**
	2013	275,000	6,222,950	253,987
Joachim Wenning[4, 6]	**2014**	**–**	**–**	**1,021**
	2013	–	–	20,316
Total	**2014**	**1,470,600**	**47,790,383**	**1,209,223**
	2013	1,454,600	31,919,989	1,276,662

See table on next page for footnotes.

Pension entitlements

Name	Financial year	Pension contribution rate for target total direct remuneration	Entitlement as at 31 December	Defined contribution plan: Present value of entitlement as at 31 December	Personnel expenses
		%	€/year	€	€
Nikolaus von Bomhard[3, 4]	**2014**	**17.00**	**159,165**	**6,828,230**	**697,000**
	2013	17.00	131,714	4,009,204	680,000
Giuseppina Albo[4, 5]	**2014**	**25.50**	**3,505**	**–[9]**	**103,594**
	2013	–	–	–	
Ludger Arnoldussen[4, 6]	**2014**	**14.75**	**69,383**	**3,060,380**	**295,000**
	2013	14.75	57,111	1,662,863	280,250
Thomas Blunck[4, 7]	**2014**	**16.25**	**81,600**	**3,609,722**	**325,000**
	2013	16.25	67,373	1,882,123	308,750
Georg Daschner[8]	**2014**	**–**	**–**	**–**	**–**
	2013	–	–	–	–
Doris Höpke[4, 5]	**2014**	**25.50**	**9,846**	**–[9]**	**276,250**
	2013	–	–	–	–
Torsten Jeworrek[4, 6]	**2014**	**19.50**	**135,157**	**5,908,988**	**565,500**
	2013	19.50	111,923	3,233,034	555,750
Peter Röder[4, 6]	**2014**	**20.25**	**89,589**	**3,948,345**	**405,000**
	2013	20.25	73,236	2,193,184	384,750
Jörg Schneider[4, 6]	**2014**	**16.50**	**112,249**	**4,846,279**	**478,500**
	2013	16.50	93,303	2,782,075	470,250
Joachim Wenning[4, 6]	**2014**	**25.50**	**95,448**	**–[9]**	**510,000**
	2013	25.50	76,807	–	484,500
Total	**2014**		**755,942**	**28,201,944**	**3,655,844**
	2013		611,467	15,762,483	3,164,250

1 In the case of Board members with a combination between defined benefit plans and defined contribution plans, 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 an occupational pension in the event of termination of employment owing to incapacity to work.
5 Entitled to vested benefits under the Employers' Retirement Benefits Act in the event of premature or regular termination of employment.
6 Entitled to a reduced occupational pension on early retirement in the event of premature or regular termination of employment.
7 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.
8 No transfer to defined contribution system, as Board member had already reached 55 at the conversion date. Retired at 1 January 2015 and entitled to an occupational pension of €255,000 p.a.
9 Defined Contribution Plan within the meaning of IAS 19, Employee Benefits, so no present value shown.

Board of Management remuneration under the German Corporate Governance Code

As required by the provisions of the German Corporate Governance Code, the following table shows the benefits granted and remuneration paid out to individual members of the Board of Management in the reporting year.

The basic remuneration, remuneration in kind/fringe benefits and pension expenses (sum of personnel expenses for defined benefit plans and defined contribution plans) are in accordance with German Accounting Standard No. 17 (DRS 17). There are some deviations with regard to the variable remuneration for annual and multi-year performance. In addition, the German Corporate Governance Code requires the disclosure of proceeds from the exercise of stock appreciation rights under the long-term incentive plans. Under DRS 17, however, these proceeds are not disclosed.

Remuneration paid in accordance with the German Corporate Governance Code

	Nikolaus von Bomhard Chairman of the Board of Management				Giuseppina Albo Board member Joined: 1.10.2014			
€	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)	2013
Basic remuneration	1,230,000	1,230,000	1,230,000	1,200,000	121,875	121,875	121,875	–
Remuneration in kind/fringe benefits	31,669	31,669	31,669	30,992	61,323	61,323	61,323	–
Total	**1,261,669**	**1,261,669**	**1,261,669**	**1,230,992**	**183,198**	**183,198**	**183,198**	–
One-year variable remuneration								
Annual performance 2013				840,000				–
Annual performance 2014	861,000	0	1,722,000		85,313	0	170,625	
Multi-year variable remuneration								–
Multi-year performance 2013–2015				1,960,000				–
Multi-year performance 2014–2016	2,009,000	0	4,018,000		199,063	0	398,125	
Total	**4,131,669**	**1,261,669**	**7,001,669**	**4,030,992**	**467,574**	**183,198**	**751,948**	–
Pension expenses	1,069,943	1,069,943	1,069,943	1,064,766	103,594	103,594	103,594	–
Total remuneration	**5,201,612**	**2,331,612**	**8,071,612**	**5,095,758**	**571,168**	**286,792**	**855,542**	–

→	Ludger Arnoldussen Board member				Thomas Blunck Board member			
€	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)	2013
Basic remuneration	600,000	600,000	600,000	570,000	600,000	600,000	600,000	570,000
Remuneration in kind/fringe benefits	46,133	46,133	46,133	46,856	40,860	40,860	40,860	37,862
Total	**646,133**	**646,133**	**646,133**	**616,856**	**640,860**	**640,860**	**640,860**	**607,862**
One-year variable remuneration								
Annual performance 2013				399,000				399,000
Annual performance 2014	420,000	0	840,000		420,000	0	840,000	
Multi-year variable remuneration								
Multi-year performance 2013–2015				931,000				931,000
Multi-year performance 2014–2016	980,000	0	1,960,000		980,000	0	1,960,000	
Total	**2,046,133**	**646,133**	**3,446,133**	**1,946,856**	**2,040,860**	**640,860**	**3,440,860**	**1,937,862**
Pension expenses	552,315	552,315	552,315	549,511	438,941	438,941	438,941	429,639
Total remuneration	**2,598,448**	**1,198,448**	**3,998,448**	**2,496,367**	**2,479,801**	**1,079,801**	**3,879,801**	**2,367,501**

→	Georg Daschner Board member Retired: 31.12.2014				Doris Höpke Board member Joined: 1.5.2014			
€	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)	2013
Basic remuneration	600,000	600,000	600,000	585,000	325,000	325,000	325,000	–
Remuneration in kind/fringe benefits	34,678	34,678	34,678	32,692	17,086	17,086	17,086	–
Total	**634,678**	**634,678**	**634,678**	**617,692**	**342,086**	**342,086**	**342,086**	–
One-year variable remuneration								
Annual performance 2013				409,500				–
Annual performance 2014	420,000	0	840,000		227,500	0	455,000	
Multi-year variable remuneration								
Multi-year performance 2013–2015				955,500				–
Multi-year performance 2014–2016	980,000	0	1,960,000		530,833	0	1,061,667	
Total	**2,034,678**	**634,678**	**3,434,678**	**1,982,692**	**1,100,419**	**342,086**	**1,858,753**	–
Pension expenses	0	0	0	0	278,106	278,106	278,106	–
Total remuneration	**2,034,678**	**634,678**	**3,434,678**	**1,982,692**	**1,378,525**	**620,192**	**2,136,859**	–

€	Torsten Jeworrek Board member 2014	2014 (Min)	2014 (Max)	2013	Peter Röder Board member 2014	2014 (Min)	2014 (Max)	2013
Basic remuneration	870,000	870,000	870,000	855,000	600,000	600,000	600,000	570,000
Remuneration in kind/fringe benefits	34,293	34,293	34,293	34,418	134,808	134,808	134,808	37,459
Total	**904,293**	**904,293**	**904,293**	**889,418**	**734,808**	**734,808**	**734,808**	**607,459**
One-year variable remuneration								
Annual performance 2013				598,500				399,000
Annual performance 2014	609,000	0	1,218,000		420,000	0	840,000	
Multi-year variable remuneration								
Multi-year performance 2013–2015				1,396,500				931,000
Multi-year performance 2014–2016	1,421,000	0	2,842,000		980,000	0	1,960,000	
Total	**2,934,293**	**904,293**	**4,964,293**	**2,884,418**	**2,134,808**	**734,808**	**3,534,808**	**1,937,459**
Pension expenses	707,110	707,110	707,110	704,824	480,812	480,812	480,812	463,119
Total remuneration	**3,641,403**	**1,611,403**	**5,671,403**	**3,589,242**	**2,615,620**	**1,215,620**	**4,015,620**	**2,400,578**

€	Jörg Schneider Board member 2014	2014 (Min)	2014 (Max)	2013	Joachim Wenning Board member 2014	2014 (Min)	2014 (Max)	2013
Basic remuneration	870,000	870,000	870,000	855,000	600,000	600,000	600,000	570,000
Remuneration in kind/fringe benefits	36,180	36,180	36,180	177,690	34,585	34,585	34,585	33,695
Total	**906,180**	**906,180**	**906,180**	**1,032,690**	**634,585**	**634,585**	**634,585**	**603,695**
One-year variable remuneration								
Annual performance 2013				598,500				399,000
Annual performance 2014	609,000	0	1,218,000		420,000	0	840,000	
Multi-year variable remuneration								
Multi-year performance 2013–2015				1,396,500				931,000
Multi-year performance 2014–2016	1,421,000	0	2,842,000		980,000	0	1,960,000	
Total	**2,936,180**	**906,180**	**4,966,180**	**3,027,690**	**2,034,585**	**634,585**	**3,434,585**	**1,933,695**
Pension expenses	723,225	723,225	723,225	724,237	511,021	511,021	511,021	504,816
Total remuneration	**3,659,405**	**1,629,405**	**5,689,405**	**3,751,927**	**2,545,606**	**1,145,606**	**3,945,606**	**2,438,511**

Remuneration table – Inflow in accordance with the German Corporate Governance Code

	Nikolaus von Bomhard Chairman of the Board of Management		Giuseppina Albo Board member Joined: 1.10.2014		Ludger Arnoldussen Board member	
€	2014	2013	2014	2013	2014	2013
Basic remuneration	1,230,000	1,200,000	121,875	–	600,000	570,000
Remuneration in kind/fringe benefits	31,669	30,992	61,323	–	46,133	46,856
Total	**1,261,669**	**1,230,992**	**183,198**	**–**	**646,133**	**616,856**
One-year variable remuneration						
Annual performance 2013		1,075,200		–		498,750
Annual performance 2014[1]	816,401		92,199		398,454	
Multi-year variable remuneration						
Multi-year performance 2011–2013		2,569,560	–	–		1,246,119
Multi-year performance 2012–2014[2]	2,272,032		–	–	1,228,222	
Long-term Incentive Plan 2006[3]		679,078	–	–		61,184
Long-term Incentive Plan 2007[3]	577,433		–	–	208,088	
Long-term Incentive Plan 2008[3]		805,364	–	–		318,501
Long-term Incentive Plan 2009[3]		1,020,099	–	–		
Total	**4,927,535**	**7,380,293**	**275,397**	**–**	**2,480,897**	**2,741,410**
Pension expenses	1,069,943	1,064,766	103,594	–	552,315	549,511
Total remuneration	**5,997,478**	**8,445,059**	**378,991**	**–**	**3,033,212**	**3,290,921**

→	Thomas Blunck Board member		Georg Daschner Board member Retired: 31.12.2014		Doris Höpke Board member Joined: 1.5.2014	
€	2014	2013	2014	2013	2014	2013
Basic remuneration	600,000	570,000	600,000	585,000	325,000	–
Remuneration in kind/fringe benefits	40,860	37,862	34,678	32,692	17,086	–
Total	**640,860**	**607,862**	**634,678**	**617,692**	**342,086**	**–**
One-year variable remuneration						
Annual performance 2013		498,750		552,825		–
Annual performance 2014[1]	386,484		453,894		184,731	
Multi-year variable remuneration						
Multi-year performance 2011–2013		1,287,720		1,414,140	–	–
Multi-year performance 2012–2014[2]	1,228,222		1,260,544		–	–
Long-term Incentive Plan 2006[3]		244,715		326,286	–	–
Long-term Incentive Plan 2007[3]	242,774		312,119		–	–
Long-term Incentive Plan 2008[3]		364,008		409,516	–	–
Long-term Incentive Plan 2009[3]				698,796	–	–
Total	**2,498,340**	**3,003,055**	**2,661,235**	**4,019,255**	**526,817**	**–**
Pension expenses	438,941	429,639	0	0	278,106	–
Total remuneration	**2,937,281**	**3,432,694**	**2,661,235**	**4,019,255**	**804,923**	**–**

See table on next page for footnotes.

€	Torsten Jeworrek Board member 2014	2013	Peter Röder Board member 2014	2013
Basic remuneration	870,000	855,000	600,000	570,000
Remuneration in kind/fringe benefits	34,293	34,418	134,808	37,459
Total	**904,293**	**889,418**	**734,808**	**607,459**
One-year variable remuneration				
Annual performance 2013		748,125		542,640
Annual performance 2014[1]	600,658		443,184	
Multi-year variable remuneration				
Multi-year performance 2011–2013		1,885,520		1,246,119
Multi-year performance 2012–2014[2]	1,842,332		1,228,222	
Long-term Incentive Plan 2006[3]		407,857		
Long-term Incentive Plan 2007[3]	381,490		52,029	
Long-term Incentive Plan 2008[3]		518,703		273,019
Long-term Incentive Plan 2009[3]		856,600	392,406	227,590
Total	**3,728,773**	**5,306,223**	**2,850,649**	**2,896,827**
Pension expenses	707,110	704,824	480,812	463,119
Total remuneration	**4,435,883**	**6,011,047**	**3,331,461**	**3,359,946**

€	Jörg Schneider Board member 2014	2013	Joachim Wenning Board member 2014	2013
Basic remuneration	870,000	855,000	600,000	570,000
Remuneration in kind/fringe benefits	36,180	177,690	34,585	33,695
Total	**906,180**	**1,032,690**	**634,585**	**603,695**
One-year variable remuneration				
Annual performance 2013		754,110		450,870
Annual performance 2014[1]	600,596		374,262	
Multi-year variable remuneration				
Multi-year performance 2011–2013		1,838,970		1,152,480
Multi-year performance 2012–2014[2]	1,618,822		1,163,579	
Long-term Incentive Plan 2006[3]		489,429		
Long-term Incentive Plan 2007[3]	416,176			
Long-term Incentive Plan 2008[3]		568,766		
Long-term Incentive Plan 2009[3]	586,057	577,584		428,300
Total	**4,127,831**	**5,261,549**	**2,172,426**	**2,635,345**
Pension expenses	723,225	724,237	511,021	504,816
Total remuneration	**4,851,056**	**5,985,786**	**2,683,447**	**3,140,161**

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 2014 annual performance. The amount shown for the 2014 annual performance remuneration is based on estimates and the relevant provisions posted.
2 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2012–2014 multi-year performance. The amount shown for the 2012–2014 multi-year performance remuneration is based on estimates and the relevant provisions posted.
3 Proceeds from the exercise of stock appreciation rights granted in 2006–2009.

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.

→ Information on RORAC is provided on page 16 f.

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 among 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 the Group is systematically reflected in the remuneration of all staff and that the bonus amount bears a reasonable relationship to 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

By resolution of the Annual General Meeting 2013, remuneration of the Supervisory Board was put on a purely fixed-remuneration basis. In addition, the remuneration for serving on Supervisory Board committees is to be adapted to reflect the amount of responsibility and actual work involved. The new rules are effective for remuneration to be paid as from the financial year 2014.

Each member of the Supervisory Board shall receive an annual remuneration of €90,000. The Chairman of the Supervisory Board shall receive an annual remuneration of €180,000, and the Deputy Chairman an annual remuneration of €135,000.

Members of the Audit Committee each receive an additional €45,000; members of the Personnel Committee each receive an extra €27,000; and members of the Standing Committee each receive an additional €13,500. The Chairs of these committees also receive double the amounts stated for members. No additional remuneration is paid for serving on the Nomination Committee or the Conference Committee.

In addition, members of the Supervisory Board receive an attendance fee of €1,000 for each Supervisory Board meeting and each meeting of a Supervisory Board committee – with the exception of the Conference Committee.

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

Name	Financial year	Fixed remuneration[2] Annual	Fixed remuneration[2] For committee work	Result-related remuneration Annual	Result-related remuneration with long-term incentive function Annual	Total
		€	€	€	€	€
Bernd Pischetsrieder	**2014**	**186,000**	**136,000**	**–**	**–**	**322,000**
Chairman	2013	125,000	149,000	60,000	25,000	359,000
Marco Nörenberg	**2014**	**129,750**	**27,125**	**–**	**–**	**156,875**
Deputy Chairman (from 30 April 2014)	2013	50,000	41,000	24,000	10,000	125,000
Hans Peter Claußen	**2014**	**48,000**	**4,500**	**–**	**–**	**52,500**
Deputy Chairman (until 30 April 2014)	2013	75,000	25,000	36,000	15,000	151,000
Ann-Kristin Achleitner	**2014**	**96,000**	**–**	**–**	**–**	**96,000**
	2013	49,726	–	23,869	9,945	83,540
Herbert Bach	**2014**	**33,000**	**15,500**	**–**	**–**	**48,500**
(until 30 April 2014)	2013	50,000	50,000	24,000	10,000	134,000
Dina Bösch	**2014**	**33,000**	**–**	**–**	**–**	**33,000**
(until 30 April 2014)	2013	50,000	–	24,000	10,000	84,000
Annika Falkengren	**2014**	**31,000**	**–**	**–**	**–**	**31,000**
(until 30 April 2014)	2013	50,000	–	24,000	10,000	84,000
Frank Fassin	**2014**	**96,000**	**–**	**–**	**–**	**96,000**
	2013	50,000	–	24,000	10,000	84,000
Benita Ferrero-Waldner	**2014**	**95,000**	**–**	**–**	**–**	**95,000**
	2013	50,000	–	24,000	10,000	84,000
Christian Fuhrmann	**2014**	**96,000**	**51,000**	**–**	**–**	**147,000**
	2013	50,000	43,000	24,000	10,000	127,000
Ursula Gather	**2014**	**71,500**	**–**	**–**	**–**	**71,500**
(from 30 April 2014)	2013	–	–	–	–	–
Peter Gruss	**2014**	**95,000**	**–**	**–**	**–**	**95,000**
	2013	50,000	–	24,000	10,000	84,000
Gerd Häusler	**2014**	**71,500**	**–**	**–**	**–**	**71,500**
(from 30 April 2014)	2013	–	–	–	–	–
Anne Horstmann	**2014**	**71,500**	**37,750**	**–**	**–**	**109,250**
(from 30 April 2014)	2013	–	–	–	–	–
Ina Hosenfelder	**2014**	**70,500**	**–**	**–**	**–**	**70,500**
(from 30 April 2014)	2013	–	–	–	–	–
Henning Kagermann	**2014**	**96,000**	**111,500**	**–**	**–**	**207,500**
	2013	50,000	99,000	1,000[3]	0[3]	150,000[3]
Peter Löscher	**2014**	**33,000**	**2,000**	**–**	**–**	**35,000**
(until 30 April 2014)	2013	50,000	6,000	24,000	10,000	90,000
Wolfgang Mayrhuber	**2014**	**95,000**	**42,500**	**–**	**–**	**137,500**
	2013	50,000	50,000	24,000	10,000	134,000
Beate Mensch	**2014**	**70,500**	**–**	**–**	**–**	**70,500**
(from 30 April 2014)	2013	–	–	–	–	–
Silvia Müller	**2014**	**33,000**	**–**	**–**	**–**	**33,000**
(until 30 April 2014)	2013	50,000	–	24,000	10,000	84,000
Reinhard Pasch	**2014**	**33,000**	**–**	**–**	**–**	**33,000**
(until 30 April 2014)	2013	50,000	–	24,000	10,000	84,000

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

Name	Financial year	Fixed remuneration[2]		Result-related remuneration	Result-related remuneration with long-term incentive function	Total
		Annual	For committee work	Annual	Annual	
		€	€	€	€	€
Ulrich Plottke	**2014**	**71,500**	**–**	**–**	**–**	**71,500**
(from 30 April 2014)	2013	–	–	–	–	–
Anton van Rossum	**2014**	**95,000**	**51,000**	**–**	**–**	**146,000**
	2013	50,000	43,000	24,000	10,000	127,000
Andrés Ruiz Feger	**2014**	**96,000**	**10,125**	**–**	**–**	**106,125**
	2013	50,000	–	24,000	10,000	84,000
Gabriele Sinz-Toporzysek	**2014**	**71,500**	**–**	**–**	**–**	**71,500**
(from 30 April 2014)	2013	–	–	–	–	–
Richard Sommer	**2014**	**33,000**	**–**	**–**	**–**	**33,000**
(until 30 April 2014)	2013	50,000	–	24,000	10,000	84,000
Ron Sommer	**2014**	**96,000**	**–**	**–**	**–**	**96,000**
	2013	50,000	–	24,000	10,000	84,000
Angelika Wirtz	**2014**	**71,500**	**20,250**	**–**	**–**	**91,750**
(from 30 April 2014)	2013	–	–	–	–	–
Total	**2014**	**2,118,750**	**509,250**			**2,628,000**
	2013	1,099,726	506,000	504,869	209,945	2,320,540

1 Plus turnover tax in each case, in accordance with Article 15 (6) of the Articles of Association.
2 Including attendance fees in each case, as per Article 15 (4) of the Articles of Association.
3 After capping in accordance with Article 15 (5) of the Articles of Association (version 9/2013).

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	**2014**	**4,932**	**–**	**–**	**4,932**
	2013	24,895	–	0	24,895
Frank Fassin	**2014**	**35,000**	**–**	**–**	**35,000**
	2013	27,000	–	0	27,000
Anne Horstmann	**2014**	**35,000**	**–**	**–**	**35,000**
	2013	–	–	–	–
Silvia Müller	**2014**	**35,000**	**–**	**–**	**35,000**
	2013	27,000	–	0	27,000
Marco Nörenberg	**2014**	**35,000**	**7,500**	**–**	**42,500**
	2013	27,000	6,750	0	33,750
Richard Sommer	**2014**	**11,507**	**–**	**–**	**11,507**
	2013	27,000	–	0	27,000
Total	**2014**	**156,439**	**7,500**	**–**	**163,939**
	2013	132,895	6,750	0	139,645

1 Plus turnover tax (USt) 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 2014, as in the previous year, the global economy grew only moderately. Recovery in the eurozone was disappointing, and the Japanese economy slid back into recession. Slumps in the USA and China at the start of the year also had a dampening effect, though the world's two largest economies recovered during the year. The strong upturn in the United Kingdom continued.

Capital markets

The US central bank began to gradually wind down its expansionary monetary policy. Step by step, it reduced the volume of its monthly bond purchases and ended the bond-buying programme in October. The European Central Bank (ECB) on the other hand relaxed its monetary policy. It lowered its key interest rate twice, bringing it down to 0.05%, introduced a negative interest rate for deposits at the central bank, and announced a new programme to buy private-sector bonds.

Geopolitical conflicts fuel uncertainty

Uncertainty in the global capital and foreign exchange markets increased in 2014, due mainly to geopolitical conflicts, deteriorating prospects in the eurozone, and the steep fall in the oil price.

Long-term interest rates in the USA and in Germany fell significantly over the course of the year. At the year-end, yields on US and German bonds with periods to maturity of ten years were 2.2% and 0.5% respectively, compared with 3.0% and 1.9% at the end of 2013. The fall in interest rates had a positive impact on the market value of fixed-income bonds, but the deteriorating terms for new investments and reinvestments were a considerable burden for insurers. Regular interest income saw a further slight decline, because yields on new fixed-interest securities with high ratings are far lower than the average return on the securities maturing or sold. Life insurers, which have to meet interest-rate guarantees, are particularly affected.

Munich Re writes a large portion of its business outside the eurozone. Appreciation of the euro has an adverse effect on premium income development posted in euros, while depreciation increases it. The average exchange rate of the euro to the US dollar in 2014 was unchanged from the previous year. It was higher against the Canadian dollar (7.2%) and the Japanese yen (8.3%), but lower against the British pound sterling (–5.1%). Altogether, currency translation effects have slightly distorted premium income downwards compared with the previous year.

The value shown for investments on the other hand, which is translated at period-end exchange rates, was increased substantially by currency translation effects in 2014. On 31 December 2014, the exchange rate of the US dollar to the euro of US$ 1.21 was 12% lower than the rate on 31 December 2013 (US$ 1.37). The euro was 3.7% down against the Canadian dollar, 6.5% down against the British pound sterling, and 0.1% higher against the Japanese yen.

Insurance industry

According to provisional estimates, the German insurance industry's premium income increased appreciably overall in 2014. While premiums in both property-casualty insurance and life insurance rose strongly as in the previous year, premium growth in health insurance was weak.

In 2014, price competition increased in the reinsurance market. There was already an abundance of capacity available for the property-casualty reinsurance renewals in January 2014. In the course of 2014, most reinsurance groups saw their equity increase further as a result of the absence of major losses and the fall in interest rates. The latter tended to result in higher values for fixed-interest investments under international accounting standards. Prices also decreased significantly at the 1 April and 1 July renewals, and the trend continued for the 1 January 2015 renewals.

Overview and key figures

Munich Reinsurance Company's business experience in the 2014 financial year was good overall, with major-loss expenditure remaining below the volume to be expected. Moreover, the release of loss reserves for prior accident years, which we were able to make following a review of our reserving position, made a positive contribution to the technical result before claims equalisation provisions.

Munich Reinsurance Company wrote gross premiums totalling €22.5bn (24.6bn) in the 2014 financial year, a year-on-year decrease of 8.5% (+3.8%). Compared with the previous year, the development of the euro against other currencies had a negative effect of around €760m on our premium income. Without currency translation effects, premium volume would have fallen by 5.4% compared with the previous year. Approximately €18.7bn (20.4bn) or 83% (83%) of premium was written in foreign currency, of which 29% (32%) was in Canadian dollars, 20% (20%) in US dollars, and 11% (9%) in pounds sterling. Of our premium volume, 17% (17%) was transacted in euros. Non-German business accounted for an unchanged 94% compared with the previous year.

In the year under review, we posted significantly reduced premium income in both life and health reinsurance. Gross premiums were down by 10.2% to €7.8bn (8.7bn) in life reinsurance and by 16.3% to €3.3bn (4.0bn) in health reinsurance, mainly due to negative currency translation effects. Adjusted for currency exchange effects, premium volume in the year under review would have been down by 7.0% in life, and 12.4% in health reinsurance. In addition to the negative currency exchange effects, a large part of the decline in premium concerned large-volume treaties written in recent years where reinsurance primarily serves as a capital substitute. As expected, the conclusion of new treaties was unable to compensate for the non-renewal or reductions of our share in several particularly large-volume treaties, including in North America, in the year under review. We expect that premium development in this part of our business will also be volatile in the future.

In property-casualty reinsurance, we posted a decline in premium income of 4.6% to €11.3bn (11.9bn) in 2014. If exchange rates had remained unchanged, premium volume in property-casualty reinsurance would have fallen by 2.7% in 2014. Renewal negotiations for reinsurance treaties continued to take place under extremely competitive market conditions. The demand for reinsurance has been falling in general, since the good capitalisation of primary insurers allows them to hold higher retentions. In some cases, these developments were accompanied by measures that curb demand, such as the centralisation of reinsurance buying. However, the capacity offered by reinsurers remained high, and there was therefore intense competition worldwide between the traditional market players. This situation was exacerbated in the US market in particular by the ongoing availability of alternative capital. Pension funds and hedge funds regard reinsurance as an attractive investment alternative for diversifying risks and meeting return requirements in the present low-interest-rate environment. These difficult overall conditions led to strong pressure on rates worldwide, and especially to significant rate falls in the area of non-proportional natural catastrophe covers. We were only able to secure price increases in a few heavily loss-affected programmes.

Our underwriting result before claims equalisation provisions amounted to €607m in 2014, compared with a profit of €1.1bn in the previous year. This figure is essentially attributable to developments in Australian disability business, for which we strengthened the reserves, and from otherwise moderate major losses. A customary review of reserves also resulted in a reduction in the provisions for claims from prior years. Over the year as a whole, the safety margin in the reserves remained unchanged at a high level, as Munich Re adhered to its careful approach to determining and adjusting loss reserves.

Major-loss expenditure totalling €1.1bn (1.4bn) after retrocession and before tax was lower than in the previous year and below expectations. As in the previous year, 2014 was marked by a large number of major losses, but there were no exceptional individual events. Reserve strengthening, including for the severe earthquakes in New Zealand in 2010 and 2011, and run-off profits for major losses from previous years almost balance each other out.

Aggregate losses from natural catastrophes came to €513m (609m), representing 3.6 (4.0) percentage points of net earned premiums. The largest losses in 2014 were from a heavy snowstorm in Japan in February (€305m), and from an earthquake on the north coast of Chile (€49m). Heavy summer rainfall in the northeast of the USA caused sizeable losses (€46m), and we set aside reserves of €42m for Hurricane Odile, which hit Mexico in late summer. A strong hailstorm in Brisbane, Australia, also caused heavy losses (€42m).

At €572m, man-made major losses were below the level of the previous year (€823m), accounting for 4.0 (5.4) percentage points in relation to net earned premiums. Extensive losses resulted from an explosion at a Russian refinery (€149m), and €60m was reserved for damage to a power station in Germany. The losses from the crash of two Malaysia Airlines aircraft impacted our result with €47m, and a forest fire in Sweden in the summer caused losses of €27m.

The combined ratio, which reflects the relation of claims and costs to net earned premiums, came to 95.9% (94.3%). Excluding claims burdens from natural catastrophes, it amounted to 92.3% (90.3%). Given the below-average burden from major losses, 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	2014	2013	2012	2011[1]	2010
Major losses total	1,085	1,432	1,329	4,665	2,097
Thereof natural catastrophes	513	609	845	4,197	1,510

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

The 2014 financial year was marked by further declines in capital-market interest rates and risk spreads. These developments were borne up by increasing speculation about an ECB government-bond buying programme. The stock markets came under pressure at times as concerns over growth and deflation flared up, but still ended the year positively. In the period under review, the EURO STOXX 50 climbed by about 1%, and the DAX 30 by around 3%. In the reporting year, yields on German government bonds in particular fell to a historic low. Yields on corporate bonds also dropped sharply owing to shrinking risk spreads.

In this context, the investment result was below the level of the previous year at €3,183m (€2,938m). In accordance with German commercial law, some €467m (491m) of the investment result is incorporated in the technical result as interest on technical provisions. We report on our investment performance on page 49 ff.

In the financial year, Munich Reinsurance Company's return on investment (including deposits retained on assumed reinsurance) totalled 4.3% (4.0%) on the basis of carrying amounts.

Munich Reinsurance Company's results

€m	2014	2013	2012	2011	2010
Technical result	–823	–82	84	–48	104
Investment result without interest on technical provisions	2,717	2,447	2,790	2,072	2,539
Other result	–437	–124	169	–319	–451
Taxes	549	–595	–653	–654	–832
Profit/loss for the year	2,006	1,646	2,390	1,051	1,360
Net retained profits	**1,340**	**1,300**	**1,255**	**1,119**	**1,178**

A key element of Munich Reinsurance Company's pre-tax result, investment income is exempted from tax. At the same time, tax refunds resulted from tax assessments for previous years and adjustments made to the tax provisions for the previous years as a consequence of new developments in legislation and opinions of the tax authorities. In turn – despite a pre-tax profit – this led to tax income.

We posted a profit of €2,006m for the 2014 financial year. After consideration of the profit of €46m brought forward and the allocation of €712m to the revenue reserves, net retained profits totalled €1,340m. Subject to the approval of the Annual General Meeting, we intend to pay our shareholders a dividend of €7.75 per dividend-bearing share from the net retained profits for the 2014 financial year.

Events after the balance sheet date

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management in March 2014, we repurchased a further 1.0 million Munich Re shares with a volume of €172m from the balance sheet date to 25 February 2015.

Classes of business

Gross premium volume in **life reinsurance** was down significantly on the previous year. In addition to the negative currency exchange effects, a large part of the decline in premium concerned large-volume treaties written in recent years where reinsurance primarily serves as a capital substitute. As expected, the conclusion of new treaties was unable to compensate for the non-renewal or reductions of our share in several of these large-volume treaties in the year under review. We expect that premium development in this part of our business will also be volatile in the future. There were again positive impulses from growing markets in Asia, and from our selective underwriting of longevity risks in the United Kingdom. This year we saw largely stable premium income in our remaining traditional reinsurance business.

The result we achieved in life reinsurance was unsatisfactory –significantly below that of the previous year – mainly because of claims burdens from Australian disability business, for which we had to increase the reserves.

In **health reinsurance**, we also saw a strong decrease in premium volume in the year under review, mainly due to negative currency translation effects with the Canadian dollar, and to a reduction of our share in a large-volume treaty in North America.

The result declined slightly compared with the previous year.

In **property-casualty business**, premium income was also down year on year. The development of the euro had a negative impact on premium in this field of business. Adjusted for currency exchange effects, premium income would have fallen to a lesser extent.

The technical result before claims equalisation provisions was 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 48 f.

In **accident reinsurance**, the premium level fell slightly in the reporting year.

Our result before claims equalisation provisions was somewhat higher than the previous year, and we once again posted a pleasing profit. This development was favoured especially by the reserve releases we made in the financial year as a consequence of our actuarial review.

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

In the year under review, we succeeded in strongly reducing the previous year's negative technical result before claims equalisation provisions. This is also mainly due to the release of loss reserves carried out in the reporting year as a consequence of our actuarial review, and to a below-average burden from major losses in 2014.

Motor reinsurance showed a rise in premium income, primarily owing to the expansion of our Australian motor business.

The deterioration of the technical result before claims equalisation provisions is mainly due to the strengthening of reserves made in this class of business for prior underwriting years.

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

The positive result before claims equalisation provisions was somewhat lower than in the previous year.

Premium income in **aviation reinsurance**, which comprises the aviation and space classes, was lower in the financial year due to consistent cycle management policy.

The result in aviation reinsurance declined significantly on the previous year, mainly due to falling premium volume and slightly higher major-loss expenditure.

Premium levels in **fire reinsurance** fell in comparison with the previous year. The reduced figure was due to the development of exchange rates, and to the reduction of the portfolio where prices, terms and conditions were no longer commensurate with the risk.

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 this class of business.

We almost reached the same premium volume in **engineering reinsurance** (machinery, EAR, CAR, EEI, etc.) as in 2013.

After the profit generated in the previous year, the result fell into negative territory in the year under review. Increased major-loss expenditure was mainly responsible for this adverse development.

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 decreased year on year. It was reduced by declining commodity prices for agricultural goods, and also impacted by strict cycle management.

The combined technical result of these other classes of business was slightly negative in the year under review. The moderate fall in the result in comparison with the previous year was mainly due to strengthening of reserves in agricultural insurance.

€m	Gross premiums written 2014	Gross premiums written 2013	Underwriting result before claims equalisation provision and similar provisions 2014	Underwriting result before claims equalisation provision and similar provisions 2013
Life	7,822	8,711	31	212
Health	3,349	4,001	11	23
Accident	201	228	97	67
Liability	1,651	1,658	–14	–517
Motor	2,505	2,332	–177	–117
Marine	506	501	75	132
Aviation	384	411	43	124
Fire	3,354	3,718	704	1,020
Engineering	804	819	–103	164
Other classes	1,915	2,195	–60	–25
Non-life combined	14,669	15,863	576	871
Total	**22,491**	**24,574**	**607**	**1,083**

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 €1,430m (1,165m) to €9,577m (8,147m) in the financial year 2014. 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 €838m (1,157m) and in liability to €471m (–72m), and the amounts concerned in other areas were €166m (168m) for motor, €75m (–57m) for marine, €24m (–37m) for credit, and €3m (–17m) for other classes.

By contrast, owing to lower premium income the maximum amounts allowed for the claims equalisation provision had to be reduced by €129m (170m) in aviation, €28m (–134m) in accident, and €6m (–39m) in engineering.

The current level of the claims equalisation provision is 100% of the legally stipulated maximum amount in the motor, aviation, marine and accident classes of business, and more than 50% in fire, liability and credit.

In 2014, we strengthened the provisions for terrorism risks by €16m (16m) and the provisions for nuclear risks by €4m (4m). Due to a reduced maximum amount, €4m was withdrawn from the provision for pharmaceutical/product liability risks in 2014, following an allocation of €1m in the previous year.

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 70 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	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Land, land rights and buildings, including buildings on third-party land	1,047	1,075	1,019	998	1,018
Investments in affiliated companies and participating interests	34,768	33,481	33,656	32,208	27,840
Loans to affiliated companies and participating interests	147	153	170	177	1,556
Shares, investments in unit trusts and funds, and other non-fixed-interest securities	6,632	6,209	5,596	5,796	6,434
Bearer bonds and other fixed-interest securities	20,329	17,883	21,392	19,770	20,540
Other investments	1,173	1,823	864	838	1,200
Total	**64,096**	**60,624**	**62,697**	**59,787**	**58,588**

Development and structure of investments

The carrying amount of Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by 6.0% to €64,096m in the financial year 2014. In the following, we provide details of significant changes.

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

Our investments in real estate are geared to generating an appropriate yield from regular income and growth in value, which requires continually monitoring existing properties and property funds with regard to their long-term profitability, and their location- and property-specific risks. In the year under review, there were no major changes in our real estate portfolio.

Investments in affiliated companies and participating interests

The carrying amounts increased by €1,287m overall, of which €904m is due to investment companies for holding segregated funds. This figure includes a net amount of –€362m for capital increases and withdrawals, reinvested annual profits of €362m from 2014, and foreign exchange profits of €798m. In the case of Munich American Holding Corporation, there was a write-up of €348m in the carrying amount of our participation.

Loans to affiliated companies and participating interests

At €147m, the carrying amounts are thus almost unchanged compared with the previous year.

Shares, investments in unit trusts and funds, and other non-fixed-interest securities

The increase of €423m 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 €20,329m, investments in fixed-interest securities show a rise of €2,446m compared with the previous year and account for 31.7% of total investments (excluding deposits retained on assumed reinsurance business). In the current financial year, we have mainly made new investments in US, Australian, Canadian and British bonds. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Reductions focused on our holdings of bonds from European issuers. The vast majority of our government bonds continue to come from countries with a high credit rating.

Some 77% of our bearer bonds and other fixed-interest securities are government bonds or instruments for which public institutions are liable, 39% of which are from eurozone countries. We no longer have any government bonds from Portugal, Greece, Cyprus or Argentina in our portfolio. Irish, Italian and Spanish government bonds now make up 5% of our holdings.

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

At the reporting date, corporate bonds made up 5% of our bearer bonds and other fixed-interest securities.

As protection against the risks of future inflation and the rise in interest rates typically associated with this, some 15% 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 2014, 97% of our fixed-interest securities were investment-grade and around 90% were rated “A” or better.

Deposits retained on assumed reinsurance business

As at 31 December 2014, deposits retained stood at €11,055m.

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, increased by €4.7%, or €0.5bn, compared with the previous year. A detailed breakdown of the reserves is provided in the notes on page 112.

Valuation reserves

€m	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Real estate	1,974	1,742	1,586	1,525	1,338
Equity investments	7,412	7,858	8,112	8,745	6,849
Fixed-interest securities[1]	1,511	813	1,769	1,618	1,053
Total	**10,897**	**10,413**	**11,467**	**11,888**	**9,240**

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 a change in operative planning. In the case of fixed-interest securities, the rise in valuation reserves is mainly a consequence of falling yields on Canadian, British and German government bonds.

Result

In the financial year 2014, the investment result of Munich Reinsurance Company increased by €245m to €3,183m. Due to a significant improvement in the extraordinary result, we were more than able to compensate for lower regular income and a fall in other income/expenses.

Investment result

€m	2014	2013	2012	2011	2010
Regular income	3,117	3,445	3,276	3,083	2,655
Write-ups/write-downs	117	–487	–261	–280	189
Net capitalised gains	579	360	541	239	661
Other income/expenses	–630	–380	–241	–480	–438
Total	**3,183**	**2,938**	**3,315**	**2,562**	**3,067**

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	2014	2013	2012	2011	2010
Real estate	39	85	84	84	120
Investments in affiliated companies and participating interests	2,018	1,736	1,031	1,391	1,425
Loans to affiliated companies and participating interests	6	6	8	28	48
Shares, investments in unit trusts and funds, and other non-fixed-interest securities	479	584	461	80	142
Bearer bonds and other fixed-interest securities	1,010	504	1,048	1,078	1,019
Other investments	-369	23	683	–99	313
Total	**3,183**	**2,938**	**3,315**	**2,562**	**3,067**

Financial position

Analysis of our capital structure

Investments on the assets side of the balance sheet serve mainly to cover technical provisions (68.3% of the balance sheet total). Equity (13.2% of the balance sheet total) and subordinated bonds classified as strategic debt (5.3% of the balance sheet total) are the most important sources of funds.

Strategic debt decreased by €65m 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 decreased by €641m in the 2014 financial year, mainly owing to the dividend payout and the share buy-back programme covered on page 55.

Equity

In the year under review, our equity declined by 5.7% to €10,597m year on year. Some €1,254m of the net retained profits for the previous year was distributed as a dividend to shareholders.

This distribution compares with a profit of €2,006m for the financial year 2014. From this profit – and from the profit of €46m carried forward from the previous year – a total of €712m has been allocated to the revenue reserves by the Board of Management to strengthen equity. The remaining €1,340m is available for dividend distribution.

Equity

€m	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Equity	10,597	11,238	11,051	9,855	10,265

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	31.12.2014
Subordinated bonds 2003/2028, £300m [1]	386
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	580
Total	**4,215**

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.

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 to set up trustee accounts or guarantees with certain financial institutions. At the reporting date, this involved investments with a total volume of €2.3bn.

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 March 2014, we announced a buy-back programme for up to €1bn by the 2015 Annual General Meeting. By 25 February 2015, we had repurchased shares with a value of €866m. Including dividend payouts and the share buy-backs from 2006 to 2014, we have returned over €17.4bn to our shareholders since 2006.

In the 2014 financial year, we achieved a profit for the year of €1,340m. Including the net retained profits, the Company's revenue reserves amounted to €3,179m 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 €9,117m. Given this robust capitalisation according to all metrics, we intend – subject to the approval of the Annual General Meeting – to pay our shareholders a €0.50 higher dividend than in the previous year of €7.75 per share, or up to a total of €1,340m, from the net retained profits for the financial year 2014.

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

Composition of the issued capital

As at 31 December 2014, Munich Reinsurance Company's share capital of €587,725,396.48 was divided into 172,942,618 registered, no-par-value, fully paid shares. The rights and obligations deriving from these shares follow from the applicable statutory requirements and the Company's Articles of Association. With respect to the Company, the only parties deemed shareholders in accordance with Section 67 of the Stock Corporation Act 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 (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.

Each share carries one vote at the Annual General Meeting and determines the shareholders' participation in the Company's profit. This excludes own shares held by the Company, from which it enjoys no rights. In the cases specified in Section 136 of the Stock Corporation Act, voting rights from the shares concerned are excluded by law. If shareholders are entered under their own name for shares which belong to a third party and exceed at this time the upper limit of 2% of the share capital as stated in the Articles of Association, pursuant to Article 3 (5) of the Articles of Association, the shares entered shall not carry any voting rights.

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 February 2015, Berkshire Hathaway Inc. reported that its participation in Munich Reinsurance

Company as at 31 December 2014 was around 20 million shares, equivalent to an 11.6% 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 (1) and (7a) of the German Insurance Supervision Act (VAG). Munich Re's co-determination agreement and Articles of Association follow 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 nine 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 to five years, and extensions of up to five years are possible. For the appointment or dismissal of members of the Board of Management, Article 13 (3) 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 Stock Corporation Act contains general provisions governing amendments to the Articles of Association (Section 124 (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 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 Act). Under these regulations, resolutions on capital measures are generally to be made by the Annual General Meeting. Within a self-determined scope, however, the Annual General Meeting can authorise the Board of Management to initiate certain (capital) measures. The authorisations relating to Munich Reinsurance Company are listed below. In all such cases, a resolution of the Annual General Meeting is required that has been adopted by at least a three-quarter majority of the share capital represented in the vote. Where these resolutions are concerned, the Company's Articles of Association again do not provide for other (i.e. higher) majorities or further requirements. Pursuant to Article 14 of the Articles of Association and Section 179 (1) sentence 2 of the 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 powers of the members of the Board of Management are defined in Sections 71 and 76–94 of the Stock Corporation Act. The Board of Management has the following powers to issue and buy back shares:

— On 30 April 2014, the Annual General Meeting authorised the Company, pursuant to Section 71 (1) no. 8 of the Stock Corporation Act, to buy back shares until 29 April 2019 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 Stock Corporation Act, may at no time amount to more than 10% of the share capital. In accordance with the provisions of the authorisation, the shares may 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 (1) no. 8 of the Stock Corporation Act to retire the shares without requiring further approval from the Annual General Meeting. By resolution of 20 March 2014, the Board of Management decided to utilise this authorisation to acquire own shares. Around 4.4 million shares had been acquired by 31 December 2014 at a purchase price of €694m.

— The Annual General Meeting of 28 April 2010 authorised the Board of Management to issue, with the consent of the Supervisory Board, convertible bonds and/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 (3) of the Articles of Association (Contingent Capital 2010).

— Under Article 4 (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 (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, which is explained in detail in the remuneration report.

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

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

Solvency

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

Analysis of the cash flow

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

Overall, the cash inflows from operating activities remained positive. Despite a highly competitive market environment, our underwriting business generated cash inflows on balance. Regular income from investments remained satisfactory 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.

Outflows resulting from portfolio increases in fixed-interest securities and from the investment of funds in affiliated companies had a key influence on cash flows from investing activities, significantly exceeding inflows from portfolio reductions, particularly in the case of other (mostly short-term) investments.

In the period under review, Munich Reinsurance Company's share buy-back programme and dividend payment for the past financial year resulted in cash outflows for financing activities.

In the 2014 financial year, cash – which encompasses cash with banks, cheques and cash in hand – rose by €43m to €429m 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.

We want to have the best possible understanding of our clients and their risks, and to develop and offer them customised insurance solutions. Therefore, we need to be close to our clients to recognise their needs and to 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 use our extensive risk knowledge to develop individual solutions to meet our clients' diverse needs 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 providing our clients with the full range of underwriting products and 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 the insurance business.

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.

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. 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.

Economic growth and changes in the areas of technology, climate, society and politics mean that entirely new areas of risk are arising worldwide, and these can be covered with the help of innovative insurance solutions. We develop complex customised solutions together with our clients, and extend the frontiers of insurability with innovative products, such as coverage for cyber risks, business interruption, and reputational risk.

Staff

The efforts of our staff are crucial to the success of Munich Re. Their professional expertise, commitment and 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.

One cornerstone of this strategy is uniform succession planning across the entire top management level. There is systematic development towards defined target positions based on coordination across business-field boundaries. The resulting transparency also improves the use of internal potential.

Rotation of managers and staff members within the Company supports the pooling of expertise and the transfer of knowledge. 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. We continued and expanded the initiative launched in the previous year to promote job changes to other areas and business fields and to other countries as part of the staff development process. 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. One key element of this is a wide range of up-to-date seminars and workshops. Internal training events provided by our in-house experts are an invaluable resource, especially with respect to fast-developing current topics such as the implementation of Solvency II. Whether by means of online training, internal conferences or traditional seminars, the communication of current developments ensures that our knowledge base is kept up-to-date and comprehensive.

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. Staff in Munich are 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.

The challenges of today's working world are characterised by rapidly-changing trends, internationalisation, dynamic team structures, increased mobility and rapid changes in the market. Staff also want to enjoy more individuality and a better work-life balance at the various stages of their lives. In order to meet these demands, the Company has developed a series of new models aimed at organising more flexible working hours and locations for its staff in Munich. At the same time, the IT infrastructure and working environment is being adapted to reflect these requirements when offices are renovated or under construction. An important aim is optimising client service in conjunction with flexible recognition of staff needs.

Internationality is one of the three main pillars of diversity management. In this connection, the number of international assignments, job rotations and international project teams was further increased in the year under review. Another directly measurable success of diversity management is the continually increasing number of women in management positions in the Company over the past four years. This is also illustrated by the fact that in 2014, 40% of all new managers in Munich were women.

On 31 December 2014, Munich Reinsurance Company had 4,042 employees.

Shareholders

At the end of the year, our register of shareholders listed around 180,000 shareholders. The vast majority of shares were held by institutional investors such as banks, insurers or investment companies; around 14.3% (12.0%) were in the hands of private investors. At around 67%, 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 11.6% in Munich Reinsurance Company via several companies in his group (Berkshire Hathaway Inc., OBH Inc., and National Indemnity Co.). Asset manager BlackRock is our second-largest shareholder with around 5.5%.

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 regularly supplement our investor relations activities with special events, such as the analysts' meeting we organised in London on the topic of Solvency II. 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 2014, 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 also sent to interested private investors 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 for private investors. 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 127th Annual General Meeting on 30 April 2014. Some 44.3% 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 strategic integration of sustainability aspects, the topics environment and social commitment constitute major elements of our corporate responsibility strategy. Measures taken by Munich Reinsurance Company are part of the Group strategy.

Environment

We regulate the protection of natural resources in our companies with Group-wide environmental guidelines; these are the cornerstones of our environmental management. We have set clear targets that must be met at all levels.

In order to reduce the CO_2 emissions which arise from our business operations, Munich Re decided in 2011 to combine all its efforts in a unified approach to achieve carbon neutrality throughout the Group by 2015, and to reduce CO_2 emissions across the Group by 10% in the period from 2009 to 2015. This reduction target was all but achieved as at 31 December 2014. Our environmental managers and the Board members in charge of the divisions are responsible for ensuring that we meet our environmental targets by defining corresponding goals and objectives. If these targets are met, it also impacts on remuneration of the respective staff members and Board remuneration. We are currently revising our environmental and climate protection strategy, and will define targets for the period 2016–2020.

Environmental guidelines

Another focus is protecting natural resources. We have drawn up Group-wide environmental guidelines in order to minimise our environmental impact.

Improving environmental performance
We monitor and develop our environmental measures with the aim of continually improving environmental protection and our environmental performance in business operations.

Avoiding and reducing emissions
We avoid and reduce emissions wherever possible (from business travel, energy, water, paper and waste), establishing the highest technical standards wherever economically reasonable. We consider environmental principles while choosing materials, suppliers and service providers.

Raising staff awareness
We increase environmental awareness and the sense of responsibility of all staff members and motivate them to actively protect the environment.

Communication to stakeholders
We communicate openly and inform our stakeholders about our environmental activities and environmental performance on a regular basis. We raise awareness and share information on environmental issues where appropriate. Thus we promote a general culture of environmental protection.

Above all, the foundations of our efficient environmental management are clearly defined processes and responsibilities, and the organisation, data quality and degree of coverage of environmental data, in order to allow for comparability and evaluation of the changes.

Society

Our charitable commitments allow us to make a contribution to society, and these are governed by the clearly defined sponsorship guidelines set out in our corporate citizenship concept. In addition to basic assistance for social and cultural projects at corporate locations, we focus on topics that are related to our business activities. Above all, these are projects to prevent natural catastrophes, protect natural resources, and promote research and science. With this end in view, Munich Re enters into partnerships with charitable and non-profit organisations at national and international level, with the aim of establishing long-term sustainable partnerships geared to adding something of value to society. Our two corporate foundations – the Munich Re Foundation and the Dr. Hans-Jürgen Schinzler Foundation – support both long-term projects and missions which show a measurable effect in meeting societal challenges and which are regularly evaluated with regard to their effectiveness. Examples of our non-profit projects and information about progress can be found on our corporate responsibility portal.

Successful projects undertaken during the past financial year include:

A multi-year cooperation with the Geo Hazards International (GHI) organisation to prevent losses in the north-east Indian town of Aizawl, which is strongly prone to earthquakes and landslides. The loss susceptibility of buildings and infrastructure was checked. The results enabled us to derive some specific preventive measures that were passed on to the population and political decision-makers and are now being implemented in a sustainable way.

Our involvement in a public-private partnership (PPP) created by Water Benefit Partners (WBP) and the Swiss Agency for Development and Cooperation (SDC). The participants here are committed to developing an innovative financing and certification mechanism for sustainable water projects in regions with an acute water shortage. The Water Benefit Standard (WBS) developed in the meantime quantifies and certifies the results of water projects, mainly the volume of water savings, resulting from the use of innovative technology. The savings thus achieved enable other water projects to be set up, which also create jobs in the project regions in the medium to long term, and are therefore intended to raise income levels of the local population in the project regions.

Projects related to the issue of disaster prevention and resiliency building: the Munich Re Foundation sponsors the RISK Award in cooperation with the Global Risk Forum in Davos (GRF) and the Secretariat of the International Strategy for Risk Reduction of the United Nations (UNISDR). The award is worth €100,000, and the winners can use the money to finance an innovative disaster management project. In 2014, the award went to an interdisciplinary integration project in South America. The Chilean NGO Inclusiva developed a comprehensive concept to ensure barrier-free access across the city of Penaflor for people with physical disabilities during emergency and catastrophe situations. The results are to be published in a manual and distributed across Latin America so that other towns and local authorities can benefit from the findings.

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 in the corporate governance report on page 8. 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 for 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. The Chairman of the Board of Management is also Chair 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 Torsten Jeworrek, Ludger Arnoldussen, Thomas Blunck, Peter Röder, Joachim Wenning, and Giuseppina Albo (since 1 October 2014). Georg Daschner was also a member of the Committee until the end of the period under review (31 December 2014). A further member is the Chief Financial Officer for Reinsurance, Hermann Pohlchristoph. The Chair 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 (subcommittee of the 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, and the business fields. 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 70 ff. Important strategic issues are also discussed in the Strategy Committee. The Strategy Committee comprises the members of the Group Committee, the Chief Executive Officers (CEOs) of the fields of business, and the Head of Group Development.

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 transactions, 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 chairs. 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.

The members of the Standing Committee are Bernd Pischetsrieder (Chair), Henning Kagermann, Wolfgang Mayrhuber, Marco Nörenberg and Andrés Ruiz Feger.

Up to the end of 2014 Annual General Meeting, the members of the committee were as follows: Bernd Pischetsrieder (Chair), 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 are Bernd Pischetsrieder (Chair), Wolfgang Mayrhuber and Angelika Wirtz.

Up to the end of 2014 Annual General Meeting, the members of the committee were as follows: Bernd Pischetsrieder (Chair), 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.

Its members are Henning Kagermann (Chair), Christian Fuhrmann, Anne Horstmann, Bernd Pischetsrieder and Anton van Rossum.

Up to the end of the 2014 Annual General Meeting, the members of the committee were: Henning Kagermann (Chair), 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.

Its members are Bernd Pischetsrieder (Chair), Ann-Kristin Achleitner and Henning Kagermann.

Up to the end of the 2014 Annual General Meeting, the members of the Nomination Committee were as follows: Bernd Pischetsrieder (Chair), Henning Kagermann and Peter Löscher.

Conference Committee

The Conference Committee makes personnel proposals to the full 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 are Bernd Pischetsrieder (Chair), Henning Kagermann, Marco Nörenberg and Angelika Wirtz.

Up to the end of 2014 Annual General Meeting, the members of the committee were as follows: Bernd Pischetsrieder (Chair), 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, which is printed on page 3 f.

Declaration of Conformity with the German Corporate Governance Code, issued in November 2014 by the Board of Management and Supervisory Board of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München in accordance with Section 161 of the German Stock Corporation Act (AktG)

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München fulfils all the recommendations of the German Corporate Governance Code in the version of 24 June 2014 (published on 30 September 2014) and will continue to do so in future.

Since the last Declaration of Conformity in November 2013, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 13 May 2013 (published on 10 June 2013).

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 suspicions to the Group Chief Compliance Officer, thereby supporting Munich Re's policy for combating financial crime. 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.

Principles for Sustainable Insurance

The Principles for Sustainable Insurance (PSI), which we played an active role in formulating and signed in 2012, serve us as guides for anchoring environmental, social and governance (ESG) aspects more firmly in our core business. By taking ESG aspects into account along the entire value chain of its business, Munich Re adds an important level to risk management.

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 audit units and by the external auditors 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
As required for Solvency II, Munich Re has set up an efficient risk management function (RMF) at Group level in addition to the key functions of Compliance, actuarial and Group Audit. It is part of the Integrated Risk Management Division (IRM) and reports to the Chief Risk Officer (Group CRO). In addition to the Group functions, there are risk management units in the fields of business, each headed up by its own CRO. 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 and the RMF's organisation and processes. This provides the basis for active management of the risks we incur.

Risk governance

Our risk governance maintains and fosters an effective risk and control culture, which encompasses all significant risk categories. It is supported by various 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 of the Board of Management.

The Group Committee meets as the Group Risk Committee, on which it is joined by representatives from the fields of business with responsibility for risk management and the Group CRO. The Group Risk Committee is responsible for ensuring that risk management and risk governance systems are in place and continuously enhanced both at Group level and in the fields of business.

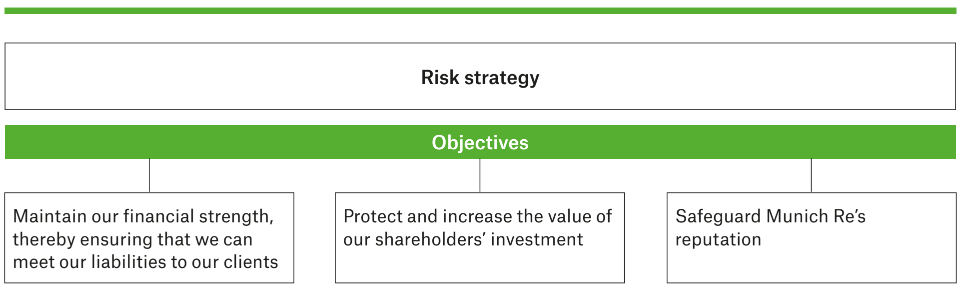
The Group Investment Committee is responsible for important issues affecting the investments made by the Group and the fields of business, including the assumption and management of specific investment risks. The Committee's members are representatives from the Group Committee, the fields of business, MEAG representatives with responsibility for investments, and the Group CRO.

The Group Compliance Committee deals with compliance risks and reputation issues and risks that have arisen in the business units. This ensures that we address those risks in a uniform way throughout the Group.

The Global Underwriting and Risk Committee (GURC) was established to set up appropriate risk management processes in the reinsurance field of business and ensure that they are followed. Munich Re's CRO is also a member of this committee.

Determining the risk strategy

Our business strategy essentially comprises the assumption of risks. The risk strategy, which is derived from the business strategy, defines when, where, how and to what extent we are prepared to incur risks. The further development of the risk strategy is embedded in the annual planning cycle, and hence in our business strategy. It is approved by the Board of Management and discussed regularly with the Supervisory Board.



We determine our risk strategy by defining risk appetites for a series of risk criteria. These 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 the entire portfolio of risks are designed to protect our capital and limit the likelihood of an economic loss for the year. Of particular importance is the economic solvency ratio, which shows the extent to which available financial resources cover economic risk capital.

— Supplementary criteria are used to limit the amount of losses incurred for individual risk types and resultant accumulations, such as natural hazards, terrorism and pandemics, and also to limit market, credit and liquidity risks that could endanger Munich Re's ongoing viability.

— Other criteria support our objective of preserving Munich Re's reputation and protecting its future business potential. These criteria encompass limits for individual risks that, though they would not threaten Munich Re's existence, could cause lasting damage to the confidence in the Group of clients, shareholders and staff.

The risk appetite laid down ensures that an appropriate balance is maintained between business opportunities and risks incurred. Our risk strategy process proved its worth in both the financial crisis and the sovereign debt crisis. Our business model of combining primary insurance and reinsurance ensures that – even in particularly difficult markets – we are 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, which provide a basis for risk reporting, limits and monitoring. Risk identification is performed by means of appropriate processes and indicators, which are complemented by expert opinions and assessments by selected, highly experienced managers. 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 field of business. This enables us to properly assess the risks of Munich Reinsurance Company as a part of the reinsurance segment. Our internal model 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, for example, Group, field-of-business or legal entity level, or 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.

Risk analysis and assessment are carried out at the highest level in IRM in the form of a consolidated Group view. They are based on the analyses prepared by the fields of business. 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.

Our financial strength is an important criterion for the success of our business. In addition to our internal requirements, our objective is the second-highest rating for financial strength 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 Solvency II standard formula and take part in stress tests (e.g. the European Insurance Stress Test).

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 directly as an amount either centrally or in our units, depending on their materiality and allocation.

The risk management system is audited by Group Audit, which carries out audits of various functions in accordance with its audit plan.

Control and monitoring systems

Our internal control system (ICS) is an integrated 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 field of business, the ICS delivers a risk map at process level, thereby systematically linking every step in a process to the significant risks and the controls relating to them. By making our risk situation transparent in this way, we can focus on and react to weaknesses. This enables us 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 cannot provide total certainty that all operational risks have been covered. We are nevertheless certain that the controls and documentation requirements in place justify the maximum possible confidence on the part of our stakeholders.

The Audit Committee of the Supervisory Board regularly calls for reports on the effectiveness of the ICS and changes to the risk and control landscape from the previous year. They describe the controls applied and state whether all controls considered necessary have been correctly performed. The reports of our externals auditors and Group Audit support this.

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.

Accounting and financial 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 perspective of Munich Reinsurance Company 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 Munich Re Group's financial statements and 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 prescribed 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.

Risk reporting

Internal risk reporting provides the Board of Management with regular information on the risk situation, as regards both the individual risk categories and the Group as a whole. 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 BaFin also receive the quarterly internal risk report.

The purpose of our external risk reporting is to provide clients and shareholders with a clear overview of Munich Reinsurance 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 each business unit and legal entity, taking account of its individual risk-bearing capacity. There are significant risks in the following risk categories:

Underwriting risk: Property-casualty

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 have primary responsibility for controlling the premium risk, taking 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 the 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 can arise for a variety of reasons, for example court rulings, changes in the law, differences in loss adjustment practice or medical and long-term care, or economic factors such as inflation. They can have a significant 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 that the process is reliable and consistent. 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 insurance) taking into account adjustment premiums amounted to €622m in the year under review, following the previous year's run-off profit of €306m. There were significant run-off profits in the financial year in fire, motor, third-party liability, accident and health insurance. In most classes of insurance, the profits resulted mainly from releases of reserves posted for prior underwriting years following reviews of the loss estimates we performed during the year under review.

The run-off losses arose mainly in aviation and engineering insurances. These losses related primarily to expenses for large losses from old underwriting years incurred in the year under review and the strengthening of reserves for known large losses.

The combined ratio is one of the key indicators important for our monitoring of the premium/claims risk in reinsurance (excluding life insurance).

Combined ratios for the last ten years

%	2014	2013	2012	2011[3]	2010	2009	2008	2007[2]	2006	2005[1]
Including natural catastrophes	95.9	94.3	97.3	112.1	101.4	98.2	102.4	95.9	97.9	117.0
Excluding natural catastrophes	92.3	90.3	92.0	84.2	89.8	96.8	97.1	91.5	96.6	97.5

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

The underwriting risk is defined as the risk of insured benefits payable in life or health insurance business being higher than expected. Of particular relevance are the biometric risks and the customer behaviour risks, for example lapses and lump-sum options. We differentiate between risks that have a short-term or a long-term effect on our portfolio.

Random annual fluctuations in insurance benefits 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 customer 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 and risks linked to changes in the cost of treatment are understandably important, whereas mortality, longevity and disability risks are the most significant in life insurance. 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. Generally, regular reviews of the actuarial assumptions by actuaries and the requisite amendment of rating rules ensure that risks are effectively controlled.

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 the risk-free yield 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. By means of stress tests and 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. 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. 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, which in turn contain derivative components that have to be accounted for separately (Insurance derivatives II).

The options and total return swaps relating to catastrophe and reinsurance risks (Insurance derivatives III and 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 110 in the notes to the financial statements. With the exception of Bund futures, all the derivatives are over-the-counter (OTC) products.

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

The following sensitivity analyses for market risks serve to estimate potential changes in the value of investments under hypothetical market scenarios. The review is based on Munich Reinsurance Company's investments excluding participations in insurance companies and holding and service companies as at 31 December 2014. The changes in share prices assumed in these scenarios, ±10% and ±20% respectively, a parallel shift in the yield 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%	€1.820bn
Increase of 10%	€0.899bn
Decrease of 10%	–€0.895bn
Decrease of 20%	–€1.790bn
Market values at 31 December 2014	€9.223bn

Market risk – Interest rates

Change in interest rates	Change in market value of investments sensitive to interest rates
Increase of 200 BP	–€3.821bn
Increase of 100 BP	–€2.007bn
Decrease of 100 BP	€2.200bn
Decrease of 200 BP	€4.593bn
Market values at 31 December 2014	€36.966bn

Market risk – Exchange rates

Change in exchange rates	Change in market value of investments sensitive to exchange rates
Increase of 10%	€2.967bn
Decrease of 10%	–€2.967bn
Market values at 31 December 2014	€31.261bn

A breakdown of investments by type can be found on page 109. Risks from our portfolio of participating interests are controlled by closely involving the companies concerned in our Group-wide planning and control processes.

Credit risk

We define credit risk as the financial loss that Munich Reinsurance 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 to 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 depicts a wide range of factors that enable us to analyse the risk of economic losses from our credit exposure. Credit risks emanating from the insurance business and from investments are taken into account. On the insurance side, we model mainly the risks in trade credit insurance, surety and bonding, and the reinsurance of political-risk covers.

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 on the basis of credit value at risk (CVaR). The main input parameters are our investment volume, the migration probabilities between different rating classes, yield curves and recovery rates. The correlated rating class migrations and defaults of the individual issuers of bonds are modelled using simulations. Revaluation of our investments under these rating scenarios ultimately leads to a future profit and loss distribution. We can thus calculate the appropriate capital requirement for the credit risk and manage our portfolio with regard to expected and unexpected losses.

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. Group-wide rules for collateral management, for example for OTC derivatives and catastrophe bonds issued, enable the associated credit risk to be reduced. Exposure to issuers of interest-bearing securities and CDSs in the financial sector is additionally limited by a financial sector limit at Group level.

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. The scores cover the significant political and economic risks and those relating to a country's internal security, and reflect its sustainability performance. They enable us to comprehensively assess additional country risks of varying importance for different fields of business.

We manage the default risk on retrocessions 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

%	31.12.2014	Prev. year
AAA	0.3	0.4
AA	65.7	62.5
A	29.4	26.9
BBB or lower	0.1	4.5
No rating available	4.5	5.7

As at 31 December 2014, our accounts receivable on ceded business were split between the following ratings:

Rating of accounts receivable

€m	31.12.2014
AAA	0.3
AA	15.1
A	14.4
Without external rating	82.2

Of our total receivables of €2.0bn relating to insurance business at the balance sheet date, €25.5m had been outstanding for more than 90 days. The average total defaults in the last three years were €1.5m.

Operational risk

We define 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.

Operational risks are managed via our internal control system, complemented by the results of scenario analyses. In addition, our Security and Continuity Risk Management Framework (SCRM) defines the rules for a standard Group-wide procedure for, 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. To this end, we have put in place an all-embracing business continuity management system, which is an integral component of our business strategy. It includes contingency and recovery plans to ensure that processes and IT operations continue to function. The system is in place at all of the Group's locations and is subjected to regular tests.

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

We define 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 success in the Group and the fields of business in which it operates creates strategic risks, which we manage by discussing significant strategic issues and decisions in our Strategy Committee and regularly monitoring the implementation of the decisions taken. The Strategy Committee comprises the members of the Group Committee, the Chief Executive Officers (CEOs) of the fields of business 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 procedures.

Actual reputation issues arising out of specific incidents are evaluated in the fields of business either by their own Reputational Risk Committee (RRC) or through a comparable procedure that ensures that the situation is assessed by experts. A legal entity's Compliance Officer can always be consulted on matters relating to the assessment of reputational risks.

There is also a Group Compliance Committee, 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. The Committee considers mainly reputational risks that have actually arisen in the business units. We have also set up the Group Corporate Responsibility Committee, which concerns itself with identifying and undertaking a general analysis of sensitive issues and defining our position on them. The assessments it makes are used as a basis for strategic decisions taken by units in the Group.

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, the risk situation was manageable and under control. Our tried and tested, modern risk management processes combined with our solid level of capitalisation at all times ensure 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 business and the environment we operate in 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, which follows a bottom-up approach. The risk capital requirements are calculated Group-wide on the basis of the financial year. The risk capital required for that period is derived from our risk appetite. All risks beyond the one-year time horizon are taken into account on the basis of the costs of holding risk capital for the further period of run-off – 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. These risk types are broken down into further categories – 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. To evaluate the overall risk, we then use statistical aggregation methods that also take account of risks arising out of "tail dependencies" (i.e. the risk of different lines of business, geographies and risk types being affected by extreme events at the same time).

Regulatory and rating-agency capital requirements

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

Selected risk complexes

Overarching accumulation risks

Global and regional economic and financial crises
Munich Re has substantial investments in the eurozone. We attach importance to maintaining a correspondingly broad diversification of investments to cover our technical provisions and liabilities in euros. Growth in the eurozone stabilised in 2014, but economic uncertainty increased, further stoked for the future by the ECB's expansionary monetary policy. The spreads on government bonds of peripheral eurozone countries as compared to German Bunds decreased further, though not in the case of Greek government bonds where there are still considerable political risks that could affect the eurozone. The fundamental state of public finances remains critical in many countries. It is particularly difficult for national governments to reconcile the need for further budget consolidation with weak growth and high unemployment.

The low-interest-rate environment continues to present life insurance companies in the eurozone in particular with major challenges. The fluctuations in the capital markets gave 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.

In addition to the eurozone sovereign debt crisis, international crises such as that in Ukraine continue to create uncertainty, and any consequences will primarily affect our investments. To ensure that we initiate appropriate action to counter such risks as effectively as possible, the macroeconomic evaluations, the capital-market assessments, risk management and the investment process are closely coordinated.

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 by analysing our overall exposure in detail (scenario analysis) and defining appropriate measures to manage the risks.

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 and coordinating a holistic strategic approach. The findings are made available to all business areas, and to Corporate Underwriting and Integrated Risk Management.

Whilst we are in a position to assess the known risks in our portfolio adequately 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 trends necessitate adjustments in risk assessment, we are able to make these changes promptly because most of our natural-hazard covers are contracted for 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 size of losses and the 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 our global emerging-risk community, a group of experts who investigate the possible impact of emerging risks on Munich Re. They look at interconnections and interdependencies between different risks and further consequences linked directly – or indirectly – to emerging risks. Cooperation with external partners, such as the CRO Forum's Emerging Risks Initiative, complements our internal early-warning system.

One example of an emerging risk is cyber risk. The growing use of information technology in society and the economy is having serious repercussions. The rapid progress is changing our working life and social behaviour, and creating new conditions for industry, trade, transport, energy and raw materials. Healthcare systems, international economic and political relations and military systems are likewise changing constantly as a result of the rapid advances in IT. In our management of emerging risks, we monitor these developments very closely, at the same time both devising appropriate risk-management methodologies and creating new business opportunities.

We also systematically capture risks potentially arising out of environmental, social-responsibility and governance (ESG) issues. The Group Corporate Responsibility Committee identifies and prioritises especially sensitive issues, and commissions an analysis involving all relevant experts in the Group.

Our Group-wide network of coordinators ensures that there is an exchange of expertise and experiences in all parts of the Group – an exchange that also extends beyond the individual companies to others in the insurance industry via the Principles for Sustainable Insurance Initiative and the CRO Forum's Working Group on Sustainability.

As a consequence of increasing global dependencies and the rapid spread of technological innovations, events that test the limits of traditional scenario-based risk management are occurring frequently. 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 we have developed our 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, which also enables us to meet the rising demand for reinsurance of these types of risk.

Legal, supervisory, balance sheet and tax risks

Legal risks

Legal disputes

In December 2009, Munich Re's Spain and Portugal branch lodged an appeal against the Spanish antitrust authority (Comisión Nacional de la Competencia – CNC) in respect of 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 judgment within the prescribed period. We now expect to see a decision in May 2015.

After the federal legislative procedure for the US Fairness in Asbestos Injury Resolution Act foundered in February 2006, several US states adopted legislation initiatives (tort reform), which in our view may have a positive effect on the settling of asbestos claims. Following revelations about often questionable asbestos-related disease diagnoses and the resulting litigation, a number of investigation committees are looking into these issues. Similar questionable practices have come to light in silicosis litigation. 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 losses in the insurance industry, particularly as plaintiff attorneys are trying hard to repel the tort reform initiatives. We are currently still being affected by late-reported claims – in some cases for high amounts – for asbestos-related diseases and similar liability complexes. 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 end of the scale within which the corporate value of ERGO Versicherungsgruppe AG as at the date of valuation can be set.

The legal actions contesting and seeking annulment of resolutions adopted at the 2012 and 2013 Annual General Meetings of Munich Reinsurance Company ended in our favour following dismissal of the complaints and rejection of the plaintiffs' appeals during the year under review.

A number of cases are pending before courts against various companies in the Ideenkapital Group, which developed closed-end funds that it marketed in particular to private investors via banks. Its portfolio includes media, property, life insurance and shipping funds. The claimants are fund investors, who for the most part are filing claims in respect of defects in prospectuses and products. The possibility of other claims being filed and the resultant reputational risks cannot be excluded.

Risk of legal changes

On 19 December 2013, the Court of Justice of the European Union (CJEU) had ruled that the limitation period for the "policy model" for life insurance within the meaning of Section 5a (2) sentence 4 of the German Insurance Contract Act (VVG) (old version) contravened European law. On 7 May 2014, the German Federal Court of Justice (BGH) confirmed the judgment, according to which customers may still have a right to withdraw from an insurance contract more than a year after it has been concluded if they have not received proper instruction on that right. The same applies if they have not received the insurance terms and conditions or pertinent consumer information. Affected are life insurance policies using the "policy model" issued between 1995 and 2007. By judgment dated 17 December 2014, the Federal Court of Justice extended its ruling to cover contracts based on the "proposal model", so that customers now have a right of withdrawal more than one month after payment of the first premium if they have not received proper instruction on that right. Affected are life insurance policies based on the proposal model or the invitation model issued from 29 July 1994 to 31 December 2007. The Federal Court of Justice has not reached a definitive decision on the legal consequences of the judgments dated 7 May 2014 and 17 December 2014. We await further rulings. The judgments cannot be applied 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 compulsorily included in the German public health insurance system, new business for private health insurers in comprehensive health insurance would dry up. We have been monitoring this risk for many years. Similar proposals have been put forward for "citizens' long-term care insurance".

Supervisory risks

In the European Union, supervision for primary insurers and reinsurers is set to undergo profound changes with the Solvency II regulations. In particular, capital requirements will increase.

After many years of negotiation, the institutions involved in the EU legislation process (Council of the European Union, European Parliament, and European Commission) 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. The delegated acts were finalised in January 2015. The technical implementation standards are currently undergoing a public consultation phase and will be completed successively in the course of 2015. The European Insurance and Occupational Pensions Authority (EIOPA) has introduced a preparatory phase for 2014 and 2015, and published Preparatory Guidelines that include a stipulation for national supervisory authorities to bring forward the reporting requirements on selected areas. The German Federal Financial Supervisory Authority (BaFin) has substantiated the EIOPA Guidelines with further publications of its own. Implementing these will cause more extensive reporting requirements. With interest rates remaining low, the new capital requirements under Solvency II especially set a particular challenge for life insurance companies, and also for the Group. Low interest rates will mean much higher capital requirements at the level of insurance companies, whilst equity pertinent for regulatory solvency purposes will be reduced significantly. This may mean that in 2015 we will already have to provide support through intra-Group transactions or apply for statutory transitional relief for some individual units.

Balance sheet risks

Balance sheet risk is the risk of our annual results or our capital 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 has 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 become reality is not yet clear. Additional annual tax burdens in the lower three-digit million euro range as a result of the plans under discussion cannot be ruled out.

Some tax authorities are advocating the discounting of claims equalisation provisions for tax purposes. This would result in a temporary, but very significant, tax charge for Munich Reinsurance Company.

Regulatory developments

In February 2015, the German Bundestag passed a new Insurance Supervision Act (VAG) to translate the requirements of the Solvency II directive into national law. In addition to the Solvency II requirements, the new Act will retain many of the old rules, including in particular requirements added by the Life Insurance Reform Act (LVRG) in 2014 aimed at safeguarding the performance of life insurances in Germany and providing consumers with even better protection. Of particular note at European level in 2014 was the adoption of the revised financial markets directive (MiFID2) and the regulation on key information documents for investment products (PRIPs Regulation). Consultations on the European Commission’s proposals on a new version of the Insurance Mediation Directive (IMD2) continue. 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 national 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 to 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 "G-SIIs" (global systemically important insurers). A review of the potential systemic importance of reinsurers has been repeatedly postponed by the FSB and is now expected to be undertaken in 2015. 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. Supervisory experts and many supervisory authorities already regard such plans as constituting an integral part of good risk management today.

In addition to the SIFI issue, the FSB and the IAIS (International Association of Insurance Supervisors) are working on a "Common Framework" (ComFrame), which is expected to become the international standard for the supervision of large insurance groups operating internationally from 2019. One of the objectives of ComFrame will be to enable the diverse activities of such groups to be captured better through efficient cooperation and coordination between regulators, leading to harmonisation of the supervisory processes worldwide. An important component of ComFrame will be a new global capital requirement – the Global Insurance Capital Standard (ICS). There are already initial thoughts on the requirement, and high-level principles have been proposed.

Overview

In accordance with the prescribed processes, our 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 the Group. During the whole of 2014, risk exposures were regularly quantified and compared with the risk appetite. We therefore assess Munich Reinsurance Company's risk situation as manageable and under control.

Opportunities report

The business model of Munich Re (Group) combines primary insurance and reinsurance under one roof. We are convinced of the future viability of traditional reinsurance. With the primary insurance activities we operate out of the reinsurance field of business and with our business fields ERGO and Munich Health, we have tapped further profitable growth opportunities. We assume risks from many different areas of private and economic life, and provide financial protection and risk management. However, surprising and unforeseen developments can never be ruled out entirely. To protect ourselves against resultant risks, we have established a sophisticated risk management system, which is described in detail in our risk report. Overall, we are well prepared to seize arising opportunities for the benefit of Munich Reinsurance Company.

Stronger economic growth leads to increased demand

Expanded business avenues will open up for Munich Re if key macroeconomic parameters develop better than expected. Stronger economic growth in the USA or Germany and a more rapid economic recovery in the eurozone or in major emerging markets would have a positive impact on the demand for insurance cover, and trigger higher premiums in most classes of insurance. Besides this, such a development could lead to a normalisation of the bond markets and thus to a gradual increase in yields, including those on US and German government bonds. This would have a negative impact in the short term on our investment result, but it would bring higher returns in the long run, thus benefiting our long-term insurance business.

By signing the Principles for Sustainable Insurance (PSI), Munich Re has undertaken to integrate environmental, social and governance aspects even more strongly into its core business. The consideration of these ESG aspects and hence a broadened view of potential risks is becoming increasingly important for our clients. Owing to Munich Re's competence in this field, we have the capacity to offer our clients even better assistance – for instance, through innovative coverage concepts and risk management services. As a precondition for entering into business relations with Munich Re, some clients now expect us to prove that we have strategic alignment concepts that are responsible and future-oriented. A number of international cooperation agreements were concluded only because we had these established structures in place.

Other trends and upheavals with an impact on our clients' demand for insurance and on supply include technological progress, in particular the key future issue of digitalisation, demographic shifts, and changes in the legal and regulatory environment. Given our good capitalisation and high degree of expertise, Munich Re can exploit this demand in all of its business activities. This will also benefit our clients, who will profit from a rapid adjustment of our product solutions to the circumstances of newly emerging or changing markets and regulations.

Reinsurance offers us many development opportunities, despite an environment that is still highly competitive. Given the ever more stringent regulatory requirements, many insurers face the significant challenge of sustainably managing their capital relief and optimisation programmes and diversifying as best they can. Thanks to our strong capital base and expertise, we are positioned to be a long-term strategic partner for our clients, with a wide range of products and services from overarching consultancy to tailor-made reinsurance and capital market solutions.

There are long-term opportunities for expansion in reinsurance. The demand for insurance is rising, since values and insurance density are increasing steeply as a result of growing industrialisation, in particular in many regions exposed to natural hazards. We are excellently positioned with our competence in the analysis of major loss events and possible product solutions on this basis.

Successful new developments, especially for covering 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. The expansion of digital networking and the rapid rate at which hardware and software are evolving is opening up significant business avenues, for instance in the area of non-damage business interruption insurance or cyber risk coverage. Our experts have been working for many years on cyber risks and enhanced cover options. Munich Re now offers a broad spectrum of reinsurance solutions in this field and is also able to cover accumulation perils such as virus-related losses.

Another example of innovations introduced by Munich Re is a cover concept for reputation risks and the new launch-plus-life cover for the entire useful life of satellites.

A major impact on our business also derives from severe natural catastrophes. We expect climate change to lead to an increase in weather-related natural catastrophes in the long-term, with the impact from weather extremes such as floods or seasonal water shortages varying from one region to another. We adapt our risk management and risk models to the latest findings.

The positive economic dynamics in many emerging countries also provide opportunities for profitably expanding and further diversifying our business portfolio. In growth markets such as Latin America and Asia in particular, we operate as one of the leading reinsurers.

We provide active and forward-looking support for public-private partnerships in the area of sustainable disaster management. We can increase risk awareness and develop risk transfer solutions that are politically and economically sustainable, and we can guarantee these solutions are implemented thanks to our strong capital base. In this way, we can support a paradigm change from ex-post disaster financing to ex-ante risk financing, thus helping countries to better handle the costs of natural catastrophes in future.

Additional opportunities exist in attractive niche markets. Crop failure insurance, for example, is seeing strong growth based on public-private partnerships (SystemAgro), since the provision of food to a growing world population and the consequences of climate change are increasing farmers' need to protect themselves against financial risks. A market leader in this area, we have built up competence and established sustainable insurance concepts together with supervisory authorities and primary insurers.

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, we are a competent partner for life primary insurance companies thanks to our 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.

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 context. 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.

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 this 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 slightly lower results – and falling interest rates to higher results – than those forecast in this outlook. 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 also 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.

Comparison of the prospects for 2014 with the result achieved

Munich Re (Group)

Comparison of prospects for Munich Re (Group) for 2014 with results achieved

		Target 2014	Result 2014
Gross premiums written	€bn	Around 50	48.8
Consolidated result	€bn	3	3.2
Technical result	€bn	3.7	3.2
Return on investment[1]	%	Around 3.3	3.6
Return on risk-adjusted capital (RORAC)	%	15	13.2

1 Excluding insurance-related investments.

At €48.8bn, gross premiums were below our target, due to currency effects and the reduction in large-volume reinsurance treaties.

With a consolidated result of €3.2bn, we beat our target of €3bn, in part because major-loss expenditure in property-casualty reinsurance was lower than expected. We were also able to release claims reserves for prior accident years and posted tax income, mainly as a consequence of the release of tax provisions for tax audits and an advantageous decision in a long-standing legal issue. By contrast, we had to write off goodwill in the segment ERGO International.

At €3.2bn, our technical result was below our target of €3.7bn. Above all, this was due to the participation of our policyholders in an anticipated tax refund in the ERGO Life and Health Germany segment, and to deterioration in the life reinsurance market.

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 environment of very low interest rates on low-risk investments. We are very satisfied with the RORAC of 13.2% for 2014, as well as with the return of 11.3% on total IFRS capital (return on equity, ROE).

Economic earnings stood at €3.2bn. We thus slightly bettered our objective of achieving a result in the amount of the anticipated IFRS result of €3bn.

Outlook for 2015

Outlook for Munich Re (Group)

		2015
Gross premiums written	€bn	47–49
Consolidated result	€bn	2.5–3
Combined ratio property-casualty reinsurance	%	98
Return on investment[1]	%	At least 3

1 Excluding insurance-related investments.

Reinsurance

Reinsurance remains an attractive business field, with a wide variety of long-term earnings opportunities for us. Although insurance density in the western industrialised countries and individual Asian nations that have been well advanced for decades is already high, even these markets often have an additional need for insurance cover. This is because weather-related natural hazards exposure is showing an increasing trend as the climate changes and the concentration of values in exposed regions becomes greater. Previously, a large share of the losses from major natural catastrophes have also not been insured. In regions with very rapid economic development, the demand for insurance remains high for protecting the large centres of high-quality industrial manufacturing and the rising prosperity of the population. Moreover, generally only a small portion of the risks from potential liability claims by third parties are insured, particularly for those advanced and complex technologies that are important for the overall benefit of society. As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by a demand potential in many classes of business that is not yet exhausted.

Munich Re offers its cedants specialist consulting services and extensive solutions, also for issues in connection with accounting, 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. Thus, for example, we cover performance guarantees for solar modules, offer coverage for internet risks, and for the effects of weather fluctuations on the financial position of companies. This allows us to already take advantage of new profit potential, and balance out some of the reductions in traditional business. In connection with alternative risk transfer, we exploit the advantages of the dynamic market environment and securitise insurance risks on the capital markets both for our clients and for us. We also partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are currently being revised in many countries.

Gross premiums in reinsurance as a whole should be around €26–27bn overall in 2015, i.e. roughly the same as last year, although currency translation effects could potentially have a considerable impact on this estimate. For 2015, we expect the consolidated result in reinsurance to be at least €2bn, up to €0.9bn below the excellent result for 2014. This anticipated lower result will be due to the absence of one-off tax effects, the reduction in prices in property-casualty reinsurance, and pressure on our investment income in a continuing low-interest-rate environment.

We see further good development opportunities in life reinsurance. Stimuli will derive in particular from the dynamic expansion of the Asian life insurance markets and from the ongoing privatisation trends in provision for old age, long-term care and disability. We structure our products so that they are tailored to our clients' needs while conforming to our risk strategy.

We 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 2015, we project that gross premiums written in life reinsurance will be in the region of around €9–10bn. We are adhering to our objective of achieving a technical result of around €400m, because we expect the results from parts of our US portfolio written over the past decade to be subdued in the coming years as well.

In property-casualty reinsurance, which is traditionally heavily exposed to pricing cycles and random fluctuations in 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 experiencing unrelenting competition. On the one hand, given their good capitalisation, primary insurers are ceding fewer risks to reinsurance. On the other hand, reinsurers are able to provide ample capacity, since their capital base has also steadily improved thanks to the good results posted over the last few years. There is thus currently appreciable surplus capacity on the supply side. Last, but not least, insurance-linked securities and other forms of reinsurance-like transactions are also 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, so reinsurers that have previously focused on this area of business are seeking to diversify into other areas. The prices, terms and conditions for reinsurance cover have therefore come under increasing pressure across the board. This has also impacted Munich Re's portfolio, as the price erosion in the most recent treaty renewals has shown.

As a well-diversified reinsurer with extensive know-how, we are able to offer tailor-made solutions – in contrast to most providers. These include multi-year treaties (occasionally incorporating cross-line and cross-regional covers), retroactive reinsurance solutions, transactions for capital relief, and the insurance of complex liability, credit and 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.

For 2015, we therefore anticipate that gross premiums written in property-casualty reinsurance will total around €17bn, i.e. a somewhat higher figure than last year. We expect the combined ratio to be around 98% of net earned premium. The increase of more than 5 percentage points on the ratio achieved in 2014 is mainly due to the fact that in 2014 there were randomly fewer major losses than expected. In 2015, we anticipate major losses in the order of €2bn, which corresponds to 12% of net earned premium.

As in the previous year, the renewal negotiations at 1 January 2015 were marked by an oversupply of reinsurance capacity and good capitalisation of most market players. In January, treaties with a volume of €9.4bn – more than half of our treaty business in property-casualty reinsurance – were up for renewal. As a consequence of our profit-oriented underwriting policy, the run-off from large transactions, and increasing retentions by our clients, the premium volume generated by renewed business decreased in the year under review by around €900m, or 9.5%, to approximately €8.5bn.

On balance, we had to accept a slight reduction of 1.3% in the price level for the portfolio as a whole. Price reductions were seen mainly in natural catastrophe business, with North America showing somewhat greater declines than Europe and Asia, and in marine business. Price levels in casualty business and in credit and bond reinsurance were only marginally down overall, whilst they remained stable in aviation business, despite the aircraft crashes in the previous year. The fact that the price erosion for Munich Re was relatively low compared with the rest of the market underscores the importance of our consistently profit-oriented underwriting policy, and recognises the importance that individual clients are attaching to stable reinsurance relationships.

Munich Re's comprehensive service and financial strength are valued more highly than an ever lower price.

The renewals at 1 April 2015 (mainly Japan) and 1 July 2015 (parts of the portfolio in the US, Australia and Latin America) will involve a premium volume of almost €3bn of reinsurance treaty business. Munich Re is proceeding on the assumption that the market environment will not change significantly in these renewal rounds, unless extraordinary loss events occur or there are any major changes in the market.

Investments[1]

The global economy is marked by a high level of geopolitical risks and subdued growth expectations in many economies, with corresponding low inflation rates. In addition, the ample supply of liquidity made available by central banks is resulting in very low interest rates. We will continue to hedge the associated uncertainties and resultant volatilities in the capital markets by means of a widely diversified investment portfolio. The ongoing low-interest-rate environment will continue to have an impact on the whole insurance industry and other major investors.

Thanks to our strongly diversified investments, we are well prepared for a great variety of 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. In 2015, 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. The duration in the business field reinsurance increased in the financial year 2014, but decreased relative to the liabilities. In life primary insurance, we aim to prolong the average investment period somewhat in 2015.

Besides the duration, we also take the individual currencies and inflation sensitivity of our liabilities into account in the development of our investment strategy. In 2015, we plan to keep our portfolio of inflation-linked bonds constant. 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 2014, our investments and investment commitments in infrastructure (including renewable energies and new technologies) were kept largely constant in comparison with the previous year. We are planning to further expand this investment in 2015, 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 continue to rely heavily on a regional, and technical and infrastructure-specific diversification of these investments, thus spreading the risk of the portfolio, and focusing in particular on bonds and loans for infrastructure projects in 2015. We plan to slightly expand our real estate portfolio over the next few years, subject to market developments.

1 The statements concern the investment portfolio excluding insurance-related investments.

For 2015, we expect interest-rate levels to remain very low overall, and hence generate lower regular income from reinvestment of fixed-interest securities and loans. We also intend to only slightly increase our moderate equity-backing ratio of 5.2%, so that write-down risks are low. Regular income from our investments should total around 3%, 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 below the previous year's result, but still at least €7bn, and equivalent to an annual investment return of at least 3%.

Munich Re (Group) and Munich Reinsurance Company

We expect that the Group's gross premiums written for 2015 will be in the range of €47–49bn; the median value is around €0.8bn lower than the previous year.

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. In the long-term, we want to generate income growth with innovative business. However, in the current environment of a very low level of interest rates on low-risk investments , this target is very difficult to achieve.

As regards the economic value added in terms of economic earnings, we anticipate a pleasing albeit lower figure than in 2014, in line with the IFRS results anticipated for the Group and the fields of business. This forecast is based on the assumption of unchanged capital markets and modelling parameters, and a normal major-loss incidence. On the basis of current interest-rate developments, we anticipate poorer result contributions in life primary insurance than those of the other segments.

Provided that loss experience is average, our assumption for 2015 is that Munich Re will post a technical result that is lower than last year at almost €3bn.

The consolidated profit is likely to fall short of the particularly good result in 2014, mainly due to falling prices in reinsurance, a decreased investment result, and the absence of one-off tax effects. Nevertheless, we still hope to achieve a consolidated result for 2015 of €2.5–3bn, and the effective tax rate should be much higher than in 2014, but below the generally expected rate of 20–25% for our Group. This profit guidance is subject to claims experience with regard to major losses being within normal bounds and to our income statement not being impacted by severe currency or capital market movements, significant changes in fiscal parameters, or other special factors.

Munich Reinsurance Company's gross premiums should total around €23bn in 2015 assuming that exchange rates remain constant. We expect the combined ratio to be around 98% of net earned premium. 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 average claims experience for 2015, we project that the technical result before claims equalisation provisions will be somewhat lower than that of 2014.

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 to achieve a good German GAAP result in 2015.

In the period from the middle of May 2014 to the end of February 2015, we bought back shares with a value of around €866m; another €134m are to be repurchased before the Annual General Meeting in April 2015. 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 Reinsurance Company has carried out share buy-backs with a total volume of €7.9bn. Subject to approval by the Annual General Meeting, the dividend will rise by 50 cents to €7.75 per share.

Contents

Munich Reinsurance Company
Report on the 135th year of business 1 January to 31 December 2014

Financial statements as at 31 December 2014

Balance sheet as at 31 December 2014

Assets

	Notes				Prev. year
		€k	€k	€k	€k
A. Intangible assets	**(1)**			**21,689**	**24,113**
B. Investments	**(2, 3)**				
I. Land, land rights and buildings, including buildings on third-party land			1,047,132		1,075,011
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		34,529,228			33,237,532
2. Loans to affiliated companies		120,680			128,413
3. Participating interests		239,534			243,562
4. Loans to participating interests		25.988			24.567
			34,915,430		33,634,074
III. Other investments					
1. Shares, investments in unit trusts and funds, and other non-fixed-interest securities		6,632,019			6,209,264
2. Bearer bonds and other fixed-interest securities		20,328,498			17,883,310
3. Loans secured on property		688			1,026
4. Other loans		341			54
5. Deposits with banks		546,313			693,715
6. Miscellaneous investments		625,942			1,127,495
			28,133,801		25,914,864
IV. Deposits retained on assumed reinsurance			11,054,879		10,910,148
				75,151,242	**71,534,097**
C. Receivables					
I. Accounts receivable on reinsurance business Thereof from – affiliated companies: €240,710k (329,065k) – participating interests: €32,617k (48,140k)			2,009,439		2,397,429
II. Other receivables Thereof from – affiliated companies: €124,549k (98,779k) – participating interests: €64k (56k)			1,557,939		1,222,340
				3,567,378	**3,619,769**
D. Other assets					
I. Tangible assets and inventories			41,792		30,228
II. Cash at banks, cheques and cash in hand			429,115		385,825
				470,907	**416,053**
E. Deferred items					
I. Accrued interest and rent			351,111		342,017
II. Miscellaneous deferred items	(4)		109,434		34,264
				460,545	**376,281**
F. Excess of plan assets over pension liabilities	**(5)**			**396,927**	**192,904**
Total assets	**(12)**			**80,068,688**	**76,163,217**

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		-15,044			-6,251
			572,681		581,474
II. Capital reserve			6,844,639		6,844,639
III. Revenue reserves			1,839,098		2,511,865
IV. Net retained profits			1,340,305		1,300,224
				10,596,723	**11,238,202**
B. Subordinated liabilities	(7)			**4,215,483**	**4,150,492**
C. Technical provisions	(8)				
I. Unearned premiums					
1. Gross amount		3,345,819			3,377,181
2. Less for retroceded business		311,761			326,352
			3,034,058		3,050,829
II. Provision for future policy benefits					
1. Gross amount		10,264,886			9,522,639
2. Less for retroceded business		957,568			951,328
			9,307,318		8,571,311
III. Provision for outstanding claims					
1. Gross amount		34,524,690			33,306,240
2. Less for retroceded business		1,895,260			1,866,592
			32,629,430		31,439,648
IV. Provision for premium refunds					
1. Gross amount		6,310			4,110
2. Less for retroceded business		–			–
			6,310		4,110
V. Claims equalisation provision and similar provisions			9,576,618		8,147,014
VI. Other technical provisions					
1. Gross amount		112,629			316,035
2. Less for retroceded business		-4,442			3,759
			108,187		319,794
				54,661,921	**51,532,706**
D. Other accrued liabilities	(9)				
I. Provisions for employees' pensions and similar commitments			17,392		16,396
II. Provisions for tax			1,897,781		2,123,638
III. Other provisions			1,119,840		689,611
				3,035,013	**2,829,645**
E. Deposits retained on retroceded business				**1,785,470**	**1,608,291**
F. Other liabilities					
I. Accounts payable on reinsurance business			4,939,924		4,226,157
Thereof to – affiliated companies: €1,713,715k (1,466,022k) – participating interests: €3,634k (11,817k)					
II. Amounts due to banks			837		–
III. Miscellaneous liabilities	(10)		813,641		487,167
Thereof towards – affiliated companies: €457,999k (395,299k) Thereof from taxes: €105,448k (67,754k) Thereof for social security: €6,288k (1,050k)					
				5,754,402	**4,713,324**
G. Deferred items	(11)			**19,676**	**90,557**
Total equity and liabilities	(12)			**80,068,688**	**76,163,217**

Income statement for the financial year 2014

Items

	Notes				Prev. year
		€k	€k	€k	€k
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		22,490,906			24,574,156
b) Retroceded premiums		-1,701,330			-1,735,610
			20,789,576		22,838,546
c) Change in gross unearned premiums		230,003			180,751
d) Change in retroceded share of unearned premiums		-39,972			13,722
			190,031		194,473
				20,979,607	**23,033,019**
2. Interest on technical provisions for own account	**(14)**			**418,644**	**440,696**
3. Other underwriting income for own account				**5,030**	**6,846**
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		-16,592,681			-16,776,890
ab) Retroceded amount		1,133,277			1,222,108
			-15,459,404		-15,554,782
b) Change in provision for outstanding claims					
ba) Gross amount		708,431			-99,651
bb) Retroceded amount		-31,469			-359,043
			676,962		-458,694
				-14,782,442	**-16,013,476**
5. Change in other technical provisions for own account					
a) Net provision for future policy benefits			-512,245		-35,301
b) Other net technical provisions			-77,933		146
				-590,178	**-35,155**
6. Expenses for premium refunds for own account				**-7,211**	**-5,548**
7. Operating expenses for own account	**(15, 19, 20, 23)**				
a) Gross operating expenses			-5,727,343		-6,612,008
b) Less commission received on retroceded business			312,446		285,864
				-5,414,897	**-6,326,144**
8. Other underwriting expenses for own account				**-1,716**	**-16,959**
9. Subtotal				**606,837**	**1,083,279**
10. Change in claims equalisation provision and similar provisions	**(13)**			**-1,429,603**	**-1,165,022**
11. Underwriting result for own account	**(13)**			**-822,766**	**-81,743**

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: €1,866,494k (1,334,871k)			1,885,655			1,353,761
b) Income from other investments						
Thereof from affiliated companies: €185,226k (990,433k)						
ba) Rents from land and buildings, including buildings on third-party land		133,982				129,713
bb) Income from other investments		1,097,486				1,960,881
			1,231,468			2,090,594
c) Income from write-ups			596,146			552,781
d) Realised gains on the disposal of investments			1,430,236			1,126,283
e) Income from profit-transfer agreements			62,923			40,467
				5,206,428		**5,163,886**
2. Investment expenses	**(15, 17, 19, 20, 23)**					
a) Expenses for the management of investments, interest paid and other expenses for investments			-634,533			-345,026
b) Write-downs of investments			-479,324			-1,039,560
c) Realised losses on the disposal of investments			-850,740			-766,012
d) Expenses from loss transfers			-58,370			-75,358
				-2,022,967		**-2,225,956**
				3,183,461		**2,937,930**
3. Interest income on technical provisions				**-466,524**		**-491,281**
					2,716,937	**2,446,649**
4. Other income	**(21)**				**398,239**	**468,161**
5. Other expenses	**(21, 22, 23)**				**-835,206**	**-591,769**
6. Operating result before tax					**1,457,204**	**2,241,298**
7. Taxes on income				**555,114**		**-592,855**
8. Other taxes				**-6,434**		**-2,779**
					548,680	**-595,634**
9. Profit for the year					**2,005,885**	**1,645,664**
10. Profit brought forward from previous year					**46,451**	**296**
11. Appropriations to revenue reserves					**-712,030**	**-345,736**
12. Accounting value of own shares deducted from subscribed capital					**29,781**	**6,251**
13. Reversal of accounting value of own shares deducted from subscribed capital					**-20,987**	**-2,335**
14. Allocation to reserve for own shares					**-29,781**	**-6,251**
15. Release of reserve for own shares					**20,987**	**2,335**
16. Proceeds from sale of own shares					**–**	**96,844**
17. Allocation to capital reserve from sale of own shares					**–**	**-8,236**
18. Allocation to revenue reserve from sale of own shares					**–**	**-88,608**
19. Release of revenue reserve for acquisition of own shares					**1,393,591**	**299,997**
20. Expenses for acquisition of own shares					**-1,393,591**	**-299,997**
21. Net retained profits					**1,340,305**	**1,300,224**

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 linear 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, promissory notes and loans, and other receivables are measured at amortised cost.

Shares, investments in unit trusts and funds, and other non-fixed-interest securities, bearer bonds and other 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 on a straight-line basis 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 (1) sentence 2 of the German Commercial Code (HGB), 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 €6,648m. 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. By contrast, 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 20.0%, for the Australian branch to 33.0%, and for the Italian branch to 34.3%.

Munich Reinsurance Company has total tax loss carry-forwards of €3,506m, of which €2,954m is attributable to the German tax sphere. The remaining loss carry-forwards stem from the Company's foreign business units. Loss carry-forwards of €3,101m will probably be utilised within the next five years.

Excess of plan assets over pension liabilities
Under certain conditions, assets are netted with related liabilities for pension commitments (exception to the prohibition of offsetting under Section 246 (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 (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 (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 in long-term underwriting business is posted for the actuarially calculated value of obligations arising from policyholders' guaranteed entitlements.

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 and the provision for anticipated losses. Provisions for anticipated underwriting losses are posted if, in a reinsurance portfolio, the future premiums plus the proportionate investment result will probably not be sufficient to cover the expected claims and costs. In the financial year 2014, provisions for anticipated underwriting losses were posted in third-party liability, motor, marine, aviation, engineering and other classes of business.

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 (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 4.58%. 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 (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

	31.12.2014	Prev. year
Australian dollar	1.4787	1.54020
Japanese yen	145.0790	144.8300
Canadian dollar	1.40155	1.46405
Pound sterling	0.77605	0.83200
Swiss franc	1.20235	1.22550
US dollar	1.21005	1.37795
Chinese renminbi	7.50715	8.34200

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 2007, which is hedged against interest-rate risks by means of an interest-rate swap (see page 115 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 118 ff.

Notes to the balance sheet – Assets

1, 2 Intangible assets and investments

	Carrying amount 31.12.2013	Currency translation	Additions	Disposals	Write-ups	Write-downs	Carrying amount 31.12.2014
	€k	€k	€k	€k	€k	€k	€k
(1) Intangible assets	**24,113**	**–**	**8,499**	**-16**	**–**	**-10,907**	**21,689**
(2) Investments							
Land, land rights and buildings, including buildings on third-party land	1,075,011	–	32,612	-11	1,042	-61,522	1,047,132
Investments in affiliated companies and participating interests							
Shares in affiliated companies	33,237,532	813,472	2,137,097	-1,790,432	453,961	-322,402	34,529,228
Loans to affiliated companies	128,413	-2,787	73,797	-78,743	–	–	120,680
Participating interests	243,562	2,380	3,269	-7,089	–	-2,588	239,534
Loans to participating interests	24,567	1,754	110	-443	–	–	25,988
	33,634,074	**814,819**	**2,214,273**	**-1,876,707**	**453,961**	**-324,990**	**34,915,430**
Other investments							
Shares, investments in unit trusts and funds, and other non-fixed-interest securities	6,209,264	192,690	7,702,871	-7,417,983	4,201	-59,024	6,632,019
Bearer bonds and other fixed-interest securities	17,883,310	828,359	13,406,277	-11,887,182	136,530	-38,796	20,328,498
Loans secured on property	1,026	–	80	-418	–	–	688
Other loans							
Promissory notes and loans	–	–	413	-124	–	–	289
Other loans	54	4	–	-6	–	–	52
Deposits with banks	693,715	47,965	–	-195,367	–	–	546,313
Miscellaneous investments	1,127,495	40,282	5,358,861	-5,900,690	412	-418	625,942
	25,914,864	**1,109,300**	**26,468,502**	**-25,401,770**	**141,143**	**-98,238**	**28,133,801**
Total investments (2)	**60,623,949**	**1,924,119**	**28,715,387**	**-27,278,488**	**596,146**	**-484,750**	**64,096,363**
Total (1) + (2)	**60,648,062**	**1,924,119**	**28,723,886**	**-27,278,504**	**596,146**	**-495,657**	**64,118,052**

The statement of changes in assets and investments is shown at year-end (31 December 2014) exchange rates.

Intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of owner-occupied property totals €286m.

Of our total investments (excluding deposits retained on assumed reinsurance) with a carrying amount of €64,096m, an amount of €2,291m is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us.

The item “miscellaneous investments” has included a portfolio of physical gold, with a carrying amount of €331m.

Derivatives	Balance sheet item	Carrying amount	Fair value	Notional principal amount
		€k	€k	€k
Interest-rate risks				
Interest-rate swaps	Other provisions	-17,291	24,487	1,399,410
	Deferred asset items	22,473		
Interest-rate swaps (subordinated bond)	Other provisions	–	153,507	1,349,050
Inflation swaps	Other provisions	-549,762	-543,670	5,893,486
Bund futures	Other provisions	-61,711	-7,491	7,496,566
Currency risks				
Long currency options	Shares, investments in unit trusts and funds, and other non-fixed-interest securities	534	2,501	165,715
Short currency options	Other liabilities	-1,087	-2,292	43,170
	Other provisions	-1,454		
Currency forwards	Other provisions	-143,657	83,820	14,007,874
Currency forwards (for Can$ hedging)	Shares, investments in unit trusts and funds, and other non-fixed-interest securities	–	-34,985	1,834,590
Other transactions				
Insurance derivatives I (swaps)	Other provisions	-851	-851	227,263
Insurance derivatives II (cat bonds)	Deferred asset items	388	824	255,734
	Deferred liability items	-297		
	Other provisions	-10		
Insurance derivatives III (short options)	Other liabilities	-143	-20	10,618
Insurance derivatives IV (Total return swaps, insurance-linked)	Other provisions	–	303	186,157
Weather derivatives I (Weather options, short)	Other liabilities	-173	-119	1,470
Weather derivatives II (Total return swaps, weather)	Other provisions	-6,796	-6,741	20,886
	Deferred liability items	-100		
Single credit default swaps	Other provisions	-146	1,754	71,155
	Deferred asset items	1,352		
	Deferred liability items	-633		
Basket credit default swaps	Deferred asset items	55,883	59,932	2,480,000
	Deferred liability items	-1,245		
Commodity swaps	Other provisions	-13,036	5,162	985,726

Derivative financial instruments (derivatives) are financial contracts relating to a specific underlying asset.

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 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 €154m. 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
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 Historical event data 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 €74,993m. The balance sheet value was approximately €64,096m. This results in valuation reserves of €10,897m for the financial year 2014.

The valuation reserves contain hidden losses of under €1m from land and buildings. We have refrained from making a write-down, as there is no permanent impairment in value.

The valuation reserves also contain hidden losses of €1m for participating interests. Again, we have refrained from making a write-down, as there is no permanent impairment in value.

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, shares, investments in unit trusts and funds, 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 31.12.2014	Fair values 31.12.2014	Valuation reserves 31.12.2014
Land, land rights and buildings, including buildings on third-party land	1,047	3,021	1,974
Investments in affiliated companies and participating interests			
Shares in affiliated companies	34,529	40,756	6,227
Loans to affiliated companies	121	129	8
Participating interests	239	516	277
Loans to participating interests	26	39	13
	34,915	**41,440**	**6,525**
Other investments			
Shares, investments in in unit trusts and funds, and other non-fixed-interest securities	6,632	7,533	901
Bearer bonds and other fixed-interest securities	20,329	21,819	1,490
Loans secured on property	1	1	0
Deposits with banks	546	546	0
Miscellaneous investments	626	633	7
	28,134	**30,532**	**2,398**
Total investments	**64,096**	**74,993**	**10,897**

At 31 December 2014, 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	5,516	5,371	144	0
Bond funds	588	382	207	0
Total	**6,104**	**5,753**	**351**	**0**

3 Information on shareholdings

A list of all our shareholdings can be found on page 133 ff.

4 Deferred items

These include €11m for a difference (as defined in Section 250 (3) of the German Commercial Code – HGB) in respect of the settlement amount of a liability.

5 Excess of plan assets over pension liabilities

A total settlement amount of €874m for liabilities from pension commitments is more than covered by plan assets with a total fair value of €1,250m. Netting at individual plan level results in both an excess of €393m of plan assets over pension liabilities, which has to be capitalised, and a pension provision of €17m. The acquisition costs of the assets to be netted amounts to €968m. The income from these assets and the interest expenditure for the pension provisions and comparable long-term commitments in the financial year totalled €218m and €77m respectively.

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

€k	2014
Expenses for discounting liabilities for pension commitments	–37,476
Expenses for change in the discount rate for liabilities for pension commitments	–39,754
Income from plan assets to be netted with liabilities for pension commitments	217,637
Net income from pension commitments	**140,407**
Expenses for discounting liabilities for semi-retirement commitments	–2,311
Expenses for change in the discount rate for liabilities for semi-retirement commitments	–327
Income from plan assets to be netted with liabilities for semi-retirement commitments	36
Net expenses for semi-retirement commitments	**–2,602**

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 the German Act to Modernise Accounting Law (BilMoG) and have therefore been maintained, pursuant to Section 67 (3) of the Act Introducing the German Commercial Code (EGHGB). 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 2014 is divided into 172,942,618 no-par-value registered shares, each fully paid up and carrying one vote.

Composition of the capital authorised for capital increases:

€m	31.12.2014
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	31.12.2014
Contingent Capital Increase 2010 (until 27 April 2015)	117
Total	**117**

An amount of €15m is shown deducted from the subscribed capital for the accounting value of own shares held at 31 December 2014. The portion of the acquisition costs for these own shares in excess of this accounting value, i.e. €678m, has been deducted from the revenue reserves.

From the profit for the year 2014, an amount of €712m was allocated to the revenue reserves by the Board of Management. Revenue reserves contain a reserve of €15m to take account of the own shares held. Net retained profits for the year under review include a profit of €46m carried forward from the previous year. An amount of €297m 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 withdrawn 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 2014, a total of 4,427,611 Munich Reinsurance Company shares with a calculated nominal value of around €15.0m were held by Group companies. This represents 2.6% 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 (1) no. 8 of the German Stock Corporation Act (AktG).

From 14 November 2013 to 22 April 2014, a total of 6,398,594 shares were purchased via the stock exchange. Of these, 4,492,756 shares were acquired in the calendar year 2014 at an average price of €155.81. All shares from this buy-back programme were retired on 30 April 2014 in a simplified process, without reducing the share capital, by adjusting the proportion of the Company's share capital represented by each of the remaining no-par-value shares.

On 20 March 2014, Munich Reinsurance Company's Board of Management decided on another share buy-back programme. The share buy-back will be restricted to a total purchase price (excluding incidental expenses) of €1bn up to the 2015 Annual General Meeting. Munich Reinsurance Company's Board of Management thus availed itself of the authorisation granted by the Annual General Meeting on 30 April 2014, pursuant to Section 71 (1) no. 8 of the Stock Corporation Act (AktG). From 14 May 2014 to 31 December 2014, a total of 4,425,081 shares were acquired at an average price of €156,74 as part of this new programme.

MEAG MUNICH ERGO AssetManagement GmbH sold 10,944 Munich Re shares at an average price of €158.94 in the financial year 2014 in connection with the hedging of obligations from its long-term incentive plan. The sale generated proceeds of €1.7m. With the remaining Munich Re shares acquired in prior years to hedge the stock appreciation rights granted, MEAG had a total portfolio of 2,530 shares at 31 December 2014.

The acquisition costs of all Munich Re shares in the possession of Group companies at the end of the financial year totalled €693,905,654.78.

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 2014):

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 (1) sentence 1 no. 1 of the 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, pursuant toSection 27a (1) of the 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 twelve months, but not to exert an influence on the composition of

Munich Re's Management or Supervisory Boards or to significantly change the Company's capital structure, particularly with regard to the equity-debt ratio or the dividend policy. The acquisition of voting rights in our Company was financed from own resources. In February 2015, 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 2014, which is equivalent to 11.6% of our share capital.

BlackRock Inc., New York, NY, USA, notified us in September 2014 that its share of the voting rights held directly or indirectly in our Company amounted to 6.11% (10,571,110 voting rights) on 25 September 2014. The voting rights of the following companies were attributed to BlackRock Inc. because it controls the companies, and because the shares of these companies' voting rights in our company each exceeded the 3% threshold: BlackRock Holdco 2, Inc. and BlackRock Financial Management, Inc.

BlackRock Holdco 2, Inc., Wilmington, DE, USA, notified us in September 2014 that its share of the voting rights held directly or indirectly in our Company amounted to 6.01% (10.397.334 voting rights) on 25 September 2014. The voting rights of the following companies were attributed to BlackRock Holdco 2, Inc. because it controls the companies, and because the shares of these companies' voting rights in our company each exceeded the 3% threshold: BlackRock Financial Management, Inc.

BlackRock Financial Management, Inc., New York, NY, USA, notified us in September 2014 that its share of the voting rights held directly or indirectly in our Company amounted to 6.00% (10,383,884 voting rights) on 25 September 2014.

BlackRock Advisors Holdings, Inc., New York, NY, USA, BlackRock International Holdings, Inc., New York, NY, USA, and BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands, each notified us in November 2014 that their share of the voting rights held directly or indirectly in our Company had fallen below the 3% threshold on 13 November 2014 and on this day amounted to 2.90% (5,011,813 voting rights).

BlackRock Group Limited, London, United Kingdom, notified us in November 2014 that its share of the voting rights held directly or indirectly in our Company had fallen below the 3% threshold on 6 November 2014 and on this day amounted to 2.98% (5,158,983 voting rights).

The People's Bank of China/SAFE, Beijing, China, acting in the name and with the authority of the People's Republic of China, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) in March 2014 that the share of the voting rights held directly or indirectly in our Company by the People's Republic of China had fallen below the 3% threshold on 5 March 2014 and on this day amounted to 2.9974% (5,375,602 voting rights). The People's Bank of China/SAFE, Beijing, China, also notified us pursuant to Section 21 (1) of the Securities Trading Act in March 2014 that its share of the voting rights held directly or indirectly in our Company had fallen below the 3% threshold on 5 March 2014 and on this day amounted to 2.9974% (5,375,602 voting rights).

7 Subordinated liabilities

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 €1,000m 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 119.

The remaining term of the subordinated liabilities with a total amount of €4,215m is more than five years.

Subordinated liabilities

€m	31.12.2014
Subordinated bonds 2003/2028, £300m 7.625% p.a. until 2018, thereafter floating	386
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	580
Total	**4,215**

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	407	9,307	1,274	13	180	11,181	164
Health	109	–	312	6	56	483	15
Accident	18	–	2,394	480	–4	2,888	1,905
Liability	231	–	12,185	1,085	–4	13,497	834
Motor	733	–	6,290	1,050	–252	7,821	315
Marine	109	–	860	367	33	1,369	273
Aviation	164	–	988	754	26	1,932	522
Fire	551	–	4,671	4,184	26	9,432	312
Engineering	495	–	2,291	239	25	3,050	411
Other classes	217	–	1,364	1,399	29	3,009	163
Non-life combined	2,627	–	31,355	9,564	–65	43,481	311
Total	**3,034**	**9,307**	**32,629**	**9,577**	**115**	**54,662**	**263**

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	31.12.2014	31.12.2013
Claims equalisation provision	9,117,493	7,703,243
Provision for major risks	459,125	443,771
Thereof:		
For nuclear facilities	88,789	84,736
For pharmaceutical product liability risks	77,100	81,331
For terrorism risks	293,236	277,704
Total	**9,576,618**	**8,147,014**

The other technical provisions include provisions for anticipated losses amounting to €77,797k.

9 Other accrued liabilities

As at 31 December 2014, prior to netting, the provision for employees' pensions and similar commitments totalled €874m, compared with assets of €1,250m prior to netting. There was an excess of €191m of plan assets over pension liabilities as at 31 December 2013, an amount which increased to €393m by 31 December 2014. In addition, there was a provision of €16m as at 31 December 2013, which rose to €17m by 31 December 2014.

For semi-retirement commitments, a settlement amount of €50m compares with assets of €27m to be netted. Netting at individual plan level results in both an excess of €3m of plan assets over pension liabilities, which has to be capitalised, and a provision of €26m. 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 €253m have been posted.

There are provisions of €796m 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

The provision for unrealised currency gains was released as planned in the financial year 2014.

12 Hedging relationships

Hedge accounting is used for the following economic hedges:

Type of hedging relationship	Hedged items	Hedging instruments	Type of risks	Amount of risks hedged
	Types and volumes	Types and volumes		
Portfolio hedges	Foreign currency liabilities	Foreign currency assets	Exchange-rate risks	Currency result from hedged foreign currency liabilities Recognition of effective change in the fair value of hedged items and hedging instruments in the balance sheet and income statement, owing to use of "gross method" for hedging relationships
	The following hedging relationships – the largest in terms of volume – were recognised at the balance sheet date: – US dollar: 20,149m (€16,651m) – Pound sterling: 4,895m (€6,307m) – Australian dollar: 5,841m (€3,951m) – Canadian dollar: 4,579m (€3,267m) – Chinese renminbi: 10,834m (€1,443m) – Japanese yen: 108,377m (€747m) – Israeli new shekel: 3,313m (€704m) – New Zealand dollar: 694m (€449m) – Norwegian krone: 2,933m (€323m)			
Portfolio hedge	Variable portfolio of securities (Canadian dollar) in the deposits MXA016F100 and MRA016F101	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 deposits MXA016F100 and MRA016F101 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 2014: Can$ 2,586m (€1,845m)	Open currency forward contracts as at 31 Dec. 2014: Sell Can$ 2,571m in exchange for €1,777m		
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 2014: €154m 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 99.67% 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 99.38%		Dollar offset method, retrospective

Notes to the income statement

13 Reinsurance underwriting result by class of business

	Gross premiums written		Underwriting result before claims equalisation provision and similar provisions		Change in claims equalisation provision and similar provisions		Combined ratio %	
€m	2014	2013	2014	2013	2014	2013	2014	2013
Life	7,822	8,711	31	212	-1	-1	–	–
Health	3,349	4,001	11	23	–	–	99.7	99.4
Accident	201	228	97	67	28	-134	35.3	67.4
Liability	1,651	1,658	-14	-517	-468	69	100.8	131.4
Motor	2,505	2,332	-177	-117	-166	-168	107.0	105.3
Marine	506	501	75	132	-75	57	84.8	74.1
Aviation	384	411	43	124	129	170	88.7	70.9
Fire	3,354	3,718	704	1,020	-856	-1,171	76.6	70.8
Engineering	804	819	-103	164	6	-38	113.3	79.5
Other classes	1,915	2,195	-60	-25	-27	51	103.1	101.1
Non-life combined	14,669	15,863	576	871	-1,429	-1,164	95.9	94.3
Total	**22,491**	**24,574**	**607**	**1,083**	**-1,430**	-1,165	–	–

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	2014	Prev. year
Wages and salaries	442,405	462,187
Social insurance contributions and voluntary assistance	72,963	71,500
Expenses for employees' pensions	3,168	15,263
Total	**518,536**	**548,950**

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

The amount of €375m of the write-downs is for impairments as per Section 253 (3) sentences 3 and 4 of the German Commercial Code (HGB).

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 €5.8m 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 2014, this resulted in expenses of €1.1m. The weighted average share price for the stock appreciation rights exercised in 2014 was €161.49 for plan year 2007, €161.63 for plan year 2008, €159.38 for plan year 2009, and €150.26 for plan year 2010. The intrinsic value of the exercisable stock appreciation rights amounted to €5.8m at the balance sheet date.

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

		Incentive Plan 2007	Incentive Plan 2008	Incentive Plan 2009	Incentive Plan 2010
Plan commencement		1.7.2007	1.7.2008	1.7.2009	1.7.2010
Plan end		30.6.2014	30.6.2015	30.6.2016	30.6.2017
Initial share price	€	134.07	121.84	97.57	109.11
Intrinsic value 2014 for one right	€	26.83	39.06	63.33	51.79
Fair value 2014 for one right	€	–	39.06	63.33	51.79
Number of rights on 31 Dec. 2007		341,234	–	–	–
Additions		4,013	444,104	–	–
Exercised		–	–	–	–
Forfeited		5,848	3,063	–	–
Number of rights on 31 Dec. 2008		339,399	441,041	–	–
Additions		–	463	459,271	–
Exercised		–	–	–	–
Forfeited		2,804	4,194	–	–
Number of rights on 31 Dec. 2009		336,595	437,310	459,271	–
Additions		–	–	–	675,029
Exercised		–	–	–	–
Forfeited		1,379	1,462	1,287	–
Number of rights on 31 Dec. 2010		335,216	435,848	457,984	675,029
Additions		–	–	–	6,546
Exercised		–	–	–	–
Forfeited		5,333	7,623	7,338	16,266
Number of rights on 31 Dec. 2011		329,883	428,225	450,646	665,309
Exercised		–	–	320,709	365,529
Forfeited		783	1,422	1,253	3,655
Number of rights on 31 Dec. 2012		329,100	426,803	128,684	296,125
Exercised		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
Additions		–	–	–	–
Exercised		51,482	16,993	10,022	–
Forfeited		–	–	–	–
Number of rights on 31 Dec. 2014		**–**	**24,512**	**27,800**	**59,662**
Exercisable at year-end		**–**	**24,512**	**27,800**	**59,662**

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 2011–2014

		Incentive Plan 2011	Incentive Plan 2012	Incentive Plan 2013	Incentive Plan 2014
Plan commencement		1.1.2011	1.1.2012	1.1.2013	1.1.2014
Plan end		31.12.2013	31.12.2014	31.12.2015	31.12.2016
Fair value 2014 for one right	€	–	343.45	349.39	354.41
Number of rights on 1 January 2011		63,769	–	–	–
Additions		–	–	–	–
Forfeited		–	–	–	–
Number of rights on 31 December 2011		63,769	–	–	–
Number of rights on 1 January 2012		63,769	–	–	–
Additions		185	78,568	–	–
Forfeited		424	–	–	–
Number of rights on 31 December 2012		63,530	78,568	–	–
Number of rights on 1 January 2013		63,530	78,568	–	–
Additions		761	977	51,168	–
Forfeited		2,147	2,891	–	–
Number of rights on 31 December 2013		62,144	76,654	51,168	–
Number of rights on 1 January 2014		62,144	76,654	51,168	–
Additions		–	–	544	42,233
Exercised		61,854	–	–	–
Forfeited		290	559	500	–
Number of rights on 31 December 2014		–	76,095	51,212	42,233

In the financial year 2014, expenses of €21.5m were recognised for the mid-term incentive plans. The provision at the reporting date amounted to €55.8m.

21 Income and expenses from currency translation

An amount of €71m from currency translation has been recognised in other income, and €39m in other expenses.

22 Income and expenses from the discounting of provisions

"Other expenses" includes €86m from the reversal of discounting of tax reserves.

23 Remuneration report

The total remuneration of Munich Reinsurance Company's Board of Management amounted to €24.1m and that of the Supervisory Board to €2.6m, which does not include remuneration of €0.2m for membership of supervisory boards of other Group companies; thus the total figure is €2.8m.

Payments to retired members of the Board of Management or their surviving dependants totalled €7.2m.

No personnel expenses were incurred for pension commitments to retired members of the Board of Management. After deduction of plan assets held by a separate entity (under a contractual trust agreement), there were no pension provisions or provisions for comparable benefits for retired members of the Board of Management or their surviving dependants. The amount of the liability is €138.1m.

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 10.

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 (until 30 April 2014)

Giuseppina Albo (since 1 October 2014)
Europe and Latin America
(until 31 December 2014 together with Georg Daschner)

Dr. rer. pol. Ludger Arnoldussen
Germany, Asia Pacific and Africa
Central Procurement
(since 1 January 2015)
Services

Dr. rer. pol. Thomas Blunck
Special and Financial Risks
Reinsurance Investments
Central Procurement
(until 31 December 2014)

Georg Daschner (until 31 December 2014)
Europe and Latin America
(from 1 October 2014 together with Giuseppina Albo)

Dr. jur. Doris Höpke (since 1 May 2014)
Health

Dr. rer. nat. Torsten Jeworrek
(Chairman of the Reinsurance Committee)
Reinsurance Development
Corporate Underwriting
Corporate Claims
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. Joachim Wenning
(Labour Relations Director)
Life
Human Resources

Supervisory Board

Dr. jur. Hans-Jürgen Schinzler
(Honorary Chairman)
Former Chairman of the Supervisory Board

Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder
(Chairman)
Member since 17 April 2002,
last re-elected 30 April 2014
Former Chairman of the Board of Management of Volkswagen AG

Marco Nörenberg
(Deputy Chairman since 30 April 2014)
Member since 22 April 2009,
last re-elected 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner
Member since 3 January 2013,
last re-elected 30 April 2014
Scientific Director of the Center for Entrepreneurial and Financial Studies (CEFS) at the Technical University of Munich

Herbert Bach
Member from 9 December 1994 until 30 April 2014
Employee of Munich Reinsurance Company

Dina Bösch
Member from 22 April 2009 until 30 April 2014
Member of the National Executive Board of ver.di (trades union)

Hans Peter Claußen
(Deputy Chairman until 30 April 2014)
Member from 22 April 2009 until 30 April 2014
Employee of D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG (until 31 March 2014)

Annika Falkengren
Member since 20 April 2011 until 30 April 2014
President and Chief Executive Officer of Skandinaviska Enskilda Banken AB (publ)

Frank Fassin
Member since 22 April 2009, last re-elected 30 April 2014
Regional Section Head Financial Services, ver.di North Rhine-Westphalia

Dr. jur. Benita Ferrero-Waldner
Member since 12 February 2010, last re-elected 30 April 2014
President of the EU-LAC Foundation

Christian Fuhrmann
Member since 22 April 2009, last re-elected 30 April 2014
Head of Divisional Unit, Munich Reinsurance Company

Prof. Dr. rer. nat. Ursula Gather
Member since 30 April 2014
Rector of TU Dortmund University

Prof. Dr. rer. nat. Peter Gruss
Member since 22 April 2009, last re-elected 30 April 2014
President of the Max Planck Society for the Advancement of Science (until 5 June 2014)
Former Scientific Member of the Max Planck Society for the Advancement of Science

Gerd Häusler
Member since 30 April 2014
Chairman of the Supervisory Board of BayernLB

Dr. iur. Anne Horstmann
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Ina Hosenfelder
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG
Deputy Chair of the Union Council of the Neue-Assekuranz-Gewerkschaft (NAG)

Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Member since 22 July 1999, last re-elected 30 April 2014
President of acatech – German Academy of Science and Engineering

Peter Löscher
Member from 22 April 2009 until 30 April 2014
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 30 April 2014
Chairman of the Supervisory Board of Deutsche Lufthansa AG

Beate Mensch
Member since 30 April 2014
Trades Union Secretary, ver.di, Hessen

Silvia Müller
Member from 22 April 2009 until 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Reinhard Pasch
Member from 22 April 2009 until 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Ulrich Plottke
Member since 30 April 2014
Employee of ERGO Versicherungsgruppe AG

Anton van Rossum
Member since 22 April 2009, last re-elected 30 April 2014
Chairman of the Supervisory Board of Royal Vopak NV and member of the Board of Credit Suisse Group

Andrés Ruiz Feger
Member since 22 April 2009,
last re-elected 30 April 2014
Employee of Munich Re, Sucursal en España

Gabriele Sinz-Toporzysek
Member since 30 April 2014
Employee of ERGO Beratung und Vertrieb AG

Richard Sommer
Member from 22 April 2009 until 30 April 2014
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 30 April 2014
Chairman of the Supervisory Board of MTS OJSC, Russia

Angelika Wirtz
Member since 30 April 2014
Employee of Munich Reinsurance Company

Membership of the Supervisory Board Committees

Standing Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach (until 30 April 2014)
Hans Peter Claußen (until 30 April 2014)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Wolfgang Mayrhuber
Marco Nörenberg (since 30 April 2014)
Andrés Ruiz Feger (since 30 April 2014)

Personnel Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach (until 30 April 2014)
Wolfgang Mayrhuber
Angelika Wirtz (since 30 April 2014)

Audit Committee
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann (Chair)
Christian Fuhrmann
Dr. iur. Anne Horstmann (since 30 April 2014)
Marco Nörenberg (until 30 April 2014)
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder
Anton van Rossum

Nomination Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner (since 30 April 2014)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Peter Löscher (until 30 April 2014)

Conference Committee
Dr. Ing. E.h. Dipl. Ing. Bernd Pischetsrieder (Chair)
Herbert Bach (until 30 April 2014)
Hans Peter Claußen (until 30 April 2014)
Prof. Dr. rer. nat. Dr. Ing. E.h. Henning Kagermann
Marco Nörenberg (since 30 April 2014)
Angelika Wirtz (since 30 April 2014)

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] (Chair) Munich Health Holding AG[2] (Chair)	–
Giuseppina Albo	–	IFG Companies, USA
Dr. rer. pol. Ludger Arnoldussen	–	–
Dr. rer. pol. Thomas Blunck	–	Global Aerospace Underwriting Managers Ltd. (GAUM), United Kingdom (Chair) New Reinsurance Company Ltd., Switzerland[2] (Chair)
Georg Daschner	–	–
Dr. jur. Doris Höpke	–	DKV Seguros y Reaseguros S.A., Spain[2]
Dr. rer. nat. Torsten Jeworrek	–	–
Dr. rer. pol. Peter Röder	EXTREMUS Versicherungs-AG	Munich Re America Corp., USA[2] (Chair) Munich Reinsurance America, Inc., USA[2] (Chair)
Dr. jur. Jörg Schneider	MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH[2] (Chair)	–
Dr. oec. publ. Joachim Wenning	–	–

1 Status: 31 December 2014.
2 Own group company within the meaning of Section 18 of the German Stock Corporation Act (AktG).

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)	Daimler AG	Tetra-Laval International S.A. Group, Switzerland
Marco Nörenberg (Deputy Chairman since 30 April 2014)	ERGO Versicherungsgruppe AG[2]	–
Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner	Linde AG METRO AG	GDF SUEZ S.A., France
Herbert Bach (until 30 April 2014)	–	–
Dina Bösch (until 30 April 2014)	–	–
Hans Peter Claußen (until 30 April 2014)	D.A.S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG[2]	–
Annika Falkengren (until 30 April 2014)	Volkswagen AG	Securitas AB (publ), Sweden Swedish Bankers' Association, Sweden (Chair)
Frank Fassin	ERGO Versicherungsgruppe AG[2] Provinzial NordWest Holding AG	–
Dr. jur. Benita Ferrero-Waldner	–	–
Christian Fuhrmann	–	Munich Re Holding Company (UK) Ltd., United Kingdom[2] (until July 2014)
Prof. Dr. rer. nat. Ursula Gather (from 30 April 2014)	TEMA Technologie Marketing AG (Chair)	–
Prof. Dr. rer. nat. Peter Gruss	Siemens AG	Actelion Ltd., Switzerland
Gerd Häusler (from 30 April 2014)	BayernLB (Chair)	Kleinwort Benson Ltd., United Kingdom (Chair)
Dr. iur. Anne Horstmann (from 30 April 2014)	ERGO Versicherungsgruppe AG[2]	–
Ina Hosenfelder (from 30 April 2014)	–	–
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 (until June 2014) Wipro Ltd., India (until June 2014)
Peter Löscher (until 30 April 2014)	Deutsche Bank AG Sulzer Ltd.	TBG Ltd. (Thyssen-Bornemisza Group), Malta
Wolfgang Mayrhuber	Bayerische Motoren-Werke AG Infineon Technologies AG (Chair) Deutsche Lufthansa AG (Chair)	Heico Corporation, USA
Beate Mensch (from 30 April 2014)	Commerzbank AG	–
Silvia Müller (until 30 April 2014)	ERGO Versicherungsgruppe AG[2]	–
Reinhard Pasch (until 30 April 2014)	–	–

Supervisory Board[1]	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Ulrich Plottke (from 30 April 2014)	–	–
Anton van Rossum	–	Credit Suisse Groupe AG, Switzerland Royal Vopak NV, Netherlands (Chair) Solvay S.A., Belgium (until June 2014)
Andrés Ruiz Feger	–	–
Gabriele Sinz-Toporzysek (from 30 April 2014)	ERGO Beratung und Vertrieb AG[2]	–
Richard Sommer (until 30 April 2014)	ERGO Versicherungsgruppe AG[2]	–
Dr. phil. Ron Sommer	–	Sistema Shyam Teleservices Ltd., India Tata Consultancy Services Ltd., India
Angelika Wirtz (from 30 April 2014)	–	–

1 Status: 31 December 2014.
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 2014 averaged 4,042, of which an average of 3,712 were employed in Germany and 330 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 foreign subsidiaries under certain insurance contracts.

For four foreign subsidiaries, a guarantee for office rents has been assumed for a total amount equivalent to around €6.7m 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 subsidiary. To collaterise another subsidiary's repayment obligation of around €4.9m, the Company has guaranteed settlement of the payment in question.

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

A guarantee of around €15.9m was assumed for an ongoing legal dispute.

In addition, the Company has assumed a payment obligation equivalent to around €25.9m for a participating interest.

In none of the cases mentioned is there an increased risk of the guarantees being utilised.

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 €516m (€467m 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 110 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 2014, 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 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 €1,340,305,289.50. The Board of Management proposes that this amount be appropriated as follows: payment of a dividend of €7.75 per dividend-bearing share, with the remaining amount being carried forward to new account.

List of shareholdings as at 31 December 2014 pursuant to Section 285 no. 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 (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 (3) of the German Commercial Code – HGB) 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 2013. 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
Affiliated companies			
"PORT ELISABETH" GmbH & Co. KG, Bramstedt[4]	31.9660	10,217	806
"PORT LOUIS" GmbH & Co. KG, Bramstedt[4]	26.0495	–4,696	–1,092
40, Rue Courcelles SAS, Paris	100.0000	59,986	2,198
80e LIMITED, Bristol[5]	100.0000	1	0
Adelfa Servicios a Instalaciones Fotovoltaicas, S.L., Santa Cruz de Tenerife	100.0000	19,325	1,699
AGC Gerechtsdeurwaarders & Incasso B.V., Stadskanaal	100.0000	–	–
Aleama 150015 S.L., Valencia	100.0000	–176	–32
ALICE GmbH, Düsseldorf	100.0000	96,985	2,900
American Alternative Insurance Corporation, Wilmington, Delaware	100.0000	133,671	21,554
American Family Home Insurance Company, Jacksonville, Florida	100.0000	128,640	3,040
American Modern Home Insurance Company, Amelia, Ohio	100.0000	314,418	6,010
American Modern Home Service Company, Amelia, Ohio	100.0000	1,932	123
American Modern Insurance Company of Florida, Inc., Jacksonville, Florida	100.0000	6,414	–148
American Modern Insurance Group, Inc., Amelia, Ohio	100.0000	103,211	1,723
American Modern Lloyds Insurance Company, Dallas, Texas	100.0000	3,187	21
American Modern Property & Casualty Insurance Company, Cincinnati, Ohio	100.0000	13,461	63
American Modern Select Insurance Company, Amelia, Ohio	100.0000	37,089	2,995
American Modern Surplus Lines Insurance Company, Amelia, Ohio	100.0000	22,052	–210
American Southern Home Insurance Company, Jacksonville, Florida	100.0000	31,987	622
American Western Home Insurance Company, Oklahoma City, Oklahoma	100.0000	52,253	837
Amicus Legal Ltd., Bristol	100.0000	8,291	4,836
Amicus Ltd., Bristol[5]	100.0000	1	0
ANOVA GmbH, Rostock	100.0000	17	–1
Arridabra 130013 S.L., Valencia	100.0000	–177	–32
ARTES Assekuranzservice GmbH, Düsseldorf	100.0000	–1,199	–1,192
ArztPartner almeda AG, Munich	100.0000	31,473	418
avanturo GmbH, Düsseldorf	100.0000	10,070	446
B&D Acquisition B.V., Amsterdam	100.0000	819	–194
B&D Business Solutions B.V., Utrecht	100.0000	65	–34
Badozoc 1001 S.L., Valencia	100.0000	–116	–32
Bagmoor Holdings Limited, London	100.0000	–461	–233
Bagmoor Wind Limited, Bristol	100.0000	4,859	1,495
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna	100.0000	679	507
Baqueda 7007 S.L., Valencia	100.0000	–178	–32
Beaufort Dedicated No.1 Ltd, London	100.0000	179	3
Beaufort Dedicated No.2 Ltd, London	100.0000	41,862	16,156
Beaufort Dedicated No.3 Ltd, London	100.0000	20	0
Beaufort Dedicated No.4 Ltd, London	100.0000	4	0
Beaufort Dedicated No.5 Ltd, London	100.0000	304	0
Beaufort Dedicated No.6 Ltd, London	100.0000	–3	0

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Beaufort Underwriting Agency Limited, London	100.0000	20,044	3,889
Beaufort Underwriting Services Limited, London	100.0000	1	0
Bell & Clements (Bermuda) Ltd., Hamilton, Bermuda	100.0000	2,220	45
Bell & Clements (London) Ltd, London	100.0000	749	–54
Bell & Clements (USA) Inc, Reston, Virginia	100.0000	62	0
Bell & Clements Inc, Reston, Virginia	100.0000	381	–98
Bell & Clements Ltd, London	100.0000	1,921	66
Blitz 01-807 GmbH, Munich[5]	100.0000	25	1
Bobasbe 6006 S.L., Valencia	100.0000	–190	–32
Bos Incasso B.V., Groningen	89.7640	14,094	706
Botedazo 8008 S.L., Valencia	100.0000	–180	–32
Calibre Commercial Insurance Pty Ltd, Sydney	90.0000	2,705	–
Calliden Insurance Pty Limited, Sydney	100.0000	40,492	2,641
Callopio 5005 S.L., Valencia	100.0000	–183	–32
Camcichu 9009 S.L., Valencia	100.0000	–178	–32
Cannock Chase B.V., Leidschendam	100.0000	–3,185	–1,143
Cannock Chase Holding B.V., Amsterdam	85.0000	32,000	–
Cannock Chase Incasso B.V., The Hague	100.0000	748	446
Cannock Chase Incasso II B.V., The Hague	100.0000	–	–
Cannock Chase Purchase B.V., The Hague	100.0000	518	–74
Cannock Connect Center B.V., Brouwershaven	100.0000	–274	15
CAPITAL PLAZA Holding GmbH & Co. Singapur KG, Düsseldorf	100.0000	13,463	–21
CAPITAL PLAZA Holding GmbH, Düsseldorf	100.0000	31	–1
Caracuel Solar Catorce S.L., Valencia	100.0000	–186	–34
Caracuel Solar Cinco S.L., Valencia	100.0000	–190	–34
Caracuel Solar Cuatro S.L., Valencia	100.0000	–175	–34
Caracuel Solar Dieciocho S.L., Valencia	100.0000	–162	–33
Caracuel Solar Dieciseis S.L., Valencia	100.0000	–179	–34
Caracuel Solar Diecisiete S.L., Valencia	100.0000	–181	–33
Caracuel Solar Diez S.L., Valencia	100.0000	–172	–34
Caracuel Solar Doce S.L., Valencia	100.0000	–176	–34
Caracuel Solar Dos S.L., Valencia	100.0000	–165	–34
Caracuel Solar Nueve S.L., Valencia	100.0000	–175	–34
Caracuel Solar Ocho S.L., Valencia	100.0000	–173	–34
Caracuel Solar Once S.L., Valencia	100.0000	–172	–34
Caracuel Solar Quince S.L., Valencia	100.0000	–174	–34
Caracuel Solar Seis S.L., Valencia	100.0000	–186	–34
Caracuel Solar Siete S.L., Valencia	100.0000	–183	–34
Caracuel Solar Trece S.L., Valencia	100.0000	–178	–34
Caracuel Solar Tres S.L., Valencia	100.0000	–180	–34
Caracuel Solar Uno S.L., Valencia	100.0000	–146	–37
CarePlus Gesellschaft für Versorgungsmanagement mbH, Cologne	100.0000	4	–32
Ciborum GmbH, Munich[5]	100.0000	25	1
CJSIC "European Travel Insurance", Moscow	100.0000	3,114	1,452
Comino Beteiligungen GmbH, Grünwald	100.0000	624,255	–35
Compagnie Européenne d'Assurances, Nanterre	100.0000	3,699	–160
Compania Europea de Seguros S.A., Madrid	99.9985	11,271	2,763
Copper Leaf Research, Bingham Farms, Michigan[5]	100.0000	0	0
Corion Pty Limited, Sydney	100.0000	2,089	186
Cotatrillo 100010 S.L., Valencia	100.0000	–179	–32
D.A.S. Defensa del Automovilista y de Siniestros – Internacional, S.A. de Seguros y Reaseguros, Barcelona	100.0000	4,933	793
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	2,983	187
D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest	100.0000	3,941	478
D.A.S. Luxemburg Allgemeine Rechtsschutz-Versicherung S.A., Strassen	99.9500	3,427	122
D.A.S. Oigusabikulude Kindlustuse AS, Tallinn	100.0000	2,622	–140

Company and registered seat	% share of capital	Equity €k	Result for the year €k
D.A.S. Prawo i Finanse Sp. z o.o., Warsaw	100.0000	10	–9
D.A.S. Rechtsschutz Aktiengesellschaft, Vienna	99.9800	69,449	5,518
D.A.S. Rechtsschutz Leistungs-GmbH, Munich	100.0000	37	3
D.A.S. Société anonyme belge d'assurances de Protection Juridique, Brussels	99.9900	9,375	–8,939
D.A.S. Towarzystwo Ubezpieczen Ochrony Prawnej S.A., Warsaw	99.9524	2,818	4
D.A.S., Tomasz Niedzinski Kancelaria Prawna Spolka komandytowa, Warsaw	95.0000	14	–10
Daman Health Insurance – Qatar LLC, Doha, Qatar	100.0000	13,215	–2,105
DAS Assistance Limited, Bristol	100.0000	54	–279
DAS Financial Services B.V., Amsterdam	51.0000	–210	–133
DAS Holding N.V., Amsterdam	51.0000	203,828	25,274
DAS Incasso Arnhem B.V., Arnhem	100.0000	–972	–337
DAS Incasso Eindhoven B.V., 's-Hertogenbosch	100.0000	–1,840	–41
DAS Incasso Rotterdam B.V., Rotterdam	80.0000	2,444	26
DAS Law Solicitors Limited, Bristol	100.0000	–1,282	1,684
DAS Legal Expenses Insurance Co., Ltd., Seoul	100.0000	6,193	1,760
DAS Legal Expenses Insurance Company Limited, Bristol	100.0000	79,144	2,806
DAS Legal Finance B.V., Amsterdam	100.0000	93,805	1,379
DAS Legal Protection Insurance Company Ltd., Toronto	100.0000	3,250	–2,707
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 Lex Assistance, S.L., L'Hospitalet de Llobregat	100.0000	59	4
DAS MEDICAL ASSIST LIMITED, Bristol	100.0000	–112	0
DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam	100.0000	119,570	25,007
DAS Rechtsschutz-Versicherungs-AG, Lucerne	100.0000	14,611	1,370
DAS Services Limited, Bristol	100.0000	–9,976	1,888
DAS UK Holdings Limited, Bristol	100.0000	41,987	563
De Wit Vissers Incasso Holding B.V., Breda	100.0000	–519	–132
Diana Vermögensverwaltungs AG, Munich[5]	100.0000	67	–1
DKV – Beta Vermögensverwaltungs GmbH, Cologne[5]	100.0000	25	–1
DKV BELGIUM S.A., Brussels	100.0000	169,116	22,475
DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne[1, 3]	100.0000	504,588	0
DKV Gesundheits Service GmbH, Cologne	100.0000	36	–1
DKV Immobilienverwaltungs GmbH, Cologne[5]	100.0000	24	–1
DKV Luxembourg S.A., Luxembourg	75.0000	15,591	–336
DKV Pflegedienste & Residenzen GmbH, Cologne	100.0000	5,534	101
DKV Residenz am Tibusplatz gGmbH, Münster	100.0000	515	–439
DKV Seguros y Reaseguros, Sociedad Anónima Española, Saragossa	100.0000	138,874	34,286
DKV Servicios, S.A., Saragossa	100.0000	860	–182
DKV-Residenz in der Contrescarpe GmbH, Bremen	100.0000	–1,535	–213
DRA Debt Recovery Agency B.V., The Hague	100.0000	3,918	629
Dutch Debt Recoveries S.a.r.l., Luxembourg	100.0000	362	332
Economic Data Research B.V., Leidschendam	100.0000	–1,989	–385
Economic Data Resources B.V., Leidschendam	100.0000	773	–160
EDR Acquisition B.V., Amsterdam	100.0000	3,501	–696
EDR Credit Services B.V., The Hague	100.0000	1,734	4
EIG, Co., Wilmington, Delaware	100.0000	120,974	19,575
ERGO Alpha GmbH, Düsseldorf	100.0000	27	–1
ERGO Asia Management Pte. Ltd., Singapore	100.0000	496	0
ERGO ASIGURARI DE VIATA SA, Bucharest	100.0000	4,772	–1,108
ERGO Assicurazioni S.p.A., Milan	100.0000	46,834	–5,550
ERGO Austria International AG, Vienna	100.0000	427,058	3,478
ERGO Beratung und Vertrieb AG, Düsseldorf[1]	100.0000	500	0
ERGO DIREKT Krankenversicherung AG, Fürth[1, 3]	100.0000	79,515	0
ERGO DIREKT Lebensversicherung AG, Fürth[1, 3]	100.0000	92,789	0
ERGO DIREKT Versicherung AG, Fürth[1, 3]	100.0000	50,138	0
ERGO Életbiztosító Zrt., Budapest	100.0000	7,094	–532

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO Elfte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	873	–2
ERGO Emeklilik ve Hayat A.S., Istanbul	100.0000	10,175	–5,641
ERGO Funds AS, Tallinn	100.0000	5,447	378
ERGO General Insurance Company S.A., Athens	100.0000	66,473	13,308
ERGO Generales Seguros y Reaseguros, S.A., Madrid	100.0000	17,507	6,179
ERGO GmbH, Herisau	100.0000	5,762	536
ERGO Gourmet GmbH, Düsseldorf	100.0000	151	125
ERGO Grubu Holding A.Ş., Istanbul	100.0000	89,819	–15,687
ERGO Grundstücksverwaltung GbR, Düsseldorf	100.0000	216,564	7,837
ERGO Immobilien-GmbH 14. Victoria & Co. KG, Kreien[2]	100.0000	97,926	2,192
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	166,890	2,288
ERGO Immobilien-GmbH 7. Hamburg-Mannheimer & Co. KG, Kreien[5]	100.0000	0	0
ERGO Immobilien-Verwaltungs-GmbH, Kreien	100.0000	42	17
ERGO Insurance N.V., Brussels	99.9999	84,682	–86,186
ERGO Insurance Pte. Ltd., Singapore	100.0000	52,997	8,543
ERGO Insurance SE, Tallinn	100.0000	50,575	–1,379
ERGO International Aktiengesellschaft, Düsseldorf[1, 3]	100.0000	1,949,060	0
ERGO International Services GmbH, Düsseldorf[1]	100.0000	25	0
ERGO Invest SIA, Riga	100.0000	5,843	288
ERGO Italia Business Solutions S.c.r.l., Milan	100.0000	17,210	0
ERGO Italia Direct Network s.r.l., Milan	100.0000	5,053	1,253
ERGO Italia S.p.A., Milan	100.0000	348,792	32,029
ERGO Leben Asien Verwaltungs GmbH, Munich	100.0000	28	1
ERGO Lebensversicherung Aktiengesellschaft, Hamburg[1, 3]	100.0000	685,423	0
ERGO Life Insurance Company S.A., Thessaloniki	100.0000	5,621	–178
ERGO Life Insurance SE, Vilnius	100.0000	24,970	72
ERGO Neunte Beteiligungsgesellschaft mbH, Düsseldorf[1]	100.0000	321,830	0
ERGO osiguranje d.d., Zagreb	100.0000	4,388	–738
ERGO Partners N.V., Brussels	100.0000	3,492	57
ERGO Pensionsfonds Aktiengesellschaft, Düsseldorf[3]	100.0000	4,517	59
ERGO Pensionskasse AG, Düsseldorf	100.0000	91,061	2,587
ERGO Poist'ovna, a. s., Bratislava	100.0000	13,632	–742
ERGO pojišt'ovna, a.s., Prague	100.0000	14,993	1,924
ERGO PORTFÖY YÖNETIMI A.S., Istanbul	100.0000	756	137
ERGO Previdenza S.p.A., Milan	100.0000	359,597	31,188
ERGO Private Capital Dritte GmbH & Co. KG, Düsseldorf	100.0000	47,824	–671
ERGO Private Capital Gesundheit GmbH & Co. KG, Düsseldorf	100.0000	234,235	20,185
ERGO Private Capital GmbH, Düsseldorf	100.0000	33	5
ERGO Private Capital Komposit GmbH & Co. KG, Düsseldorf	100.0000	112,693	8,626
ERGO Private Capital Leben GmbH & Co. KG, Düsseldorf	100.0000	129,629	16,669
ERGO Private Capital Vierte GmbH & Co. KG, Düsseldorf	100.0000	24,303	16
ERGO Private Capital Zweite GmbH & Co. KG, Düsseldorf	100.0000	50,211	–766
ERGO PRO S.r.l., Verona	100.0000	–76	–286
ERGO Pro Sp. z o.o., Warsaw	100.0000	780	–318
ERGO Pro, spol. s r.o., Prague	100.0000	688	–41
ERGO RUSS Versicherung AG, St. Petersburg	100.0000	8,618	–8,798
ERGO Shisn, Moscow	100.0000	6,853	15
ERGO SIGORTA A.S., Istanbul	100.0000	74,175	–43,652
ERGO Specialty GmbH, Hamburg	100.0000	33	–3
ERGO Versicherung Aktiengesellschaft, Düsseldorf[1, 3]	100.0000	634,434	0
ERGO Versicherung Aktiengesellschaft, Vienna	93.4536	176,776	11,922
ERGO Versicherungs- und Finanzierungs-Vermittlung GmbH, Hamburg	100.0000	582	220
ERGO Versicherungsgruppe AG, Düsseldorf[1]	100.0000	2,213,360	166,993
ERGO Vida Seguros y Reaseguros, Sociedad Anónima, Saragossa	100.0000	37,889	1,077
ERGO Zehnte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	23	–1
ERGO Zivljenjska zavarovalnica d.d., Ljubljana	100.0000	4,486	–550

Company and registered seat	% share of capital	Equity €k	Result for the year €k
ERGO Zivotno osiguranje d.d., Zagreb	100.0000	4,972	–132
ERGO Zweite Beteiligungsgesellschaft mbH, Düsseldorf	99.9999	226	192
ERGO Zwölfte Beteiligungsgesellschaft mbH, Munich	100.0000	68	–1
ERIN Sigorta Aracilik Hizmetleri Limited Sirketi, Istanbul	99.9950	1,118	–37
ERV (China) Travel Service and Consulting Ltd., Beijing	100.0000	1,626	483
ERV (India) Travel Service and Consulting Private Limited, Mumbai	99.9999	20	–52
ERV Evropská pojišťovna, a. s., Prague	90.0000	8,326	1,111
ERV Försäkringsaktiebolag (publ), Stockholm	100.0000	1,448	175
ERV Seyahat Sigorta Aracilik Hizmetleri ve Danismanlik Ltd.Sti., Istanbul	99.0000	186	73
Etics, s.r.o., Prague	100.0000	65	1
Etoblete 160016 S.L., Valencia	100.0000	–179	–32
EUREKA GmbH, Düsseldorf	99.9999	64	–5
Euro-Center (Cyprus) Ltd., Larnaca	100.0000	371	9
Euro-Center (Thailand) Co. Ltd., Bangkok	100.0000	805	45
Euro-Center Cape Town (Pty.) Ltd., Cape Town	100.0000	73	5
Euro-Center China (HK) Co., Ltd., Beijing	100.0000	226	–30
Euro-Center Holding North Asia (HK) Pte. Ltd., Hong Kong	100.0000	411	24
Euro-Center Holding SE, Prague	83.3330	5,077	172
Euro-Center Ltda., São Paulo	100.0000	–44	10
Euro-Center North Asia Consulting Services (Beijing) Co., Ltd., Beijing	100.0000	212	31
Euro-Center Prague, s.r.o., Prague	100.0000	771	390
Euro-Center USA, Inc., New York City, New York	100.0000	802	22
Euro-Center Yerel Yardim, Istanbul	100.0000	572	174
Euro-Center, S.A. (Spain), Palma de Mallorca	100.0000	319	31
Europaeiske Rejseforsikring A/S, Copenhagen	100.0000	34,813	3,541
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	950	–93
Everything Legal Ltd., Bristol	100.0000	1,013	–228
EVV Logistik Management GmbH, Düsseldorf	100.0000	13	–2
Exolvo GmbH, Hamburg	100.0000	29	1
FAIRANCE GmbH, Düsseldorf[1]	100.0000	63,380	0
First Legal Protection Limited, Bristol[5]	100.0000	85	0
First Marine Financial Services, Amelia, Ohio[5]	100.0000	0	0
Flexitel Telefonservice GmbH, Berlin	100.0000	3,566	441
Forst Ebnath AG, Ebnath	96.7315	10,686	1,253
FOTOUNO S.r.l., Turin	100.0000	69,841	3,451
FOTOWATIO ITALIA GALATINA S.r.l., Turin	100.0000	36,610	1,668
Gamaponti 140014 S.L., Valencia	100.0000	–179	–32
GBG Vogelsanger Straße GmbH, Cologne	94.7826	–264	–185
Gebäude Service Gesellschaft Überseering 35 mbH, Hamburg	100.0000	138	113
GEMEDA Gesellschaft für medizinische Datenerfassung und Auswertung sowie Serviceleistungen für freie Berufe mbH, Cologne	100.0000	207	1
Global Standards, LLC, Dover, Delaware	100.0000	62,979	12,272
Globality S.A., Luxembourg	100.0000	20,962	–18,034
goDentis – Gesellschaft für Innovation in der Zahnheilkunde mbH, Cologne	100.0000	332	22
goMedus Gesellschaft für Qualität in der Medizin mbH, Cologne	100.0000	105	10
goMedus GmbH & Co. KG, Cologne	100.0000	1,324	–2,101
GRANCAN Sun-Line S.L., Valencia	100.0000	–22,391	1,904
Great Lakes Re Management Company (Belgium) S.A., Brussels[5]	100.0000	0	0
Great Lakes Reinsurance (UK) Plc., London	100.0000	445,640	–2,091
Group Risk Services Limited, London	100.0000	3,714	–4,403
Groves, John & Westrup Limited, London	100.0000	23	0
Guanzu 2002 S.L., Valencia	100.0000	–169	–32
Hamburger Hof Management GmbH, Hamburg[5]	100.0000	30	–1
Hamburg-Mannheimer ForsikringService A/S, Copenhagen	100.0000	93	1
Hands On Arnhem B.V., Arnhem	100.0000	–	–

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Hartford Steam Boiler (M) Sdn. Bhd., Kuala Lumpur	100.0000	372	–118
Hartford Steam Boiler (Singapore) PTE Ltd, Singapore	100.0000	162	–21
Hartford Steam Boiler Colombia Ltda, Bogotá	100.0000	324	38
Hartford Steam Boiler International-GmbH, Rheine	100.0000	196	–226
Hartford Steam Boiler UK Limited, Chelmsford	100.0000	–34	–108
Hestia Advanced Risk Solutions Sp. z o.o., Sopot	100.0000	76	–11
Hestia Loss Control Sp. z o.o., Sopot	100.0000	44	–9
HMV GFKL Beteiligungs GmbH, Düsseldorf	100.0000	79	617
Horbach GmbH Versicherungsvermittlung und Finanzdienstleistungen, Düsseldorf	70.1000	129	63
HSB Associates, Inc., New York, New York	100.0000	925	9
HSB Brasil Servicos de Engenharia e Inspecao, Ltda., São Paulo	100.0000	137	–39
HSB Engineering Finance Corporation, Dover, Delaware	100.0000	–14,356	–1
HSB Engineering Insurance Limited, London	100.0000	135,396	21,920
HSB Engineering Insurance Services Limited, London	100.0000	12,367	864
HSB Group, Inc., Dover, Delaware	100.0000	563,428	78,163
HSB International (India) Private Limited, Kolkata	100.0000	327	–40
HSB Japan KK, Minato-KU, Tokyo	100.0000	1,650	229
HSB Solomon Associates Canada Ltd., Saint John, Providence of New Brunswick	100.0000	2,648	132
HSB Solomon Associates LLC, Dover, Delaware	100.0000	12,745	1,754
HSB Specialty Insurance Company, Hartford, Connecticut	100.0000	40,941	–158
HSB Technical Consulting & Service (Shanghai) Company, Ltd, Shanghai	100.0000	1,571	1
HSB Ventures, Inc., Dover, Delaware[5]	100.0000	0	0
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	17	–22
IDEENKAPITAL Financial Engineering GmbH, Düsseldorf	100.0000	419	–31
IDEENKAPITAL Financial Service GmbH, Düsseldorf	100.0000	25	–349
Ideenkapital Fonds Treuhand GmbH, Düsseldorf	100.0000	29	–9
IDEENKAPITAL GmbH, Düsseldorf	100.0000	3,569	1,224
IDEENKAPITAL Media Finance GmbH, Düsseldorf	50.1000	370	–7
Ideenkapital Media Treuhand GmbH, Düsseldorf	100.0000	355	264
IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf	72.3477	43,499	–322
IDEENKAPITAL Metropolen Europa Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	46	6
IDEENKAPITAL PRORENDITA EINS Treuhandgesellschaft mbH, Düsseldorf	100.0000	28	–18
IDEENKAPITAL Schiffsfonds Treuhand GmbH, Düsseldorf	100.0000	–612	–633
Ideenkapital Treuhand US Real Estate eins GmbH, Düsseldorf	100.0000	34	1
IK Einkauf Objekt Eins gmbH & Co. KG, Düsseldorf	100.0000	8,340	406
IK Einkauf Objektmanagement GmbH, Düsseldorf	100.0000	12	1
IK Einkauf Objektverwaltungsgesellschaft mbH, Düsseldorf	100.0000	34	3
IK Einkaufsmärkte Deutschland GmbH & Co. KG, Düsseldorf	52.0387	9,049	347
IK Einkaufsmärkte Deutschland Verwaltungsgesellschaft mbH, Düsseldorf	100.0000	37	3
IK FE Fonds Management GmbH, Düsseldorf	100.0000	–166	–223
IK Komp GmbH, Düsseldorf	100.0000	805	–33
IK Objekt Bensheim GmbH, Düsseldorf	100.0000	40	3
IK Objekt Frankfurt Theodor-Heuss-Allee GmbH, Düsseldorf	100.0000	18	–1
IK Pflegezentrum Uelzen Verwaltungs-GmbH, Düsseldorf	100.0000	30	1
IK Premium Fonds GmbH & Co. KG, Düsseldorf	100.0000	–25,561	–12,071
IK Premium Fonds zwei GmbH & Co. KG, Düsseldorf	100.0000	–22,182	–6,191
IK Property Eins Verwaltungsgesellschaft mbH, Hamburg	100.0000	35	2
IK Property Treuhand GmbH, Düsseldorf	100.0000	19	–9
IK US Portfolio Invest DREI Verwaltungs-GmbH, Düsseldorf	100.0000	42	3
IK US Portfolio Invest Verwaltungs-GmbH, Düsseldorf	100.0000	41	4
IK US Portfolio Invest ZWEI Verwaltungs-GmbH, Düsseldorf	100.0000	39	4
IKFE Properties I AG, Zurich	63.5708	12,936	401
InterAssistance GmbH, Munich[1, 3]	100.0000	5,484	0
IRIS Capital Fund II German Investors GmbH & Co. KG, Düsseldorf	85.7143	26,544	–14
ITERGO Informationstechnologie GmbH, Düsseldorf[1, 3]	100.0000	23,123	0
Janus Vermögensverwaltungsgesellschaft mbH, Munich[5]	100.0000	34	–1

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Joint Stock Insurance Company ERGO, Minsk	92.3114	1,765	306
Jordan Health Cost Management Services W.L.L., Amman	100.0000	1,392	-3
Juventus Vermögensverwaltungs AG, Hamburg[5]	100.0000	52	1
K & P Objekt Hamburg Hamburger Straße GmbH, Düsseldorf	100.0000	37	2
K & P Objekt Hamburg Hamburger Straße Immobilienfonds GmbH & Co. KG, Düsseldorf[4]	36.6889	-1,271	-34
K & P Objekt München Hufelandstraße GmbH, Düsseldorf	100.0000	38	2
K & P Pflegezentrum Uelzen IMMAC Renditefonds GmbH & Co. KG, Düsseldorf	84.8445	1,507	355
KA Köln Assekuranz.Agentur GmbH, Cologne	100.0000	637	1,356
Kapdom-Invest GmbH, Moscow	100.0000	3,063	-1
Koole & Sennef Gerechtsdeurwaarders kantoor B.V., The Hague	100.0000	–	–
KQV Solarpark Franken 1 GmbH & Co. KG, Fürth	100.0000	229	-45
Kuik & Partners Gerechtsdeurwaarders & Incassobureau B.V., Eindhoven	100.0000	1,175	859
Kuik & Partners Credit Management BVBA, Brussels	98.9000	3	20
Landelijke Associatie van Gerechtsdeurwaarders B.V., Groningen	89.7640	35,574	5,595
Larus Vermögensverwaltungsgesellschaft mbH, Munich	100.0000	296	8
LAVG Associatie van Gerechtsdeurwaarders Zuid Holding B.V., Breda	100.0000	11,762	969
Law On The Web Limited, Bristol[5]	100.0000	1	0
LawAssist Limited, Bristol[5]	100.0000	1	0
Legal Net GmbH, Munich	100.0000	326	101
LEGIAL AG, Munich	100.0000	7,177	754
Lietuva Demetra GmbH, Munich	100.0000	0	–
LifePlans Inc., Waltham, Massachusetts	100.0000	16,680	929
LifePlans LTC Services, Inc., Toronto, Ontario	100.0000	310	86
Lloyds Modern Corporation, Dallas, Texas	100.0000	0	0
Longial GmbH, Düsseldorf	100.0000	807	161
m:editerran POWER FRANCE GmbH, Nuremberg	100.0000	4,086	-48
m:editerran POWER GmbH & Co. KG, Nuremberg	100.0000	11,646	-49
m:editerran Power S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	7,945	361
MAGAZ FOTOVOLTAICA, S.L.U., Alcobendas	100.0000	18,220	6,615
MAM Munich Asset Management GmbH, Munich[5]	100.0000	24	-1
Mandaat B.V., Druten	100.0000	4,747	2,450
Marbury Agency, Inc., Amelia, Ohio[5]	100.0000	0	0
Marina Salud S.A., Alicante	65.0000	11,045	-1,766
Marina Sp.z.o.o., Sopot	100.0000	15,511	32
MAYFAIR Financing GmbH, Munich	100.0000	137	-1
MAYFAIR Holding GmbH, Düsseldorf	100.0000	33	1
MEAG Cash Management GmbH, Munich	100.0000	59	-128
MEAG Hong Kong Limited, Hong Kong	100.0000	6,455	715
MEAG Luxembourg S.à r.l., Luxembourg	100.0000	616	-284
MEAG MUNICH ERGO AssetManagement GmbH, Munich	100.0000	157,773	58,965
MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich[1]	100.0000	18,430	0
MEAG New York Corporation, Wilmington, Delaware	100.0000	12,610	4,268
MEAG Real Estate Erste Beteiligungsgesellschaft, Munich	100.0000	34	1
MEAG US Real Estate Management Holdings, Inc., Wilmington, Delaware	100.0000	8,160	1,942
Mediastream Consulting GmbH, Grünwald	100.0000	30	2
Mediastream Dritte Film GmbH, Grünwald	100.0000	102	-6
Mediastream Film GmbH, Grünwald	100.0000	27	-1
Mediastream Vierte Medien GmbH, Grünwald	100.0000	38	4
Mediastream Zweite Film GmbH, Grünwald	100.0000	74	7
MedNet Bahrain W.L.L., Manama	100.0000	1,213	-251
MedNet Europa GmbH, Munich	100.0000	13	-1
MedNet Greece S.A., Athens	78.1419	1,357	194
MedNet Holding GmbH, Munich	100.0000	18,267	-553
MedNet International Ltd., Nicosia	100.0000	3,723	-1,674
MedNet International Offshore SAL, Beirut[5]	99.6700	0	0
MedNet Saudi Arabia LLC, Riyadh	100.0000	1,107	262
MedNet UAE FZ L.L.C., Dubai	100.0000	2,426	364
MedWell Gesundheits-AG, Cologne	100.0000	414	-4

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Merkur Grundstücks- und Beteiligungs-Gesellschaft mit beschränkter Haftung, Düsseldorf[1]	100.0000	5,347	0
MESA ASISTENCIA, S.A., Madrid	99.9000	–260	–325
MFI Munich Finance and Investment Holding Ltd.,Ta' Xbiex	100.0000	661,393	37,156
MFI Munich Finance and Investment Ltd., Ta' Xbiex	100.0000	632,329	25,444
miCura Pflegedienste Berlin GmbH, Berlin	100.0000	–415	–140
miCura Pflegedienste Bremen GmbH, Bremen	100.0000	204	102
miCura Pflegedienste Düsseldorf GmbH, Düsseldorf	100.0000	253	–47
miCura Pflegedienste GmbH, Cologne	100.0000	–351	–91
miCura Pflegedienste Hamburg GmbH, Hamburg	100.0000	–190	–65
miCura Pflegedienste Krefeld GmbH, Krefeld	100.0000	239	26
miCura Pflegedienste München/Dachau GmbH, Dachau	51.0000	170	57
miCura Pflegedienste München GmbH, Munich	100.0000	–234	–11
miCura Pflegedienste München Ost GmbH, Munich	65.0000	68	59
miCura Pflegedienste Münster GmbH, Münster	100.0000	329	191
miCura Pflegedienste Nürnberg GmbH, Nuremberg	51.0000	201	67
Midland-Guardian Co., Amelia, Ohio	100.0000	84,887	34,660
Midwest Enterprises, Inc., Miami, Florida	100.0000	5,580	–1,466
MR Beteiligungen 1. GmbH, Munich[1,3]	100.0000	246,628	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	62,943	2,533
MR Beteiligungen 18. GmbH, Grünwald	100.0000	28	1
MR Beteiligungen 19. GmbH, Munich	100.0000	56,513	1,978
MR Beteiligungen 2. EUR AG & Co. KG, Grünwald[2]	100.0000	1,622,664	157,524
MR Beteiligungen 3. EUR AG & Co. KG, Grünwald[2]	100.0000	581,185	12,417
MR Beteiligungen AG, Grünwald	100.0000	771	56
MR Beteiligungen EUR AG & Co. KG, Grünwald[2]	100.0000	4,846,049	197,796
MR Beteiligungen GBP AG & Co. KG, Grünwald[2]	100.0000	1,464,193	52,737
MR Beteiligungen USD AG & Co. KG, Grünwald[2]	100.0000	4,990,445	253,002
MR ERGO Beteiligungen GmbH, Grünwald	100.0000	97,261	6,820
MR Financial Group GmbH, Munich	100.0000	150	–1
MR Forest GmbH, Munich[1]	100.0000	25	0
MR Infrastructure Investment GmbH, Grünwald	100.0000	420,410	17,521
MR RENT UK Investment Limited, London	100.0000	171,858	10,458
MR RENT-Investment GmbH, Munich[1]	100.0000	745,989	0
MR RENT-Management GmbH, Munich	100.0000	47	4
MR Solar Beneixama GmbH i.L., Nuremberg	100.0000	47	–1
MR Solar GmbH & Co. KG, Nuremberg	100.0000	40,344	1
MR SOLAR SAS DER WELIVIT SOLAR ITALIA SRL, Bolzano	100.0000	14,320	498
MSP Underwriting Ltd., London	100.0000	24,335	0
Münchener Consultora Internacional S.R.L., Santiago de Chile	100.0000	802	57
Münchener de Argentina Servicios Técnicos S. R. L., Buenos Aires	100.0000	92	81
Münchener de Colombia S.A. Corredores de Reaseguros i.L., Bogotá	100.0000	1,406	1,126
Münchener de Mexico S. A., Mexico City	100.0000	1,656	354
Münchener de Venezuela C.A. Intermediaria de Reaseguros, Caracas	100.0000	540	364
Münchener Finanzgruppe AG Beteiligungen, Munich[5]	100.0000	52	–1
Münchener Vermögensverwaltung GmbH, Munich[5]	100.0000	26	–1
Munich American Holding Corporation, Wilmington, Delaware	100.0000	7,945,437	362,920
Munich American Life Reinsurance Company, Atlanta, Georgia	100.0000	19,447	1,395
Munich American Reassurance Company, Atlanta, Georgia	100.0000	645,805	–24,235
Munich Atlanta Financial Corporation, Atlanta, Georgia	100.0000	17,140	947
Munich Canada Systems Corporation, Toronto, Ontario	100.0000	1	0
Munich Columbia Square Corp., Wilmington, Delaware	100.0000	26	1
Munich Health Alpha GmbH, Munich[3]	100.0000	129,231	0
Munich Health Daman Holding Ltd., Abu Dhabi	51.0000	44,900	9,847
Munich Health Holding AG, Munich[1,3]	100.0000	642,702	0
Munich Health North America, Inc., Wilmington, Delaware	100.0000	58,937	48,363
Munich Holdings Ltd., Toronto, Ontario	100.0000	247,026	30,578

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Munich Holdings of Australasia Pty. Ltd., Sydney	100.0000	995,632	–93,991
Munich Life Management Corporation Ltd., Toronto, Ontario	100.0000	–3,525	2,000
Munich Management Pte. Ltd., Singapore	100.0000	2,192	1,342
Munich Mauritius Reinsurance Co. Ltd., Port Louis	100.0000	42,729	3,293
Munich Re America Brokers, Inc., Wilmington, Delaware	100.0000	3,021	–1
Munich Re America Corporation, Wilmington, Delaware	100.0000	3,461,101	528,536
Munich Re America Management Ltd., London	100.0000	4,158	1,396
Munich Re America Services Inc., Wilmington, Delaware	100.0000	17,013	253
Munich Re Automation Solutions GmbH, Munich	100.0000	42	11
Munich Re Automation Solutions Inc., Wilmington, Delaware	100.0000	–95	13
Munich Re Automation Solutions KK, Tokyo	100.0000	–7	22
Munich Re Automation Solutions Limited, Dublin	100.0000	15,853	4,940
Munich Re Automation Solutions Pte. Ltd., Singapore	100.0000	–	–
Munich Re Automation Solutions Pty Limited, Sydney	100.0000	2	30
Munich Re Capital Limited, London	100.0000	–3,737	25,347
Munich Re Capital Markets GmbH, Munich	100.0000	1,675	375
Munich Re do Brasil Resseguradora S.A., São Paulo	100.0000	35,241	–16,146
Munich Re Holding Company (UK) Ltd., London	100.0000	47,965	25,164
Munich Re India Services Private Limited, Mumbai	100.0000	967	199
Munich Re Japan Services K. K., Tokyo	100.0000	1,607	28
Munich Re of Malta Holding Limited, Ta' Xbiex	99.9999	914,613	285,495
Munich Re of Malta p.l.c., Ta' Xbiex	99.9999	1,082,553	138,513
Munich Re Stop Loss, Inc., Wilmington, Delaware	100.0000	10,519	2,618
Munich Re Trading LLC, Wilmington, Delaware	100.0000	39,704	–14,309
Munich Re UK Services Limited, London	100.0000	28,988	–3,454
Munich Re Underwriting Agents (DIFC) Limited, Dubai	100.0000	2,353	573
Munich Re Underwriting Limited, London	100.0000	1,728	214
Munich Re Weather & Commodity Risk Advisors LLC, Wilmington, Delaware	100.0000	4,358	3,071
Munich Re Weather & Commodity Risk Holding, Inc., Wilmington, Delaware	100.0000	56,104	–2
Munich Reinsurance America, Inc., Wilmington, Delaware	100.0000	4,370,103	606,742
Munich Reinsurance Company of Africa Ltd, Johannesburg	100.0000	167,273	17,613
Munich Reinsurance Company of Australasia Ltd, Sydney	100.0000	446,062	–36,659
Munich Reinsurance Company of Canada, Toronto, Ontario	100.0000	195,363	26,670
Munich-American Risk Partners GmbH, Munich	100.0000	60	1
Munich-Canada Management Corp. Ltd., Toronto, Ontario	100.0000	4	0
MunichFinancialGroup AG Holding, Munich	100.0000	52	–1
MunichFinancialGroup GmbH, Munich	100.0000	849	–813
MunichFinancialServices AG Holding, Munich[5]	100.0000	52	–1
Munichre General Services Limited i.L., London	100.0000	1	0
Munichre New Zealand Service Ltd., Auckland	100.0000	1,247.883	92,604
Munichre Service Limited, Hong Kong	100.0000	92	33
N.M.U. (Holdings) Limited, Leeds	100.0000	194	0
Naretoblera 170017 S.L., Valencia	100.0000	–175	–32
Neckermann Versicherung AG, Nuremberg	100.0000	29,264	4,130
Nerruze 120012 S.L., Valencia	100.0000	–177	–32
New Reinsurance Company Ltd., Zurich	100.0000	676,225	87,922
Nightingale Legal Services Ltd., Bristol	100.0000	–188	32
NMU Group Limited, London	100.0000	2,577	0
Northern Marine Underwriters Limited, Leeds	100.0000	186	0
One State Street Intermediaries, Inc., Hartford, Connecticut	100.0000	0	0
Orrazipo 110011 S.L., Valencia	100.0000	–179	–32
P.A.N. GmbH & Co. KG, Grünwald[2]	99.0000	313,261	10,137
P.A.N. Verwaltungs GmbH, Grünwald	99.0000	55	2
PLATINIA Verwaltungs-GmbH, Munich	100.0000	32	–1
Princeton Eagle Holding (Bermuda) Limited, Hamilton, Bermuda	100.0000	1,002	–66
Princeton Eagle Insurance Company Limited, Hamilton, Bermuda	100.0000	459	–53
Princeton Eagle West (Holding) Inc., Wilmington, Delaware	100.0000	945	–48
Princeton Eagle West Insurance Company Ltd., Hamilton, Bermuda	100.0000	134	–46

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Private Aktiengesellschaft "Europäische Reiseversicherung", Kiev	99.9999	660	110
ProContact Sp. z o.o., Gdańsk	100.0000	1,364	80
PRORENDITA DREI Verwaltungsgesellschaft mbH, Hamburg	100.0000	44	5
PRORENDITA EINS Verwaltungsgesellschaft mbH, Hamburg	100.0000	40	4
PRORENDITA Fünf Verwaltungsgesellschaft mbH, Hamburg	100.0000	45	9
PRORENDITA VIER Verwaltungsgesellschaft mbH, Hamburg	100.0000	44	14
PRORENDITA ZWEI Verwaltungsgesellschaft mbH, Hamburg	100.0000	46	6
ProVictor Immobilien GmbH i.L., Düsseldorf[4]	50.0000	99	–4
Queensley Holdings Limited, Singapore[4]	100.0000	246	–129
Reaseguradora de las Américas S. A., La Habana[5]	100.0000	637	–1
Renaissance Hotel Realbesitz GmbH, Vienna	60.0000	1,369	244
Roanoke Group Inc., Schaumburg, Illinois	100.0000	12,038	75
Roanoke Insurance Group Inc., Schaumburg, Illinois	100.0000	8,511	1,413
Roanoke International Brokers Limited, London	100.0000	3,789	1,680
Roanoke Trade Insurance Inc., Schaumburg, Illinois[5]	100.0000	1	0
SAINT LEON ENERGIE S.A.R.L., Saargemünd	100.0000	124	55
Schloss Hohenkammer GmbH, Hohenkammer[1]	100.0000	4,288	0
Schrömbgens & Stephan GmbH, Versicherungsmakler, Düsseldorf	100.0000	620	232
Scout Moor Group Limited, Manchester	100.0000	70,329	3,156
Scout Moor Holdings (No. 1) Limited, Manchester	100.0000	–10,754	–2,169
Scout Moor Holdings (No. 2) Limited, Manchester	100.0000	–290	–230
Scout Moor Wind Farm (No. 2) Limited, Manchester	100.0000	–9,179	–390
Scout Moor Wind Farm Limited, Manchester	100.0000	30,320	7,968
Seminaris Hotel- und Kongreßstätten-Betriebsgesellschaft mbH, Lüneburg	100.0000	2,062	–112
Sensus Group B.V., Stadskanaal	100.0000	–380	–4,304
Silvanus Vermögensverwaltungsges. mbH, Munich[1]	100.0000	207,781	0
Solarfonds Garmisch-Partenkirchen 2011 GmbH & Co. KG, Nuremberg	100.0000	1,336	–12
Solomon Associates Limited, London	100.0000	836	7
Sopocki Instytut Ubezpieczeń S.A., Sopot	100.0000	1,588	–76
Sopockie Towarzystwo Doradcze Sp. z o.o., Sopot	100.0000	24	3
Sopockie Towarzystwo Ubezpieczen Ergo Hestia Spolka Akcyjna, Sopot	100.0000	279,426	34,095
Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia Spolka Akcyjna, Sopot	100.0000	47,565	5,523
Specialty Insurance Services Corp., Amelia, Ohio	100.0000	485	262
Stichting Aandelen Beheer D.A.S. Holding, Amsterdam	100.0000	226	29
SunEnergy & Partners S.r.l., Brindisi	100.0000	28,677	–4,915
Sydney Euro-Center Pty. Ltd., Sydney	100.0000	201	13
Synkronos Italia SRL, Milan	60.1000	2,300	727
TAS Assekuranz Service GmbH, Frankfurt/Main	100.0000	38	1
TAS Touristik Assekuranz Service International GmbH, Frankfurt/Main[1]	100.0000	34	0
TAS Touristik Assekuranzmakler und Service GmbH, Frankfurt/Main[1]	100.0000	256	0
Temple Insurance Company, Toronto, Ontario	100.0000	93,650	7,928
TGR Biztosítás Többesügynöki Zrt., Budapest	100.0000	–9	–53
The Atlas Insurance Agency, Inc., Amelia, Ohio	100.0000	502	–7
The Boiler Inspection and Insurance Company of Canada, Toronto, Ontario	100.0000	58,164	14,493
The Hartford Steam Boiler Inspection and Insurance Company of Connecticut, Hartford, Connecticut	100.0000	52,939	9,075
The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut	100.0000	711,296	99,867
The Midland Company, Cincinnati, Ohio	100.0000	55,182	34,547
The Polytechnic Club, Inc., Hartford, Connecticut[5]	100.0000	0	0
The Princeton Excess and Surplus Lines Insurance Company, Wilmington, Delaware	100.0000	46,889	6,465
Three Lions Underwriting Ltd., London	100.0000	1,662	399
Tillobesta 180018 S.L., Valencia	100.0000	–175	–32
Tir Mostyn and Foel Goch Limited, London	100.0000	–5,970	1,154
Titus AG, Düsseldorf	100.0000	74	–5
Trusted Documents GmbH, Nuremberg	100.0000	131	–1
UAB VL Investment Vilnius 5, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 6, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 7, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 8, Vilnius	100.0000	–	–

Company and registered seat	% share of capital	Equity €k	Result for the year €k
UAB VL Investment Vilnius 9, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 1, Vilnius	100.0000	1	–
UAB VL Investment Vilnius 10, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 2, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 3, Vilnius	100.0000	–	–
UAB VL Investment Vilnius 4, Vilnius	100.0000	–	–
UAB VL Investment Vilnius, Vilnius	100.0000	1	–
UK Wind Holdings Ltd, London	100.0000	14,376	693
Union Beteiligungsholding GmbH, Vienna	100.0000	257	12
Unión Médica la Fuencisla, S.A., Compañía de Seguros, Saragossa	100.0000	6,490	703
US PROPERTIES VA GmbH & Co. KG, Düsseldorf[4]	46.0939	23,633	934
US PROPERTIES VA Verwaltungs-GmbH, Düsseldorf	100.0000	192	158
Van Arkel Gerechtsdeurwaarders B.V., Leiden	100.0000	8,551	–1,231
VB VICTORIA Zastupanje u Osiguranju d.o.o., Zagreb	74.9000	13	2
VFG Vorsorge-Finanzierungsconsulting GmbH, Vienna	100.0000	–568	–1,201
VHDK Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	3,270	390
VICTERG Zrt., Budapest	100.0000	2,423	242
VICTORIA Asien Immobilienbeteiligungs GmbH & Co. KG, Munich	100.0000	9,762	–16
VICTORIA Erste Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	6,138	6,013
VICTORIA Immobilien Management GmbH, Munich	100.0000	538	–138
VICTORIA Immobilien-Fonds GmbH, Düsseldorf	100.0000	158	–21
Victoria Investment Properties Two L.P., Atlanta, Georgia	100.0000	517	–69
VICTORIA Italy Property GmbH, Düsseldorf	100.0000	408	883
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf[1,3]	100.0000	556,923	0
Victoria US Holdings, Inc., Wilmington, Delaware	100.0000	10,197	6,577
VICTORIA US Property Investment GmbH, Düsseldorf	100.0000	9,128	8,036
VICTORIA US Property Zwei GmbH, Munich	100.0000	9,240	–13
VICTORIA Vierte Beteiligungsgesellschaft mbH, Düsseldorf	100.0000	191,786	5,635
Victoria Vierter Bauabschnitt GmbH & Co. KG, Düsseldorf	100.0000	62,520	4,620
Victoria Vierter Bauabschnitt Management GmbH, Düsseldorf	100.0000	26	1
Victoria VIP II, Inc., Wilmington, Delaware	100.0000	11	1
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., Grevenmacher	100.0000	21,407	3,142
Vorsorge Service GmbH, Düsseldorf	100.0000	206	–101
VV-Consulting Gesellschaft für Risikoanalyse, Vorsorgeberatung und Versicherungsvermittlung GmbH, Vienna	100.0000	308	95
VV-Consulting Többesügynöki Kft., Budapest	100.0000	64	20
Watkins Syndicate Hong Kong Limited, Hong Kong	67.0000	134	0
Watkins Syndicate Labuan Limited (WSLAB), Labuan	100.0000	140	0
Watkins Syndicate Middle East Limited, Dubai	100.0000	176	72
Watkins Syndicate Singapore Pte. Limited, Singapore	100.0000	178	0
welivit GmbH, Nuremberg	100.0000	1,526	–876
welivit New Energy GmbH, Fürth	100.0000	110	–84
welivit Solar España GmbH, Nuremberg	100.0000	24	–9
Welivit Solar Italia s.r.l., Bolzano	100.0000	219	–84
welivit Solarfonds GmbH & Co. KG, Nuremberg	100.0000	34,492	329
welivit Solarfonds S.a.s. di welivit Solar Italia S.r.l., Bolzano	100.0000	23,095	893
WFB Stockholm Management AB, Stockholm[4]	50.0000	48,963	–357
Wind Farms Götaland Svealand AB, Hässleholm	100.0000	40,331	17
Windpark Langengrassau Infrastruktur GbR, Bremen[5]	83.3300	0	0
Windpark MR-B GmbH & Co. KG, Bremen[2]	100.0000	22,469	–926
Windpark MR-D GmbH & Co. KG, Bremen[2]	100.0000	20,523	–339
Windpark MR-N GmbH & Co. KG, Bremen[2]	100.0000	5,642	–182
Windpark MR-S GmbH & Co. KG, Bremen[2]	100.0000	8,304	–70
Windpark MR-T GmbH & Co.KG, Bremen[2]	100.0000	4,410	–5
Windpark Osterhausen-Mittelhausen Infrastruktur GbR, Bremen	58.9500	335	–22
WNE Solarfonds Süddeutschland 2 GmbH & Co. KG, Nuremberg	100.0000	77	85

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Wohnungsgesellschaft Brela mbH, Hamburg[1]	100.0000	102	0
WP Kladrum/Dargelütz GbR, Bremen	64.7000	5	28
wse Solarpark Spanien 1 GmbH & Co. KG, Nuremberg	75.1243	1,882	100
X-Pact B.V., The Hague	62.5000	233	215
Zacobu 110011 S.L., Valencia	100.0000	–246	–32
Zacuba 6006 S.L., Valencia	100.0000	–270	–32
Zacubacon 150015 S.L., Valencia	100.0000	–251	–32
Zafacesbe 120012 S.L., Valencia	100.0000	–245	–32
Zapacubi 8008 S.L., Valencia	100.0000	–269	–32
Zarzucolumbu 100010 S.L., Valencia	100.0000	–245	–32
Zetaza 4004 S.L., Valencia	100.0000	–161	–32
Zicobucar 140014 S.L., Valencia	100.0000	–247	–32
Zucaelo 130013 S.L., Valencia	100.0000	–242	–32
Zucampobi 3003 S.L., Valencia	100.0000	–264	–32
Zucarrobiso 2002 S.L., Valencia	100.0000	–260	–32
Zucobaco 7007 S.L., Valencia	100.0000	–265	–32
Zulazor 3003 S.L., Valencia	100.0000	–154	–32
Zumbicobi 5005 S.L., Valencia	100.0000	–268	–32
Zumcasba 1001 S.L., Valencia	100.0000	–174	–35
Zuncabu 4004 S.L., Valencia	100.0000	–266	–32
Zuncolubo 9009 S.L., Valencia	100.0000	–270	–32
Associates and joint ventures			
"REISEGARANT" Gesellschaft für die Vermittlung von Insolvenzversicherungen mbH, Hamburg	24.0000	184	36
13th & F associates Limited Partnership, Washington D.C.[9]	80.0000	133,277	14,434
Agricultural Management Services S.r.l., Verona	33.3333	144	1
Apollo Munich Health Insurance Co. Ltd., Hyderabad	25.5000	78,911	–4,560
Assistance Partner GmbH & Co. KG, Munich	21.6600	1,091	85
Avantha ERGO Life Insurance Company, Mumbai	26.0000	14,061	–
BF.direkt AG, Stuttgart	27.2000	1,397	598
BHS tabletop AG, Selb	28.9134	32,731	1,365
Bloemers Beheer B.V., Rotterdam	23.1824	27,003	–639
carexpert Kfz-Sachverständigen GmbH, Walluf	25.0000	3,638	578
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Nuremberg	33.7027	58,021	8,202
D.A.S. Difesa Automobilistica Sinistri, S.p.A. di Assicurazione, Verona	49.9920	20,926	5,095
DAMAN – National Health Insurance Company, Abu Dhabi[8]	20.0000	231,850	3,899
EGM Wind SAS, Paris	40.0000	13,222	–71,314
ERGO China Life Insurance Co., Ltd., Jinan, Shandong Province	50.0000	70,428	–8,707
Europai Utazasi Biztosito Rt., Budapest	26.0000	6,251	0
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.0100	17,454	3,991
Fernkälte Geschäftsstadt Nord Gesellschaft bürgerlichen Rechts, Hamburg	39.3354	2,337	0
Finsure Investments (Private) Limited, Harare	24.5000	6,745	300
Global Aerospace Underwriting Managers Ltd., London	40.0000	27,994	6,170
Global Insurance Company, Ho Chi Minh City	35.0000	21,209	–5,277
Grundeigentümer – Interessengemeinschaft City Nord GmbH, Hamburg	20.0000	50	2
Hannover Finanz-Umwelt Beteiligungsgesellschaft mbH, Hillerse	20.0000	–87	986
Hartford Research, LLC, Lewes, Delaware[5]	41.7500	0	0
HDFC ERGO General Insurance Company Ltd., Mumbai	25.8370	115,637	24,105
HighTech Beteiligungen GmbH und Co. KG, Düsseldorf	23.1000	3,683	700
IK Objektgesellschaft Frankfurt Theodor-Heuss-Allee GmbH & Co. KG, Düsseldorf	47.4000	37	–112
KarstadtQuelle Finanz Service GmbH, Düsseldorf	50.0000	1,094	37
LCM Logistic Center Management GmbH, Hamburg	50.0000	158	133
Marchwood Power Limited, Marchwood	50.0000	138,601	29,186
MAYFAIR Holding GmbH & Co. Singapur KG, Düsseldorf[9]	71.4285	3,103	153
MCAF Management GmbH, Düsseldorf	50.0000	37	1
MCAF Verwaltungs-GmbH & Co.KG, Düsseldorf	50.0000	673	–6,384
MEAG Pacific Star Holdings Ltd., Hong Kong	50.0000	7,033	–6,137

Company and registered seat	% share of capital	Equity €k	Result for the year €k
MEDICLIN Aktiengesellschaft, Offenburg	35.0042	196,849	380
MEGA 4 GbR, Berlin	34.2569	78,456	–1,603
POOL Sp. z o.o., Warsaw[5]	33.7500	1	0
Rendite Partner Gesellschaft für Vermögensverwaltung mbH, Frankfurt/Main[5]	33.3333	0	0
RM 2264 Vermögensverwaltungs i.L, Lübeck[5]	25.0000	16	–3
RP Vilbeler Fondsgesellschaft mbH, Frankfurt/Main[5]	40.0000	831	–1,958
Rumba GmbH & Co. KG i.L., Lübeck	25.0000	42	–33
Rural Affinity Insurance Agency Pty Limited, Sydney	50.0000	481	313
Sana Kliniken AG, Munich	21.7025	367,407	26,512
Saudi National Insurance Company B.S.C.(c), Manama	22.5000	33,105	–68
SEBA Beteiligungsgesellschaft mbH, Nuremberg	48.9966	144,567	–7,445
Secundi CVBA, Brussels	33.0000	24	14
Storebrand Helseforsikring AS, Oslo	50.0000	20,355	3,077
Teko – Technisches Kontor für Versicherungen Gesellschaft mit beschränkter Haftung, Düsseldorf	30.0000	54	28
Trend Capital GmbH & Co. Solarfonds 2 KG, Mainz	34.4234	190	–134
Triple IP B.V., Amsterdam	50.0000	–755	–8
T-Solar Global Operating Assets S.L.U., Madrid	37.0000	254,365	456
U.S. Property Fund IV GmbH & Co. KG, Munich	21.7286	68,024	19,838
U.S. Property Management III L.P., Atlanta	20.0000	266	7,040
Verwaltungsgesellschaft "PORT ELISABETH" mbH, Bramstedt	50.0000	27	4
Verwaltungsgesellschaft "PORT KELANG" mbH, Bramstedt	50.0000	27	4
Verwaltungsgesellschaft "PORT LOUIS" GmbH, Bramstedt	50.0000	27	–11
Verwaltungsgesellschaft "PORT MAUBERT" mbH, Bramstedt	50.0000	25	–1
Verwaltungsgesellschaft "PORT MELBOURNE" mbH, Bramstedt	50.0000	28	4
Verwaltungsgesellschaft "PORT MENIER" mbH, Bramstedt	50.0000	31	–8
Verwaltungsgesellschaft "PORT MOODY" mbH, Bramstedt	50.0000	28	4
Verwaltungsgesellschaft "PORT MORESBY" mbH, Bramstedt	50.0000	28	4
Verwaltungsgesellschaft "PORT MOUTON" mbH, Bramstedt	50.0000	29	5
Verwaltungsgesellschaft "PORT NELSON" mbH, Bramstedt	50.0000	25	–1
Verwaltungsgesellschaft "PORT RUSSEL" GmbH, Bramstedt	50.0000	27	–11
Verwaltungsgesellschaft "PORT SAID" GmbH, Bramstedt	50.0000	28	4
Verwaltungsgesellschaft "PORT STANLEY" GmbH, Bramstedt	50.0000	27	4
Verwaltungsgesellschaft "PORT STEWART" mbH, Bramstedt	50.0000	27	–11
Verwaltungsgesellschaft "PORT UNION" mbH, Bramstedt	50.0000	25	–1
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft, Vienna	47.5028	16,279	388
VICTORIA-VOLKSBANKEN Vorsorgekasse AG, Vienna	50.0000	5,449	588
Vier Gas Investments S.à r.l., Luxembourg	43.7516	392,592	50,889
VisEq GmbH, Grünwald	34.0000	319	–69
Volksbanken-Versicherungsdienst GmbH, Vienna	25.2319	3,562	291
VV Immobilien GmbH & Co. GB KG, Düsseldorf[5]	40.9241	0	0
VV Immobilien GmbH & Co. United States KG, Munich	28.9514	19,622	3,782
VV Immobilien GmbH & Co. US City KG, Munich	23.0999	27,932	5,188
VV Immobilien Verwaltungs GmbH & Co. Zentraleuropa KG, Munich	20.4082	359	–378
VV Immobilien Verwaltungs GmbH, Munich	30.0000	402	29
VV Immobilien Verwaltungs und Beteiligungs GmbH, Munich	30.0000	1,279	–16
WISMA ATRIA Holding GmbH & Co. Singapur KG, Düsseldorf[9]	65.0000	1,276	–55
WISMA ATRIA Holding GmbH, Düsseldorf	50.0000	34	1
Other shareholdings of 20% or more			
Capital Dynamics Champion Ventures VI, L.P., Woodside, California	27.3400	119,530	33,826
FIA Timber Partners II L.P., Wilmington, Delaware	39.0800	130,631	–1,034
Green Acre LLC, Wilmington	31.9400	–	–
HRJ Capital Global Buy-Out III (U.S.), L.P., Woodside, California	44.8788	91,191	15,832
Invenergy Miami Wind I Holdings #2 LLC, Wilmington	49.0000	37,103	–
ORM Timber Fund III (Foreign) LLC, Wilmington, Delaware	39.1000	58,212	–639
RMS Forest Growth International, L.P., Grand Cayman, Cayman Islands	43.4700	29,623	–2,324

Company and registered seat	% share of capital	Equity €k	Result for the year €k
Other shareholdings exceeding 5% of the voting rights in large companies			
Admiral Group plc, Cardiff	10.2621	244,958	252,168
Best Doctors, Health Resources and Technology, Inc., Boston, Massachusetts	5.6100	17,917	–9,015
Credit Guarantee Insurance Corporation, Johannesburg	7.1037	49,932	14,360
Extremus Versicherungs-Aktiengesellschaft, Cologne	16.0000	67,090	1,350
Jordan Insurance Co. p.l.c., Amman	10.0000	50,614	724
New National Assurance Company Ltd., Durban, South Africa	16.0000	12,905	615
Protektor Lebensversicherungs-AG, Berlin	10.7597	90,500	128
Saudi Enaya Cooperative Insurance Company, Jeddah	15.0000	67,750	–16,761
Suramericana S.A., Medellín	18.8669	737,802	99,003
Swaziland Royal Insurance Corporation, Mbabane	16.0000	35,980	9,719
Wataniya Cooperative Insurance Company, Jeddah	10.0000	20,114	–6,682

1 There are profit-transfer agreements with this company.
2 This fully consolidated 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 Commercial Code and, in the financial year 2014, 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 (3) of the Commercial Code, and, in the financial year 2014, to avail itself of the relevant provision exempting it from preparing annual financial statements.
4 Control pursuant to IFRS 10.
5 No active business operations.
6 Not currently utilised.
7 Not currently utilised.
8 No financial statements published.
9 Significant influence owing to reduced voting power.

Drawn up and released for publication, Munich, 2 March 2015.

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 2014. 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, 3 March 2015

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

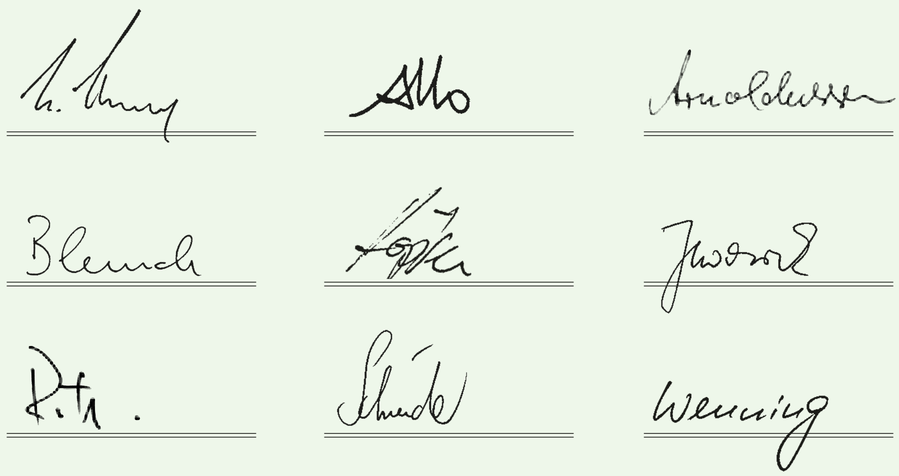
Dr. Frank Ellenbürger
Wirtschaftsprüfer
(Certified public accountant)

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, 10 March 2015



Imprint

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

www.twitter.com/munichre
www.munichre.com/facebook

Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including in the United States, Munich Reinsurance Company holds the status of an unauthorised reinsurer. Policies are underwritten by Munich Reinsurance Company or its affiliated insurance and reinsurance subsidiaries. Certain coverages are not available in all jurisdictions.

Any description in this document is for general information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any product.

Responsible for content
Reinsurance Accounting
Group Communications

Editorial deadline:
25 February 2015
Online publication date:
11 March 2015
Print publication date:
26 March 2015

Picture credits
Andreas Pohlmann

Printed by
Gotteswinter und Aumaier GmbH
Joseph-Dollinger-Bogen 22
80807 München
Germany

Greenhouse gas emissions from paper production for this annual report are offset through Munich Re's carbon-neutral strategy.

Service

The official German original of this report is also available from the Company. In addition, you can find our annual report and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

Service for private investors
Alexander Rappl
Tel.: +49 89 3891-2255
Fax: +49 89 3891-4515
shareholder@munichre.com

Service for investors and analysts
Christian Becker-Hussong
Tel.: +49 89 3891-3910
Fax: +49 89 3891-9888
ir@munichre.com

Service for media
Johanna Weber
Tel.: +49 89 3891-2695
Fax: +49 89 3891-3599
presse@munichre.com

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

Important dates 2016

16 March 2016
Balance sheet press conference
for 2015 consolidated financial statements

27 April 2016
Annual General Meeting

10 May 2016
Interim report as at 31 March 2016

9 August 2016
Interim report as at 30 June 2016

9 August 2016
Half-year press conference

9 November 2016
Interim report as at 30 September 2016

Order number 302-08574

Munich RE

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

07 May 2015

Dean Phillips
Accounts & Finance Manager
Tel.: +64 (9) 306 3461
Fax: +64 (9) 379 5019
DPhillips@munichre.com

Dear Registrar

Munich Reinsurance Company
New Zealand Branch
Level 15
PwC Tower
188 Quay Street
Auckland 1010

Box 4202
Auckland 1140
New Zealand

Tel.: +64 (9) 303 4628
Fax: +64 (9) 379 5019
www.munichre.com

Münchener Rückversicherungs-Gesellschaft

Incorporated in Germany with limited liability

Munich Reinsurance Company – 283533

I refer to your email dated 7 May 2015.

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

I certify that the overseas company financial statements, Munich Reinsurance Company Annual Report 2014, do not require a Cash flow to comply with the laws in force in Germany under which they were prepared.

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

Yours faithfully,

Dean G. Phillips
Munich Reinsurance Company – New Zealand Branch

Munich Reinsurance Company (Munich Re)
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 first such report produced in respect of Munich Re separately to the New Zealand Branch Section 78 report.

5. The report refers to a review carried out by me into the actuarial information included in the 2014 financial statements of Munich Re.

6. 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.

7. I have not reviewed the actuarial information included in the 2014 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. This is in accordance with paragraph 4.1.3 of the attachment to the Section 59 exemption.

8. The German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) has provided a letter to Munich Re which has been passed on to the RBNZ, dated 23 January 2015 stating that “The company fully complies with the solvency rules that apply to reinsurers”.

Susan Ley

Fellow of the New Zealand Society of Actuaries

Fellow of the Institute of Actuaries of Australia

20 April 2015

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 third 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 2014 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 31 March 2015.

    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 the LAT resulted in a surplus and that there is no deferred fee revenue.

I have reviewed the notes to the accounts that I consider to contain actuarial information in addition to items already specified earlier, specifically notes 3, 4(c), 8, 15, and 19a and 22, 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 2014 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 2014 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 Munich Re which has been passed on to the RBNZ, dated 23 January 2015 stating that “The company fully complies with the solvency rules that apply to reinsurers”.

Susan Ley
Fellow of the New Zealand Society of Actuaries
Fellow of the Institute of Actuaries of Australia
20 April 2015