

Quarterly Statement: 2019 starts well for Munich Re – Quarterly profit of €633m

- April renewals once again result in growth (10.3%) and rising prices (1.4%)
- Greater expenditure for claims from previous years and medium-sized events
- Profit guidance for 2019 remains unchanged at around €2.5bn



“Munich Re has begun 2019 with a good first quarter. Munich Re continues to grow organically in its core business of property-casualty reinsurance. The April renewals were the sixth consecutive round of renewals in which we are able to expand our business robustly in some areas. Prices for reinsurance coverage have continued to rise following the high losses in previous years. In primary insurance, the implementation of the ERGO Strategy Programme is making good progress.”

Christoph Jurecka, Chief Financial Officer

Summary of the Q1 figures

In the first quarter of 2019, Munich Re generated a profit of €633m (827m). Higher basic losses and greater expenditure for claims from previous years prevented a repeat of the extraordinary result in the same quarter last year, which was practically free of major losses. The first-quarter operating result fell year on year to €875m (1,283m). The other non-operating result remained nearly constant at –€122m (–125m); the currency translation result amounted to €58m (–68m). Taxes on income totalled €122m (212m). At €28,990m, equity was up on the start of the year (€26,500m) – primarily due to value increases in the share portfolio and fixed-interest securities. Compared with the same quarter last year, gross premiums written rose by 1.9% to €13,375m (13,126m).

The annualised return on risk-adjusted capital (RORAC) in Q1 amounted to 9.9%, and the overall return on equity (RoE) totalled 9.1%.

Moreover, the solvency ratio rose from 245% at the beginning of the year to about 250% at the end of Q1.

Thus far in 2019, Munich Re has repurchased shares worth €303m as part of its active capital management.

Reinsurance: Result of €548m

The reinsurance field of business contributed €548m (750m) to the consolidated result in Q1. The quarterly operating result amounted to €633m (1,059m). Compared with the same quarter last year, gross premiums written rose by 2.4% to €8,380m (8,183m).

Life and health reinsurance business generated €128m (159m) in profit; premium income rose slightly to €2,896m (2,865m). The technical result, including the result from business with non-significant risk transfer, totalled €105m (155m) in Q1. This figure was impacted by reserving effects owing to a reduction in the durations of investments in Canada and the fall in interest rates in Australia. Overall, claims experience was in line with expectations. For the year 2019, Munich Re still projects that the technical result, including the result from business with non-significant risk transfer, will come to approximately €500m.

In Q1, property-casualty reinsurance business contributed €420m (591m) to the consolidated result. Premium volume rose to €5,484m (5,317m). The combined ratio was 97.9% (88.6%) of net earned premium, which is on track to achieve the Munich Re target level of around 98% for the full year.

In Q1, total expenditure for major losses in excess of €10m each amounted to €479m (62m). These figures include run-off profits and losses for major claims from previous years, including additional expenditure of €267m for losses from Typhoon Jebi. Major-loss expenditure is equivalent to 9.7% (1.4%) of net earned premium for Q1. Major-loss expenditure from natural catastrophes amounted to €195m (–49m) in Q1. Man-made major losses amounted to €283m (112m).

Given that claims expenditure for basic losses in previous years remained appreciably below the expected level, it was possible to release reserves – adjusted for commissions – of about €200m. This equates to 4.0% of net earned premium. Munich Re also still seeks to set the amount of provisions for newly emerging claims at the very top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

The renewals at 1 April 2019 saw price increases in the markets and risks affected by natural catastrophes. Price stabilisation with a slightly upward trend was also observed in the third-party liability markets. With regard to all April renewals, prices rose by 1.4%. Munich Re was able to grow organically once again. Premium volume rose by 10.3% to some €1.8bn (1.7bn). It

was possible to selectively tap growth opportunities in certain markets, especially in India and Japan. These two markets account for a third of the business renewed in April.

ERGO: Result of €85m

In the ERGO field of business, Munich Re generated a profit of €85m (77m) in Q1. Of this amount, €63m (36m) was contributed by the ERGO Life and Health Germany segment. The main reasons for this segment's good result were the realisation of investments for financing the additional interest reserve and a good technical result in health insurance. The ERGO Property-casualty Germany segment boosted its profit to €14m (0m) thanks to its sound underwriting – despite losses caused by Winter Storm Eberhard in Germany. The ERGO International segment generated a quarterly profit of €8m (41m). This drop in profit was due largely to the sale of relatively small subsidiaries outside Germany. ERGO's operating result rose to €241m (224m).

The combined ratios developed favourably. In the Property-casualty Germany segment, the combined ratio improved to 98.1% (101.7%) despite the losses from Winter Storm Eberhard. The combined ratio in the International segment amounted to 95.4% (95.3%).

Overall premium income across all lines of business was largely unchanged at €5,165m (5,156m) in Q1. Gross premiums written rose slightly by 1.1% to €4,995m (4,943m).

Investments: Investment result of €1,741m

The Group's investment result (excluding insurance-related investments) dropped slightly to €1,741m (1,796m) in Q1. Regular income from investments increased to €1,611m (1,493m).

The investment result in Q1 represents an overall return of 2.9% on the average market value of the portfolio. The running yield was 2.7%, and the yield on reinvestment 2.1%. The equity-backing ratio, including equity-based derivatives, rose to 6.0% as at 31 March 2019 (31 December 2018: 5.2%).

Total investments (excluding insurance-related investments) as at 31 March 2019 were up on the year-end 2018 figure, with the carrying amount rising to €223,927m (216,852m) and the market value to €240,484m (231,876m).

Outlook: 2019 profit target remains unchanged at around €2.5bn

All expectations for 2019 remain unchanged compared with the figures presented in the 2018 Annual Report published in March. For the 2019 financial year, Munich Re still forecasts a consolidated result of approximately €2.5bn.

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Munich Re

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The group consists of the reinsurance and ERGO business segments, as well as the capital investment company MEAG. Munich Re is globally active and operates in all lines of the insurance business. Since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its sound financial position. It offers customers financial protection when faced with exceptional levels of damage – from the 1906 San Francisco earthquake to the 2017 Atlantic hurricane season and the California wildfires in 2018. Munich Re possesses outstanding innovative strength, which enables it to also provide coverage for extraordinary risks such as rocket launches, renewable energies, cyberattacks, or pandemics. The company is playing a key role in driving forward the digital transformation of the insurance industry, and in doing so has further expanded its ability to assess risks and the range of services that it offers. Its tailor-made solutions and close proximity to its customers make Munich Re one of the world's most sought-after risk partners for businesses, institutions, and private individuals.

Disclaimer

This press release contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of Munich Re. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

Key figures

Munich Re at a glance

		Q1 2019	Q1 2018	Change %
Consolidated result	€m	633	827	-23.5
Thereof attributable to non-controlling interests	€m	0	1	-53.0
Earnings per share	€	4.35	5.49	-20.8
Return on risk-adjusted capital (RORAC)	%	9.9	13.2	
Return on investment (Rol)	%	2.9	3.1	
Return on equity (RoE)	%	9.1	11.9	

		31.03.2019	31.12.2018	Change %
Carrying amount per share	€	199.80	180.86	10.5
Munich Reinsurance Company's market capitalisation	€bn	31.6	28.5	10.7
Share price	€	211.00	190.55	10.7
Equity	€m	28,990	26,500	9.4
Investments	€m	223,927	216,852	3.3
Insurance-related investments	€m	8,619	8,424	2.3
Net technical provisions	€m	214,572	208,270	3.0
Balance sheet total	€m	280,137	270,168	3.7
Number of staff		40,722	41,410	-1.7

Reinsurance

		Q1 2019	Q1 2018	Change %
Gross premiums written	€m	8,380	8,183	2.4
Combined ratio property-casualty	%	97.9	88.6	
Investment result	€m	626	612	2.2
Consolidated result	€m	548	750	-26.9
Thereof: Reinsurance – Life and health	€m	128	159	-19.5
Thereof: Reinsurance – Property-casualty	€m	420	591	-28.9

ERGO

		Q1 2019	Q1 2018	Change %
Gross premiums written	€m	4,995	4,943	1.1
Combined ratio Property-casualty Germany	%	98.1	101.7	
Combined ratio International	%	95.4	95.3	
Investment result	€m	1,116	1,184	-5.8
Consolidated result	€m	85	77	10.0
Thereof: Life and Health Germany	€m	63	36	74.5
Thereof: Property-casualty Germany	€m	14	0	>1,000.0
Thereof: International	€m	8	41	-80.8

Outlook Munich Re (Group) 2019

		As at 31.03.2019	From Annual Report 2018
Gross premiums written	€bn	49	49
Technical result – Life and health reinsurance ¹	€m	500	500
Combined ratio – Property-casualty reinsurance	%	98	98
Combined ratio – ERGO Property-casualty Germany	%	93	93
Combined ratio – ERGO Property-casualty International	%	95	95
Return on investment ²	%	3	3
Economic Earnings	€bn	more than 2.5	more than 2.5
Consolidated result	€bn	2.5	2.5

¹ Including the result from business with non-significant risk transfer.

² Excluding insurance-related investments.

Investment performance

Investment mix

€m	Carrying amounts		Unrealised gains/losses ¹		Fair values	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Land and buildings, including buildings on third-party land	5,890	5,851	4,781	4,769	10,671	10,620
Investments in affiliated companies, associates and joint ventures	2,593	2,509	864	983	3,276	3,312
Loans	54,028	54,845	11,093	9,453	65,121	64,298
Other securities available for sale	145,990	139,272	10,840	6,771	145,990	139,272
Thereof: Fixed-interest	128,316	124,095	7,856	4,953	128,316	124,095
Thereof: Non-fixed-interest	17,674	15,177	2,984	1,817	17,674	15,177
Other securities at fair value through profit or loss	2,502	2,616	0	0	2,502	2,616
Thereof: Derivatives	1,879	2,078	0	0	1,879	2,078
Deposits retained on assumed reinsurance	7,382	7,241	0	0	7,382	7,241
Other investments	5,544	4,518	0	0	5,544	4,518
Total	223,927	216,852	27,578	21,975	240,484	231,876

¹ Including on- and off-balance-sheet unrealised gains and losses.

Investment result

	Q1 2019	Return	Q1 2018	Return
	€m	%	€m	%
Regular income	1,611	2.7	1,493	2.6
Write-ups/write-downs of non-derivative investments	-83	-0.1	-115	-0.2
Gains/losses on the disposal of non-derivative investments	602	1.0	584	1.0
Net balance of derivatives	-231	-0.4	-17	0.0
Other income/expenses	-157	-0.3	-149	-0.3
Total	1,741	2.9	1,796	3.1

Consolidated balance sheet

Assets

		31.03.2019	31.12.2018	Change	
	€m	€m	€m	€m	%
A. Intangible assets					
I. Goodwill		2,938	2,904	35	1.2
II. Other intangible assets		1,162	1,161	1	0.1
		4,100	4,064	36	0.9
B. Investments					
I. Land and buildings, including buildings on third-party land		5,890	5,851	38	0.7
II. Investments in affiliated companies, associates and joint ventures		2,593	2,509	84	3.3
Thereof:					
Associates and joint ventures accounted for using the equity method		2,371	2,296	75	3.3
III. Loans		54,028	54,845	-817	-1.5
IV. Other securities					
1. Available for sale	145,990		139,272	6,717	4.8
2. At fair value through profit or loss	2,502		2,616	-114	-4.4
		148,491	141,888	6,603	4.7
V. Deposits retained on assumed reinsurance		7,382	7,241	141	1.9
VI. Other investments		5,544	4,518	1,026	22.7
		223,927	216,852	7,075	3.3
C. Insurance-related investments		8,619	8,424	195	2.3
D. Ceded share of technical provisions		4,725	4,263	463	10.9
E. Receivables					
I. Current tax receivables		547	604	-57	-9.4
II. Other receivables		19,699	17,239	2,460	14.3
		20,246	17,842	2,403	13.5
F. Cash at banks, cheques and cash in hand		4,882	4,986	-104	-2.1
G. Deferred acquisition costs					
Gross		9,631	9,466	165	1.7
Ceded share		-284	-254	-30	-12.0
Net		9,347	9,212	134	1.5
H. Deferred tax assets		471	545	-74	-13.5
I. Other assets		3,238	2,950	288	9.7
J. Assets held for sale		582	1,029	-447	-43.4
Total assets		280,137	270,168	9,970	3.7

Equity and liabilities

		31.03.2019	31.12.2018	Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve		7,412	7,418	-5	-0.1
II. Revenue reserves		14,982	13,201	1,780	13.5
III. Other reserves		5,830	3,440	2,390	69.5
IV. Consolidated result attributable to Munich Reinsurance Company equity holders		632	2,310	-1,678	-72.6
V. Non-controlling interests		134	131	3	2.4
		28,990	26,500	2,490	9.4
B. Subordinated liabilities		3,854	3,689	166	4.5
C. Gross underwriting provisions					
I. Unearned premiums		10,943	9,790	1,153	11.8
II. Provision for future policy benefits		111,738	111,147	591	0.5
III. Provision for outstanding claims		69,777	66,356	3,421	5.2
IV. Other underwriting provisions		18,855	17,314	1,541	8.9
		211,314	204,607	6,706	3.3
D. Gross technical provisions for unit-linked life insurance		7,983	7,925	58	0.7
E. Other provisions		4,933	4,383	550	12.6
F. Liabilities					
I. Notes and debentures		297	292	5	1.8
II. Deposits retained on ceded business		822	506	317	62.6
III. Current tax liabilities		1,965	1,929	37	1.9
IV. Other liabilities		17,918	18,147	-229	-1.3
		21,002	20,872	130	0.6
G. Deferred tax liabilities		1,651	1,368	283	20.7
H. Liabilities related to assets held for sale		409	823	-414	-50.3
Total equity and liabilities		280,137	270,168	9,970	3.7

Consolidated income statement

	€m	€m	Q1 2019 €m	Q1 2018 €m	Change €m	%
Gross premiums written	13,375			13,126	249	1.9
1. Earned premiums						
Gross	12,389			11,685	703	6.0
Ceded	-757			-431	-326	-75.6
Net		11,632		11,254	377	3.4
2. Income from technical interest		1,982		1,242	740	59.6
3. Expenses for claims and benefits						
Gross	-10,318			-8,519	-1,800	-21.1
Ceded	404			87	317	364.0
Net		-9,914		-8,431	-1,482	-17.6
4. Operating expenses						
Gross	-3,195			-3,149	-46	-1.4
Ceded	136			104	32	30.7
Net		-3,059		-3,045	-14	-0.4
5. Technical result (1–4)			642	1,020	-378	-37.1
6. Investment result		1,741		1,796	-55	-3.0
Thereof:						
Income from associates and joint ventures accounted for using the equity method		47		18	29	164.2
7. Insurance-related investment result		553		-237	790	–
8. Other operating income		187		163	24	15.1
9. Other operating expenses		-265		-216	-49	-22.9
10. Deduction of income from technical interest		-1,982		-1,242	-740	-59.6
11. Non-technical result (6–10)			233	263	-30	-11.5
12. Operating result (5+11)			875	1,283	-409	-31.8
13. Other non-operating result			-122	-125	3	2.6
14. Currency result			58	-68	127	–
15. Net finance costs			-56	-51	-5	-10.2
16. Taxes on income			-122	-212	89	42.2
17. Consolidated result (12–16)			633	827	-194	-23.5
Thereof:						
Attributable to Munich Reinsurance Company equity holders			632	826	-194	-23.5
Attributable to non-controlling interests			0	1	0	-53.0
			€	€	€	%
Earnings per share			4.35	5.49	-1.14	-20.8

Segment assets

€m		Reinsurance						ERGO				Total	
		Life and health		Property-casualty		Life and Health Germany		Property-casualty Germany		International		31.03.2019	31.12.2018
		31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018		
A.	Intangible assets	332	330	2,340	2,304	200	204	1,050	1,044	178	182	4,100	4,064
B.	Investments												
	I. Land and buildings, including buildings on third-party land	416	433	2,175	2,150	2,968	2,937	220	221	110	111	5,890	5,851
	II. Investments in affiliated companies, associates and joint ventures	44	44	1,504	1,433	421	441	108	75	516	517	2,593	2,509
	Thereof:												
	Associates and joint ventures accounted for using the equity method	28	28	1,435	1,371	364	387	45	9	499	502	2,371	2,296
	III. Loans	175	178	731	701	51,182	52,089	1,591	1,606	350	271	54,028	54,845
	IV. Other securities												
	1. Available for sale	21,475	19,689	50,349	49,116	53,350	50,603	5,065	4,625	15,751	15,240	145,990	139,272
	2. fair value through profit or loss	139	122	667	634	1,215	1,362	29	53	451	444	2,502	2,616
		21,614	19,812	51,016	49,750	54,566	51,965	5,094	4,678	16,202	15,684	148,491	141,888
	V. Deposits retained on assumed reinsurance	4,864	4,890	2,451	2,286	45	44	22	21	0	0	7,382	7,241
	VI. Other investments	681	688	2,187	2,400	2,263	1,012	239	270	173	149	5,544	4,518
		27,794	26,044	60,065	58,718	111,445	108,487	7,275	6,871	17,349	16,731	223,927	216,852
C.	Insurance-related investments	863	745	67	97	4,655	4,673	0	0	3,034	2,909	8,619	8,424
D.	Ceded share of technical provisions	1,222	858	2,785	2,709	20	19	89	74	608	603	4,725	4,263
E.	Assets held for sale	0	0	0	414	269	269	1	1	311	344	582	1,029
F.	Other segment assets	12,802	13,006	12,949	11,126	7,510	7,047	2,003	1,581	2,921	2,775	38,183	35,535
	Total segment assets	43,012	40,984	78,206	75,369	124,099	120,701	10,418	9,572	24,402	23,542	280,137	270,168

Segment equity and liabilities

€m		Reinsurance						ERGO				Total		
		Life and health		Property-casualty		Life and Health Germany		Property-casualty Germany		International		31.03.2019	31.12.2018	
		31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018			
A.	Subordinated liabilities	960	977	2,882	2,700	0	0	0	0	13	13	3,854	3,689	
B.	Gross technical provisions													
	I. Unearned premiums	291	309	7,447	6,985	319	250	1,012	484	1,874	1,762	10,943	9,790	
	II. Provision for future policy benefits	12,277	12,107	26	26	89,384	88,950	421	422	9,631	9,641	111,738	111,147	
	III. Provision for outstanding claims	9,276	9,034	50,197	46,919	2,756	2,886	4,679	4,670	2,870	2,848	69,777	66,356	
	IV. Other underwriting provisions	282	301	256	293	17,628	16,139	94	96	596	485	18,855	17,314	
		22,125	21,751	57,925	54,222	110,086	108,225	6,206	5,672	14,972	14,736	211,314	204,607	
C.	Gross technical provisions for unit-linked life insurance contracts	0	0	0	0	5,001	5,098	0	0	2,982	2,827	7,983	7,925	
D.	Other provisions	195	226	672	604	1,858	1,662	1,091	918	1,117	972	4,933	4,383	
E.	Liabilities related to assets held for sale	0	0	0	392	168	168	0	0	241	263	409	823	
F.	Other segment liabilities	8,689	8,938	7,534	7,189	4,431	4,156	637	741	1,363	1,218	22,654	22,241	
	Total segment liabilities	31,970	31,891	69,012	65,108	121,544	119,309	7,934	7,331	20,687	20,028	251,147	243,668	
												Equity	28,990	26,500
												Total equity and liabilities	280,137	270,168

Segment income statement

€m	Reinsurance								ERGO			Total	
	Life and health		Property-casualty		Life and Health Germany		Property-casualty Germany		International				
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019		Q1 2018
Gross premiums written	2,896	2,865	5,484	5,317	2,346	2,321	1,349	1,266	1,300	1,356	13,375	13,126	
1. Net earned premiums	2,497	2,758	4,931	4,317	2,275	2,265	789	743	1,140	1,171	11,632	11,254	
2. Income from technical interest	153	138	291	261	1,289	798	19	19	231	25	1,982	1,242	
3. Net expenses for claims and benefits	-2,084	-2,154	-3,186	-2,363	-3,118	-2,602	-522	-502	-1,004	-811	-9,914	-8,431	
4. Net operating expenses	-489	-603	-1,649	-1,466	-335	-371	-263	-267	-323	-338	-3,059	-3,045	
5. Technical result (1–4)	78	140	387	749	110	91	23	-6	44	47	642	1,020	
6. Investment result	177	207	449	404	992	1,049	45	37	79	98	1,741	1,796	
7. Insurance-related investment result	12	10	13	-19	365	-178	0	0	164	-50	553	-237	
8. Other operating result	13	3	-50	-36	-16	-13	0	2	-26	-10	-78	-53	
9. Deduction of income from technical interest	-153	-138	-291	-261	-1,289	-798	-19	-19	-231	-25	-1,982	-1,242	
10. Non-technical result (6–9)	48	82	121	89	52	60	26	20	-14	12	233	263	
11. Operating result (5+10)	126	221	507	838	162	151	49	14	30	60	875	1,283	
12. Other non-operating result	-1	0	-8	-8	-57	-60	-43	-40	-13	-17	-122	-125	
13. Currency result	20	-6	39	-28	5	-33	-5	-2	-1	2	58	-68	
14. Net finance costs	-10	-9	-32	-23	-6	-7	-1	-2	-7	-9	-56	-51	
15. Taxes on income	-7	-46	-87	-188	-42	-14	14	31	-1	6	-122	-212	
16. Consolidated result (11–15)	128	159	420	591	63	36	14	0	8	41	633	827	