

# 1999

Munich Re Group  
Annual Report



Münchener Rück  
Munich Re Group

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Annual Report



# Munich Re Group

## Key figures (IAS)

		1999 €	Prev. year €	Change in %
Gross premiums written	bn	27.4	25.5	7.5
Result before tax	m	1,701	2,171	-21.6
Tax	m	383	791	-51.6
Minority interests in earnings	m	185	180	2.8
Profit for the year	m	1,133	1,200	-5.6
Investments	bn	150.9	136.1	10.9
Shareholders' equity	bn	18.5	16.2	14.2
Net underwriting provisions	bn	123.5	110.8	11.4
Staff as at 31.12		33,245	32,280	3.0

## Our registered shares

		1999 €	Prev. year €	Change in %
Earnings per share		6.45	7.11*	-9.3
Dividend per share		0.95	0.92*	3.3
Amount distributed	m	168	81	106.4
Share price at 31.12		251.80	206.31*	22.0
Munich Re's market capitalization at 31.12	bn	44.5	36.1	23.4

\* Taking into account the stock split in January 1999.

A. M. Best, Standard & Poor's and Moody's have each awarded Munich Re their top rating.



Münchener Rück  
Munich Re Group



Munich Re Group  
 Report for the 120th year of business  
 1st January 1999 to 31st December 1999

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# Letter to shareholders

## Dear Shareholders,

We propose to distribute twice as much in dividends to you as last year, our share price has again risen substantially in 1999, our asset management company was launched on schedule, the millennium changeover has passed without significant losses – and yet we are still not satisfied with what we have achieved: the improvement in our Group result, which we were still expecting as late as November, has been wiped out by high losses in reinsurance.

1999 was a very bleak year for reinsurers: earthquakes and storms heavily impacted earnings. The two winter storms that swept over Europe in December, wreaking havoc especially in France, cost us around half a billion euros alone; besides this, we were hit by Typhoon Bart in Japan and the severe earthquakes in Turkey, Greece and Taiwan. It was not the size of the insured losses in these individual natural catastrophes that was exceptional, but the number of such events that occurred: for the reinsurers in the Group 1999 was, all in all, the worst year in Munich Re's history in terms of claims costs.

Unlike the reinsurers, the primary insurers in the Group were able to continue the positive development of the previous year: altogether they achieved higher growth and a better result than in 1998. We are particularly pleased with the figures of the property-casualty business, where we were able to buck the market trend and increase both premium income and profit. The life insurers achieved growth that was far above average, benefiting from the general reaction to the German government's plans – since shelved – to tax income from endowment policies as from 1st January 2000.

The capital markets have a very eventful year behind them: developments on the stock markets

were far from uniform and yields on long-term bonds increased appreciably. This presented our portfolio managers and analysts with considerable challenges. They mastered them well and were able to improve the investment result by more than 12%.

Munich Re's share price rose by 22% in the past year. This is in line with the long-term average but not with our expectations. We aim for a price performance that consistently exceeds the DAX and have therefore now linked bonus payments for our top executives to the achievement of this goal.

The objectives we have set ourselves for the next few years are considerable:

- We plan to extend our market position as leading reinsurer worldwide and to be number one, or at least number two, in all important markets. The areas where we are planning the biggest growth in reinsurance are life, health and workers' compensation business, alternative markets, financial reinsurance and innovative coverage concepts for new risks.
- In primary insurance we are aiming, through ERGO, to become one of the most important groups in personal lines business in Europe. The expansion of foreign business – also through acquisitions – remains an important part of our strategy.
- We intend to develop our new subsidiary MEAG into one of the best asset management companies. We plan to further optimize the income from our own investments and gradually expand business with private and institutional investors.
- We aim to increase our profit after tax by at least 10% annually and thus earn a growing and appropriate return on equity.

In order to achieve these ambitious goals, we will need a certain amount of good fortune. But above all we will require enthusiastic and dedicated staff committed to furthering Munich Re's cause – everywhere and at all times. I am glad to say that we already have such staff. I thank each one of them, also on behalf of my colleagues, for their hard work over the past year and wish all of us renewed success in the current year.

The prerequisites for this success are favourable: on the reinsurance markets there are increasing signs that the market is bottoming out and the overheated competition is cooling down; our primary insurers are systematically expanding their business at home and abroad from a very solid base.

The German government's bill to lower tax rates and reform company taxation has had a very positive preliminary effect on the performance of our share price. The planned reform would indeed mean a substantial reduction in Munich Re's tax burden.

Munich Re and Allianz recently agreed to reduce their cross holdings to around 20% each by the year 2003. In this connection Munich Re has issued a €1.15bn bond exchangeable into Allianz shares. Besides this, in an exchange operation scheduled for next year, we will be selling our shares in Bayerische Versicherungsbank AG and Frankfurter Versicherungs-AG to Allianz and in return will acquire Allianz's stake in Karlsruher Lebensversicherung AG. Already this year Munich Re will also be acquiring Allianz's shareholding in Mercur Assistance. We want to invest the considerable funds that will flow to Munich Re from these transactions in the further expansion of our business.

At the beginning of this year recommendations for the corporate governance of listed companies were published in Germany. We support these recommendations, which are based on OECD guidelines. Insofar as we do not follow them already, we are currently examining how we can best implement them for Munich Re.

Ladies and gentlemen, we are striving to make the value of your company more transparent for you. The changeover to International Accounting Standards, beginning with this annual report, is another step along this path. And, of course, we are doing our utmost to further enhance the value of your company. We are excellently positioned for this, and have the necessary resources, in all areas of our Group. Thank you for your continued confidence.

Yours sincerely,







Chair

Chair

Chair

Chair

Chair

Chair

Chair

Dr. jur. Hans-Jürgen Schinzler (Chairman)

Controlling  
Press  
Accounting  
Internal Auditing  
Taxes  
Executive Offices



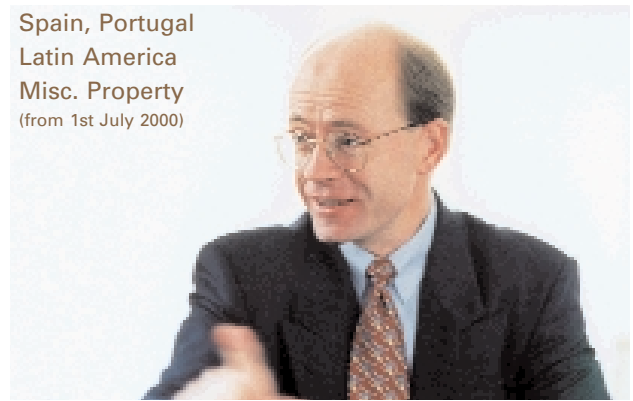
Dr. jur. Wolf Otto Bauer

Fire/Treaty  
Fire/Facultative  
Financial  
Reinsurance/  
Retrocession



Dr. jur. Nikolaus von Bomhard (from 1st Jan. 2000)

Spain, Portugal  
Latin America  
Misc. Property  
(from 1st July 2000)



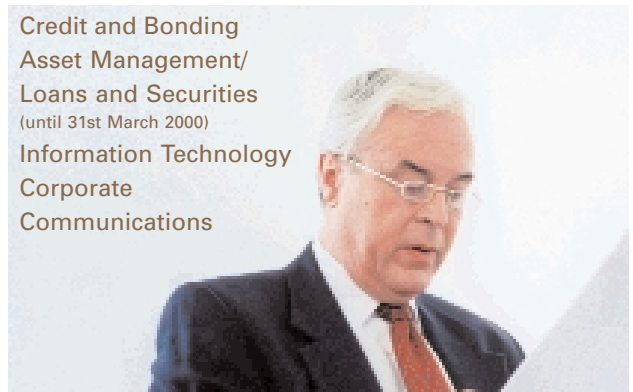
Dr. jur. Heiner Hasford

Nordic Countries  
Netherlands  
Asset Management/  
Real Estate and Equities  
(until 31st March 2000)  
Finance (from 1st April 2000)  
General Service  
Company Structure and  
Organization



Dr. jur. Claus Helbig (until 30th June 2000)

Credit and Bonding  
Asset Management/  
Loans and Securities  
(until 31st March 2000)  
Information Technology  
Corporate  
Communications



Dr. phil. Detlef Schneidawind

Life  
Health  
Personnel



Dr. jur. Jörg Schneider (from 1st April 2000)

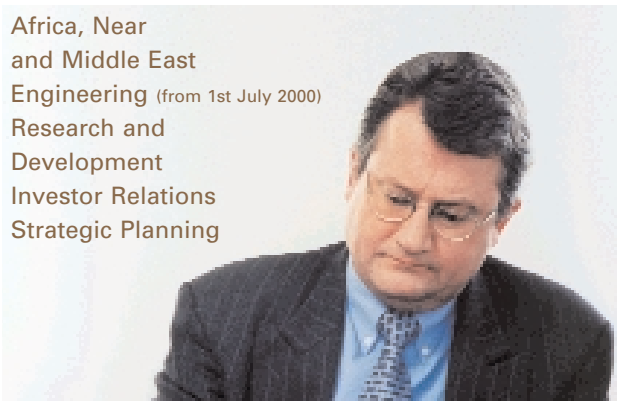
Credit and Bonding  
Information Technology



# Board of Management

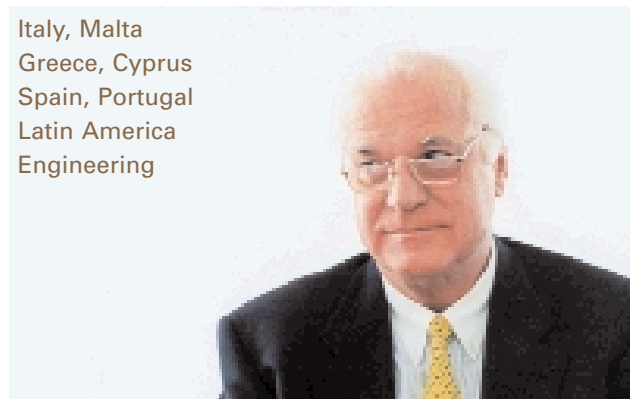
Clement Booth

Africa, Near  
and Middle East  
Engineering (from 1st July 2000)  
Research and  
Development  
Investor Relations  
Strategic Planning



Dieter Göbel (until 30th June 2000)

Italy, Malta  
Greece, Cyprus  
Spain, Portugal  
Latin America  
Engineering



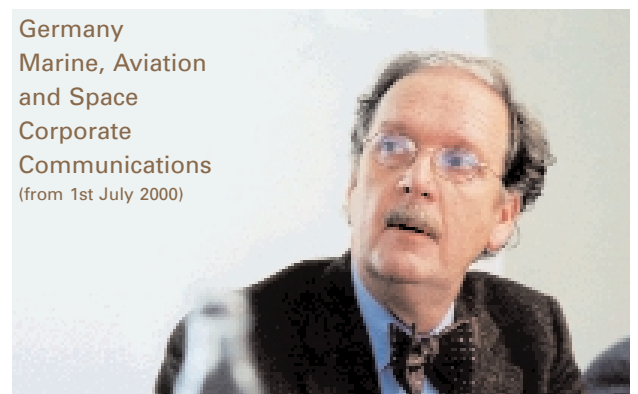
Stefan Heyd

Casualty



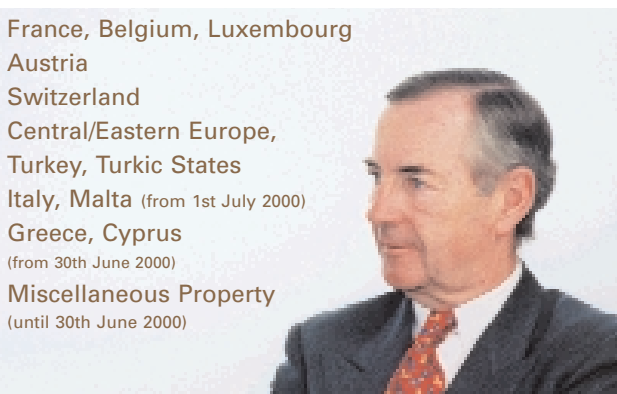
Christian Kluge

Germany  
Marine, Aviation  
and Space  
Corporate  
Communications  
(from 1st July 2000)



Dr. jur. Hans-Wilmar von Stockhausen

France, Belgium, Luxembourg  
Austria  
Switzerland  
Central/Eastern Europe,  
Turkey, Turkic States  
Italy, Malta (from 1st July 2000)  
Greece, Cyprus  
(from 30th June 2000)  
Miscellaneous Property  
(until 30th June 2000)



Karl Wittmann

UK, Ireland  
North America  
Asia and  
Australasia





# Report of the Supervisory Board

## **Ladies and gentlemen,**

In the business year 1999 Munich Re again succeeded in consolidating or extending its position in both insurance and reinsurance in a difficult environment.

## **Meetings of the Supervisory Board**

At four meetings in the business year 1999 the Supervisory Board obtained detailed information from the Board of Management on the situation in the important insurance and reinsurance markets, the development of business and the position of the company and its main participations. We discussed these reports and important individual measures in detail. Between the meetings the Chairman of the Supervisory Board remained in close contact with the Chairman of the Board of Management and obtained ongoing information on all relevant business transactions.

At several meetings the Board of Management gave us its assessment of the competitive situation in reinsurance and the consequences for Munich Re of the numerous mergers and acquisitions in the primary insurance sector. Besides this, the Board of Management provided us with extensive information on how genetic technology will influence insurances of the person and what consequences could result from this for Munich Re. We also talked separately about activities of Munich Re and its subsidiaries in financial reinsurance.

The Board of Management reported to us in detail on Munich Re's preparations for the millennium changeover; this included a discussion of the insurance and reinsurance aspects of the millennium problem.

The introduction of the long-term incentive plan, which links the compensation of the reinsurance group's top management to the Munich Re share price, was also closely considered.

Further focal points of our meetings included developments in the area of asset management, the switch in accounting to International Accounting Standards, the effects of the German tax reform law on Munich Re and its German subsidiaries, and the package of measures to simplify Munich Re's share structure.

The Board of Management kept us regularly informed during the year under review about the Holocaust issue. The Supervisory Board and Board of Management take this troubling subject very seriously. As a reinsurer, the Munich Reinsurance Company has never issued insurance policies to individuals and thus did not do so to victims of the Holocaust. Like the primary insurers in the Group, however, it has joined the Foundation Initiative of German Enterprises "Remembrance, Responsibility and Future" and, in expectation of full and lasting relief from legal and administrative action, has made a substantial contribution to this solidarity fund.

All members of the Supervisory Board were informed without delay, as well as at the meetings, about transactions that were of particular significance for the further development of the Group. This includes the restructuring of our shareholdings with Allianz, announced a few weeks ago.

#### **Supervisory Board committees**

The Standing Committee, whose work includes business requiring the approval of the Supervisory Board, met three times in 1999, as did the Board of Management Committee, which is responsible for personnel matters involving members of the Board of Management. The Conference Committee did not meet.

#### **Annual financial statements**

The Munich Reinsurance Company's bookkeeping, its company financial statements and the consolidated financial statements as at 31st December 1999, as well as the management reports for the company and the Group, were audited by the KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and received an unqualified auditor's opinion. The auditor's reports were promptly sent to all the members of the Supervisory Board. After a detailed discussion between the Chairman of the Supervisory Board and the auditor, there was also extensive consideration of the company financial statements and the consolidated financial statements, the management reports and the auditor's reports at the meeting of the Supervisory Board on 29th May 2000, at which the auditor was present. Also discussed was the quality of Munich Re's risk monitoring system.

The Supervisory Board has examined the company financial statements, the consolidated financial statements, the management reports and the proposal of the Board of Management for appropriation of the balance sheet profit and agrees with the auditor's conclusions.

At the balance sheet meeting of the Supervisory Board we approved the annual financial statements drawn up by the Board of Management; they are thus adopted. We agree to the Board of Management's proposal for the appropriation of the balance sheet profit, which provides for a dividend of €0.95 per share.

#### **Composition of the Supervisory Board and the Board of Management**

At the end of the AGM on 22nd July 1999 the term of office of the incumbent Supervisory Board ended. As the company had employed more than 2,000 staff in Germany since the end of 1998, the Supervisory Board had to be re-structured in line with the provisions of the German law on co-determination so that, in accordance with the Articles of Association, it was composed of ten shareholder representatives and ten staff representatives.

For the members of the Supervisory Board to be elected by the shareholders, Dr. Eberhard von Kuenheim, Dr. Wolfgang Röller and Dr.-Ing. Dieter Soltmann were no longer available for re-election. We thank them for their valuable counsel and their dedication, with which they constantly contributed to the development of our company. The following were newly elected to the Supervisory Board: Professor Dr. Henning Kagermann, Co-Chairman of the Executive Board and Chief Executive Officer of SAP AG, Dr. jur. Dr.-Ing. Heinrich von Pierer, President and Chief Executive Officer of Siemens AG, and Dr. Alfons Titzrath, Chairman of the Supervisory Board of Dresdner Bank AG. The other shareholder representatives were re-elected.

As regards the staff representatives on the Supervisory Board, Ms. Christiane Bartl and Mr. Ludwig Knabl no longer stood for re-election. We thank them for their many years of constructive work on the Board. Mr. Hans-Georg Appel, Ms. Gertraud Köppen, Dr. Jörg Schneider, Mr. Wolfgang Stögbauer, Mr. Josef Süßl, Ms. Judy Vö and Mr. Ludwig Wegmann were newly elected to the Supervisory Board. The other staff representatives were re-elected.

At its constituent meeting following the AGM, the Supervisory Board re-elected Mr. Hartmann as its Chairman and Mr. Bach and Dr. Schulte-Noelle as its Deputy Chairmen.

As at 30th June 1999 Dr. Fedor Nierhaus retired from the Board of Management. In his many years of service he represented the company's interests with skill and conviction. We thank him for his dedicated work on behalf of Munich Re.

Mr. Clement Booth (45), who had worked for the Munich Re organization in South Africa in senior positions since 1986, has been a member of the Board of Management since 1st January 1999. With effect from 1st January 2000 we appointed Dr. Nikolaus Bomhard (43) a member of the Board of Management. He has been with the company for many years, his most recent position being head of Munich Re's business unit in São Paulo. With effect from 1st April 2000 we also appointed Dr. jur. Jörg Schneider (41) to the Board of Management. He joined the company in 1988 and was most recently head of the Group section of the Asset Management Division. On being appointed to the Board of Management, Dr. Schneider gave up his seat on the Supervisory Board as at 31st March 2000. Mr. Klaus Peter Biebrach was appointed his successor as one of the staff representatives on the Supervisory Board.

The Supervisory Board wishes to thank all the staff of the individual Group companies for their hard work and commitment. With their dedication and enthusiasm, they play a crucial part in the continuing success of the Munich Re Group.

Munich, 29th May 2000

For the Supervisory Board



Ulrich Hartmann  
Chairman

# Supervisory Board

## CHAIRMAN

Ulrich Hartmann  
Chairman of the Board of Management of VEBA AG

## DEPUTY CHAIRMAN

Herbert Bach (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

## DEPUTY CHAIRMAN

Dr. jur. Henning Schulte-Noelle  
Chairman of the Board of Management of Allianz AG

## DEPUTY CHAIRMAN

Dr. rer. pol. Wolfgang Röller (until 22nd July 1999)  
Honorary Chairman of the Supervisory Board of  
Dresdner Bank AG

Hans-Georg Appel (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

Christiane Bartl (until 22nd July 1999)  
Employee of the Munich Reinsurance Company

Klaus Peter Biebrach (from 12th April 2000)  
Employee of the Munich Reinsurance Company

Dr. jur. Rolf-E. Breuer  
Spokesman of the Board of Management of  
Deutsche Bank AG

Peter Burgmayr  
Employee of the Munich Reinsurance Company

Rudolf Ficker  
Former Member of the Board of Management  
of the Munich Reinsurance Company

Prof. Dr. rer. nat. Henning Kagermann (from 22nd July 1999)  
Co-Chairman of the Executive Board and Chief  
Executive Officer of SAP AG

Ludwig Knabl (until 22nd July 1999)  
Employee of the Munich Reinsurance Company

Gertraud Köppen (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

Dr.-Ing. E. h. Eberhard v. Kuenheim (until 22nd July 1999)  
Former Chairman of the Supervisory Board of  
Bayerische Motoren Werke AG

Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand Piëch  
Chairman of the Board of Management of  
Volkswagen AG

Dr. jur. Dr.-Ing. E. h. Heinrich v. Pierer (from 22nd July 1999)  
President and Chief Executive Officer of  
Siemens AG

Dr. jur. Albrecht Schmidt  
Spokesman of the Board of Management of  
Bayerische Hypo- und Vereinsbank AG

Dr. jur. Jörg Schneider (from 22nd July 1999 until 31st March 2000)  
Employee of the Munich Reinsurance Company

Dr. rer. nat. Klaus Schumann  
Employee of the Munich Reinsurance Company

Dr.-Ing. Dieter Soltmann (until 22nd July 1999)  
General Partner of Gabriel Sedlmayr  
Spaten-Franziskaner-Bräu KGaA (until 16th March 2000)

Dr. phil. Ron Sommer  
Chairman of the Board of Management of  
Deutsche Telekom AG

Wolfgang Stögbauer (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

Josef Süßl (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

Dr. rer. pol. Alfons Titzrath (from 22nd July 1999)  
Chairman of the Supervisory Board of  
Dresdner Bank AG

Judy Vő (from 22nd July 1999)  
Employee of the Munich Reinsurance Company

Ludwig Wegmann (from 22nd July 1999)  
Employee of the Munich Reinsurance Company







# **What makes a valuable group even more valuable?**

# Team spirit, enterprise and a clear strategy.

Munich Re, founded 120 years ago as a reinsurer, is today pre-eminent in this market worldwide. No other reinsurer offers in comparable measure such experience and capacity, coupled with innovation, financial strength and consistent client-orientation.

Our primary insurers concentrate on business with private clients in the European market. And in asset management we expanded our earnings and growth potential promisingly last year with the formation of MEAG, a joint-venture subsidiary of Munich Re and ERGO.

Together, the three fields of business add up to consistent value orientation for the Munich Re Group as a risk carrier and provider of financial services. The capital markets have responded favourably to this concept. Thus in the last two years the number of Munich Re registered shareholders quadrupled to 65,000. With an average annual increase in value of 19.5% over a ten-year period, our shares number among the most attractive stocks on the German equity market and in the international insurance industry.

**As a Group we aspire to be one of the leading risk carriers and providers of financial services.**

We create lasting value by systematically building on our strengths:

- the competence and skills of our staff
- our global knowledge base
- our financial strength
- partnership and trust within our business relationships



## The Munich Re Group – value-oriented and with strong growth potential

Increasing value for our shareholders is our overriding objective. Our criteria for this are not short-term successes: rather, we aim at achieving sustainable added value in our Group through the best possible blend of reinsurance, primary insurance and asset management.

Our actions are guided by our responsibility towards shareholders, clients and staff, and towards the environment and society as a whole.

### **Reinsurance**

“Competence in handling risks”: since its foundation 120 years ago Munich Re has embodied this core quality to an extent virtually unparalleled worldwide. A total of 5,000 insurance companies in around 150 countries today rely on our competence and financial strength. We assume a part of their risk and find solutions for the whole spectrum of risk management. By reinsuring business worldwide in all classes of insurance, we contribute to a global balancing of risks.

### **Primary insurance**

The primary insurers in the Munich Re Group also offer their clients a high degree of security and service: ERGO, with its subsidiaries VICTORIA, Hamburg-Mannheimer, DKV and D.A.S., Karlsruher and Europäische Reiseversicherung serve more than 15 million private clients. Having a strong footing in primary insurance has been, and will continue to be, an important part of our Group strategy.

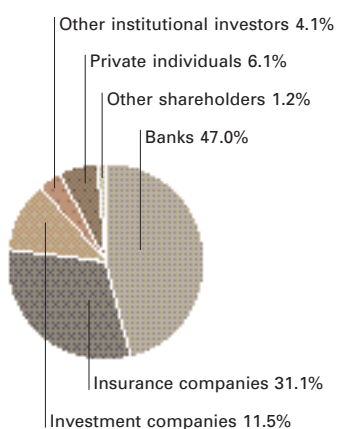
Given current demographic trends, insurances of the person in particular offer great potential for growth. We will expand our business in Germany further and take full advantage of opportunities in the rest of Europe.

**Asset management**

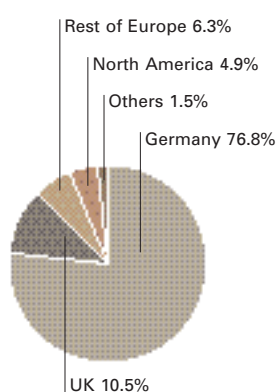
The guiding principle of our asset management strategy is to safeguard and increase our investment income on a secure and lasting basis. In order to pursue asset management even more professionally in future, we established MEAG MUNICH ERGO AssetManagement GmbH in 1999 as a joint subsidiary of Munich Re and ERGO. Not only the Group companies involved benefit from this development, but also their shareholders and business partners. MEAG will number among the big asset management companies in Germany; it will offer its investment products and its services to institutional investors – above all other insurance companies – and also to private clients.

## Our shareholders and our shares

Investor groups



Regions



Munich Re registered shares are becoming increasingly popular with German and international investors. The number of registered shareholders has quadrupled in the last two years to 65,000. This increase is largely due to private investors. We are proud that in 1999 we were able to enter a total of 34,000 new shareholders in our shareholders' register. The proportion of shares held outside Germany now totals 23%.

Allianz, traditionally Munich Re's largest shareholder, currently holds a stake of just under 25%. Other shareholders with stakes of over 5% are HypoVereinsbank, Deutsche Bank and Dresdner Bank.

### Investor relations

Munich Re has always cultivated an intensive dialogue with analysts and investors.

Last year we strengthened this communication further, a move that met with a very positive response from the investment sector. Our investor relations team conducted more than 100 detailed discussions with financial analysts and institutional investors in Munich in 1999; and for the first time such interviews also took place in financial centres outside Germany.

Interest in Munich Re shares is continuing to grow strongly, a trend we want to encourage. On 30th May 2000 – i.e. the day this annual report is published – we will therefore be staging an analysts' conference for the first time.

If you have questions regarding our shares, you can call our service telephone number **+49 1 80/2 22 62 10** or contact us via our website ([www.munichre.com](http://www.munichre.com)), which also provides data on our share price performance.

Besides this, of course, you can obtain information on the current stock market prices from the daily papers or from Reuters and Bloomberg:

	Reuters	Bloomberg	WKN
<b>Munich Re registered shares</b>	MUVGn	MUV2	843 002
<b>Munich Re warrants</b>	843 009	MUVA	843 009

### Inclusion in two important European share price indices

Since 1996 Munich Re has been represented in the German share index DAX 30, which contains the 30 largest and most actively traded German stocks. On 20th September 1999 Munich Re's registered shares additionally became the only German equities to be included in both STOXX 50 indices (Euro STOXX 50 and STOXX 50 Index). Our presence in these indices increases the importance of Munich Re stock for our shareholders.



### Good performance in a difficult year

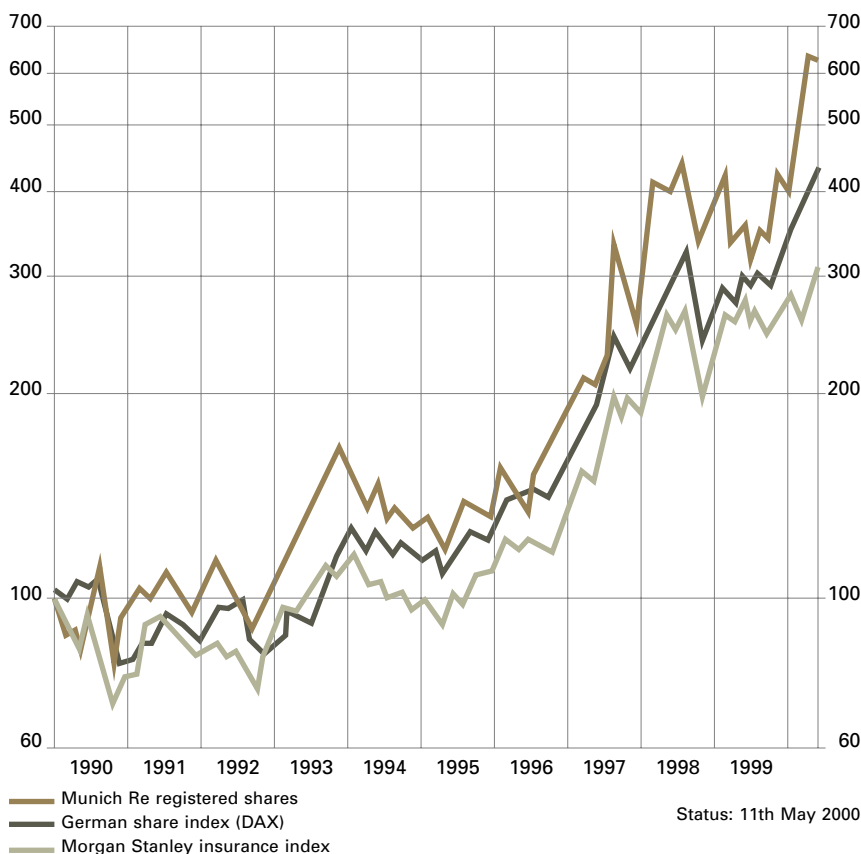
Munich Re shares represent an attractive investment with an above-average return for the long-term investor. In the ten-year period from 1990 to 1999 their price rose by 19.5% on average each year, as opposed to a 16.8% average annual increase in the DAX. Munich Re shares continue to be among the winners within the insurance sector as well. This is shown by a comparison with the Morgan Stanley insurance index, whose average annual increase in the same period was around 13.3%.

The price of Munich Re shares fluctuated considerably in 1999. Despite the rising interest rate and the uncertainties surrounding the millennium changeover, however, our shares performed positively as a whole; their price increased by 22%. This means that although we did not achieve the same growth as the DAX 30, we clearly bettered the average performance of insurance stocks.

In the current business year the upward trend has continued: on 11th May 2000 Munich Re's share price stood at €308.00, or 22.3% higher than at 31st December 1999.

### Price performance

1st January 1990 = 100



On 11th May 2000 Munich Re had a market capitalization of €54.5bn, making it one of the biggest stocks on the German equity market.

### Doubling of overall dividend amount for 1999

Dividend size is determined by a company's profit and its dividend policy. Even for a difficult reinsurance year like 1999, our earnings strength will enable us to adhere to our continuity-oriented dividend policy and pay

our shareholders an unchanged dividend of €0.95 per share. Owing to the stock split in 1999, this actually means a doubling of the overall amount distributed.

#### Share structure simplified

We considerably streamlined our share structure in 1999: since 1st December 1999 we have had only one type of share listed on the stock exchange – the registered share. Nearly all the holders of our bearer shares took up our offer to exchange their stock for registered shares. The resolution to convert bearer shares to registered shares, adopted by the AGM on 22nd July 1999, was entered in the commercial register on 15th February 2000. The conversion of the few remaining bearer shares into unrestrictedly transferable non-listed registered shares will be completed by mid-June 2000; an exchange of these shares for listed registered shares is still possible. We would be delighted if all the shareholders concerned take advantage of this opportunity. Our objective of having a single category of transparent and highly liquid shares has thus been achieved.

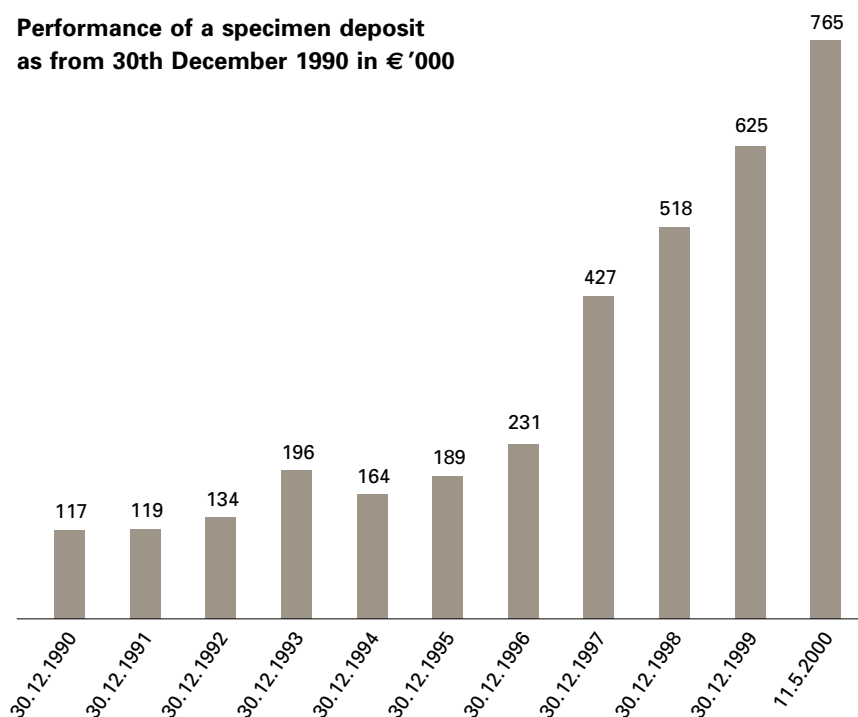
#### Performance of a specimen deposit

At the end of December 1990, with the share price at DM 2,295, a deposit of 100 Munich Re registered shares (par value then: DM 100) required a total investment of DM 229,500 (not including transaction costs). After the two stock splits on 18th August 1997 and 25th January 1999, this investment today amounts to a portfolio of 2,000 registered shares.

By reinvesting dividends to purchase further shares and making use of opération blanche (i.e. reinvesting the proceeds of subscription rights), a German shareholder would have been able to add a total of 479 no-par-value shares and 17 warrants to the deposit.

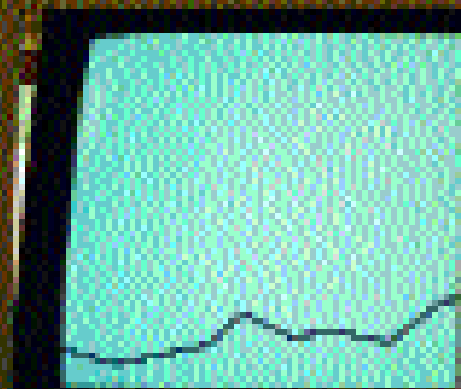
On the basis of a price of €308.00 per share and €76.00 per warrant on 11th May 2000, the value of the deposit amounts to €764,824, equivalent to an increase of 551%. According to the internal rate of return method, this works out at an average annual return of 22.2%.

#### Performance of a specimen deposit as from 30th December 1990 in € '000



**Attractive warrants**

Munich Re's warrants 98/02 also show how attractive our capital measures are: during the exercise period, bearers of such warrants are entitled to subscribe for one Munich Re registered share for every two warrants held, at a strike price of €163.61. On 17th August 1998 the price of the warrants on the stock exchange was €42.95. Owing to the smaller amount of capital committed in this investment, investors with warrants have participated more than proportionally in the overall increase in value of Munich Re registered shares. In the meantime the warrants have risen in value by 80.2%; on 11th March 2000 their price stood at €76.00.



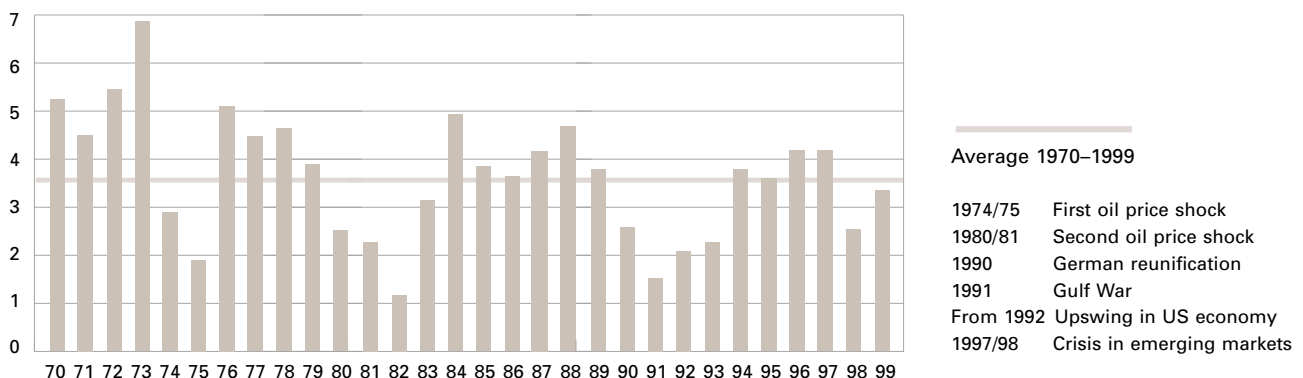
# Twelve eventful months:

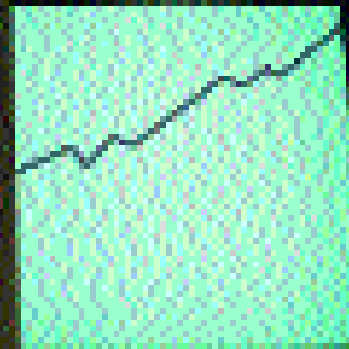
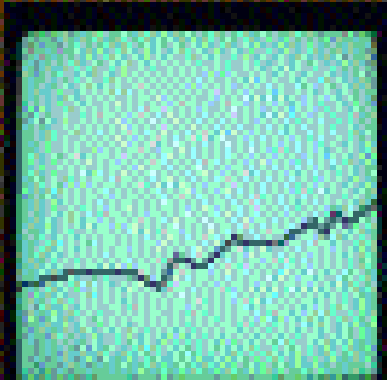
# Records on the stock markets, an upturn in the economy, the advent of Euroland.

As a whole, 1999 was a year of positive surprises on the economic front. Important stock market indices reached all-time highs, the recovery of the world economy bettered all forecasts. Particularly in the emerging markets, but also in the USA, the economy proved to be unexpectedly strong. In this environment the insurance markets developed positively overall. In Eastern Europe and Asia the insurance industry even achieved double-digit growth in some cases.

For the year 2000 we anticipate a further upturn in the world economy. In Europe a single economic area is evolving which offers us many opportunities both on the capital markets and in insurance business. The Germany market continues to be very important for us; and here, too, the prospects are favourable.

Growth in the world economy recovers  
Change in GDP in %





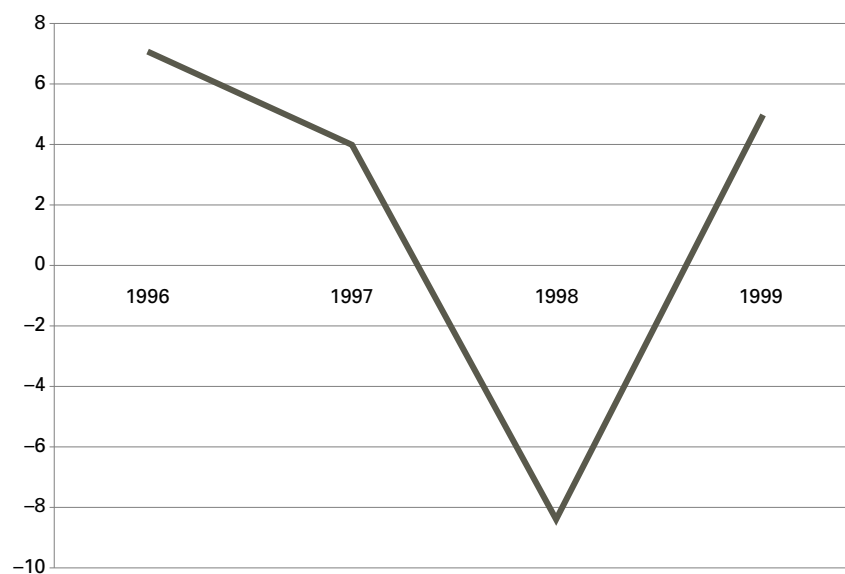
## Overall economic development in 1999

Following the turbulence on the financial markets of the previous year, the world economy stabilized again in 1999. It grew in real terms by around 3.3% (1998: 2.5%), i.e. considerably more strongly than the experts had predicted at the beginning of the year.

A pleasant surprise was provided by the emerging markets which had been hit by crises in the previous year: in the countries that had been affected by the Asian crisis, a rapid "V-shaped" recovery pattern emerged (real growth in GDP of 5.0% after a reduction of 8.4% in the previous year). Korea even achieved real GDP growth of almost 11%, as opposed to the 2% still being forecast by the International Monetary Fund as late as April/May.

### Asian crisis: V-shaped recovery

Change in real GDP in %



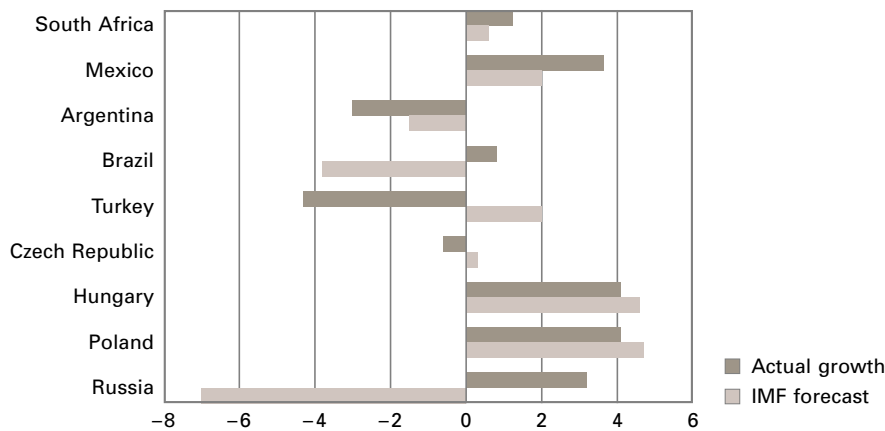
The strength of economic growth in **China** and **India** (around 7% in each case) was undiminished, although the People's Republic again suffered from deflationary tendencies (overall decline in prices: 1%).



Real growth in the largest non-Asian emerging markets in 1999 was also greater than predicted by the IMF.

**Non-Asian emerging markets: no “end of the world” scenario**

Changes in real GDP in %



In **Latin America** the debt crisis feared by quite a few observers following the devaluation of the Brazilian real in January failed to materialize. Brazil's economy stagnated (growth: 0.8%), but the inflation rate stayed within reasonable bounds at 5%. Thus of the major Latin American economies, only Venezuela and Argentina had to cope with a significant recession. And, to date at least, Ecuador's failure to meet payments on Brady bonds (created in the wake of the Latin American crises of the eighties and named after the US Treasury Secretary of the time) has not found any imitators.

The economy in **Russia** showed itself to be pleasingly robust (real growth: 3.2%), mainly owing to special factors like the rising oil price. The massive inflation which many had feared did not occur.

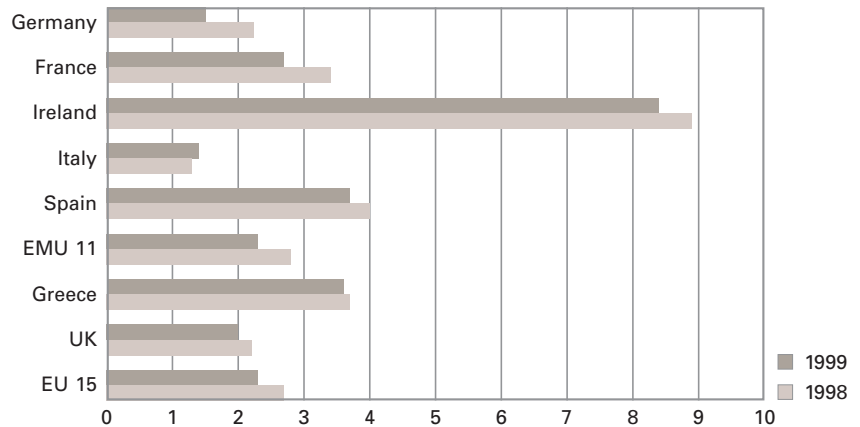
The states undergoing economic transformation in **Central and Eastern Europe** were largely spared the crises of the preceding two years, and even the war in Kosovo resulted in economic setbacks here only in the directly adjoining countries. However, these states were affected to an unexpected degree by the weak demand from the European Union. In Turkey, which was hit by natural catastrophes in the summer, GDP fell by 4.3% in real terms.

The engine of growth for the world economy in 1999 continued to be the **United States** (4.2%). The US economy has now enjoyed its longest-ever period of growth in peacetime. In the second half of 1999 the US Federal Reserve felt compelled on no less than three occasions to reverse the previous year's reductions in interest rates induced by the Asian crisis.

In contrast to this, the states participating in **European monetary union** (Euroland) again lagged behind in terms of growth (2.3% following 2.8% in the previous year), with Germany and Italy bringing up the rear. The development of GDP in Ireland, Spain and the Netherlands was considerably more dynamic, however. Growth in Denmark and the UK remained below average, as it did in Switzerland (1.7% in real terms). The end of the year saw an appreciable improvement in the economic climate, especially in Germany, and signs of a sustained upswing in economic activity.

#### EU: Only sluggish growth – with the exception of Ireland

Change in real GDP in %

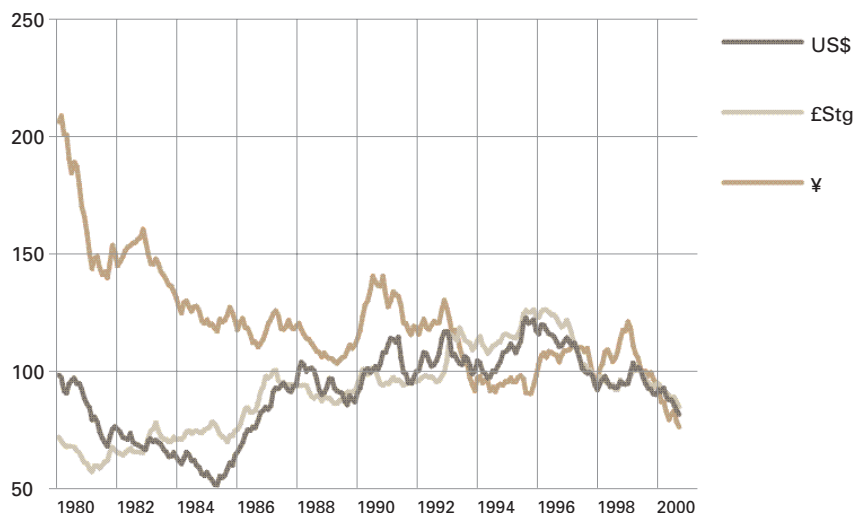


Nevertheless, the unemployment rate in Germany remained stubbornly around 8.7% according to OECD figures (10.5% according to German labour market statistics). It thus ranged more than twice as high as in the Netherlands (3.3%), Portugal (4.5%), the USA (4.2%) and Japan (4.7%).

The difference in economic development between the USA and Euroland was not without effect on the **currency markets**: within a year, the euro-dollar exchange rate had fallen from 1.17 to below parity. In the same period the euro fell considerably in value against the British pound and the Japanese yen as well. But this was not a collapse of the euro exchange rate: long-term observations show that similar economically-related fluctuations also used to occur with the D-mark exchange rate.

#### Not a collapse of the euro: D-mark compared with dollar, pound and yen

Index (January 1999 = 100)



In **Japan** the government continued its attempts to tackle the growth crisis with public spending programmes (fiscal policy). Certainly signs of a turnaround are emerging, but there has so far been a lack of self-supporting growth emanating from the private sector.

**Inflation** remained low globally. Particularly in the industrialized countries, the greater competition resulting from market liberalization and enhanced market transparency put persistent pressure on prices (structural disinflation). The picture of the New Economy – progressive growth without the risk of inflation – came to the fore particularly in the USA.

Just as on the **bond markets** (yield on 10-year German government bonds: 5.25% after 3.9% in December 1998), deflation worries on the **equity markets** evaporated and the indices reached new all-time highs. These record levels were not due to the performance of the broad mass of stocks, however. The majority of shares – particularly medium and small cap stocks – achieved barely any advances in price in the past two years.

You can find further information on the capital markets under “Asset management” in Section 05 (see p. 68ff.).

#### **Development of the insurance industry**

The insurance markets throughout the world reflected what was happening in the economy, although we experienced a continued downward trend in original premium rates.

In our most important market – Germany – premium volume grew by 5.3%, but development was very varied. The uncertainty regarding the possible taxation of private provision for old age and the continuing debate about pension reform helped produce an 11.6% increase in market premium in the life sector. Health insurance also expanded, in this case by 3.2%, whereas the property-casualty sector stagnated (minus 0.4%).

The insurance industry experienced high growth rates in Eastern Europe (Poland: real growth of 11%) but also in Asia. In China there was again a double-digit increase in premium income. Here and in a few other emerging markets we expect additional positive impulses for the insurance industry in the medium to long term from the market liberalization which is on the horizon.

Overall, the market situation remained tight and characterized by a persistent fall in original rates. On top of this, overcapacity continued to put pressure on reinsurance prices. Competition is especially fierce in North America. The consolidation process in the primary insurance sector is also leading to a fall in the demand for reinsurance.

## Overall economic outlook for the year 2000

For the year 2000 we expect a further upturn in the world economy. It is probable that the USA and Euroland will develop more in parallel again; growth rates will thus start to converge at a high level. This trend will be supported by the planned tax and structural reforms in Europe. The prospects for Japan remain muted, despite new stimulants on the fiscal policy front. Latin America should catch up in relation to the other emerging markets. There will be consolidation of the strong growth in Asia. In the eastern Central European states, the approaching prospect of EU membership should favour additional inward foreign investment.

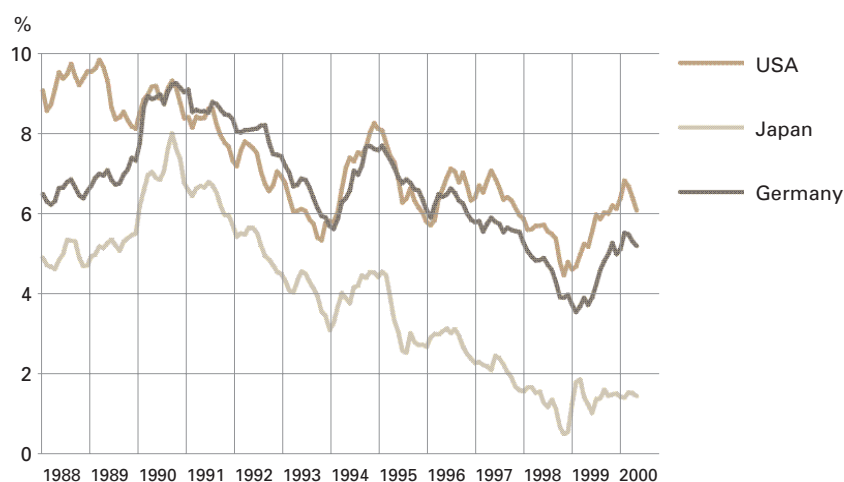
Risks for the world economy lie above all in the USA, in the triangle of tension between growth to the limits of capacity, highs on the stock market and the countering of inflation risks with monetary policy. But besides this, disappointments from the emerging markets and a recent increase in the oil price also harbour risks of setbacks.

The structural trend towards sustained low inflation rates should continue in the year 2000, given sufficiently forward-looking monetary policy. However, the big rise in the price of oil in 1999 will have at least a short-term adverse effect.

### Outlook for the capital markets

In keeping with the moderate inflation expectations, only a limited – economically-related – rise in yields on the **bond markets** is to be expected. The average interest rate level for 10-year government bonds over the next two to three years should therefore, at 5 to 6%, continue to be appreciably below the average levels of the eighties and early nineties. We are proceeding on the assumption that American interest rates will remain high, not least owing to the considerable structural deficit in the US balance of payments.

**Yields on 10-year government bonds in %: fears of deflation dispersed**



A special situation exists in Japan, whose interest-rate level is (to date) being kept low by political measures. Not until the onset of a real upswing supported by private consumption will Japanese interest rates start to move up again towards the general world level.

On the **currency markets** the depreciation of the euro against the dollar is unlikely to continue – there is more likely to be a reversal of the trend. This is mainly based on the assumption of better relative development of the European economic area compared with the USA. In addition, the euro will be supported by the persistently high trade deficit of the USA, which tends to inherently weaken the US dollar.

The **equity markets** will continue to react in a volatile manner to the prospect of further increases in interest rates. However, they will be supported by the upswing in world economy and high corporate profits. Investors will here revert to a more selective strategy and invest to a greater extent in high quality shares.

#### **Outlook for the insurance markets**

For the insurance industry, we expect an increase in demand that will essentially follow economic development. Life insurance remains the main contributor to growth in industrialized countries with demographic problems. High growth rates in the non-life sector can be expected primarily in the emerging markets, especially in Eastern Europe and Asia. In Germany life insurance will probably show only moderate growth of around 3% after the surge of 1999. For health insurance we are reckoning with premium growth of 5%, while property-casualty insurance should show an increase of a good half per cent after the lean years 1997–99.

The liberalization of the insurance industry worldwide will continue this year: in China expected membership of the WTO will accelerate developments in the insurance sector; in India the formation of private insurance companies and the admission of foreign minority holdings in these companies is imminent. In South America the privatization of the state Brazilian reinsurer should be an important further step in advancing liberalization; in Mexico the 100% participations of US and Canadian companies that have been possible since the beginning of the year will further stimulate competition.



**With the risks that we carry,  
our business is growing.**

# And so is our Group.

In the business year 1999 the Munich Re Group succeeded in increasing its premium income to €27.4bn.

Our reinsurers held or even extended their top international position in many sectors. The primary insurers were able to continue their dynamic development. And earnings in asset management also show double-digit growth.

Despite the exceptional burdens in reinsurance, the Group achieved an overall result for 1999 that was only just below the very good result of the previous year.

With our concept of integrated risk balance and given the signs of improvement in the reinsurance market, we see ourselves as well positioned for 2000.

**Top ratings for Munich Re**

Standard & Poor's, 17th March 2000

- unsurpassed global business position
- overwhelming capital strength
- extremely strong financial flexibility and liquidity

A.M. Best, 21st December 1999

- leadership position in the global reinsurance market
- outstanding operating performance
- superior balance sheet strength
- substantial earnings power







## Business experience in 1999

We have prepared the consolidated financial statements for 1999 in accordance with IAS for the first time and have adjusted the previous year's figures accordingly. On page 102f. of this report we show what effects this changeover has with reference to the figures for the business year 1998; in addition, we have summarized the main differences between IAS and German Commercial Code accounting on page 126 f.

### Premiums

Gross premiums increased in 1999 by €1.9bn or 7.5% to €27.4bn. Of this growth, €335m was attributable to changes in exchange rates and €32m to new subsidiaries; adjusted by these factors, premium growth amounted to €1.6bn or 6.1%.

### Result

Owing to the unsatisfactory situation in reinsurance, the result before tax, amortization of goodwill and minority interests in earnings fell to €1,821m (2,281m).

Tax expenses were over 50% less than in the previous year, totalling €383m (791m). This decrease is mainly due to the fact that the corporation tax rate in Germany was lowered to 40% (45%), reducing our deferred tax liabilities by €300m.

At €1,133m (1,200m) the consolidated profit for the year was only slightly down on the very good result of the previous year. Earnings per share in accordance with IAS total €6.45 (7.11), with €1.70 of this attributable to the lowering of the corporation tax rate.

For the reporting on individual fields of business, the following principle applies: figures that derive from business within a segment are eliminated, whereas figures that derive from business with companies from other segments (e.g. intra-Group reinsurance cessions from primary insurers to reinsurers) are included in the following data.



**There are many reasons why  
insurers all over the world  
count on Munich Re.**

## **A year like 1999, for instance.**

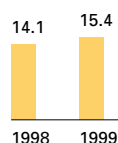
Hailstorms, earthquakes, windstorms – when natural catastrophes come in such numbers as in the past year, Munich Re is involved to a particularly great extent as the global market leader. Thanks to growth in life reinsurance, our reinsurers were able to considerably increase their premium income, but claims costs for natural catastrophe losses were three times higher than in 1998.

The general market situation continued to be unsatisfactory. Overcapacity predominated in many markets, and premiums in important classes of business were eroded further.

However, in a range of markets there are early signs that the available reinsurance capacity is shrinking and that the rate level is gradually picking up. We interpret this as the beginning of the long-overdue market recovery.



Gross premiums in €bn



## Business experience in reinsurance – overview

The reinsurers in the Group were able to increase their gross premiums by 8.6% altogether to €15.4bn (14.1bn); this represents 51% of Group premium income. At unchanged currency parities the growth would have been 5.8%.

Reinsurance		1999	Prev. year
Gross premiums	€bn	15.4	14.1
Loss ratio non-life	%	88.2	75.8
Expense ratio non-life	%	30.7	29.9
Operating result	€m	1,093	1,421
Investments	€bn	59.6	53.4
Net underwriting provisions	€bn	40.4	34.3

We recorded expansion above all in life, health, liability and personal accident business, whereas premium income in the engineering classes of business declined.

Gross premiums by class of business	1999 €m	Prev. year €m	Change in %
Life	3,164	2,656	19.1
Health	578	355	62.8
Liability	1,650	1,526	8.1
Personal accident	1,140	1,000	14.0
Motor	2,570	2,484	3.5
Marine, aviation, space	846	815	3.8
Fire	2,890	2,788	3.7
Engineering	786	878	-10.5
Other classes of business	1,744	1,644	6.1
Total	15,368	14,146	8.6

The unsatisfactory result in reinsurance can be explained partly by the strong competitive pressure in many markets, which produces prices and conditions that are in some cases completely inadequate. It is also due to the exceptional number of natural catastrophes that occurred last year: none of them caused spectacular losses, but together they gave rise to costs of over €1.1bn, or €700m more than in the previous year.

Especially in the case of the Munich Reinsurance Company, American Re and New Re, claims expenditure increased dramatically. Despite the markedly improved investment result and the fact that the parent company's tax expenses were very much lower due to the reduced corporation tax rate, the reinsurers' post-tax profit for the year rose only slightly to €1,093m (1,049m).



## Reporting by class of business

### LIFE AND HEALTH

In life and health business we increased our premium income by 24.3% in 1999 and also achieved strong growth in the profit.

We succeeded in expanding our premium in **life** business by 19.1%. Growth was above-average in Germany, favoured by the plans of the German government to tax life insurance as from 1st January 2000 (a project which has since been shelved). There was also greater demand for the reinsurance of annuity portfolios. In addition, especially abroad, we were able to support our clients with complex and very specialized reinsurance solutions: in connection with mergers, for example, or for the coverage of private long-term care insurance and the reinsurance of return-oriented and interest-sensitive life insurance products. We again managed to improve the result considerably on the previous year.

In the past year we did a great deal to further strengthen our market position in life business. For instance, we extended our global presence – e.g. in Asia and Latin America – and reinforced the financial base of our units in North America to enable them to take swift advantage of new business opportunities. We offer our clients detailed advice and we work together with them to devise solutions for financing and reinsuring their business.

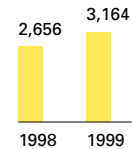
As we see it, life insurance offers substantial opportunities for growth, even though individual markets are currently having to cope with fierce competition, continuing consolidation processes and low interest rates. Given the mounting difficulties of state social insurance systems, ageing populations need to increase private provision for old age and for disability and long-term care – this offers growth prospects for insurers and reinsurers. In the coming business year we expect a further increase in premium and another satisfying result.

Our **health** business recorded a leap in premium income of no less than 62.8% in 1999. This was partly due to premium increases implemented by primary insurers in remedial markets and partly due to our taking advantage of new business opportunities in existing and growth markets. Although the remedial measures introduced in the two previous years started to bear fruit, the result is still negative.

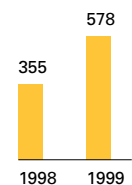
Impulses for growth in health business are particularly evident in Asia, Latin America and the Middle East. Especially in China and India we have therefore strengthened our presence and have in some cases entered into long-term-oriented partnerships with local insurers in order to secure future growth potential for our business.

For 2000 we expect health insurance to carry on growing. Our ongoing remedial measures have involved giving up some business that did not meet our profitability expectations, but there have also been substantial premium increases in important markets. We hope for a further improvement in the result.

Life  
Gross premiums in €m



Health  
Gross premiums in €m



	1998	1999
Loss ratio	93.3	80.0
Expense ratio	26.4	24.9
Combined ratio	119.7	104.9

## PROPERTY-CASUALTY

There was premium growth of 4.4% in property-casualty business, mainly attributable to liability insurance. Claims costs, however, soared in comparison with the previous year. There are two reasons for this: the exceptional number of natural catastrophes, which particularly affected fire insurance, and the claims burdens in our US liability business. On the other hand, we are pleased to report that in property business we have so far been spared losses from the millennium changeover.

In **liability** business our premium income grew by 8.1%; we succeeded in maintaining and in some cases even extending our leading position in industrial and professional liability business in our main markets.

The appreciably higher underwriting loss stems mainly from our US subsidiary American Re, which in 1999 had to cope with much higher claims burdens than initially anticipated, also for the two previous underwriting years. It therefore significantly augmented its loss reserves, especially for asbestos-related claims and environmental impairment losses.

American Re has taken decisive measures to return to the profit zone despite the unfavourable circumstances in the highly competitive US market; this includes giving up a substantial amount of business which failed to offer adequate prices and conditions.

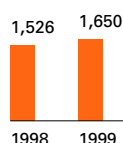
We continue to see liability as a class of business with growth potential. All around the world there is an upturn in the demand for highly specialized reinsurance products to cover complex risks; owing to the trend towards non-proportional covers, however, this demand is not fully reflected in the development of premium income.

For the current business year we anticipate a slight fall in premium. We are proceeding on the assumption that the result will improve, despite the tight market situation.

The marked premium growth of 14.0% in **personal accident** comes mainly from foreign business. The result was better than in the previous year, even though we incurred substantial claims costs in our workers' compensation business abroad.

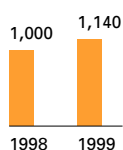
For the year 2000 a decline in premium income is likely, partly because the privatization of workers' compensation insurance in New Zealand which was carried out in 1998 has meanwhile been reversed. The result will probably be more favourable.

Liability  
Gross premiums in €m



	1998	1999
Loss ratio	83.7	105.7
Expense ratio	31.7	30.7
Combined ratio	115.4	136.4

Personal accident  
Gross premiums in €m



	1998	1999
Loss ratio	76.6	75.2
Expense ratio	33.8	29.9
Combined ratio	110.4	105.1

Premium in **motor** business grew by 3.5%. This growth is solely attributable to our foreign portfolio. In Germany, our gross premium income declined, partly because our clients raised their retentions in 1999, i.e. ceded less business to us, and partly because original premiums were further eroded by the keen competition. This and the increased claims expenditure led to a further deterioration in the result.

In the current business year a trend towards higher rates is emerging in important markets; this is being accompanied by a pleasing amount of new business. All in all, we are therefore hoping for premium growth again and also for an upturn in our result.

Our premium in the classes **marine, aviation and space** was up 3.8%. Whilst gross premiums in marine and aviation insurance increased, they fell in space insurance because fewer insured satellites were launched in 1999 than in the previous year. The original rates in both marine and aviation are completely inadequate – chiefly because there continues to be considerable overcapacity in important markets. Despite a marked improvement in the result of our space business, our overall result was therefore even worse than in the previous year.

In the current business year we expect there to be premium growth, which will come mainly from space insurance (more launches, higher rates), but no major change in the result.

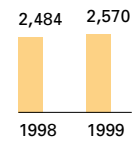
In **fire** business the excessive competition persisted in 1999, especially in industrial fire insurance and for natural hazard covers. Our gross premium income rose by 3.7%, mainly because of changes in exchange rates.

The exceptionally negative result is due to the many large losses from natural catastrophes in what was an unprecedented accumulation of such events for the insurance industry:

- |  |           |
|--|-----------|
| – Sydney hailstorm                                       | April     |
| – Earthquake in Turkey                                   | August    |
| – Earthquake in Taiwan                                   | September |
| – Hurricane Floyd in the Bahamas and in the USA          | September |
| – Typhoon Bart in Japan                                  | September |
| – Winter storm Anatol in Denmark                         | December  |
| – Winter storm Lothar in France, Germany and Switzerland | December  |
| – Winter storm Martin in France                          | December  |

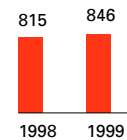
These are only some of the natural catastrophes from a long list. 1999 was the second most expensive year for the insurance industry ever as regards losses from natural catastrophes, only being surpassed by 1992, which included the devastation caused by Hurricane Andrew in Florida and other states in the USA. For us, 1999 was by far the most expensive year ever, beating even 1992.

Motor  
Gross premiums in €m



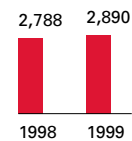
	1998	1999
Loss ratio	78.9	83.5
Expense ratio	26.8	24.4
Combined ratio	105.7	107.9

Marine, aviation, space  
Gross premiums in €m



	1998	1999
Loss ratio	80.7	81.9
Expense ratio	24.3	27.4
Combined ratio	105.0	109.3

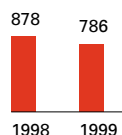
Fire  
Gross premiums in €m



	1998	1999
Loss ratio	77.2	101.8
Expense ratio	28.8	34.0
Combined ratio	106.0	135.8

The reinsurance of covers against natural hazards is part of our core business. We are well equipped for this task in every respect. Following the erosion of premium rates in fire insurance over many years, we are now seeing the first encouraging signs of improvement and a return to risk-commensurate prices and conditions. But the effects of this transition will not be evident until 2001. Our premium income in the current year will decline. The result depends to a large extent on what burdens we have to bear from natural catastrophes and other major losses in the year 2000.

Engineering  
Gross premiums in €m

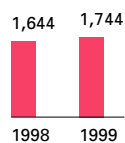


	1998	1999
Loss ratio	67.1	72.0
Expense ratio	33.5	38.5
Combined ratio	100.6	110.5

In the **engineering** classes of business (machinery, EAR and CAR, electronic equipment, etc.) there was a further fall in our premium income last year by 10.5%; but we were able to successfully defend our number one position in all the important markets. The reasons for the premium decline were familiar ones: higher retentions by our clients, in particular as a result of mergers; fierce competition, leading to a deterioration in prices and conditions; and the persisting economic problems in many countries. Our result in engineering was negative, not least because of the heavy impact of losses from natural catastrophe events in this sector as well.

The downward trend in original rates will continue in the current business year; for this reason both premium income and result will deteriorate.

Other classes of business  
Gross premiums in €m



	1998	1999
Loss ratio	59.9	78.9
Expense ratio	33.8	35.1
Combined ratio	93.7	114.0

In the business sector **other classes of business** premium income was up 6.1%. We achieved significant growth in the agricultural lines of business (hail, crop, livestock). We regard these lines as an attractive field of business for the future that offers us further opportunities for development. In credit insurance we also succeeded in expanding our premium volume.

The December gales in Germany and the increased hailstorm losses in the USA and Mexico meant that the overall result for "other classes" slipped into the red, even though credit business again recorded a satisfying profit.

In the current business year we expect total premium income from these classes of business to reach the same level as last year and, barring major windstorm events in Germany, a good result.

## Reporting by region

As a reinsurer, Munich Re is present throughout the world: we work together with insurance companies in around 150 countries. Germany remains our most important market, but 70% of our reinsurance premium income comes from abroad.

In the year under review there was again a spate of mergers and acquisitions in all the important insurance and reinsurance markets. In other words, our clients are getting bigger and their reinsurance needs are changing: on the one hand, the demand for reinsurance cover is diminishing and on the other hand it is shifting more and more from proportional to non-proportional covers, which sometimes embrace more than one class of business and may have a term of several years. This applies especially to Europe and North America, which together produce a good three-quarters of global market premium. Competition among reinsurers in these markets is especially strong.

Fanned by liberalization measures in both highly developed and growth markets, competition among primary insurers has intensified further. In many markets the price for insurance cover is no longer commercially justifiable. Only in individual cases are increases in original rates becoming evident as pointers to a turnaround.

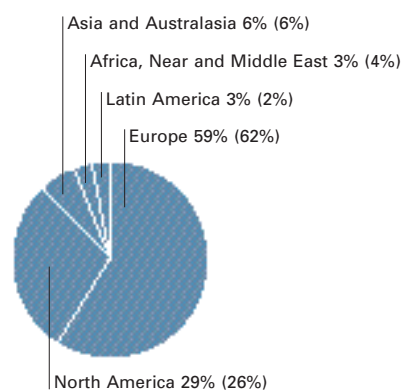
Although the general parameters in the year under review were largely unfavourable, there was ample reinsurance capacity available worldwide in most classes of property-casualty business. The urgently necessary improvements in prices and conditions for reinsurance cover could thus only be achieved sporadically. However, there are now many indications of a fall in the reinsurance capacity being offered in important markets and a gradual rise in the rate level.

Our premium income, broken down by region, developed as follows:

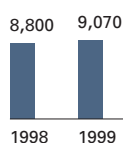
Premium income in €m	1999	Prev. year	Change in %
Europe	9,070	8,800	3.1
North America	4,441	3,612	23.0
Asia and Australasia	972	886	9.7
Africa, Near and Middle East	505	501	0.8
Latin America	380	347	9.5
Total	15,368	14,146	8.6

The following information on our subsidiaries refers to their individual or consolidated financial statements for the year.

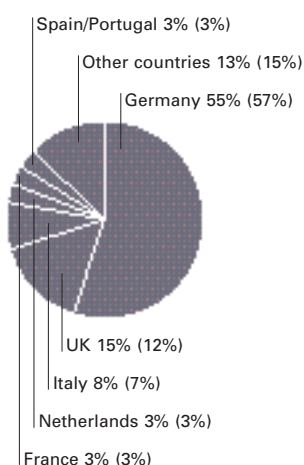
Gross premiums by region



Gross premiums in €m



Gross premiums by country



## EUROPE

In 1999 our premium income in Europe rose by 3.1% to €9.1bn (8.8bn). We rank among the leading reinsurers in all the main markets. In the year under review, despite stiff competition, we were able to expand our market shares in some cases – above all in the UK, the Nordic countries, France, Italy, Spain, Portugal and Eastern Europe. Our underwriting result was distinctly worse than in the previous year, owing to the unusually high number of natural catastrophes. The three windstorms Anatol, Lothar and Martin in December 1999 cost as more than €500m alone.

In the current business year we expect an increase in premium income as a whole and – if the claims costs for natural catastrophes return to within the “normal” range – a markedly better result.

## Germany

Most of our German reinsurance business is written by the parent company.

In the German market, which is now largely deregulated, we succeeded in further consolidating our position as market leader in the year under review. However, our premium income as a whole fell, even though we recorded notable growth in life reinsurance. The massive losses written by German primary insurers in motor business and the gales in December 1999 cause our underwriting result to go into the red for the first time in years.

In the current business year our premium will probably show a slight rise, owing to rate increases; the result should improve if we are not hit by major losses from natural catastrophes.

## UK

Keen competition and a large supply of reinsurance capacity are the characteristic features of this important market, in which we are well represented by an office, two branches and several subsidiaries, including Great Lakes UK.

In the year under review we substantially increased our premium income – especially in life reinsurance and in the reinsurance of motor and marine risks. In some important fields of business we are now market leader, and in life reinsurance we are number two. Owing to the inadequate rates in some sectors, the result was less good than in the previous year.

In the year 2000 we will further extend our position. Given that signs of a recovery in the price level are apparent, we should then also achieve a better result than last year.

Great Lakes UK		1999	Prev. year
Gross premiums	£m	154	134
Net premiums	£m	17	12
Loss ratio non-life	%	105.9	73.8
Expense ratio non-life	%	15.1	16.7
Profit for the year	£m	0.3	7.8
Investments	£m	104	95

Great Lakes UK mainly writes international business and concentrates on particular business segments.

### Italy

Our subsidiary Münchener Rück Italia (MRI), the largest reinsurer in Italy, was able to enlarge its premium volume by more than 28%, partly due to the now-completed merger with Torino Ri. The marked increase in the profit for the year was attributable to a strongly improved investment result.

Münchener Rück Italia*		1999	Prev. year
Gross premiums	Lit bn	1,046	813
Net premiums	Lit bn	502	374
Loss ratio non-life	%	88.7	77.0
Expense ratio non-life	%	26.7	31.9
Profit for the year	Lit bn	43.7	7.8
Investments	Lit bn	1,999	1,428

\* Financial statements in accordance with IAS.

We see potential for expanding our Italian business especially in insurances of the person; life insurance has one of the highest growth rates in Europe in this market at around 34%. MRI is also prepared for the possible abolition of the state monopoly in workers' compensation insurance.

In the current year our premium income should grow further and the result should be satisfactory.

### France

In the past year we were able to expand our business in life reinsurance and thus appreciably strengthen our market position; among other things, we succeeded in acquiring a leading role in the development of private long-term care insurances. On the other hand, this important market produced a very negative result for us owing to the winter storms Lothar and Martin. These two natural catastrophes cost us around €400m in France alone.

We expect that despite the intense competition we will manage to increase our premium income in the year 2000. The result should also be considerably better than last year.

### Switzerland

In 1999 Swiss primary insurers experienced a decline in premium for the first time in 60 years. In our case, the fall in our premium income is due to the fact that we had included premiums from two years in the previous year's figure, owing to the change in the business year of our subsidiary New Reinsurance Company. Natural catastrophes (the winter storm Lothar) and an unusually high number of fire losses led to our worst result for decades.

New Reinsurance Company		1999	Prev. year*
Gross premiums	Sfr m	971	1,834
Net premiums	Sfr m	785	1,534
Loss ratio non-life	%	84.1	77.7
Expense ratio non-life	%	22.9	20.3
Profit for the year	Sfr m	-13.6	6.8
Investments	Sfr m	2,319	2,012

\* Owing to a change in the business year in underwriting, 1998 included the year 1997 as well as 1998.

The regional focus of New Re's business is on Europe; it also operates in Southeast Asia.

**Spain/Portugal**

We took advantage of the opportunities for growth on the Iberian peninsula and were able to expand our market share, as well as improve the overall result. We should succeed in repeating both of these feats in the current business year.

**Nordic countries**

We are the market leader in Scandinavia. Despite the continuing wave of mergers, we even managed to extend this position in 1999. Unfortunately we incurred substantial losses in Norwegian workers' compensation insurance, and windstorm Anatol hit Denmark at the beginning of December. This is reflected in a very negative overall result.

**Eastern Europe, Turkey**

Our poor result in this region is due to the earthquake that devastated northwest Turkey in August. This natural catastrophe gave rise to claims costs for us of over €60m.



## NORTH AMERICA

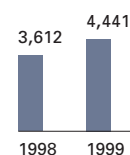
Our premium income from the North American market grew by 23% to €4.4bn (3.6bn); however, without the appreciation in the value of the US dollar, growth would have been restricted to 18%. The result was far worse than in the previous year.

In the current business year we expect a decline in premium income but a better result – assuming we are not hit by major natural catastrophe losses.

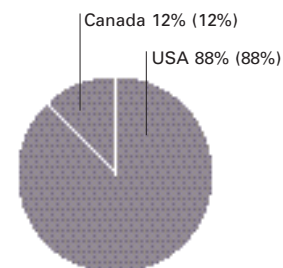
## USA

Our subsidiary American Re is one of the market's leading reinsurers in the non-life sector; in terms of net premiums it is number three. American Re succeeded in increasing its premium income by 13%, but it closed the business year with a loss of US\$ 101m. In view of the unsatisfactory overall market and claims situation in the USA, American Re substantially strengthened its loss reserves; on top of this, there were heavy claims costs from natural catastrophes and a loss from a financial reinsurance treaty that was settled by way of compromise. American Re has taken decisive measures to rectify its result situation; among other things, it has not renewed reinsurance treaties with a volume of more than US\$ 500m because it regarded their prices and conditions as no longer adequate. American Re's premium income for the year 2000 will therefore show a decrease.

Gross premiums in €m



Gross premiums by country



American Re		1999	Prev. year
Gross premiums	US\$ m	3,537	3,118
Net premiums	US\$ m	2,928	2,419
Loss ratio non-life	%	90.7	69.6
Expense ratio non-life	%	29.7	33.7
Profit for the year	US\$ m	-101.0	226.0
Investments	US\$ m	7,440	7,801

Munich American Reassurance Company (MARC-Life), which specializes in life reinsurance business, had a successful business year. It strengthened its market position, but we have even more ambitious plans for the company. Thus we gave MARC-Life a further capital injection of US\$ 30m to reinforce its financial base for the planned expansion of its business.

Munich American Reassurance Company (Group)		1999	Prev. year
Gross premiums	US\$ m	302	182
Net premiums	US\$ m	166	101
Profit for the year	US\$ m	14.1	9.0
Investments	US\$ m	936	893

### Canada

Munich Reinsurance Company of Canada is the leading reinsurer in the Canadian non-life market. As the primary insurers in this highly competitive market are ceding less and less business in reinsurance, our subsidiary's premium volume fell in 1999; the result was considerably better than in the previous year, in which the ice storm in Ontario and Quebec gave rise to very high claims costs.

<b>Munich Reinsurance Company of Canada</b>		<b>1999</b>	<b>Prev. year</b>
Gross premiums	Can\$ m	253	281
Net premiums	Can\$ m	101	112
Loss ratio non-life	%	69.0	90.0
Expense ratio non-life	%	32.0	31.0
Profit for the year	Can\$ m	14.5	-0.6
Investments	Can\$ m	381	365

Our branch in Toronto, Munich Reinsurance Company Canada Branch (Life), recorded large growth in premium income and remains the market leader. The consolidation process among life insurers continues; four of the five largest mutual insurance companies have meanwhile been converted into stock companies. Our business in this market will continue to grow despite the keen competition.

## ASIA AND AUSTRALASIA

In our business region Asia and Australasia our premium income showed a marked increase of 9.7% to €972m (886m); this growth is partly due to changes in exchange rates. We were able to expand our market share in many countries – especially in India and South Korea. Owing to natural catastrophes, however, our result was the worst that we have ever recorded in this region.

We are reckoning with a further increase in our gross premium income in the current year and a distinctly better result.

### Japan

Japan is recovering only very slowly from a serious recession; demand for reinsurance is stagnating. Our growth in 1999 is purely ascribable to the rise in the value of the yen. Despite a typhoon loss (Bart) of over €75m, the result was still satisfactory.

### Southeast Asia

Our premium increase here is also mainly due to changes in exchange rates. Our result was adversely affected by the earthquake in Taiwan in September 1999, which cost us €100m.

This region still numbers among our growth markets – especially in insurances of the person; we have therefore considerably reinforced our team in Singapore in the past few years.

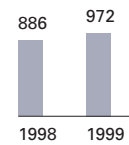
### China and India

In the People's Republic of China, the planned membership of the World Trade Organization (WTO) could have a certain liberalizing effect on the market. We are represented by offices in Beijing and Shanghai. We also have a branch in Hong Kong, where we set up a life and health unit in the year under review, especially with a view to supporting our clients in the People's Republic.

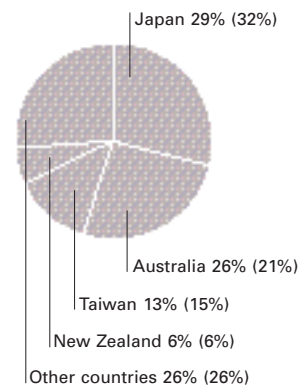
The state-run insurance industry in India significantly reduced its reinsurance cessions in 1999; we were able to increase our market share, however, so that our premium income (in euros) remained almost the same. We are preparing intensively for the partial privatization and deregulation of the Indian insurance industry and are in the process of establishing a liaison office in Mumbai in order to have a stronger presence in this potentially large market.

In both markets we are endeavouring to sound out and develop business opportunities in health insurance through long-term-oriented partnerships with local insurers and managed-care companies.

Gross premiums in €m



Gross premiums by country



### Australia and New Zealand

In Australia the demand for traditional reinsurance solutions is stagnating, whereas there is an upward trend in the demand for innovative covers of balance sheet risks. Competition is as hard as ever, although a number of companies have suffered high underwriting losses in reinsurance and have even had to cease operations in some cases. A hailstorm in Sydney in April 1999 cost us more than €120m, and we unfortunately also had to cope with additional high losses in financial reinsurance.

Our subsidiary Munich Reinsurance Company of Australasia achieved strong premium growth, albeit of a largely one-off nature: it resulted primarily from the privatization of workers' compensation insurance in New Zealand, which has since been reversed following a change of government.

Munich Reinsurance Company of Australasia		1999	Prev. year
Gross premiums	A\$ m	401	336
Net premiums	A\$ m	104	98
Loss ratio non-life	%	144.9	112.8
Expense ratio non-life	%	20.5	24.7
Profit for the year	A\$ m	-19.7	-0.3
Investments	A\$ m	638	659

### AFRICA, NEAR AND MIDDLE EAST

Our premium income in this business region stagnated at €505m (501m) in 1999. In many countries there was a further fall in original rates. The result improved, but is still negative. In the current business year we hope for a positive development of both premium and result.

#### Africa

Munich Reinsurance Company of Africa (MRoA), which serves all the sub-Saharan markets, succeeded in maintaining its premium level and improving its result.

Munich Reinsurance Company of Africa (Group)		1999	Prev. year
Gross premiums	Rm	1,301	1,304
Net premiums	Rm	554	527
Loss ratio non-life	%	75.4	86.2
Expense ratio non-life	%	35.8	31.8
Profit for the year	Rm	58.1	29.2
Investments	Rm	1,734	1,323

#### Near and Middle East

Despite a continuation of the weak economy in some important markets, we were able to strengthen our position. At the same time we improved our result – not least as a consequence of remedial measures in health insurance, whose development we have been promoting in close cooperation with our subsidiary MedNet.

### LATIN AMERICA

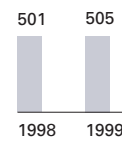
Our business region Latin America achieved an increase of 9.5% in premium income to €380m (347m); particularly in life and health business we succeeded in expanding our business considerably. But the result was much worse than in the previous year, partly because the rate level in property insurance was generally inadequate and partly owing to an accumulation of natural catastrophe losses: earthquakes in Colombia and Mexico, floods in Mexico and Venezuela and a hurricane in the Caribbean.

In the meantime prices for the reinsurance of natural catastrophe covers have risen. We therefore expect slight growth in our premiums in the current business year, despite the unrelenting competition. We see growth potential in the agricultural lines and in life and health business. In order to utilize the opportunities in life reinsurance even better, we opened an office in Santiago de Chile in the year under review. This new unit offers extensive service to the whole South American market.

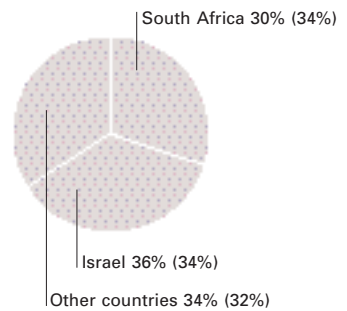
The decisive factor for the result in the current business year will be the extent to which our business is affected by claims costs from natural catastrophes.

We are well represented in Latin American countries, with six offices. This puts us in a position to take advantage of all the opportunities arising from further liberalization – especially the imminent demonopolization of reinsurance in Brazil.

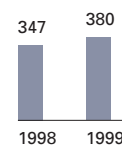
Gross premiums in €m



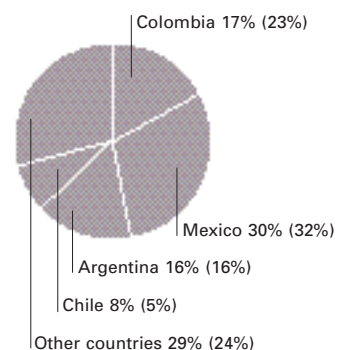
Gross premiums by country



Gross premiums in €m



Gross premiums by country





**We insure satellites,  
software, supertankers.**

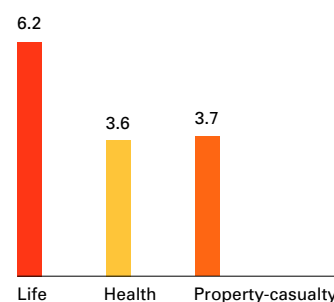
# And the future of 15,000,000 people.

Providing security for private insurance clients is a dynamic growth market. Demographic change and people's growing awareness of the need to make provision mean that demand is continually rising.

The primary insurers in our Group are among the most sought-after partners in this market. More than 15 million private individuals and businesses place their trust in the ERGO companies VICTORIA, Hamburg-Mannheimer, DKV, D.A.S., the Karlsruher Group and Europäische Reiseversicherung. In health insurance and legal protection insurance we are the market leaders in Germany and Europe.

We intend to considerably strengthen our activities in the rest of Europe in future, also through acquisitions.

Primary insurance  
Gross premiums for 1999 in €bn  
(by class of business)



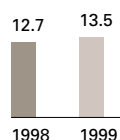




## Business experience in primary insurance

The primary insurers in our Group write all forms of life and health insurance and nearly all lines of property-casualty insurance. By far their most important market is Germany, where they earn around 90% of their premium income. Our Group includes ERGO, Karlsruher and Europäische Reiseversicherung.

Gross premiums in €bn



Our premiums from primary insurance were up 6.5% in 1999 to €13.5bn, representing 49% of Group premium income. In Germany we succeeded in expanding premium by 5.2%, with our life insurers in particular achieving substantial growth. Our foreign business grew by 19.6%.

Primary insurance		1999	Prev. year
Gross premiums	€bn	13.5	12.7
Operating result	€m	943	831
Investments	€bn	97.5	87.9
Net underwriting provisions	€bn	82.9	76.2

The result before tax, amortization of goodwill and minority interests in earnings improved by 13.4% to €948m (836m).

The minority interests are mainly in the ERGO Insurance Group, in which Munich Re holds a stake of around 63%.

### LIFE AND HEALTH

73% of our premium income in primary insurance derives from life and health business, where we recorded premium growth of 7.2% in 1999.

The life insurers in the Group acquired an extensive amount of new business in the year under review, totalling €1.6bn (1.1bn). There were basically two reasons for this notable increase: on the one hand people's growing awareness of the need to make private provision and on the other the plans of the German government – since abandoned – to tax interest income from endowment policies taken out on or after 1st January 2000. Many people decided to take out new policies before this date in order to avoid the taxation.

Premiums climbed by 9.8% to €6.2bn (5.7bn) in 1999; our foreign subsidiaries contributed €0.3bn (0.3bn) to this. Expenses for claims and benefits rose by 6.8%. On account of the satisfyingly large amount of new business, the expense ratio shows a slight increase.

In health insurance the Group was able to strengthen its position as market leader in Germany and Europe. Premium income was up 3.1% to €3.6bn (3.5bn), with €0.4bn (0.4bn) of this coming from abroad. At €3.6bn, expenses for claims and benefits – including expenses for premium refunds – was nearly the same as in the previous year.

#### PROPERTY-CASUALTY

Our property-casualty insurers again succeeded, counter to the trend, in achieving growth in the German market: their premium income rose by 4.7% to €3.7bn (3.5bn), whereas the German market as a whole recorded a decline of 0.4%. Premium revenues of €0.7bn (0.5bn) were from business written abroad.

Our Group insurers were able to increase their premium income in all the important classes of business except fire insurance, where it fell slightly. Claims costs rose by 5.8%, owing to weather-related claims in motor insurance and the windstorms at the end of the year.

## REPORTING ON SUBGROUPS

Our primary insurers write 90% of their business in Germany. Their foreign premium income of €1.4bn (1.2bn) derives mainly from five countries; in order of size these are the Netherlands, Belgium, Spain, Austria and the UK. In view of this fact, we consider it more informative to report on the individual subgroups rather than according to regions, as we do in reinsurance. Where appropriate, however, we will also deal with developments in the individual markets in the course of this reporting.

The following information refers to our subsidiaries' individual or consolidated financial statements for the year.

**ERGO Insurance Group**

ERGO Insurance Group was created in 1997 by merging VICTORIA, Hamburg-Mannheimer, DKV and D. A. S. and is the second largest primary insurance group in the German market. The emphasis of ERGO's business is on personal lines insurance, from which it earns around 90% of its premium income; in health insurance and legal protection insurance it is the market leader in Europe. In addition, it concentrates on insurance for small and medium-sized firms. The ERGO companies also selectively write insurance for larger commercial and industrial business.

<b>ERGO Insurance Group*</b>		<b>1999</b>	<b>Prev. year</b>
Gross premiums	DM bn	23.3	22.2
Net premiums	DM bn	20.3	19.6
Profit for the year	DM m	913	642
Investments	DM bn	166.3	149.4

\* Consolidated financial statements in accordance with IAS.

ERGO's premium income rose by 5.3% in 1999. Of the gross premiums written, 43% came from life insurance, 30% from health insurance, 25% from property-casualty insurance and 2% from reinsurance business.

ERGO's profit for the year increased by 42% to DM 913m (642m); DM 170m of this was due to the reduction in the German corporation tax rate from 45 to 40%.

There was growth of 11% to DM 166bn (149bn) in ERGO's investments; the investment result improved to DM 10.3bn (9.5bn).

Shareholders' equity totalled DM 10.1bn (8.3bn) or 22% more than in the previous year.

At the end of 1999 ERGO employed 24,692 (24,193) staff.

In 1999 ERGO was able to extend its position in the rest of Europe – its activities included the acquisition of Compensa Life and a stake in Compensa P & C, which gave it direct access to the Polish market. In the Netherlands it acquired ELVIA Life and a health insurer. ERGO is thus represented in 17 countries in Europe besides Germany; its foreign subsidiaries contributed premium income of DM 2.3bn (2.0bn) and a profit for the year of DM 92m (54m). ERGO intends to expand its foreign business further.

The beginning of 1999 saw the launch of the new distribution cooperation strategy within ERGO: the aim is to keep all business acquired by ERGO's marketing organizations within the group. Since January 1999 DKV has therefore been channelling property-casualty business to VICTORIA Versicherung, personal accident business to Hamburg-Mannheimer Sach and legal protection business to D. A. S. As hitherto, life insurance business is passed on to Hamburg-Mannheimer Leben. The new business generated as a result of this reorganization proved to be very gratifying in the first year. The cooperation is being intensified.

At the end of 1999 ITERGO Informationstechnologie GmbH was set up to bundle all ERGO's IT activities. The intention is on the one hand to promote knowledge transfer and on the other to benefit from economies of scale – we expect substantial savings in the costs for hardware and applications development.

To supplement and support existing distribution channels, ERGO recently entered into a partnership with Deutsche Telekom. Together, they plan to create a virtual market place for financial services on the Internet.

#### **ERGO: life insurance**

ERGO is the third-largest life insurer in Germany. Its premium income in life insurance rose by 8.9% to DM 10.0bn (9.2bn).

New business premium in Germany showed very satisfactory growth of 45.1% to DM 2.4bn (1.7bn). In terms of annual premiums, the insured portfolio of ERGO's German life insurers increased by 6.6% to DM 8.6bn (8.0bn) and that of its life insurers outside Germany to DM 0.6bn (0.5bn).

The two big writers of life insurance in this group, Hamburg-Mannheimer Leben and VICTORIA Leben, both received excellent ratings from Standard & Poor's and Moody's for their financial strength (AA pi and Aa 2), which puts them in the top bracket of German life insurers.

**ERGO: health insurance**

Premiums in health insurance climbed by 3.1% to DM 7.0bn (6.8bn).

The group's market leadership in Germany and Europe was further consolidated: in its core business – comprehensive health cover – the number of clients insured by ERGO in Germany increased by 3.2% to 886,000. The ERGO health insurers serve a total of 4.8 million clients in Germany and abroad. DKV is supporting the expansion of private health insurance in Scandinavia and is promoting the launch of health business in China via a representative office.

At DM 4.5bn (4.3bn), expenditure for claims was 3.8% up on the previous year. The claims ratio rose to 68.7% (67.5%); DKV is working hard on controlling claims expenditure long term and is expanding its know-how in healthcare management in particular. A further step will be developing DKV into an international healthcare manager, which partners its clients through the healthcare systems and assists them in seeking the best healthcare provision.

**ERGO: property-casualty insurance**

Counter to the market trend and despite the unrelenting pressure on prices in motor and fire insurance, the property-casualty insurers succeeded in achieving growth of 2.4% to DM 6.4bn (6.2bn). These figures include DM 1.3bn (1.3bn) from legal protection insurance, in which D. A. S. and its subsidiaries continue to be number one in Germany and in Europe.

ERGO's property-casualty insurers merged their claims management resources in property insurance in 1999: this pooling of skills and experience will enhance claims service and reduce costs.

**Karlsruher**

Karlsruher consists of five insurance companies that operate in all lines of life insurance and property-casualty business, though not in health insurance. The regional focus of this group lies in southwest Germany, but it sells its products throughout Germany via various distribution channels. The parent company is the life insurer Karlsruher Lebensversicherung. Its most important subsidiary, Karlsruher Versicherung, writes property-casualty business.

Karlsruher*		1999	Prev. year
Gross premiums	DM bn	2.6	2.3
Net premiums	DM bn	2.1	1.8
Profit for the year	DM m	29	19
Investments	DM bn	23.8	21.9

\* Consolidated financial statements in accordance with IAS.

Karlsruher Leben was able to substantially expand the volume of its new business in the year under review; premium from new business production rose by 61.7%, exceeding the market average (58%). Gross premiums reached DM 2.1bn (1.8bn) – a plus of 14.2%. The insured portfolio (in terms of annual premiums) totalled DM 1.6bn (1.5bn) at the end of the year. The profit for the year increased to DM 30.8m (28.8m).

Karlsruher Versicherung wrote gross premiums of DM 358m (356m) and earned a profit for the year of DM 6.6m (12.5m).

The number of staff employed by Karlsruher in its group in 1999 totalled 2,588 (2,592).

A restructured field service, intensive cooperation with bank partners, the establishment of an innovative broker distribution channel and the reorientation of its office operations will provide a solid basis for Karlsruher's future development.

As part of the planned restructuring of shareholdings with Allianz, Munich Re's stake in Karlsruher Leben will increase to around 90% (currently 54%).

### Europäische Reiseversicherung

EUROPÄISCHE numbers among the leading travel insurers in Europe.



Europäische Reiseversicherung*		1999	Prev. year
Gross premiums	DM m	585	525
Net premiums	DM m	523	464
Profit for the year	DM m	9.4	4.1
Investments	DM m	366	337

\* Consolidated financial statements in accordance with IAS.

A total of 631 (535) staff were employed by EUROPÄISCHE and its subsidiaries in 1999.

45% of its premium comes from abroad. Together with its subsidiaries and participations, EUROPÄISCHE is now represented in 11 European countries; in the year under review it acquired Compañía Europea de Seguros, S. A. in Madrid.

In addition to sales through travel agencies and tour operators, the Internet is gaining significantly in importance as a distribution channel. EUROPÄISCHE has developed a form of virtual travel insurance and already sells some of its products using e-commerce.

### Alte Leipziger Europa

In the first half of 2000 Munich Re acquired the majority of shares in Alte Leipziger Europa, a management holding company which mainly holds majority stakes in Central and Eastern European insurers. In close coordination with the strategic development of ERGO's operations in Europe, we have thus extended our position in these markets – which are considered to have particularly strong growth potential – in primary insurance as well.





**136,141,953,000\***

**\* Value of the Munich Re Group's investments (in €) at 31st December 1998.**

# 150,927,025,000\*

\* Value of the Munich Re Group's investments (in €) at 31st December 1999.

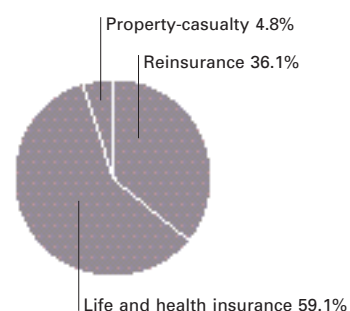
## Do you see the difference?

The Munich Re Group succeeded in substantially growing its investments again in 1999. Its assets rose by 10.9% to €151bn and the investment result improved by 12.5% on the previous year.

April 1999 also saw the establishment of MEAG MUNICH ERGO AssetManagement GmbH as a joint-venture subsidiary of Munich Re and ERGO. MEAG combines not only the investments but also the exceptional know-how of our Group; in addition, MEAG manages 50 funds for private and institutional investors.

With the formation of MEAG we have significantly strengthened our Group's financial base and thus the security we offer in our reinsurance and primary insurance. At the same time we have created new growth opportunities in business with third parties. Thus we intend to win private insurance clients of the ERGO Group to a greater extent for new products in the asset management sector as well.

Investments of the Munich Re Group by business segment





## Asset management

### An eventful year on the capital markets

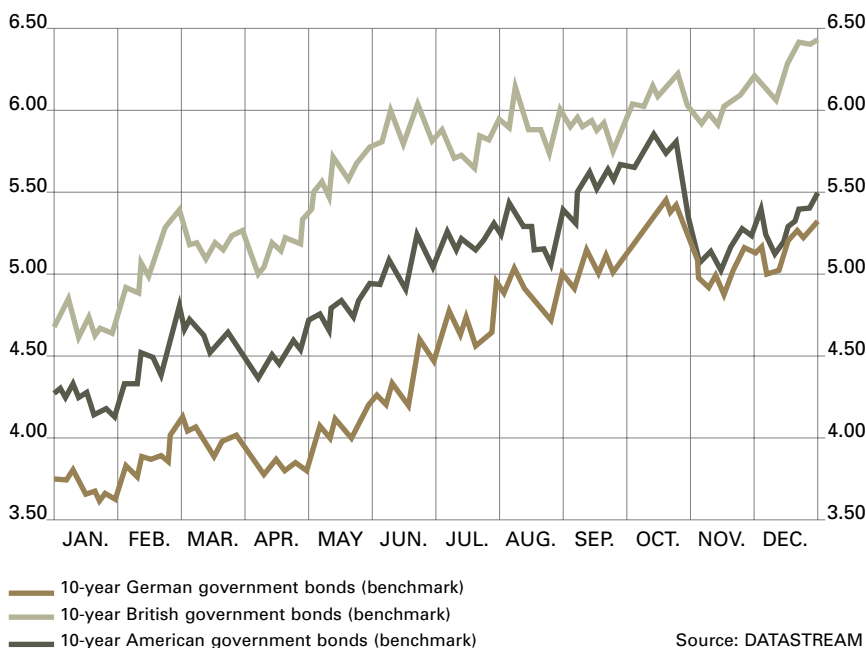
A breathtaking final sprint led to the European stock markets finishing 1999 with an annual price level increase of 47%, based on the Dow Jones Euro STOXX 50. This put shares in the euro-zone in top place worldwide.

Performance of important stock markets in 1999



But 1999 was a bad year for the international bond markets. The continuing strong economic growth in the USA and the expected economic upswing in Europe caused the central banks to start raising interest rates, with the consequence that yields on long-term bonds increased significantly.

Germany, UK, USA: development of bond yields in 1999



### **Uneven development on the stock markets**

The stock markets were characterized by exceptionally divergent developments in the past year: although the indices of the major stock markets reached new all-time highs, these record increases were attributable to only a relatively small number of highly capitalized stocks from the technology, telecommunications and financial sectors. The majority of shares – especially medium and small cap stocks – recorded hardly any advances in price as a whole.

In such an environment, the choice of individual stocks is crucial. All in all, we profited from the fact that we had expanded the proportion of equities in our investment portfolio. Shares and investment fund certificates now account for around 26% of our investments.

The main focus of our equity investment is in Europe, since we are increasingly banking on the development of a European share culture. We chiefly measure the performance of our European equity funds against the Dow Jones Euro STOXX 50 and invest almost exclusively in liquid and marketable stocks.

### **Fixed-interest securities under pressure**

The past year posed particular challenges for investment in fixed-interest securities: the stability of the financial markets increased and there was a general growth in global economic activity. This led first in the USA and later in Europe to an alteration in monetary policy. Yields on long-term bonds reacted to the first signs of a re-emerging inflation threat with a marked increase. Thus the yield on 10-year German government bonds climbed in the course of the year from a low of 3.6% to 5.3% at the end of the year. We therefore acted to limit price risks and at the same time to take advantage of the higher yields for reinvestment.

Bonds still make up the bulk of our investments. In this sector we are concentrating on the growing market for European corporate bonds.

We have systematically expanded the portion of our investments outside Germany, our focal points being Europe and North America.

### **Euro positive despite fall in exchange rate**

For Europe, a new age of investment opportunities has dawned: the successful introduction of the euro has produced a pan-European investment market. This has profound implications for the investment behaviour of European and international investors and companies. In the very first year of the common currency, the number of mergers and acquisitions among European firms rose appreciably. We also witnessed a growing trend for firms to cover their M&A financing requirements by issuing bonds on the capital market. The effect of these activities is positive for investors in both equities and bonds, the consequence being that the European stock markets continue to be stimulated and the spectrum of fixed-interest securities is simultaneously expanded. In addition, the end of fluctuations in exchange rates has created a stable basis for European investments and means a reduction in transaction costs.

**Investments in shareholdings and real estate**

In 1999 we again bought and sold shareholdings in other companies. We pursued two main purposes here: on the one hand to establish long-term partnerships and on the other to obtain an attractive return on the capital invested. With our wholly-owned subsidiary Münchener Rück Beteiligungen AG, we have created an infrastructure that gives us more flexibility in handling these shareholdings.

In the area of real estate we sold various items. At the same time we launched and partially realized new projects and acquisitions. At our headquarters in Munich we also began projects to convert and expand office buildings in own use.

**Asset liability management, currency matching**

Apart from legal requirements, one of the main criteria influencing the structure of our investments is the type of underlying insurance business. Depending on the field of business and the product range of the individual Group company, we determine both the optimum portion of equities and the appropriate duration of the bond portfolio per currency. In asset liability management, we additionally make sure that we cover our underwriting liabilities with investments in the same currency, in order to limit currency risks.

**Cash management, liquidity**

In our cash management, our objective is to optimize the liquid funds available in the Group and to ensure cost-efficient liquidity. Our advance liquidity planning with a one-year horizon, which is based on a projection of our future cash flows adjusted daily, has proved especially effective here.

**MEAG MUNICH ERGO AssetManagement GmbH**

The guiding principle of our investment strategy is, as ever, to safeguard and increase our investment income on a secure and lasting basis. To this end, we established MEAG MUNICH ERGO AssetManagement GmbH in 1999 as a joint subsidiary of Munich Re and ERGO. MEAG is meanwhile responsible for the entire asset management of the companies involved; it also manages the Group's extensive real estate portfolios insofar as they serve as investments.

The combination of our asset management activities in MEAG allows our experts to specialize even more and hence to analyse individual investment sectors more thoroughly. In 1999, for instance, we were already able to significantly enhance our buy-side research capacity, i.e. our own in-house activities.

**Investments 1999: portfolio and result**

Our investments increased by 10.9% to €150.9bn (136.1bn) in 1999; €150.5bn (136.0bn) of this was apportionable to our own investments and €417m(146m) to investments in connection with unit-linked life insurance.

Investment mix	1999		Prev. year		Change 1999:1998	
	€m	%	€m	%	€m	%
Real estate	6,901	4.6	6,512	4.8	389	6.0
Investments in affiliated and associated enterprises	10,633	7.0	10,086	7.4	547	5.4
Mortgage loans and other loans	8,670	5.7	7,475	5.5	1,195	16.0
Shares and investment fund certificates	39,207	26.0	31,478	23.1	7,729	24.6
Other securities	72,128	47.8	68,745	50.5	3,383	4.9
Deposits retained on assumed reinsurance business and other investments	12,971	8.6	11,700	8.6	1,271	10.9
	150,510	99.7	135,996	99.9	14,514	10.7
Investments for unit-linked life insurance	417	0.3	146	0.1	271	185.6
Total	150,927	100.0	136,142	100.0	14,785	10.9

The distribution of our investments between reinsurers and primary insurers and their regional spread is shown in the segment reporting in the financial statements; cf. page 110ff.

The fair value of our real estate amounted to €9.2bn, and the fair value of our investments in affiliated and associated enterprises totalled €27.3bn. This means there are valuation reserves of around €19bn.

Our profit on investments rose by 12.5% to €9.5bn (8.5bn). Regular income increased to €8.5bn (7.4bn) and realized capital gains to €1.7bn (1.6bn). Writedowns on investments amounted to €176m (199m); these mainly involved real estate.

The unrealized gains included in shareholders' equity show a change of 5.2% to €7.3bn (6.9bn).

### Outlook

In 1999 we were able to make new investments in fixed-interest securities with higher yields than in the previous year. For the next two years we expect yields in western industrialized countries to fluctuate more or less around the current level; first, however, a slight upward trend should predominate. Against this background, we have continued to pursue our investment policy oriented towards stocks and real assets, and have expanded our portfolio of shares and investment fund certificates further. We have taken advantage of fluctuations on the world's stock markets to establish new positions and to realize capital gains on highly valued capital markets.





**Turning risks into  
opportunities is the  
secret of our success.**

# **And will continue to be so in the year 2000.**

Risks are the core of our business. The core of our success is our competence in handling them, drawing on many years' experience, in-depth knowledge and a wide range of tried-and-tested and state-of-the-art processes for risk identification, evaluation and management.

In this way we transform risks into opportunities, opportunities into earnings, and earnings into growth in the value of our Group. For the business year 2000 we expect our result to improve by over ten per cent. On the following pages you can find out why we are so confident and how we deal with our own risks.



## Prospects for 2000

In the current business year, at unchanged currency parities, gross premiums should increase by 3 to 4%. Our premium income will very probably grow more strongly in primary insurance than in reinsurance, unlike last year. The reason for this is American Re's non-renewal of inadequately priced business with a premium volume of more than US\$ 500m. In primary insurance, on the other hand, there will be an addition of around €200m in premium from the acquisition of Alte Leipziger's business in Central and Eastern Europe.

We expect the consolidated result for the business year 2000 to show an increase of over 10% to more than €1.2bn, even though it will not benefit from the very positive one-off effect of the reduction in the German corporation tax rate as 1999 did. In this forecast, we are assuming that the costs for losses from natural catastrophes significantly decrease and that there is no major change in the situation on the capital markets.

We anticipate that we will again be able to pay our shareholders a dividend of at least €0.95 per share.

Remarks on expected experience in the individual fields of business can be found in the preceding sections of the management report; information on our assumptions regarding overall economic development can be obtained from Section 04 Economic Parameters.

At the beginning of May, Munich Re and Allianz AG announced their intention to reduce their reciprocal stakes of 25% to around 20% each. This reduction is to take place in several steps, with due consideration for the capital markets, and is scheduled to be completed by the end of the year 2003. In a first step the shareholdings have been lowered to just under 25%. In addition, Munich Re has issued a €1.15bn bond exchangeable into Allianz shares.

It is also planned that Allianz will acquire Munich Re's stakes of 45% in Bayerische Versicherungsbank AG and 49.9% in Frankfurter Versicherungs-AG. In return, Munich Re intends to acquire Allianz's stakes of 36.1% in Karlsruher Lebensversicherung and 39% in Mercur Assistance. The acquisition of Mercur Assistance is planned for the current business year; all the other transactions are scheduled to take place next year. The exchange operations with Allianz will therefore not have a significant effect on equity capital or results for 2000.

The considerable funds that will flow to Munich Re from these transactions in the coming years will be invested in the further expansion of our business.

Interested in finding out what else is going on in the Munich Re Group? Then please read Section 06 Perspectives.

## Risks of future development

How do reinsurers and insurers make their living? Both do so from assuming risk – it is the core of their business.

In an increasingly complex environment, our professional risk management provides security for our clients on the one hand and earnings and appreciation in value for our shareholders on the other. In keeping with the nature of our business, we also carry high underwriting risks if these are sufficiently transparent and their assumption is worthwhile for us and hence for our shareholders.

Over the course of time we have developed a whole range of processes and tools that enable us to identify, evaluate and master risks. And we are continually reviewing our operational procedures and methods with an eye to adjusting them to take account of the changes in risks. Our Internal Auditing Division regularly checks the efficiency of our internal control system in all units of the Group.

The normal market risks are important for the insurers and reinsurers in the Group, of course, such as the appearance of new competitors or the launching of new products. But of special significance are the underwriting risks, the risks in the investment sector and the currency risk.

### **Underwriting risks**

These include above all

- The risk of random fluctuations: higher claims are incurred than expected owing to chance factors, e.g. as a consequence of natural catastrophes.
- The risk of change: legal or economic parameters or even behavioural patterns are subject to change; it is not always possible to counter such changes quickly enough by adjustments in the prices or conditions of insurance or reinsurance cover.

We seek to control the underwriting risks by means of the following measures in particular:

- A balanced mix and spread of business between insurance and reinsurance and between classes of business and markets
- Precise underwriting guidelines, which we regularly update and whose implementation we constantly monitor
- Strictly controlled budgets for the reinsurance of natural catastrophe risks, the scope of which is fixed annually for a number of potential loss scenarios
- Effective planning and controlling instruments and suitable structures for ensuring that we have sufficient early warning of all important developments for the Group, can initiate the requisite measures in good time and can monitor them appropriately
- A conservative valuation of the provisions we make for uncertain liabilities arising from our commitments, with claims provisions generally not subject to any discounting
- Retrocession cover for certain risks we have assumed, with high standards applied to the security of our retrocessionaires

**Risks in the investment sector**

In the investment sector we are exposed above all to interest rate risks, equity risks and credit risks. How do we counter these? In the main by means of

- a broad mix of investments,
- a geographical spread of investments which follows that of our underwriting business,
- a careful selection of issuers
- and also, in individual cases, through the strictly controlled use of derivative financial instruments.

Adherence to the strict investment guidelines for our portfolio managers is permanently monitored by an organizationally separate risk management team. In addition, we regularly check the investment guidelines and the organizational measures (e.g. functional separation of trading and administration, controls) and adjust these to take account of current developments where necessary.

**Currency risks**

In particular in the reinsurance group, a substantial portion of the business is conducted in foreign currencies. This results in currency risks. We endeavour to reduce these by matching our liabilities in foreign currencies with assets in the same or similar currencies, so that exchange gains and losses largely neutralize each other. In individual cases, selective use is also made of derivative financial instruments for hedging purposes.

**Security in the IT sector**

Munich Re attaches very great importance to information security. Within the framework of a global security concept, extensive mechanisms ensure the availability and integrity of the systems and programs. We have built up a global security organization and always employ the latest security technologies such as firewalls and antivirus measures. The millennium changeover went smoothly for all systems.

**Euro**

We began our preparations for the euro at a very early stage. Conversion to the euro has proceeded without any problems, both internally and in business transactions with our clients.

**Legal risks**

Munich Re and also VICTORIA Leben continue to face Holocaust suits in the USA. In addition, as a result of special Holocaust legislation, Munich Re and its subsidiaries are subject to far-reaching reporting requirements and administrative action by insurance regulatory bodies in various states of the USA; in individual cases we have had to appeal against measures in the courts in order to avert the concrete threat of business disadvantages for US subsidiaries of Munich Re. We are confident that the further efforts of the Foundation Initiative of German Enterprises will, in the pending talks on the agreement between the US and German governments, help to find solutions that achieve full and lasting relief from legal and administrative action.

Altogether, we cannot perceive any development at present that could have a lasting and significant adverse effect on the assets, liabilities, financial position or results of the Munich Re Group.

RE  
RE



**We know a lot.  
We can do a lot.**

# But it doesn't stop there.

Munich Re is known for its continual growth in value. But how do we safeguard value and growth for the future?

Our most important resource is the knowledge, skills and commitment of our more than 30,000 staff. We support them in constantly developing new and convincing solutions for our clients.

One example of how ideas of today translate into added value of tomorrow is e-commerce, which opens up whole new avenues of opportunity for our business. Another example is the systematic use of information technology, which will appreciably accelerate the integration of our worldwide organization.

By such means, the value of our Group grows – to the benefit of our shareholders, our clients and our staff.

SOURCE



## Our staff

The far-reaching changes in the insurance markets and in our Group are presenting our staff and our human resources work with great challenges.

The dynamic growth of our business has required considerable personnel expansion. Altogether, the number of staff employed in our Group increased by 3.0% last year.

Number of staff – year-end position	1999	Prev. year
Reinsurance	5,291	4,964
Primary insurance	27,910	27,316
Asset management*	44	–
Total	33,245	32,280

\* In the process of being developed.

Significant changes are taking place in the area of human resources at our reinsurance and primary insurance companies. For instance, 1999 saw VICTORIA, Hamburg-Mannheimer and D.A.S. merging their claims management resources in property insurance. In September, ITERGO was set up to combine the activities of the ERGO companies in the field of information technology; it will employ around 1,300 staff. MEAG, the joint-venture asset management company of Munich Re and ERGO, commenced operations in the year under review.

### Recruitment and personnel development

The professional and social skills of our staff, their commitment, capacity to learn and flexibility are today more important than ever. At the same time, particularly in reinsurance, it is becoming increasingly difficult to find staff that meet our high-level requirements. How are we responding?

- We are stepping up our activities in personnel marketing, especially in the graduate market.
- We have further improved our trainee programme for promising graduates.
- We are intensifying our efforts in the field of training at all levels: we offer our staff a broad range of opportunities to develop their professional, linguistic and interpersonal skills and to adapt them to meet future requirements.
- We select our management staff with care and give them a thorough grounding in the skills they will require for their tasks. To this end, we are partnered by respected management training schools.

### International human resources management

In reinsurance business it is increasingly important to deploy our world-wide know-how as efficiently as possible, so that our clients can derive the maximum benefit. How do we achieve this? Through international human resources management. We systematically assess the skills and qualifications of our experts in Munich and at our subsidiaries, and promote the development of our future management staff. We attach great importance to international exchange of experience. At present we are in the process of creating the technical basis within our Group for transferring knowledge swiftly.

### **Performance and result-oriented remuneration**

We are linking the remuneration of our staff more and more to individual performance on the one hand and the results of the respective Group company on the other. Examples of this are variable salary components, such as bonus payments, and the chance to acquire shares or fund units at preferential conditions.

In our reinsurance group we introduced a long-term incentive plan for the Board of Management and around 80 top executives in Germany and our international organization in the year under review, linking their compensation to the performance of Munich Re's share price. The plan provides for the issuing of stock appreciation rights, which can be exercised within a seven-year period if two preconditions are met: Munich Re's share price must have risen by at least 20% compared to the price at the start of the plan and it must have repeatedly outperformed the DAX 30 over an extended period.

This incentive plan and ERGO's stock participation plan, which is open to all its staff, are two examples of instruments with which we aim to make staff and management identify more closely with the Group and enhance the Group's performance.

### **Pensions**

We have also taken new steps as far as pension arrangements are concerned.

ERGO has developed a modern three-tier pension plan, designed to advance the integration of its group companies in this area as well: its components are a defined contribution plan (for retirement pensions, disability pensions and pensions for surviving dependants), a direct pension commitment and insurance.

On 1st October 1999 the Munich Reinsurance Company introduced deferred compensation as an additional component to supplement its company pension scheme: staff can waive part of their remuneration during their active service and thus reduce their taxable income; in compensation for this, Munich Re gives them an equivalent pension commitment. Tax only becomes payable on this amount when it is paid out in benefits. Similar arrangements apply to staff at the primary insurance companies.

### **Perspectives**

As we are expanding our business in all sectors, we will be creating new jobs in the current year as well. We expect a great deal of our staff – today and in the future. And our staff – present and future – expect a great deal of us. We want to be, indeed have to be, an attractive and competitive employer wherever we operate in the world. This is what we are constantly working at.

## Information technology (IT) – globally networked

Early on we focused our attention on two questions: What are the consequences of the increasing globalization of reinsurance business for information technology, and how can we create the greatest possible added value with our IT resources? Our answers: global standardization of our infrastructure, development of IT centres of competence, and uniform data structures and processes.

### **Standardized infrastructure**

In the reinsurance group we have been working intensively for years to realize a standardized IT infrastructure throughout our worldwide organization. What have we achieved so far?

All Munich Re's reinsurance subsidiaries, branches and offices are today networked and electronic communication between them has been standardized worldwide. All members of the reinsurance group, wherever they are employed, have 24-hour access to our Group-wide intranet. Thus we have created the technical platform for improved communication and intensive exchange of knowledge between Group staff and with our business partners.

The most important IT systems are always accessible, as are the globally networked helpdesks, which operate according to uniform rules and support any user who has a problem. Our IT Security Office sees to it that our high standards of information security are complied with.

The standardized technology enables IT solutions that were previously only available at one location to be used worldwide at any time. This flexibility facilitates the handling of our global reinsurance business. For example, in ERIS-95 (Engineering Individual Risk Information System) we have available a database for the uniform processing and assessment of facultative engineering risks Group-wide.

**IT centres of competence**

Our international IT organization ensures that our universal know-how and our capacity are utilized as efficiently as possible. The standardized infrastructure also enables us to decentralize IT projects that are of strategic importance for the whole Group and to entrust them to subsidiaries. Such a centre of competence is located at Munich Reinsurance Company of Canada, for instance: our staff in Toronto are responsible for FOCUS, a system that supports the planning process of the entire reinsurance group.

**Uniform data structures and processes**

In the next few business years the emphasis of our work will be on harmonizing reinsurance portfolio management and our accounting systems Group-wide. With the help of uniform data structures and processes, we will be able to make available data needed for decision-making much more quickly and efficiently, both for internal and external purposes. These projects will be complemented by a uniform approach to document management and enhanced integration of the systems used.

## Knowledge management

The knowledge of our staff is a crucial success factor for Munich Re. Our objective of creating lasting value can only be achieved by systematically growing our “intellectual capital” and employing it even more efficiently. In order to be able to offer our clients around the world the best products and service, we have to make available worldwide the know-how of every staff member in a way that enriches the fund of knowledge and experience of the whole Munich Re.

In an environment that is changing more and more rapidly, this presupposes a corporate culture in which values such as client proximity, willingness to learn, openness and ability to change play a central role. Of increasing importance alongside this is systematic knowledge management, which supports the implementation of such values in day-to-day business.

What does knowledge management in the Munich Re Group mean?

- We have taken a conscious decision to nurture knowledge as a resource even more carefully than hitherto. We favour and promote, also by means of incentives, all initiatives geared to exchanging professional knowledge within the Group and to making this knowledge useful and useable for all staff. We expressly encourage staff to participate in working groups and projects in which new knowledge is generated and experience shared.
- In our Group-wide intranet, MRWEB, we have created a communication platform that allows all staff easy access to our worldwide professional expertise.

New technologies offer efficiency benefits. We are currently devoting our efforts to centralizing the knowledge we have available all over the world, including documented material (e.g. manuals), and to developing electronic forums in which our experts, wherever they are employed, can compare experiences and discuss current problems.

We have been successfully practising knowledge management at Munich Re for 120 years. But new challenges and modern technology are opening up many promising avenues for us in this field, too. We intend to take systematic advantage of them.



## E-commerce

The Internet and its potential applications are substantially altering the playing field in the insurance industry as well. As an additional marketplace, for example, the Net offers many new business opportunities and is likely to be a crucial success factor in the future.

In our primary insurance group, we are engaged in a significant number of projects aimed at using e-commerce, i.e. electronic trading, to expand service and support processes in the value-added chain. The ERGO companies and EUROPÄISCHE and Karlsruher already offer a range of online services, from pure product information and calculation facilities to, in some cases, online conclusion of policies and notification of claims.

The particular challenge in the next stages of e-commerce will be to integrate the new distribution forms in a multi-channel strategy and, especially on the basis of Web technology, to launch completely new business models. This is why ERGO has entered into a strategic partnership with Deutsche Telekom, the biggest European Internet provider, with the aim of creating an innovative financial services marketplace on the Net.

MEAG MUNICH ERGO AssetManagement GmbH is initially concentrating its Internet activities on creating an information and communication platform together with its distribution partners. The next stage will involve making the Internet an integral part of its mix of distribution channels, with a transaction platform and strategic partnerships.

In reinsurance, we are using e-commerce as an instrument to strengthen our partnerships with clients and to support our reinsurance business. Extranet models with selected groups of clients have already been tested and exploit additional, complementary service and sales potential. Besides this, we are investing in the development of further e-commerce models, such as portal strategy or independent marketplaces, and are examining cooperation arrangements with external specialists. To this end, we have set up an e-commerce centre of competence in our Research and Development Division.

## Value-based management

It has always been our aim to increase Munich Re's value, not only for our shareholders but also for our clients and staff.

For our shareholders, increasing value means an attractive Munich Re share performance. For our clients in insurance and reinsurance, it guarantees – in the form of a strong capital base for the Munich Re Group – the security which is so essential in our business. And for our staff it provides long-term, secure and interesting jobs.

Value-based management presupposes transparency. Several years ago we began the process of making our shares and our accounting more transparent for shareholders and analysts. The simplification of our share structure and the change in our balance sheet date were the first big steps; the switch to International Accounting Standards is a further one. This is also a form of value enhancement. And we will be continuing along this path in the years to come.

Our planning and controlling process takes account of the old principle that all business is local. It gives the individual operational units and subsidiaries the greatest possible decision-making authority in their markets and fields of business. At the same time it ensures that

- global risks attached to both insurance business and the capital markets are systematically managed,
- the value contributions and risks of the individual fields of business (reinsurance, primary insurance and asset management) are made transparent and comparable.

Increasing our corporate value is the central benchmark for our decisions. With this in mind, our range of instruments is continually being adapted. Thus we are currently expanding our performance measurement tools, based on premium and result targets, so that they show even better and more transparently where and to what extent added value is created in the Group:

- Consequently, following the conversion of our external reporting to International Accounting Standards, our internal reporting is now being converted to this basis as well, thus ensuring that all our reporting follows largely the same principles.
- We are constantly monitoring the equity capital allocated to the individual areas of our business on the basis of risk criteria. We use our own risk models for this, but also draw on models used by the international rating agencies.

Added value is created wherever the return achieved on the equity capital allocated to the area in question is higher than the cost of capital for our shareholders, i.e. the opportunity cost. As reinsurance in particular requires longer periods to achieve a risk balance – as 1999 all too clearly showed – we also measure the achievement of our targets in terms of multi-year averages.

We are refining our instruments and adjusting them to the particular circumstances of our further evolving Group. This is accompanied by a growth in our ability as the Munich Re Group to utilize our strategic options flexibly and in line with the principle of value maximization.

For the near future we plan to supplement our reporting on the individual fields of business with information on their value contributions. In the medium term, our value-based management will be underpinned by a specific dynamic risk model – “dynamic financial analysis”.

## Munich Re on the way to an environmental audit

Preparations are well underway for Munich Re to become the first German reinsurer to complete an officially recognized environmental audit, which it intends to do by the end of 2000. There are good reasons for this.

### **More efficiency in environmental protection**

Firstly, the environmental audit will help us organize current activities more efficiently: resource-saving measures in our office operations, for example, such as the use of refill materials, which has been standard practice for some time; or measures for structural ecology in the conversion of our buildings; or the consultancy frequently given to clients by our experts which serves to promote preventive environmental protection measures. In all these areas we are committed to continually improving our performance. And this will be followed by action.

We want to examine not only our own office buildings from the ecological point of view but also the real estate we lease to third parties, with the aim of making it environmentally sounder. This will also help to enhance the attractiveness of the property and safeguard or increase its long-term value.

In our office operations we will monitor even more closely the cycle of equipment and materials we use, from acquisition to disposal. Our aim will be to recycle goods like computers to an increased extent and to plan and organize for this already at the acquisition stage. This will reduce not only our waste but also the ever-increasing costs of waste disposal.

### **New challenges ahead**

In future we do not want to restrict ourselves solely to ecological measures in connection with our business operations. The preparations for the environmental audit led us in 1999 to set up a new Environmental Unit. As with our Geoscience Research Group, whose experts have long been handling questions from our clients and the public regarding natural catastrophes and climate change, we intend to broaden and make available our competence in the area of environmental protection and sustainable development. Our conviction is that only with sound knowledge, covering the complex interrelationships of global environmental risks and sustainability, can we anticipate the consequences for the insurance industry and help to solve current and future problems. As a leading international reinsurer, we feel we have a responsibility to our shareholders, our clients and the public to do this.

Thus we want to concern ourselves more with the manifold risks in environmental liability. Especially in the international context, long-term corporate liabilities are often opaque. Consequently, environmental liability law cannot always fulfil its preventive function, which presupposes that liability situations are properly perceived and taken into account at the right stage.

We want to make our contribution to clarifying complex liability situations, thereby optimizing entrepreneurial risk decisions.

**Increasing the competence of our staff**

We also see the environmental audit as an investment in the competence of our staff. This is illustrated by the examples above. But beyond these special issues, we want to anchor the idea of responsibility for environmental protection and sustainable development even more firmly in the minds of our employees. We therefore plan to integrate this topic to an increasing extent in our training measures at all levels.

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**Our figures traditionally  
compare well internationally.**

# Now you can see more quickly why.

For 1999 we have prepared our consolidated financial statements in accordance with International Accounting Standards (IAS) for the first time.

These internationally accepted, high-quality accounting standards benefit shareholders, analysts, investors and the public alike.

International Accounting Standards provide for more information, greater transparency and easier comparability of figures in financial statements. We welcome this, not least because it further enhances the competitiveness of our registered shares on the international capital market.



# International Accounting Standards

Table with multiple columns and rows, containing financial data and text, partially obscured by a pen.

Item	2019	2018	2017	2016
Revenue	1,234,567	1,123,456	1,012,345	901,234
Expenses	876,543	765,432	654,321	543,210
Profit	358,024	358,024	358,024	358,024

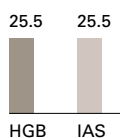
## International Accounting Standards

The changeover to International Accounting Standards has fundamentally altered our consolidated financial statements:

- Classification and valuation of the items in the balance sheet and income statement follow internationally recognized principles. This will make our financial statements easier to read for foreign readers, above all investors and analysts. For purposes of comparison, we have included a list in the notes on page 126f. detailing the main differences between IAS and German Commercial Code accounting.
- A large portion of the investments are measured at current market value. This means that a truer picture is given of shareholders' equity – a key figure for every insurer – than is possible under German accounting regulations: in German Commercial Code accounting, investments are valued at their acquisition cost at most; their actual values are merely disclosed in the notes to the accounts.
- For the balance sheet and income statement we provide a division of the individual items between our three core business areas (segment reporting). Our core business embraces reinsurance and primary insurance. In both cases we make a further differentiation between life and health insurance on the one hand and property-casualty insurance on the other. Besides this, there is our third core business area of asset management, which we are currently in the process of developing.

What effect does the changeover from German Commercial Code (HGB) accounting to IAS have on the most important figures? We explain this below, with reference to the previous year's figures.

Gross premiums 1998 in €bn



### – Premiums

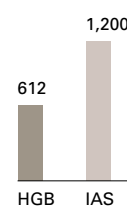
Premiums on an IAS basis tend to be lower than in the HGB accounts: in the case of life insurance products which are more in the nature of investments, only part of premium may be shown as premium income (essentially what is known as the risk premium). This business is still being developed by our primary insurers, so the premium-reduction effect due to the new accounting is small. Owing to a change in the translation of foreign currency items (use of average exchange rates instead of year-end rates) the premiums for 1998 are actually slightly higher under IAS than in the HGB accounts.

### – Profit for the year

In the HGB consolidated financial statements, the profit for the year is “smoothed” by the legally prescribed claims equalization provision. In IAS financial statements there is no claims equalization provision, i. e. the profit for the year will fluctuate more strongly than hitherto.

The profit for the year in IAS financial statements is shown less minority interests in earnings.

Profit for the year 1998 in €m

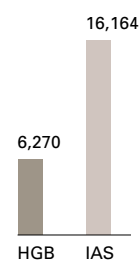


Profit for the year 1998	
	€m
Transition from HGB to IAS	
Profit for the year HGB	612
Amortization of goodwill	-110
Investment result	711
Change in claims equalization provision	276
Change in other underwriting provisions	-191
Tax	-46
Minority interests	-180
Miscellaneous	128
Profit for the year IAS	1,200

### – Shareholders' equity

Shareholders' equity is now shown less minority interests, as is customary in many countries.

Shareholders' equity 1998 in €m



Shareholders' equity 1998	
	€ m
Transition from HGB to IAS	
Shareholders' equity HGB	6,270
Deferred acquisition costs	5,680
Investments	25,118
Provision for future policy benefits	-3,508
Provision for premium refunds	-11,508
Claims equalization provisions	2,973
Other underwriting provisions	907
Provision for deferred taxes	-7,415
Minority interests	-2,212
Miscellaneous	-141
Shareholders' equity IAS	16,164

Despite the significant increase in shareholders' equity, there continue to be high valuation reserves. These result from the fact that the fair values of our shareholdings in important associated enterprises are considerably higher than the proportionate share of their net asset value at which they are included in the IAS financial statements.

## Consolidated balance sheet as at 31st December 1999

ASSETS	Notes	€m	€m	€m	Prev. year €m
<b>A. Intangible assets</b>					
I. Goodwill	(1)		2,142		2,094
II. Other intangible assets	(2)		269		114
				2,411	2,208
<b>B. Investments</b>					
I. Real estate	(3)		6,901		6,512
II. Investments in affiliated enterprises and associated enterprises	(4)		10,633		10,086
III. Loans	(5)		8,670		7,475
IV. Other securities					
1. Held to maturity	(6)	1,430			1,688
2. Available for sale	(7)	109,714			98,359
3. Held for trading	(8)	191			176
			111,335		100,223
V. Other investments					
1. Deposits retained on assumed reinsurance	(11)	11,698			11,034
2. Miscellaneous	(9)	1,273			666
			12,971		11,700
				150,510	135,996
<b>C. Investments for the benefit of life insurance policyholders who bear the investment risk</b>				417	146
<b>D. Ceded share of underwriting provisions</b>	(17-20)			9,402	6,496
<b>E. Receivables</b>	(10, 11)			8,056	6,097
<b>F. Cash with banks, cheques and cash in hand</b>				487	581
<b>G. Deferred acquisition costs</b>	(12)			5,989	5,680
<b>H. Deferred tax</b>	(13)			1,933	1,388
<b>I. Other assets</b>	(14)			675	569
<b>Total assets</b>				<b>179,880</b>	<b>159,161</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>€m</b>	<b>€m</b>	<b>Prev. year €m</b>
<b>A. Shareholders' equity</b>	(15)			
I. Issued capital and capital reserve		3,161		2,781
II. Revenue reserves		6,862		5,246
III. Other reserves		7,298		6,937
IV. Consolidated profit		1,133		1,200
			18,454	16,164
<b>B. Minority interests</b>	(16)		2,125	2,212
<b>C. Gross underwriting provisions</b>				
I. Unearned premiums	(17)	4,803		4,390
II. Provision for future policy benefits	(18)	77,217		70,472
III. Provision for outstanding claims	(19)	28,767		22,739
IV. Other underwriting provisions	(20)	21,692		19,585
			132,479	117,186
<b>D. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders</b>			396	141
<b>E. Other accrued liabilities</b>	(21)		2,927	2,359
<b>F. Liabilities</b>				
I. Notes and debentures	(22)	734		630
II. Other liabilities	(23)	14,325		11,960
			15,059	12,590
<b>G. Deferred tax liabilities</b>	(13)		8,391	8,484
<b>H. Other deferred items</b>	(24)		49	25
<b>Total equity and liabilities</b>			179,880	159,161



## Consolidated income statement for the business year 1999

ITEMS	Notes	€m	Prev. year €m
1. Gross premiums written	(25)	27,413	25,496
2. Net earned premiums	(25)	24,945	23,545
3. Investment result	(26)	9,525	8,467
4. Other income	(27)	747	307
Total income (2 – 4)		35,217	32,319
5. Net expenses for claims and benefits	(28)	25,241	22,735
6. Net operating expenses	(29)	6,500	6,106
7. Amortization of goodwill	(1)	120	110
8. Other expenses	(30)	1,655	1,197
Total expenses (5 – 8)		33,516	30,148
9. Operating result before tax		1,701	2,171
10. Tax	(31)	383	791
11. Minority interests in earnings	(16)	185	180
12. Profit for the year		1,133	1,200
	<b>Notes</b>	<b>€</b>	<b>Prev. year €</b>
Earnings per share	(40)	6.45	7.11
Earnings per share, diluted	(40)	6.44	7.08

## Consolidated cash flow statement for the business year 1999

	€m	Prev. year €m
<b>I. Cash flows from operating activities</b>		
Profit for the year	1,133	1,200
Minority interests in earnings	185	180
Net change in underwriting provisions	11,357	5,994
Change in deferred acquisition costs	-309	25
Change in receivables and liabilities	-499	-802
Change in securities held for trading	-14	-78
Change in deferred tax assets/liabilities	-297	284
Change in other balance sheet items	696	268
Adjustment for investment income/expenses without impact on cash flow	100	85
Gains and losses on the disposal of investments	-1,419	-1,535
Amortization of goodwill	120	110
Miscellaneous	-707	-176
	10,346	5,555
<b>II. Cash flows from investing activities</b>		
Acquisition of real estate	-667	-309
Sale of real estate	294	287
Acquisition of investments in affiliated enterprises and associated enterprises	-205	-198
Sale of investments in affiliated enterprises and associated enterprises	11	20
Issue of loans	-932	-202
Maturities of loans	482	390
Acquisition of investments held to maturity	-45	-163
Maturities of investments held to maturity	222	35
Acquisition of securities available for sale	-25,347	-32,291
Sale of securities available for sale	16,192	25,935
Acquisition of consolidated affiliated enterprises	-42	-272
Sale of consolidated affiliated enterprises	0	0
Miscellaneous	-887	-174
	-10,924	-6,942
<b>III. Cash flows from financing activities</b>		
Inflows from capital measures	381	1,307
Change in notes and debentures and amounts owed to banks	210	58
Dividends paid	-111	-107
	480	1,258



	€m	Prev. year €m
<b>Cash flows for the business year (I + II + III)</b>	-98	-129
Effect of exchange rate changes on cash	4	-2
Cash at the beginning of the business year	581	712
Cash at the end of the business year	487	581
<b>Additional information:</b>		
Tax on earnings (net)	546	394
Interest paid	96	62

## Segment reporting – Balance sheet

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m
<b>A. Intangible assets</b>	28	30	2,167	2,023
<b>B. Investments</b>				
I. Real estate	809	786	1,192	1,137
II. Investments in affiliated enterprises and associated enterprises	4,074	3,546	5,194	4,518
III. Loans	61	51	41	40
IV. Other securities				
1. Held to maturity	0	0	0	0
2. Available for sale	10,412	9,082	21,508	19,246
3. Held for trading	34	18	117	80
	10,446	9,100	21,625	19,326
V. Other investments	6,651	6,204	9,467	8,725
	22,041	19,687	37,519	33,746
<b>C. Investments for the benefit of life insurance policyholders who bear the investment risk</b>	0	0	–	–
<b>D. Ceded share of underwriting provisions</b>	3,123	1,716	4,094	3,012
<b>E. Other segment assets</b>	1,877	1,150	7,209	5,194
<b>Total segment assets</b>	<b>27,069</b>	<b>22,583</b>	<b>50,989</b>	<b>43,975</b>

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m
145	111	54	44	3	0	14	0	2,411	2,208
4,184	3,889	675	656	0	0	41	44	6,901	6,512
2,051	2,246	1,341	1,180	69	0	-2,096	-1,404	10,633	10,086
8,588	7,398	98	60	0	0	-118	-74	8,670	7,475
1,379	1,551	51	137	0	0	0	0	1,430	1,688
71,565	64,533	6,222	5,498	7	0	0	0	109,714	98,359
26	73	14	5	0	0	0	0	191	176
72,970	66,157	6,287	5,640	7	0	0	0	111,335	100,223
745	342	179	145	0	0	-4,071	-3,716	12,971	11,700
88,538	80,032	8,580	7,681	76	0	-6,244	-5,150	150,510	135,996
417	146	-	-	-	-	0	0	417	146
5,954	5,419	1,071	991	-	-	-4,840	-4,642	9,402	6,496
7,087	6,952	1,580	1,409	39	0	-652	-390	17,140	14,315
<b>102,141</b>	<b>92,660</b>	<b>11,285</b>	<b>10,125</b>	<b>118</b>	<b>0</b>	<b>-11,722</b>	<b>-10,182</b>	<b>179,880</b>	<b>159,161</b>

## Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m
<b>A. Gross underwriting provisions</b>				
I. Unearned premiums	163	146	3,422	3,116
II. Provision for future policy benefits	16,484	14,043	653	555
III. Provision for outstanding claims	793	618	24,784	19,332
IV. Other underwriting provisions	30	29	1,256	1,213
	17,470	14,836	30,115	24,216
<b>B. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders</b>	0	0	0	0
<b>C. Other accrued liabilities</b>	339	308	1,057	765
<b>D. Other segment liabilities</b>	3,172	2,954	9,640	8,892
<b>Total segment liabilities</b>	<b>20,981</b>	<b>18,098</b>	<b>40,812</b>	<b>33,873</b>

Primary insurance				Asset management		Consolidation		Total		
Life and health		Property-casualty								
31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	
715	592	670	660	–	–	–167	–124	4,803	4,390	
64,005	59,425	17	3	–	–	–3,942	–3,554	77,217	70,472	
829	807	3,072	2,928	–	–	–711	–946	28,767	22,739	
20,082	17,945	119	81	–	–	205	317	21,692	19,585	
85,631	78,769	3,878	3,672	–	–	–4,615	–4,307	132,479	117,186	
396	141	0	0	–	–	0	0	396	141	
638	516	903	782	11	0	–21	–12	2,927	2,359	
12,931	11,114	2,388	2,217	69	0	–4,701	–4,078	23,499	21,099	
<b>99,596</b>	<b>90,540</b>	<b>7,169</b>	<b>6,671</b>	<b>80</b>	<b>0</b>	<b>–9,337</b>	<b>–8,397</b>	<b>159,301</b>	<b>140,785</b>	
								<b>Shareholders' equity*</b>	<b>20,579</b>	<b>18,376</b>
								<b>Total equity and liabilities</b>	<b>179,880</b>	<b>159,161</b>

\* Group shareholders' equity and minority interests

## Segment reporting

INCOME STATEMENT	Reinsurance			
	Life and health		Property-casualty	
	1999 €m	Prev. year €m	1999 €m	Prev. year €m
1. Gross premiums written	3,742	3,011	11,626	11,135
Thereof:				
– From insurance transactions with other segments	735	646	713	669
– From insurance transactions with external third parties	3,007	2,365	10,913	10,466
2. Net earned premiums	3,151	2,754	10,336	9,860
3. Investment result	1,523	1,192	2,428	2,011
Thereof:				
– Dividends from associated enterprises	318	268	405	339
4. Other income	143	30	336	93
Total income (2 – 4)	4,817	3,976	13,100	11,964
5. Net expenses for claims and benefits	3,009	2,745	8,964	7,336
6. Net operating expenses	1,003	876	3,151	2,957
7. Amortization of goodwill	2	0	113	105
8. Other expenses	136	120	446	380
Total expenses (5 – 8)	4,150	3,741	12,674	10,778
9. Operating result before tax	667	235	426	1,186
10. Tax	24	84	–31	267
11. Minority interests in earnings	1	1	6	20
12. Profit for the year	642	150	451	899

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
1999 €m	Prev. year €m	1999 €m	Prev. year €m	1999 €m	Prev. year €m	1999 €m	Prev. year €m	1999 €m	Prev. year €m
9,809	9,148	3,690	3,523	–	–	–1,454	–1,321	27,413	25,496
0	0	6	6	–	–	–1,454	–1,321	–	–
9,809	9,148	3,684	3,517	–	–	–	–	27,413	25,496
8,724	8,300	2,734	2,631	–	–	0	0	24,945	23,545
5,435	5,065	524	516	2	0	–387	–317	9,525	8,467
133	40	110	3	15	0	0	0	981	650
528	434	124	86	18	0	–402	–336	747	307
14,687	13,799	3,382	3,233	20	0	–789	–653	35,217	32,319
11,598	11,075	1,670	1,579	0	0	0	0	25,241	22,735
1,362	1,274	951	958	0	0	33	41	6,500	6,106
5	4	0	1	0	0	0	0	120	110
1,295	1,134	245	176	28	0	–495	–613	1,655	1,197
14,260	13,487	2,866	2,714	28	0	–462	–572	33,516	30,148
427	312	516	519	–8	0	–327	–81	1,701	2,171
190	154	197	285	4	0	–1	1	383	791
90	80	119	104	0	0	–31	–25	185	180
147	78	200	130	–12	0	–295	–57	1,133	1,200

## Segment reporting

INVESTMENTS	Reinsurers		Primary insurers		Total	
	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m	31.12.1999 €m	Prev. year €m
Europe	40,664	36,343	95,420	86,410	136,084	122,753
North America	12,219	11,511	719	444	12,938	11,955
Asia and Australasia	1,025	831	307	165	1,332	996
Africa, Near and Middle East	437	320	8	2	445	322
Latin America	77	67	51	49	128	116
Total	54,422	49,072	96,505	87,070	150,927	136,142



GROSS PREMIUMS WRITTEN*	Reinsurers		Primary insurers		Total	
	1999 €m	Prev. year €m	1999 €m	Prev. year €m	1999 €m	Prev. year €m
<b>Europe</b>						
Germany	3,719	3,811	12,054	11,462	15,773	15,273
France	300	254	19	16	319	270
UK	1,235	1,007	106	79	1,341	1,086
Italy	669	591	32	30	701	621
Netherlands	270	276	347	298	617	574
Others	1,428	1,546	837	730	2,265	2,276
	7,621	7,485	13,395	12,615	21,016	20,100
<b>North America</b>						
USA	3,898	3,172	71	37	3,969	3,209
Canada	543	440	1	1	544	441
	4,441	3,612	72	38	4,513	3,650
<b>Asia and Australasia</b>						
Japan	284	284	1	0	285	284
Australia	252	184	0	0	252	184
Taiwan	129	138	0	0	129	138
Others	307	280	15	9	322	289
	972	886	16	9	988	895
<b>Africa, Near and Middle East</b>						
South Africa	158	171	7	0	165	171
Israel	183	167	0	0	183	167
Others	164	163	2	2	166	165
	505	501	9	2	514	503
<b>Latin America</b>						
Mexico	116	109	0	0	116	109
Colombia	66	80	0	0	66	80
Others	199	158	1	1	200	159
	381	347	1	1	382	348
<b>Total</b>	<b>13,920</b>	<b>12,831</b>	<b>13,493</b>	<b>12,665</b>	<b>27,413</b>	<b>25,496</b>

\* After elimination of intra-Group transactions across segments.

Presentation of the figures in the management report differs from this (cf. note on page 39).

## Notes to the consolidated financial statements

### First-time application of International Accounting Standards (IAS)

Munich Re's consolidated financial statements have been prepared for the first time in accordance with the standards of the International Accounting Standards Committee (IASC).

IAS currently do not contain any standards governing the accounting and valuation of transactions specific to the insurance industry; the relevant items are therefore included and valued in accordance with US GAAP (Generally Accepted Accounting Principles for the United States).

The consolidated financial statements have been prepared in accordance with International Accounting Standards adopted up to and including 31st December 1999 whose application was obligatory for the business year. In addition, we have observed the following Standards whose application was not compulsory for the business year:

IAS 10 (revised)	Events after the Balance Sheet Date
IAS 16 (revised)	Property, Plant and Equipment
IAS 22 (revised)	Business Combinations
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement

### Previous year's figures

We have calculated the previous year's figures on the same basis as the figures for the business year 1999. The only exception is the translation of foreign currency items in the case of the parent company, for which average exchange rates have been used in the income statement since 1999 (previously: exchange rates on reporting date).

When comparing the data, it should be borne in mind that the parent company changed its balance sheet date as at 31st December 1998 (previously 30th June 1998). The investment result and the other income and expenses of the parent company are therefore only included in the previous year's figures insofar as they were apportionable to the second half-year 1998; the underwriting income and expenses were already included on a calendar-year basis before.

Our Swiss subsidiary, New Re, also changed its accounting practice in 1998, altering the accounting of its underwriting business so that, instead of being deferred for one year, it covers the past year in the same way as the general accounts. The changeover year 1998 thus contains underwriting income and expenses for 1997 and 1998.

## CONSOLIDATION

### Consolidated group

In accordance with IAS 27, the consolidated financial statements include the Munich Reinsurance Company (the parent company) and all the enterprises in which Munich Re owns, directly or indirectly, the majority of the voting shares (subsidiaries). The only exceptions are subsidiaries which are determined as being not material for assessing the Group's financial position; insurance and reinsurance companies are consolidated regardless of their size. An overview of the group of consolidated companies and other important shareholdings is provided on p. 154f.

Consolidated subsidiaries	Germany	Other countries	Total
31.12.1998	75	101	176
Additions	17	12	29
Reductions	0	3	3
31.12.1999	92	110	202

The ERGO Insurance Group acquired three companies in the year under review for a total price of €42m. Apart from this, there were no significant changes in the group of consolidated companies.

Non-consolidated subsidiaries	Germany	Other countries	Total
31.12.1998	88	52	140
Additions	14	12	26
Reductions	11	3	14
31.12.1999	91	61	152

The aggregate shareholders' equity of the non-consolidated subsidiaries amounted to less than 0.5% of the Group's shareholders' equity at 31st December 1999, and their aggregate profit for the year to 0.4% of the consolidated profit for the year. The enterprises involved are mainly service and management companies.

### Consolidation principles

The balance sheet date of all the consolidated companies is 31st December.

We generally consolidate subsidiaries as soon as the Group holds the majority of the voting shares. In order to determine the equity capital at the time of acquisition, we include the assets and liabilities of the subsidiary according to uniform Group accounting and valuation methods. The equity capital apportionable to the Group is netted against the acquisition costs of the shares. If the acquisition costs are greater, the difference is allocated to the individual assets or liabilities until their value corresponds to their fair value; any residual amount is capitalized as goodwill and amortized on a straight-line basis.

The profits earned by the subsidiaries after their first consolidation are included in the Group's revenue reserves unless they are apportionable to minority interests.

Minority interests are shown separately in the balance sheet and the income statement. They represent the amounts apportionable to other shareholders outside the Group from the consolidated shareholders' equity and profits for the year of the subsidiaries concerned.

Amounts relating to intra-Group transactions (receivables and liabilities, expenses and income between consolidated companies) are eliminated unless they are determined as being not material.

#### Associated enterprises

In accordance with IAS 28, associated enterprises are all enterprises which are not subsidiaries and in which Group companies hold between 20 and 50% of the voting rights – regardless of whether a significant influence is actually exercised on the financial and operating decisions of the enterprise.

Enterprises valued at equity	Germany	Other countries	Total
31.12.1998	33	22	55
Additions	0	4	4
Reductions	8	1	9
31.12.1999	25	25	50

Other associated enterprises	Germany	Other countries	Total
31.12.1998	27	18	45
Additions	2	5	7
Reductions	5	0	5
31.12.1999	24	23	47

## ACCOUNTING AND VALUATION OF ASSETS

### A. Intangible assets

**Goodwill** resulting from the first-time consolidation of subsidiaries is amortized on a straight-line basis over its useful life – up to 20 years (IAS 22).

**Other intangible assets** are valued at the acquisition cost less straight-line depreciation. The useful life assumed for software is three to five years and for insurance portfolios up to 15 years. We have not capitalized internally generated software, as this did not meet the definition of an intangible asset (IAS 38).

### B. Investments

**Real estate** is carried at cost. Maintenance expenses and repairs are recognized as an expense. Subsequent expenditure that increases the value of real estate is capitalized if it extends the useful life. The capitalized costs of buildings are amortized over 100 years at most, in accordance with their useful lives. If the recoverable amount of land and buildings falls below its carrying amount and the diminution in value is likely to be permanent, the carrying amount is reduced to the recoverable amount. Any impairment loss is recognized as an investment expense in the income statement, and any increases in value as investment income.

**Investments in affiliated enterprises** that we do not consolidate because they are not material are carried at their fair values. If the shares are listed on a stock exchange, we use the share prices at the balance sheet date; for other shares, the fair value is the net asset value based on the German Association of Financial Analysts (DVFA) method or – in the case of new acquisitions – the acquisition cost.

**Investments in associated enterprises** are valued by the equity method at the Group's proportionate share of their net assets; as a rule, the most recent individual or consolidated financial statements of the associated enterprise are used for this. The earnings of an associated enterprise apportionable to the Group are included in the investment result. Investments in associated enterprises that are determined as being not material for assessing the Group's financial position are valued at acquisition cost.

**Loans** are stated at amortized cost. Writedowns for impairments are made in cases where the repayment of a loan can no longer be expected.

**Fixed-interest securities held to maturity** are – like loans – stated at amortized cost. The main investments shown here are registered bonds and promissory notes.

**Securities available for sale** are stated at market value. Unrealized gains or losses are excluded from the income statement; after deduction of deferred taxes and the amounts apportionable to policyholders by the life and health insurers on realization, they are reflected in shareholders' equity. This item also includes registered bonds and promissory notes.

**Securities held for trading** comprise all fixed-interest and non-fixed-interest securities that we have acquired for trading purposes to earn short-term profits from price changes and differences; in addition, they include all derivative financial instruments that we have not acquired for hedging purposes. Securities held for trading are stated at the market value at the balance sheet date; all unrealized gains or losses from this valuation are included in the investment result.

Writedowns are made on all securities that are not investments held for trading if they suffer an impairment in value that is not temporary. These writedowns are recognized in the income statement.

**Deposits retained on assumed reinsurance** are claims which the reinsurers have on their clients for cash deposits that have been retained under the terms of reinsurance agreements; they are accounted for at face value.

**Other investments** are also stated at face value.

**C. Investments for the benefit of life insurance policyholders who bear the investment risk**

These are mainly investments for policyholders under unit-linked life insurances. They are accounted for at market value; unrealized gains and losses are matched by corresponding changes in the underwriting provisions (equity and liabilities item D).

**D. Ceded share of underwriting provisions**

The share of underwriting provisions for business ceded by us is determined from the gross underwriting provisions in accordance with the terms of the reinsurance agreements; cf. the notes to the corresponding liabilities items.

**E. Receivables**

Receivables on primary insurance business, accounts receivable on reinsurance and other receivables are stated at face value; adjustments of value are made where necessary.

**F. Cash with banks, cheques and cash in hand**

Cash and cheques are shown at their face value.

**G. Deferred acquisition costs**

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance policies.

In reinsurance and property-casualty insurance, the deferred acquisition costs are capitalized and amortized on a straight-line basis over the average term of the policies, from one to five years.

In life insurance, the deferred acquisition costs are also capitalized and amortized over the terms of the policies; the amount of amortization depends on the gross margins of the respective products calculated for the relevant year of the policy term.

The acquisition costs in health insurance are amortized proportionally to premium income over the total average policy term. The amortization amount is determined on the basis of the assumptions used for calculating the provision for future policy benefits.

**H. Deferred tax assets**

Under IAS 12, deferred tax assets must be accounted for in cases where asset items have to be valued lower, or liabilities items higher, in the consolidated balance sheet than in the tax balance sheet of the Group company concerned and these differences are temporary. We take into account the tax rates of the countries concerned and the company's respective tax situation; in some cases, for purposes of simplification, we use uniform tax rates for individual circumstances or subsidiaries.

Where unrealized losses on securities available for sale are reflected in shareholders' equity (see above), the resulting deferred tax assets are recorded but excluded from earnings.

At each balance sheet date we review the carrying amount of the deferred tax assets. If it is no longer probable that the deferred tax asset will be realized in the future, the carrying amount is reduced.

#### **I. Other assets**

Other assets are stated at cost less any writedowns that are required.

### ACCOUNTING AND VALUATION OF EQUITY AND LIABILITIES

#### **A. Shareholders' equity**

The item **issued capital and capital reserve** contains the amounts that the shareholders of the parent company have paid in on shares. Under **revenue reserves**, we show the profits which consolidated companies have earned and retained since becoming a member of the Munich Re Group, and income and expenses resulting from consolidation measures. Unrealized gains and losses resulting from the market valuation of investments are included in the **other reserves**.

#### **B. Minority interests**

This item contains the shares of third parties in the shareholders' equity of subsidiaries that are not wholly owned directly or indirectly by the parent company.

#### **C. Gross underwriting provisions**

The underwriting provisions are shown gross in our balance sheet, i.e. without deduction of the share apportionable to business ceded by us; cf. the explanatory remarks on the relevant asset item. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements.

**Unearned premiums** are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases.

The **provision for future policy benefits** covers the anticipated future benefits payable to policyholders in life, health and personal accident insurance and also the ageing reserves in health insurance.

Provisions for future policy benefits are generally calculated using actuarial methods from the present value of the future benefits payable to policyholders and from the present value of the premiums still to be paid by the policyholders; the calculation is based in particular on assumptions relating to mortality, morbidity and interest rate development.

If policyholders participate in aggregate divisible surplus in the same proportion as their policies are considered to have contributed to this surplus ("contribution principle"), the provision for future policy benefits is calculated with reference to the contractually agreed calculation bases (FAS 120); as these are prudent assumptions, surpluses regularly accrue, which are for the most part distributed to policyholders. The acquisition costs are capitalized and amortized over the terms of the policies (on the basis of the estimated surpluses).

If policyholders participate in surplus, but not by way of the contribution principle, or they are promised fixed benefits without participation in surplus, then safety loadings are included in the calculation of the provision for future policy benefits that are based on the circumstances at the conclusion of the policy (FAS 60). Here, too, the acquisition costs are capitalized and amortized over the terms of the policies (on the basis of the premium income).

In the case of life insurance policies where policyholders bear the investment risk themselves (e.g. unit-linked life insurance), the provision for future policy benefits reflects the market values of the relevant investments (FAS 97); this provision is shown separately (item D).

If policyholders can vary their premium payments within certain contractually specified limits (universal life), the amount included in the provision for future policy benefits corresponds to the premiums paid plus the interest credited thereon (FAS 97).

The **provision for outstanding claims** covers payment obligations arising from insurance and reinsurance contracts where the size of the claim or the date of the payment is still uncertain. Such provisions are posted for claims that have been reported, for claims incurred but not yet reported, and for internal and external claims adjustment expenses. Provisions for outstanding claims are based on estimates; the actual payments may be higher or lower.

This applies particularly in reinsurance, where a considerable time may elapse between the occurrence of an insured loss, its reporting by the primary insurer and payment of the reinsurer's share. 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 partly using actuarial methods. The future payment obligations are generally not discounted; exceptions are some actuarially calculated provisions for annuities in motor, personal accident and liability insurance.

**Other underwriting provisions** include the provisions for premium refunds.



Provisions for premium refunds are made for obligations involving bonuses and rebates in life and health insurance that are not yet payable at the balance sheet date; the amount posted is based on supervisory or contractual regulations. The item "Other underwriting provisions" also includes unrealized gains and losses resulting from the accounting of certain investments at market value to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations (provision for deferred premium refunds).

Provisions for anticipated losses are posted if the future premiums and proportional investment income in a portfolio will probably not be sufficient to cover the expected claims and costs.

**D. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders**

Please see the remarks on assets item C and on the provisions for future policy benefits.

**E. Other accrued liabilities**

These primarily include **provisions for post-employment benefits**. In accordance with IAS 19, these are calculated using actuarial instruments (e.g. current mortality tables and disablement probabilities) and assumptions in relation to the future development of wages and salaries, as well as increases in current pensions and pension entitlements. The interest rate at which the pension provisions are discounted is based on the yields for long-term bonds of first-class issuers (e.g. government bonds).

**Provisions for taxes** are posted – without discounting – in accordance with the probable tax payments for the year under review or previous years.

**Other provisions** are posted in the amount of the probable requirement; such amounts are not discounted.

**F. Liabilities**

The liabilities shown under this item – notes and debentures, accounts payable, deposits retained on ceded business and other liabilities – are stated at the settlement value.

**G. Deferred tax liabilities**

Under IAS 12, deferred tax liabilities must be accounted for if asset items have to be valued higher, or liabilities items lower, in the consolidated balance sheet than in the tax balance sheet of the reporting company and if this difference is temporary; cf. the remarks on the corresponding assets item.

## FOREIGN CURRENCY TRANSLATION

Munich Re's reporting currency is the euro. The balance sheets of foreign subsidiaries that do not report in euros are translated using the year-end exchange rates, and their income statements using the annual average exchange rates; any translation differences arising in the process are reflected in shareholders' equity and excluded from earnings.

Group companies that write a significant portion of their business in foreign currency generally safeguard themselves against exchange losses by attempting to match assets and liabilities in the same currency. Where exchange gains or losses occur nevertheless in the translation of the balance sheet currencies of the consolidated companies, they are accounted for under "Other income" and "Other expenses" respectively.

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

	Balance sheet		Income statement	
	31.12.1999	Prev. year	1999	Prev. year
Australian dollar	1.53180	1.90822	1.65255	1.76551
Canadian dollar	1.45470	1.81600	1.58445	1.64480
Pound sterling	0.62200	0.69901	0.65887	0.67001
Rand	6.17200	6.86642	6.51730	6.10053
Swiss franc	1.60450	1.60052	1.60042	1.61103
US dollar	1.00240	1.16906	1.06603	1.11158
Yen	102.596	134.792	121.307	145.016

## MAIN DIFFERENCES BETWEEN IAS AND GERMAN COMMERCIAL CODE

Shareholders' equity is substantially higher under IAS than under German Commercial Code accounting because large portions of the investment portfolio are valued at market; results fluctuate more strongly than under German Commercial Code accounting, because there are no claims equalization provisions to provide a "smoothing" effect. The most important differences between IAS and the German Commercial Code as regards the Munich Re Group are as follows:

- Under IAS, goodwill is amortized over a maximum period of 20 years with impact on earnings; in our German Commercial Code accounting, we offset goodwill against the revenue reserves without impacting earnings.
- A large portion of the investments are valued at market under IAS; under the German Commercial Code they are valued at the lower of cost or market.
- The group of associated enterprises valued at equity is considerably larger in the IAS financial statements, because it is no longer relevant whether a significant influence is actually exercised or not. The consolidated profit now includes a corresponding portion of the net profit of the enterprises concerned rather than only the dividend distributions.

- As is internationally customary, the ceded share of underwriting provisions is shown on the assets side of the balance sheet.
- The provisions for future policy benefits are higher because, unlike in German Commercial Code accounting, there is no zillmerization, but capitalization of the acquisition costs.
- The provision for premium refunds is markedly higher than under the German Commercial Code, because it also includes policyholders' latent share of unrealized gains resulting from the valuation of investments at market.
- The provision for outstanding claims is lower under IAS, because the actuarial calculations on the basis of partial portfolios generally result in a smaller requirement than the individual valuation of all claims based on the prudence concept, which the German Commercial Code prescribes.
- Claims equalization provisions as under the German Commercial Code do not constitute liabilities to third parties and are thus not admissible under IAS; they therefore have to be reversed.
- Pension provisions that are valued in accordance with IAS are higher, because this calculation must also take into account the expected increase in wages and salaries, as well as pension entitlements and current pension payments.
- Premiums tend to be lower under IAS. In the case of products which are mainly of an investment character (e.g. financing treaties, unit-linked life insurance) only that portion of the premium used to cover the risk insured and associated costs is treated as premium income. In the IAS financial statements there are no "premiums from the provision for policyholders' dividends".
- Writedowns on investments are lower than under German Commercial Code accounting, because they may only be recorded if the diminution in value is likely to be permanent.
- Gains on the disposal of investments are lower and the losses on disposal higher under IAS, since disposal proceeds are now set against higher carrying amounts than in German Commercial Code accounting (lower of cost or market).

## NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

**(1) Goodwill****All figures in €m**

Gross amount capitalized 31.12.1998	2,309
Accumulated amortization 31.12.1998	215
Carrying amount 31.12.1998	2,094
Translation differences	305
Carrying amount 1.1.1999	2,399
Additions	33
Disposals	170
Amortization	120
Carrying amount 31.12.1999	2,142
Accumulated amortization 31.12.1999	335
Gross amount capitalized 31.12.1999	2,477

The goodwill results mainly from the acquisition of American Re in November 1996 and from acquisitions within the ERGO Insurance Group in the years 1998 and 1999.

**(2) Other intangible assets**

	Software	Purchased insurance portfolios	Other	Total
<b>All figures in €m</b>				
Gross amount capitalized 31.12.1998	180	40	47	267
Accumulated depreciation 31.12.1998	109	13	31	153
Carrying amount 31.12.1998	71	27	16	114
Translation differences	0	0	0	0
Carrying amount 1.1.1999	71	27	16	114
Additions	31	137	47	215
Disposals	3	0	3	6
Depreciation				
– Amortization	33	11	9	53
– Writedowns for impairments	1	0	0	1
Carrying amount 31.12.1999	65	153	51	269
Accumulated depreciation 31.12.1999	143	24	40	207
Gross amount capitalized 31.12.1999	208	177	91	476

The other intangible assets include rights equivalent to real property amounting to €5m (5m).

Depreciation of software is apportioned in the income statement between the investment result, expenses for claims and benefits, and operating expenses. Amortization of purchased insurance portfolios is shown under “Other expenses”.

**(3) Real estate****All figures in €m**

Gross amount capitalized 31.12.1998	7,524
Accumulated depreciation 31.12.1998	1,012
Carrying amount 31.12.1998	6,512
Translation differences	22
Carrying amount 1.1.1999	6,534
Additions	518
Changes in consolidated group	117
Disposals	186
Write-ups	20
Depreciation	
– Amortization	72
– Writedowns for impairments	30
Carrying amount 31.12.1999	6,901
Accumulated depreciation 31.12.1999	1,094
Gross amount capitalized 31.12.1999	7,995

Land and buildings used by Group companies for their own activities are valued at €1,687m (1,540m).

Real estate pledged as security and other restrictions on title amount to €28m (28m). The expenses for investments under construction amount to €38m (4m) at the balance sheet date.

The fair value of real estate at the balance sheet date totals €9,220m (8,667m). The fair value is generally the capitalized earnings value; new buildings are valued at cost.

**(4) Investments in affiliated enterprises and associated enterprises**

<b>All figures in €m</b>	<b>31.12.1999</b>	<b>Prev. year</b>
Affiliated enterprises	202	184
Associated enterprises	10,431	9,902
Total	10,633	10,086

The fair value of investments in associated enterprises, which are generally valued at equity, amounts to €27,258m (29,390m) at the balance sheet date.

An overview of our most important shareholdings can be found on page 154 f.

**(5) Loans**

<b>All figures in €m</b>	<b>Carrying amounts</b>	
	<b>31.12.1999</b>	<b>Prev. year</b>
Mortgage loans	6,644	6,430
Loans and advance payments on insurance policies	574	586
Other loans	1,452	459
Total	8,670	7,475

In the business year the market values of the loans generally corresponded to the carrying amounts. The "other loans" include loans to affiliated enterprises totalling €65m (119m) and loans to associated enterprises totalling €164m (5m).

Contractual period to maturity	Carrying amounts	
	31.12.1999	Prev. year
<b>All figures in €m</b>		
Up to one year	461	460
Over one year and up to 5 years	3,026	2,399
Over 5 years and up to 10 years	4,409	3,878
Over 10 years	774	738
<b>Total</b>	<b>8,670</b>	<b>7,475</b>

**(6) Other securities, held to maturity**

Issuers	Carrying amounts		Market values	
	31.12.1999	Prev. year	31.12.1999	Prev. year
<b>All figures in €m</b>				
Government bonds				
– Germany	0	1	0	1
– Rest of EU	21	165	22	178
– Others	1	0	1	0
Corporate bonds	1,393	1,521	1,452	1,703
Others	15	1	15	1
<b>Total</b>	<b>1,430</b>	<b>1,688</b>	<b>1,490</b>	<b>1,883</b>

Contractual period to maturity	Carrying amounts		Market values	
	31.12.1999	Prev. year	31.12.1999	Prev. year
<b>All figures in €m</b>				
Up to one year	251	329	274	336
Over one year and up to 5 years	618	676	648	762
Over 5 years and up to 10 years	464	580	471	732
More than 10 years	97	103	97	53
<b>Total</b>	<b>1,430</b>	<b>1,688</b>	<b>1,490</b>	<b>1,883</b>

## Rating on market-value basis

<b>All figures in €m</b>	31.12.1999
AAA	84
AA	7
A	12
BBB	4
Lower	0
No rating	1,383
<b>Total</b>	<b>1,490</b>

The rating categories are based on the grading of the leading international rating agencies.

**(7) Other securities, available for sale**

All figures in €m	Carrying amounts		Unrealized gains/losses		Amortized cost	
	31.12.1999	Prev. year	31.12.1999	Prev. year	31.12.1999	Prev. year
Fixed-interest securities						
– Government bonds						
– Germany	2,624	6,368	114	720	2,510	5,648
– Rest of EU	2,918	3,163	84	249	2,834	2,914
– USA	2,946	3,263	–82	116	3,028	3,147
– Others	2,508	1,809	–6	127	2,514	1,682
– Corporate bonds	33,176	31,200	1,285	2,867	31,891	28,333
– Others	7,538	6,949	54	478	7,484	6,471
	51,710	52,752	1,449	4,557	50,261	48,195
Non-fixed-interest securities						
– Shares	18,481	16,341	10,940	5,678	7,541	10,663
– Investment funds						
– Equity funds	20,651	15,061	7,370	4,320	13,281	10,741
– Bonds funds	16,922	13,496	1,065	1,371	15,857	12,125
– Real estate funds	889	207	–7	–6	896	213
– Others	1,061	502	62	82	999	420
	58,004	45,607	19,430	11,445	38,574	34,162
Total	109,714	98,359	20,879	16,002	88,835	82,357

## Realized gains and losses

All figures in €m	1999	Prev. year
Gains on disposal	1,680	1,566
– Fixed-interest securities	274	426
– Non-fixed-interest securities	1,406	1,140
Losses on disposal	253	90
– Fixed-interest securities	94	44
– Non-fixed-interest securities	159	46
Total	1,427	1,476

Contractual period to maturity of fixed-interest securities	Carrying amounts		Amortized cost	
	31.12.1999	Prev. year	31.12.1999	Prev. year
Up to one year	5,165	5,135	5,073	4,920
Over one year and up to 5 years	21,325	19,415	20,468	18,385
Over 5 years and up to 10 years	21,860	25,743	21,608	22,686
Over 10 years	3,360	2,459	3,112	2,204
Total	51,710	52,752	50,261	48,195

## Rating of fixed-interest securities on market-value basis

All figures in €m	31.12.1999
AAA	36,111
AA	10,383
A	2,608
BBB	446
Lower	71
No rating	2,091
Total	51,710

**(8) Other securities, held for trading**

The other securities held for trading include fixed-interest securities totalling €91m (98m) and non-fixed-interest securities totalling €100m (78m).

**Derivative financial instruments**

The market value of open positions totalled €90m at the balance sheet date, i.e. less than 1% of the balance sheet total.

The following table shows the notional principal amounts, broken down by product type and period to maturity:

All figures in €m	Open positions					
	Periods to maturity					
	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
<b>OTC products</b>	<b>Notional principal amounts</b>					
Cross currency swaps	-	-	-	130	-	130
Interest rate swaps	33	-	56	147	343	579
Other interest rate contracts	32	-	-	203	1,525	1,760
Stock options	1	1	-	-	-	2
Others	139	-	-	7	250	396
	205	1	56	487	2,118	2,867
<b>Exchange traded</b>						
Stock options	1	0	2	19	-	22
Others	90	-	-	-	-	90
	91	0	2	19	-	112
Total	296	1	58	506	2,118	2,979

The market value of derivatives for fair value hedges totals €2m and the market value of derivatives for cash flow hedges €114m.

For cash flow hedges open at the balance sheet date, the periods to maturity were as follows:

All figures in €m	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Notional principal amounts	156	0	56	480	2,118	2,810

**(9) Miscellaneous other investments**

This item includes deposits with banks totalling €1,111m (666m).



**(10) Receivables**

All figures in €m	31.12.1999		Prev. year	
Amounts receivable on primary insurance business		522		494
Thereof				
– from policyholders		276		263
– from intermediaries		246		231
Accounts receivable on reinsurance business		4,541		2,641
Interest and rent		1,716		1,764
Other receivables		1,277		1,198
Total		8,056		6,097

Receivables with a remaining term of up to one year total €7,533m (6,095m); receivables with a remaining term of over one year total €523m (2m).

**(11) Receivables and liabilities in respect of affiliated enterprises and participating interests**

All figures in €m	Affiliated enterprises		Participating interests	
	31.12.1999	Prev. year	31.12.1999	Prev. year
Deposits retained on assumed reinsurance	1	8	5,078	5,075
Accounts receivable	1	0	417	20
Other receivables	28	90	30	22
Deposits retained on ceded business	45	145	931	897
Accounts payable	7	0	256	233
Other liabilities	51	110	176	173

**(12) Deferred acquisition costs**

We have used interest rates of between 3 and 8% for calculating the deferred acquisition costs.

Amortization in the business year totalled €1,773m.

**(13) Deferred tax**

This involves the following items:

All figures in €m	31.12.1999		Prev. year	
	Assets	Liabilities	Assets	Liabilities
Losses carried forward	45	–	26	–
Investments	108	4,788	27	4,765
Underwriting provisions	1,468	669	913	1,192
Pension provisions	142	0	82	0
Others	170	2,934	340	2,527
Total	1,933	8,391	1,388	8,484

**(14) Other assets**

These mainly comprise property, plant and equipment and inventories totalling €250m (233m).

## NOTES TO THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

**(15) Shareholders' equity**

On 25th January 1999 we carried out a 1:2 stock split for the registered shares, which had been fully paid up to DM 10 as at 31st December 1998. In accordance with the AGM resolutions of 5th November 1998, we converted the registered shares – together with the 3,000,000 bearer shares with a par value of DM 5 each – into no-par-value shares, each representing a rounded-off portion of €2.56 of the share capital.

The registered shares resulting from the split are entitled to dividend as from 1st January 1999. As a result of the stock split, the number of registered shares doubled to 170,919,680.

On 17th February 1999 we issued 3,000,000 new restrictedly transferable registered shares and offered these to the holders of bearer shares for subscription at a ratio of 1:1 for a price of €126.29 each, on the condition that they converted their bearer shares into registered shares. For each converted bearer share, they received one old registered share and – on exercising their subscription right – one new registered share entitled to dividend from 1st January 1999.

As a result of the above rights issue, the share capital increased to €380.4m.

By 31st December 1999 a total of 2,985,379 bearer shares had been converted into registered shares. The exercising of Munich Re 1998/2002 warrants in the course of the business year resulted in the issue of 96 more registered shares at an exercise price of €163.61 each. A very high percentage of the bearer shares were converted into registered shares, enabling us to delist the bearer shares as at 30th November 1999. This means that since 1st December 1999 Munich Re has been represented on the stock exchanges by registered shares only. We have thus achieved an important goal in the restructuring of our share capital.

The AGM of 22nd July 1999 had resolved to increase the share capital by €0.6m to €452.9m out of the capital reserve without the issue of new shares. This rounded the portion of the share capital attributable to each no-par-value share to exactly €2.56.

The share capital as at 31st December 1999 is thus divided into 176,905,155 registered shares and 14,621 bearer shares, each fully paid up and each entitled to one vote.

The contingent capital is as follows

All figures in €m	31.12.1999
To safeguard subscription rights from exercise of warrants 1998/2002	4.4
To safeguard subscription rights in rights issue from capital authorized for this purpose	15.4
To safeguard conversion rights or subscription rights from convertible bonds or bonds with warrants	15.4
<b>Total</b>	<b>35.2</b>

The capital authorized for capital increases remains the same as in the previous year:

All figures in €m	31.12.1999
Capital authorized for capital increases I	109.9
Capital authorized for capital increases II	25.6
Capital authorized for capital increases III	76.7
Total	212.2

#### Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
<b>Status 30.6.1998</b>	427	1,257	4,834	5,694	649	12,861
Changes in exchange rates	–	–	–200	–12	–8	–220
Capital increases	18	1,079	–	–	–	1,097
Allocation to revenue reserves	–	–	563	–	–563	0
Changes in the consolidated group	–	–	70	12	0	82
Unrealized gains and losses from valuation at equity	–	–	–	1,035	–	1,035
Unrealized gains and losses on other investments	–	–	–	209	–	209
Profit for the year	–	–	–	–	1,200	1,200
Dividends	–	–	0	–	–78	–78
Other changes	–	–	–21	–1	0	–22
<b>Status 31.12.1998</b>	445	2,336	5,246	6,937	1,200	16,164
Changes in exchange rates	–	–	470	26	9	505
Capital increases	8	372	–	–	–	380
Allocation to revenue reserves	–	–	1,128	–	–1,128	0
Changes in the consolidated group	–	–	22	–378	0	–356
Unrealized gains and losses from valuation at equity	–	–	–	419	–	419
Unrealized gains and losses on other investments	–	–	–	300	–	300
Profit for the year	–	–	–	–	1,133	1,133
Dividends	–	–	0	–	–81	–81
Other changes	–	–	–4	–6	0	–10
<b>Status 31.12.1999</b>	453	2,708	6,862	7,298	1,133	18,454

The "Other reserves" include €3,342m (2,954m) unrealized gains and losses from valuation at equity, €3,953m (3,973m) unrealized gains and losses on other investments, and €3m (10m) miscellaneous reserves.

#### Changes in unrealized gains and losses on other investments:

All figures in €m	1999	Prev. year
Unconsolidated affiliated enterprises	25	–14
Securities available for sale		
– Fixed-interest	–1,995	254
– Non-fixed-interest	4,860	161
Less:		
– Provision for deferred premium refunds	–3,078	–245
– Deferred taxes	168	69
Total	–20	225

€26m (–€12m) of this is apportionable to changes in exchange rates and –€346m (28m) to changes in the consolidated group.

**(16) Minority interests**

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	31.12.1999	Prev. year
Unrealized gains and losses	643	565
Consolidated profit	185	180
Other equity components	1,297	1,467
Total	2,125	2,212

**(17) Unearned premiums**

All figures in €m	31.12.1999	Prev. year
Gross	4,803	4,390
Ceded share	379	353
Net	4,424	4,037

The following table shows the distribution of net unearned premiums between the different Group segments:

All figures in €m*	31.12.1999	Prev. year
Reinsurers	3,097	2,840
– Life and health	79	63
– Property-casualty	3,018	2,777
Primary insurers	1,327	1,197
– Life and health	699	580
– Property-casualty	628	617
Total	4,424	4,037

\* After elimination of intra-Group transactions across segments.

**(18) Provision for future policy benefits\***

All figures in €m	31.12.1999	Prev. year
Gross	77,217	70,472
Ceded share	4,810	3,712
Net	72,407	66,760

The distribution of the net provision for future policy benefits between the different Group segments is as follows:

All figures in €m*	31.12.1999	Prev. year
Reinsurers	10,208	9,048
– Life and health	9,558	8,387
– Property-casualty	650	661
Primary insurers	62,199	57,712
– Life and health	62,182	57,709
– Property-casualty	17	3
Total	72,407	66,760

\* After elimination of intra-Group transactions across segments.

In calculating the provision for future policy benefits, interest rates of between 3 and 8% have been used:

**(19) Provision for outstanding claims**

All figures in €m	31.12.1999	Prev. year
Gross	28,767	22,739
Ceded	4,152	2,393
Net	24,615	20,346

The following table shows the distribution of the net provision for outstanding claims between the different segments of the Group:

All figures in €m*	31.12.1999	Prev. year
Reinsurers	20,990	16,603
– Life and health	641	358
– Property-casualty	20,349	16,245
Primary insurers	3,625	3,743
– Life and health	796	782
– Property-casualty	2,829	2,961
Total	24,615	20,346

\* After elimination of intra-Group transactions across segments.

The provision for outstanding claims includes gross provisions for annuity obligations arising from motor, personal accident and liability insurance totalling €99m (264m). These annuity provisions have been calculated using actuarial assumptions.

**(20) Other underwriting provisions**

All figures in €m	31.12.1999 Gross	31.12.1999 Ceded	31.12.1999 Net	Prev. year Gross	Prev. year Ceded	Prev. year Net
Provision for premium refunds	20,353	43	20,310	18,314	32	18,282
Miscellaneous	1,339	18	1,321	1,271	6	1,265
Total	21,692	61	21,631	19,585	38	19,547

The net provision for premium refunds is distributed between the segments of the Group as follows:

All figures in €m*	31.12.1999	Prev. year
Reinsurers	0	6
– Life and health	0	0
– Property-casualty	0	6
Primary insurers	20,310	18,276
– Life and health	20,257	18,238
– Property-casualty	53	38
Total	20,310	18,282

\* After elimination of intra-Group transactions across segments.

The provision for premium refunds showed the following development:

All figures in €m	1999	Prev. year
a) Amounts allocated on the basis of national regulations (gross)		
Status 1st January	4,721	4,333
Changes in the consolidated group	0	318
Allocations/withdrawals	293	70
Status 31st December	5,014	4,721
b) Deferred premium refunds (gross)		
Status 1st January	13,593	10,243
Change resulting from unrealized gains and losses on investments	2,158	2,553
Changes in the consolidated group	-412	797
Status 31st December	15,339	13,593
Total (gross)	20,353	18,314
Ceded share	43	32
Total (net)	20,310	18,282

€18,016m (17,535m) of the provision for premium refunds is profit-related and €2,294m (747m) is profit-unrelated.

A total of €777m (738m) was credited directly to life insurance policyholders in the business year.

The following table shows the distribution of the net other provisions between the segments of the Group:

All figures in €m*	31.12.1999	Prev. year
Reinsurers	1,252	1,214
– Life and health	22	14
– Property-casualty	1,230	1,200
Primary insurers	69	51
– Life and health	11	11
– Property-casualty	58	40
Total	1,321	1,265

\* After elimination of intra-Group transactions across segments.

The miscellaneous provisions include in particular the unearned portions of premiums for the coverage of natural catastrophe risks.

#### (21) Other accrued liabilities

The other accrued liabilities comprise provisions for post-employment benefits, tax provisions and miscellaneous other provisions.

All figures in €m	31.12.1999	Prev. year
Provisions for post-employment benefits	949	871
Tax provisions	995	841
Other provisions	983	647
Total	2,927	2,359

#### Provisions for post-employment benefits

The companies in the Munich Re Group generally give pension commitments to their employees in the form of defined contribution plans or defined benefit plans. The type and amount of the pension obligations are determined by the conditions of the respective pension plan. In general, they are based on the length of service and salary of the staff member.

**Defined contribution plans**

Under defined contribution plans the company pays fixed contributions to an insurer. This fully covers the company's obligations.

Expenses for defined contribution plans in the year under review total €16m (14m).

**Defined benefit plans**

Under defined benefit plans the staff member is promised a particular level of retirement benefit either by the company or by a pension fund. The company's contributions needed to finance this are not fixed in advance.

The recognition of actuarial gains and losses as from 1st January 1999 is based on the corridor method set out in items 92 and 93 sentence 1 of IAS 19 (revised 1998).

**Financing status**

All figures in €m	31.12.1999	Prev. year
Present value of unfunded obligations	912	836
Present value of funded obligations	211	189
Fair value of plan assets	-151	-121
Actuarial gains/losses not recognized	-24	-34
Past service cost not yet recognized	1	1
Net balance sheet liability	949	871

The provision for defined benefit plans changed as follows in the business year:

All figures in €m	1999	Prev. year
Status 1.1.	871	784
Changes in exchange rates	14	0
Expenses (see below)	91	109
Payments	-27	-22
Status 31.12.	949	871

The expenses booked in the year under review are made up as follows:

All figures in €m	1999	Prev. year
Current service cost	43	32
Interest cost	70	53
Expected return on plan assets	-13	-10
Net actuarial gains/losses recognized in year	-12	32
Past service cost	2	1
Gains/losses on curtailments and settlements	1	1
Total	91	109

The expenses are shown in the income statement mainly under "Operating expenses" and "Expenses for claims and benefits".

The consolidated companies used the following actuarial assumptions (weighted average values) for calculating their pension commitments:

All figures in €m	31.12.1999 %	Prev. year %
Discount rate	5.9	5.7
Expected rate of return on fund assets	9.3	8.9
Future increases in entitlement/salary	3.8	3.7
Future pension increases	2.0	2.0

#### Other provisions

All figures in €m	Prev. year	Allocations	With- drawals	Reversal	Other changes	31.12.1999
Earned commission	120	84	47	2	2	157
Outstanding invoices	52	48	39	2	0	59
Early retirement benefits	57	23	31	0	0	49
Holiday and overtime pay	37	29	22	1	0	43
Bonuses	38	14	8	0	-1	43
Anniversary benefits	28	33	20	4	0	37
Miscellaneous	315	414	96	42	4	595
Total	647	645	263	51	5	983

#### (22) Notes and debentures

All figures in €m	31.12.1999	Prev. year
American Re Corporation, Princeton 7.45%, US\$ 500m Senior Notes 1996/2026	497	427
American Re Capital, Delaware 8.5%, US\$ 237.5m QUIPS 1995/2025	237	203
Total	734	630

#### (23) Other liabilities

All figures in €m	31.12.1999	Prev. year
Deposits retained on ceded business	4,869	4,182
Accounts payable on primary insurance business	4,771	3,962
Accounts payable on reinsurance business	2,479	2,017
Amounts owed to banks	967	757
Miscellaneous liabilities	1,239	1,042
Total	14,325	11,960

€117m (87m) is apportionable to tax liabilities, €28m (33m) to liabilities for social security, and €10m (30m) to liabilities for interest and rent.

Liabilities with a remaining term of up to one year total €13,576m (10,931m); liabilities with a remaining term of over one year total €1,483m (1,659m).

#### (24) Other deferred items

This comprises miscellaneous deferred amounts.



## NOTES TO THE CONSOLIDATED INCOME STATEMENT

**(25) Premiums**

All figures in €m*	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		1999	Prev. year
	1999	Prev. year	1999	Prev. year	1999	Prev. year	1999	Prev. year		
Gross premiums written	3,007	2,365	10,913	10,466	9,809	9,148	3,684	3,517	27,413	25,496
Ceded premiums	433	234	1,431	1,311	245	201	238	205	2,347	1,951
Net premiums written	2,574	2,131	9,482	9,155	9,564	8,947	3,446	3,312	25,066	23,545
Change in unearned premiums										
– Gross amount	45	–25	4	–21	–115	4	–40	–16	–106	–58
– Ceded share	–16	1	–12	59	2	0	11	–2	–15	58
– Net amount	29	–24	–8	38	–113	4	–29	–18	–121	0
Net earned premiums	2,603	2,107	9,474	9,193	9,451	8,951	3,417	3,294	24,945	23,545

\* After elimination of intra-Group transactions across segments.

In the case of life insurance products where the policyholders bear the investment risk (e.g. unit-linked life insurance), only those parts of the premiums used to cover the risks insured and associated costs are treated as premiums.

**(26) Investment result**

All figures in €m	1999	Prev. year
Result from:		
Real estate	551	598
Investments in affiliated enterprises	8	60
Investments in associated enterprises	981	650
Mortgage loans and other loans	497	610
Other securities held to maturity	103	23
Other securities available for sale		
– Fixed-interest	3,325	3,506
– Non-fixed-interest	3,624	2,575
Other securities held for trading		
– Fixed-interest	10	–16
– Non-fixed-interest	34	23
Other investments	730	744
Expenses for the management of investments, other expenses	338	306
Total	9,525	8,467

All figures in €m*	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		1999	Pr. year	1999	Pr. year
	1999	Pr. year	1999	Pr. year	1999	Pr. year	1999	Pr. year				
<b>Investment income</b>												
Regular income	1,179	874	1,937	1,555	4,960	4,575	426	397	18	–	8,520	7,401
Income from write-ups	16	27	22	53	37	11	6	2	–	–	81	93
Gains on the disposal of investments	293	223	541	457	789	788	57	98	–	–	1,680	1,566
Other income	0	0	1	0	25	9	1	1	–	–	27	10
	1,488	1,124	2,501	2,065	5,811	5,383	490	498	18	–	10,308	9,070
<b>Investment expenses</b>												
Writedowns on investments	21	3	45	42	95	139	15	15	–	–	176	199
Losses on the disposal of investments	24	5	99	73	121	7	9	5	–	–	253	90
Management expenses, interest charges and other expenses	51	37	95	82	167	182	21	13	20		354	314
	96	45	239	197	383	328	45	33	20		783	603
<b>Total</b>	<b>1,392</b>	<b>1,079</b>	<b>2,262</b>	<b>1,868</b>	<b>5,428</b>	<b>5,055</b>	<b>445</b>	<b>465</b>	<b>–2</b>	<b>–</b>	<b>9,525</b>	<b>8,467</b>

\* After elimination of intra-Group transactions across segments.

### (27) Other income

In addition to foreign currency exchange gains of €302m (13m), the other income mainly includes income from services rendered of €106m (63m), interest and similar income of €91m (34m), and income from the reversal/reduction of miscellaneous provisions and adjustments of values for receivables.

### (28) Net expenses for claims and benefits

#### Reinsurance

All figures in €m*	Gross		Ceded		Net	
	1999	Prev. year	1999	Prev. year	1999	Prev. year
<b>I. Life and health</b>						
Claims and benefits paid	1,760	1,488	225	108	1,535	1,380
Change in provisions						
Provision for future policy benefits	732	856	194	155	538	701
Others	193	49	5	4	188	45
Provision for premium refunds	–	4	–	–	–	4
<b>Total</b>	<b>2,685</b>	<b>2,397</b>	<b>424</b>	<b>267</b>	<b>2,261</b>	<b>2,130</b>
<b>II. Property-casualty</b>						
Claims expenses						
Claims paid	7,973	6,707	892	856	7,081	5,851
Change in the provisions for outstanding claims	2,152	824	772	–91	1,380	915
	10,125	7,531	1,664	765	8,461	6,766
Change in other provisions						
Provision for future policy benefits	31	–	1	–	30	–
Miscellaneous	13	123	23	3	–10	120
Provision for premium refunds	1	–	2	–	–1	–
<b>Total</b>	<b>10,170</b>	<b>7,654</b>	<b>1,690</b>	<b>768</b>	<b>8,480</b>	<b>6,886</b>

\* After elimination of intra-Group transactions across segments.

## Primary insurance

All figures in €m*	Gross		Ceded		Net	
	1999	Prev. year	1999	Prev. year	1999	Prev. year
<b>I. Life and health</b>						
Claims and benefits paid	7,111	6,592	228	241	6,883	6,351
Change in provisions						
Provision for future policy benefits	3,077	2,904	21	-17	3,056	2,921
Others	6	3	-1	-8	7	11
Provision for premium refunds	2,406	2,428	8	12	2,398	2,416
Total	12,600	11,927	256	228	12,344	11,699
<b>II. Property-casualty</b>						
Claims expenses						
Claims paid	2,161	2,019	184	134	1,977	1,885
Change in the provision for outstanding claims	111	106	-7	-18	118	124
	2,272	2,125	177	116	2,095	2,009
Change in other provisions						
Provision for future policy benefits	14	2	-	-	14	2
Miscellaneous	11	-3	1	-1	10	-2
Provision for premium refunds	39	13	2	2	37	11
Total	2,336	2,137	180	117	2,156	2,020

\* After elimination of intra-Group transactions across segments.

**(29) Net operating expenses**

All figures in €m*	Reinsurance				Primary insurance				Total	
	Life/health		Property-casualty		Life/health		Property-casualty		1999	Pr. year
	1999	Pr. year	1999	Pr. year	1999	Pr. year	1999	Pr. year		
Acquisition costs										
Amounts paid	732	708	2,738	2,649	1,440	1,226	706	607	5,616	5,190
Change in deferred acquisition costs	44	-10	-83	-53	-148	-	-20	-1	-207	-64
	776	698	2,655	2,596	1,292	1,226	686	606	5,409	5,126
Management expenses	108	59	550	492	383	370	568	614	1,609	1,535
Gross operating expenses	884	757	3,205	3,088	1,675	1,596	1,254	1,220	7,018	6,661
Less reinsurance commission and profit commission received on business ceded	17	86	360	326	75	95	66	48	518	555
Net operating expenses	867	671	2,845	2,762	1,600	1,501	1,188	1,172	6,500	6,106

\* After elimination of intra-Group transactions across segments.

**(30) Other expenses**

In addition to foreign currency exchange losses of €75m (70m), the other expenses mainly include expenses for services rendered of €154m (89m), interest and similar expenses of €380m (373m), and writedowns of €224m (138m).

**(31) Tax**

This item shows the corporation tax and trade earnings tax paid by the German companies (including solidarity surcharge), the comparable taxes on earnings paid by the foreign companies in the Group, and other tax. In accordance with IAS 12, the determination of the tax on earnings includes the calculation of deferred taxes.

The amount is derived as follows:

All figures in €m	1999	Prev. year
Actual tax paid for business year	928	691
Actual tax paid for other periods	74	-205
Deferred tax resulting from the occurrence or reversal of temporary differences	-334	270
Effects of changes in tax rates on deferred tax	-300	5
Other	-8	14
Tax on earnings	360	775

The following table shows the relationship between the notional tax on earnings derived from the profit for the year and the tax on earnings shown. The German tax on earnings is based on the corporation tax rate for retained earnings applicable in Germany since 1999, the solidarity surcharge and the trade tax rate. The change in the tax rate is recognized in earnings.

All figures in €m	1999
Result before tax on earnings (after other tax)	1,678
Theoretical tax rate in %	45
Derived tax on earnings	755
Tax effect of	
– trade earnings tax	57
– non-deductible expenses	67
– tax-free income	-131
– changes in tax rates	-300
– miscellaneous	-88
Tax on earnings shown	360
Tax burden in %	21

**OTHER INFORMATION****(32) Parent company**

The parent company of the Munich Re Group is Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company Joint-Stock Company in Munich). It is entered in the commercial register with the address Königinstrasse 107, 80802 München. In addition to its function as a reinsurer, the company also fulfils the function of holding company for the Group.

**(33) Related enterprises**

Business relationships with related enterprises, i.e. unconsolidated affiliated companies, are not significant in extent and mainly include service activities.

**(34) Personnel expenses**

The following personnel expenses are included in the operating expenses, the expenses for claims and benefits and the investment result:

All figures in €m	1999	Prev. year
Wages and salaries	1,639	1,304
Social security contributions and employee assistance	289	264
Expenses for employees' pensions	142	129
Total	2,070	1,697*

**(35) Long-term incentive plan**

As at 1st July 1999 Munich Re decided to introduce a long-term incentive plan. The plan, with a term of seven years, provides for the members of the Board of Management and senior management in Munich and the top executives in Munich Re's international organization to be granted a defined number of stock appreciation rights.

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 that applying at the start of the plan.

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 at start of the plan. In addition, Munich Re shares must have outperformed the DAX 30 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.

As at 31st December 1999 a total of 110,840 stock appreciation rights had been granted, 46,371 of these to members of the Board of Management. The expenses incurred for the stock appreciation rights have been determined on the basis of the change in the Munich Re share price. The Munich Re share price at commencement of the plan, i.e. the initial share price, was fixed at €182.60. In the year under review an amount of €1.9m was set aside pro rata temporis for the stock appreciation rights.

**(36) Compensation and loans for Board members**

The total emoluments of the Board of Management of the Munich Reinsurance Company for fulfilment of its duties in respect of the parent company and the subsidiaries totalled €8.0m (5.6m\*). 40% of this was made up of variable compensation components. Payments to retired members of the Board of Management or their surviving dependants amounted to €2.5m (1.2m\*).

Taking into account the proposal for the appropriation of the profit, the emoluments of Supervisory Board totalled €0.9m (0.5m). This sum includes €0.4m (0.4m) dependent on the dividend paid to the shareholders.

A total of €65m (65m) was set aside for pension commitments towards retired members of the Board of Management or their surviving dependants.

\* Previous year only comparable to a limited extent owing to parent company's short business year.

The Board members did not receive any advances or loans in the year under review.

### (37) Number of staff

The number of staff employed by the Group at year-end totalled 26,121 (25,556) in Germany and 6,575 (6,263) in other countries.

	31.12.1999	Prev. year
Reinsurance companies	5,291	4,964
Primary insurance companies	27,910	27,316
Asset management	44	–
Total	33,245	32,280

### (38) Contingent liabilities, other financial commitments

Commitments under rental, leasing, work and service contracts amounted to €667m. In addition, there were investment obligations totalling €206m (416m). These figures represent undiscounted nominal amounts.

As a member of the German Reinsurance Pharmapool, the parent company is committed – to the extent of its proportional share – to assuming the payment obligations of another pool member if the latter is not able to meet these obligations. Similar commitments exist in connection with its membership of the German Nuclear Insurance Pool and the German Aviation Pool.

There are no other financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

### (39) Events after the balance sheet date

At the beginning of May Munich Re and Allianz AG announced a restructuring of their shareholdings scheduled to be completed by the end of the year 2003. The measures planned, which will result in a substantial inflow of liquid funds for Munich Re, are explained in the management report (Section 05). No other events have occurred since the balance sheet date which would have a material effect on the financial position of the Group as presented in the financial statements.

### (40) Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the year by the weighted average number of shares.

New shares issued in 1999 and those created in 1999 by the exercise of warrants are included pro rata temporis from the respective date of delivery. Taking into account the 1:2 split of the registered shares at the beginning of 1999, the weighted average number of the shares for 1999 was 175,793,668 (168,883,779). This gives an earnings per share figure of €6.45 (7.11). €1.70 of this is attributable to the aforementioned reduction of the corporation tax rate to 40% (45%) in Germany.

For the diluted earnings per share, the number of shares is increased by the weighted average of potential shares that would have a diluting effect. Outstanding warrants are additionally included pro rata temporis up to the time they are exercised. At an average share price of €195.44 and a warrant exercise price of €163.61, this results in a dilution of 285,409 (687,143) shares. The diluted earnings per share, the calculation of which was based on 176,079,077 (169,570,922) shares, thus amount to €6.44 (7.08).

Munich, 11th May 2000

The Board of Management

*Schmidt. James G. Henry 680073*  
*Arany Michael Schmitt 680073*  
*L. Uly Michael Schmidt*  
*in Vertretung der Verwaltung*

## Auditor's report

The auditor's opinion is worded as follows:

We have audited the consolidated financial statements, consisting of the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by the Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München for the business year from 1st January 1999 to 31st December 1999. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with International Accounting Standards (IAS) based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Accountants (IDW) as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS. Our audit, which also extends to the group management report for the business year from 1st January 1999 to 31st December 1999, has not led to any reservations.

In our opinion, altogether the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and group management report for the business year from 1st January 1999 to 31st January 1999 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and group management report in accordance



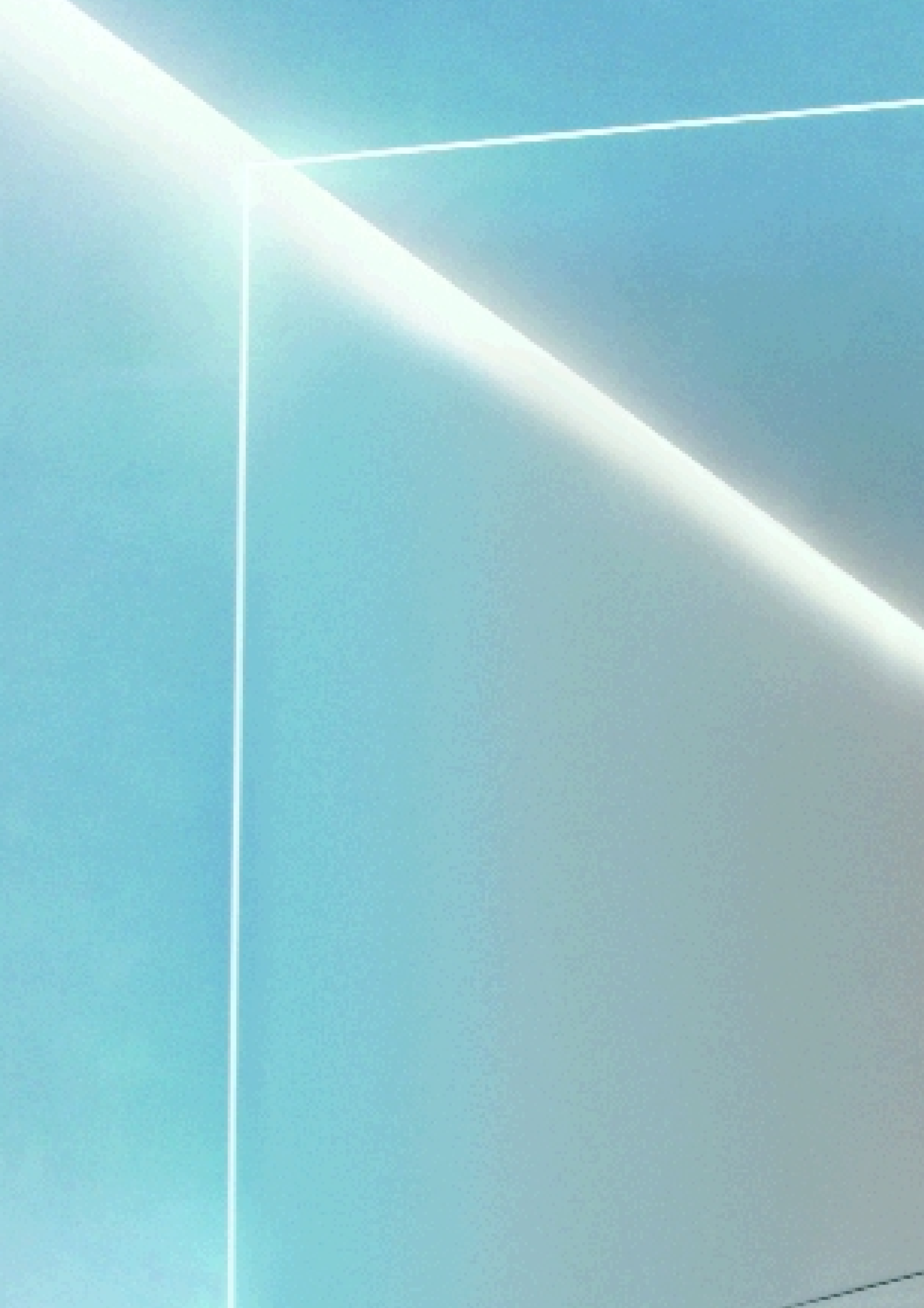
with German accounting law. We conducted our audit of the consistency of the group accounting with the 7th EU Directive, required for the exemption from the duty for consolidated accounting pursuant to commercial law, on the basis of the interpretation of the Directive by the European Commission's Contact Committee on Accounting Directives.

Munich, 16th May 2000

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Lutz Wiegand  
Wirtschaftsprüfer  
(certified public accountant)

Christine Peschel  
Wirtschaftsprüfer  
(certified public accountant)



# Further information

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## Important addresses

### REINSURANCE

#### UK

Great Lakes Reinsurance (UK) PLC  
Upper Ground Floor  
1, Minster Court  
Mincing Lane, London EC3R 7AA  
Tel.: +44 20 7929 28 93  
Fax: +44 20 7623 52 20  
E-mail: DiaryGL@munichre.com

#### Italy

Münchener Rück Italia S. p. A.  
Via Turati 16/18  
20121 Milano  
Tel.: +39 02 655 96-1  
Fax: +39 02 657 02 46  
<http://www.munichre.it>

#### Switzerland

New Reinsurance Company  
Rue de l'Athénée 6-8  
1211 Genève 3  
Tel.: +41 2 23 19 85 00  
Fax: +41 2 23 10 53 32  
E-mail: geneva@newre.com

#### Canada

Munich Reinsurance Company of Canada (MROC)  
Munich Re Centre  
390 Bay Street, 22nd Floor  
Toronto, Ont., M5H 2Y2  
Tel.: +1 416 366 9206  
Fax: +1 416 366 4330  
E-mail: MROC@MROC.com

#### USA

American Re-Insurance Company  
555 College Road East  
Princeton, NJ 08543-5241  
Tel.: +1 609 243 4500  
Fax: +1 609 951 8181  
<http://www.amre.com>

#### USA

Munich American Reassurance Company  
56 Perimeter Center East, N.E.  
Atlanta, GA 30346-2290  
Tel.: +1 770 350 3200  
Fax: +1 770 350 3300  
<http://www.marclife.com>

#### Australia

Munich Reinsurance Company of Australasia Limited (MRA)  
7th Floor, Munich Re House  
143 Macquarie Street  
Sydney NSW 2000  
P.O. Box H35, Australia Square  
Sydney NSW 1215  
Tel.: +6 12 92 72 80 00  
Fax: +6 12 92 51 25 16  
E-mail: MRA@MunichRe.com

#### South Africa

Munich Reinsurance Company  
of Africa Limited (MRoA)  
Munich Re Centre  
47 Empire Road, Parktown  
Johannesburg 2193, P.O. Box 6636  
Johannesburg 2000  
Tel.: +27 11 242-20 00  
Fax: +27 11 242-22 00  
E-mail: MRoA@MunichRe.com

You will find further addresses in our Portrait 2000.

### PRIMARY INSURANCE

#### ERGO Versicherungsgruppe AG

Victoriaplatz 2  
40198 Düsseldorf  
Tel.: 02 11/49 37-0  
Fax: 02 11/49 37-15 00  
<http://www.ergo.de>

#### VICTORIA Versicherung AG

#### VICTORIA Lebensversicherung AG

Victoriaplatz 1 und 2  
40198 Düsseldorf  
Tel.: (00 49) 2 11/4 77-30 03  
E-mail: [info@victoria.de](mailto:info@victoria.de)  
<http://www.victoria.de>

#### Hamburg-Mannheimer Versicherungs-AG

#### Hamburg-Mannheimer Sachversicherungs-AG

Überseering 45  
22297 Hamburg  
Tel.: 040/63 76-0  
Fax: 040/63 76-33 02  
E-mail: [ksc@hamburg-mannheimer.de](mailto:ksc@hamburg-mannheimer.de)  
<http://www.hamburg-mannheimer.de>

#### DKV

Deutsche Krankenversicherung AG  
Aachener Strasse 300  
50933 Köln  
Address for letters: 50594 Köln  
Tel.: 02 21/5 78-0  
Fax: 02 21/5 78-36 94  
E-mail: [Kunden-Center@dkv.com](mailto:Kunden-Center@dkv.com)  
<http://www.dkv.com>

**D. A. S.**

Deutscher Automobil Schutz  
Allgemeine Rechtsschutzversicherungs-AG

**D. A. S.**

Deutscher Automobil Schutz  
Versicherungs-AG  
Thomas-Dehler-Str. 2  
81737 München  
Tel.: 0 89/62 75-01  
Fax: 0 89/62 75-16 50  
E-mail: [info@das.de](mailto:info@das.de)  
<http://www.das.de>

Further addresses may be obtained from the 1999 annual report of ERGO Versicherungsgruppe AG.

**Europäische Reiseversicherung AG**

Vogelweidestrasse 5  
81677 München  
Tel.: 0 89/41 66-00  
Fax: 0 89/41 66 18 55  
E-mail: [info@erv.de](mailto:info@erv.de)  
<http://www.erv.de>

**Karlsruher Lebensversicherung Aktiengesellschaft**

Friedrich-Scholl-Platz  
76112 Karlsruhe  
Tel.: 07 21/3 53-0  
Fax: 07 21/3 53-26 99  
<http://www.karlsruher.de>

**Karlsruher Versicherung Aktiengesellschaft**

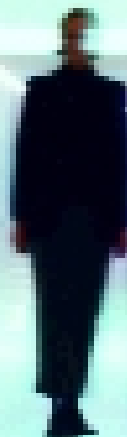
Hermann-Veit-Strasse 6  
76112 Karlsruhe  
Tel.: 07 21/3 53-0  
Fax: 07 21/3 53-26 99  
<http://www.karlsruher.de>

**ASSET MANAGEMENT****Ergo Trust**

Victoriaplatz 1  
40198 Düsseldorf  
Tel.: 02 11/49 37-22 80  
Fax: 02 11/49 37-26 67

**MEAG MUNICH ERGO**

AssetManagement GmbH  
Oskar-von-Miller-Ring 18  
80333 München  
Tel.: 0 89/24 89-0  
Fax: 0 89/24 89-25 55  
<http://www.meag.com>



## Main affiliated enterprises and participating interests\*

<b>Reinsurance Consolidated subsidiaries</b>	<b>% share of capital</b>	<b>Shareholders' equity € '000**</b>	<b>Result for the year € '000**</b>
American Re Corporation, Princeton	100.0000	2,483,107	-94,722
American Re-Insurance Company, Princeton	100.0000	2,663,796	-84,659
Great Lakes Reinsurance (UK) PLC, London	100.0000	113,495	419
Munich American Reassurance Company, Atlanta	100.0000	237,584	13,217
Munich Reinsurance Company of Canada, Toronto	100.0000	85,658	9,131
Munich Reinsurance Company of Africa Limited, Johannesburg	100.0000	38,324	8,675
Munich Mauritius Reinsurance Company Ltd., Port Louis	100.0000	2,198	-159
Munich Reinsurance Company of Australasia Limited, Sydney	100.0000	86,169	-20,453
Münchener Rück Italia S. p. A., Milan	100.0000	269,122	-1,739
New Reinsurance Company, Geneva	100.0000	324,067	-8,505
Temple Insurance Company, Toronto	100.0000	95,117	9,084
<b>Associated enterprises</b>			
De Amersfoortse Reinsurance Limited, Dublin	25.0000	23,527	3,573
Golden Gate Reinsurance Company Limited, Hamilton	33.3333	43,161	4,116
Prévoyance Re S. A., Paris	34.0000	14,363	-784

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### Other shareholdings in listed companies

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#### Over 5%

Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich  
 IKB Deutsche Industriebank AG, Düsseldorf/Berlin  
 Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg  
 MAN Aktiengesellschaft, Munich

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#### Over 10%

WMF Württembergische Metallwarenfabrik Aktiengesellschaft, Geislingen/Steige

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#### Over 25%

BHS tabletop AG, Selb  
 Forst Ebnath Aktiengesellschaft, Ebnath

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\* Some of these selected participations are held indirectly.

They are calculated proportionally in each case.

\*\* The amounts are taken from the individual companies' financial statements.

They have been translated using the exchange rates applicable on 31.12.1999.

<b>Primary insurance Consolidated subsidiaries</b>	<b>% share of capital</b>	<b>Shareholders' equity € '000**</b>	<b>Result for the year € '000**</b>
ERGO Versicherungsgruppe AG, Düsseldorf	62.9180	1,445,192	105,318
VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf	62.6034	245,318	24,542
VICTORIA Versicherung Aktiengesellschaft, Düsseldorf	62.0623	544,272	58,799
VICTORIA Krankenversicherung Aktiengesellschaft, Düsseldorf	62.7377	57,086	5,829
VICTORIA MERIDIONAL Compañía Anónima de Seguros y Reaseguros, S. A., Madrid	60.7800	15,436	-3,514
VICTORIA-Seguros de Vida, S. A., Lisbon	62.0622	15,309	-278
VICTORIA-Seguros S. A., Lisbon	62.0622	24,369	-714
VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft, Vienna	46.3170	32,459	1,043
Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf	62.6034	25,191	1,560
Nieuwe Hollandse Lloyd Levensverzekeringmaatschappij N. V., Woerden	62.0622	27,292	1,403
Nieuwe Hollandse Lloyd Schadeverzekeringmaatschappij N. V., Woerden	62.0622	19,189	-138
Olympic-Victoria Life Insurance Company S. A., Thessaloniki	62.0622	6,551	-76
Hamburg-Mannheimer Versicherungs-Aktien-Gesellschaft, Hamburg	62.9180	424,367	64,928
Hamburg-Mannheimer Sachversicherungs-AG, Hamburg	62.9117	344,072	39,013
Hamburg-Mannheimer Rechtsschutzversicherungs-Aktien-Gesellschaft, Hamburg	62.5084	9,950	827
Hamburg-Mannheimer N. V., Brussels	62.9117	14,806	1,728
DKV Deutsche Krankenversicherung Aktiengesellschaft, Berlin/Cologne	62.9551	554,999	70,047
DKV Luxembourg S. A., Luxembourg	62.9469	8,457	771
dkv International S. A., Brussels	62.9488	18,825	2,320
DKV Previa S. A. de Seguros y Reaseguros, Saragossa	62.9551	34,202	916
Previa S. A. de Seguros y Reaseguros, Saragossa	62.9551	10,635	1,198
NVS Verzekeringen N. V., Amsterdam	62.9551	47,638	865
NVS Zorgverzekeringen N. V., Amsterdam	62.9551	21,122	-378
D. A. S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Munich	62.1211	220,220	25,812
D. A. S. Deutscher Automobil Schutz Versicherungs-Aktiengesellschaft, Munich***	62.1210	36,854	0
DAS Legal Expenses Insurance Company Limited, Bristol	62.1210	51,544	10,382
D. A. S. Nederlandse Rechtsbijstand Verzekeringmaatschappij N. V., Amsterdam	39.0417	24,405	3,251
D. A. S. Österreichische Allgemeine Rechtsschutz-Versicherungs-AG, Vienna	62.1210	15,343	3,832
Europäische Reiseversicherung Aktiengesellschaft, Munich	100.0000	93,356	4,862
Europeisk Rejseforsikring A/S, Copenhagen	100.0000	18,839	329
Europeiska Försäkeringsaktiebolaget, Stockholm	100.0000	6,122	568
Karlsruher Lebensversicherung Aktiengesellschaft, Karlsruhe	54.0000	137,828	15,769
Karlsruher Rechtsschutzversicherung AG, Karlsruhe	53.0485	7,157	597
Karlsruher Versicherung Aktiengesellschaft, Karlsruhe	53.0485	55,787	3,378
The Princeton Excess and Surplus Lines Insurance Company, Princeton	100.0000	24,205	-353
<b>Associated enterprises</b>			
Allianz Aktiengesellschaft, Munich****	25.0007	22,232,200	1,819,100
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	40.5720	939,945	151,200
Bayerische Versicherungsbank Aktiengesellschaft, Munich	45.0000	283,910	23,136
Frankfurter Versicherungs-Aktiengesellschaft, Frankfurt am Main	49.9834	314,879	14,253
TELA Versicherung Aktiengesellschaft, Berlin/Munich	25.0000	141,964	18,509
Union Versicherungs-Aktiengesellschaft, Vienna	20.9706	39,085	5,131
Vereinsbank-Victoria Bauspar Aktiengesellschaft, Munich	18.7328	17,112	1,376
<b>Other participations in insurance companies</b>			
ASR Verzekeringsgroep N. V., Rotterdam	10.4104	1,241,089	213,367
Generali Lloyd Aktiengesellschaft, Munich	12.2100	120,683	-3,122
Mecklenburgische Leben Versicherungs-Aktiengesellschaft, Hanover	12.5000	3,242	444
Nürnberger Beteiligungs-Aktiengesellschaft, Nuremberg	7.5000	350,421	16,009

\*\*\* Result for the year after profit-transfer.

\*\*\*\* Figures in accordance with IAS.

The complete list of shareholdings required by Article 313 para. 2 of the German Commercial Code will be filed with the commercial registry in Munich; we will be glad to send you a copy on request.

## Glossary

# A–E

**Affiliated enterprises** In the consolidated financial statements of the Munich Reinsurance Company (parent company) all companies are deemed affiliated enterprises in which the Munich Reinsurance company holds the majority of the voting rights either directly or indirectly (subsidiary companies).

**Associated enterprises** Enterprises on whose financial and operating decisions a significant (but not a controlling) influence can be exercised, regardless of whether this influence is actually exercised or not. A significant influence is presumed if the proportion of voting rights lies between 20 and 50%.

**At amortized cost** Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period until maturity and credited or charged to income over the same period. Writedowns are made for impairment or uncollectability.

**Cash flow statement** Statement showing the origin and utilization of cash during the business year. It shows the change in liquid funds separately according to

- cash flows from operating activities,
- cash flows from investing activities,
- cash flows from financing activities.

**Cedant** Client of a reinsurance company.

**Cession** The reinsuring of risks by a primary insurer with a reinsurer.

**Combined ratio** The sum of the loss ratio and the expense ratio. The better the results of the underwriting business, the lower this ratio will be; ratios over 100% indicate loss-making business.

**Consolidation** Combining the items from the individual financial statements of the companies belonging to the Group into one consolidated financial statement, in which items involving intra-Group transactions are eliminated.

**Contingent liabilities** Possible obligations whose existence will be confirmed by the occurrence or non-occurrence of an uncertain future event and which are therefore not shown as liabilities in the balance sheet. They must, however, be included in the notes to the financial statements (example: guarantee obligations).

**Deferred acquisition costs** Costs incurred for the acquisition or the renewal of insurance policies (e.g. commission, cost of processing applications) are capitalized and amortized over the term of the contracts.

**Deferred tax assets/liabilities** Deferred taxes derive from temporary differences between accounting on the basis of International Accounting Standards (consolidated financial statements) and national tax law. If asset items are valued lower, or liabilities higher, than in the tax balance sheet of the Group company concerned, the resulting future tax relief must be recognized as a deferred tax asset. If the accounting differences between the consolidated financial statements will lead to future tax burdens, these must be recognized as deferred tax liabilities.

**Deposits retained on assumed reinsurance and ceded business** Deposits retained on assumed reinsurance are claims which reinsurers have on their cedants for cash deposits that have been retained by the cedants as a security to cover future reinsurance claims. The cedants show the retained funds as deposits withheld on ceded business.

**Derivative financial instrument** Financial instruments whose increase or fall in value is based on and determined by the change in the amount of an underlying value (a particular interest rate, security price, exchange rate, price index, etc.). The main derivatives are futures, forwards, swaps and options.

**Earnings per share** A ratio calculated by dividing the consolidated profit by the average number of shares issued. For calculating diluted earnings per share, the number of shares is adjusted by the effects of exercised or still to be exercised subscription rights.



# E-N

**Equity method** Investments in associated enterprises have to be valued in the consolidated financial statements using the equity method. The “at equity” value corresponds to the Group’s proportionate share of the shareholders’ equity of the enterprise concerned.

**Expense ratio** Ratio, in per cent, of operating expenses to earned premiums.

**Fair value** The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s-length transaction. Where there is an active market, the fair value of an asset is its current market value.

**Financial Accounting Standards (FAS)** US accounting regulations that give detailed rulings on individual accounting questions and which must be complied with by listed companies that prepare accounts in accordance with US GAAP.

**Forward rate agreement (FRA)** Interest-rate forward contract traded over the counter, in which a current interest rate that appears favourable is secured for a date in the future. The parties to the contract will settle the contract on the basis of the difference between the market interest rate applicable on the due date and the agreed interest rate.

**Futures** Standardized contracts to trade a financial instrument on a money market, capital market, precious-metals market or currency market at a specific price and on a specific future date. Frequently, rather than actually delivering the underlying financial instrument on that date, the difference between closing market value and the exercise price is settled in cash.

**Goodwill** Any excess of the purchase price of a subsidiary over the acquirer’s interest in the fair value of the net assets as at the acquisition date. Goodwill is amortized over its useful life.

**Gross/net** The terms gross and net mean before and after deduction of the portion attributable to business ceded in reinsurance. Instead of “net”, the term “for own account” is sometimes used.

**Hedging** Protecting against undesirable developments in prices by means of special financial contracts, especially derivative financial instruments. Depending on the risk to be hedged, a distinction is made between two basic types: fair value hedges safeguard assets or liabilities against the risk of changes in value; cash flow hedges reduce the risk of fluctuations in future cash flows.

**International Accounting Standards (IAS)** Standards formulated by IASC with the intention of achieving internationally comparable preparation and presentation of financial statements.

**International Accounting Standards Committee (IASC)** An independent private sector body whose members comprise representatives of professional accountancy bodies and other accounting specialists from over 100 countries. IASC’s objective is to achieve uniformity in the accounting principles that are used by businesses and other organizations for financial reporting around the world

**Investments for the benefit of life insurance policyholders who bear the investment risk** This mainly involves investments for policyholders under unit-linked life insurances. It also includes investments under index-linked life insurance policies whose performance depends on share or currency indexes.

**Loss ratio** Ratio, in per cent, of claims expenses to earned premiums.

**Market value** The amount obtainable for an asset in an active market.

**Minority interests in shareholders’ equity and earnings** That part of the shareholders’ equity and earnings of our subsidiaries that is apportionable to shareholders outside the Group.

**Net** → Gross/net

**Net asset value** Measurement of the fair value of companies. The starting point is the proportional equity capital of the company to be valued, plus the valuation reserves, any special reserves, claims equalization provisions and similar provisions. The net asset value after tax includes the deferred tax liabilities resulting from the adjustment of the equity capital.

**Net expenses for claims and benefits** These include the expenses for claims (claims payments and the change in the provision for outstanding claims), expenses for premium refunds and the change in the remaining underwriting provisions (provision for future policy benefits and other), in each case after deduction of the ceded share.

**Operating expenses** Commission, personnel costs and general expenses for the acquisition and ongoing administration of insurance contracts, less any commission reimbursed by reinsurers, including profit commission.

**Operating result before tax** Pre-tax operating profit/loss on the enterprise's ordinary activities. Any extraordinary income and expenses are not included in this result.

**Options** Derivative financial instruments where the holder is entitled – but not obliged – to buy (a call option) or sell (a put option) the underlying asset at a predetermined price within a certain period. The writer of the option is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser

**OTC derivatives** Derivative financial instruments which are not standardized and are traded not on an exchange but directly between two counterparties via over-the-counter (OTC) transactions.

**Other securities held to maturity** Fixed-interest securities which the company has the intention and ability to hold to maturity. They are valued at amortized cost.

**Other securities held for trading** Securities held for trading comprise temporarily held investments purchased with the intention of obtaining the highest possible return from short-term fluctuations in the market price. They are accounted for at their market value at the balance sheet date. Changes in market value are recognized in the income statement.

**Other securities available for sale** Securities that will neither be held to maturity nor are assignable to the "held for trading" category. These securities are accounted for at market value. Changes in value are reflected in shareholders' equity without impact on earnings.

**Premiums** Premiums written means all premium income that has become payable in the business year. The portion of this premium income that constitutes payment for insurance cover in the business year is referred to as earned premiums.

**Primary insurers** Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organization).

**Provision for future policy benefits** Underwriting provision calculated using actuarial methods to cover future benefits to which policyholders are entitled, especially in life, health and personal accident insurance.

**Provision for outstanding claims** Provision for claims that have already been incurred at the balance sheet date but have either not yet been reported or not yet been fully settled.

**Provision for premium refunds** Provisions for premium refunds are made for obligations involving bonuses and rebates – especially in life and health insurance – which are not yet payable at the balance sheet date; the amount posted is based on supervisory or contractual regulations. They also include the unrealized gains and losses from the accounting of certain investments at market value to the extent that policyholders would participate in these gains and losses on realization (provision for deferred premium refunds).

**Rating** Standardized assessment of the credit standing of debt instruments and companies by specialized independent rating agencies.

**Reinsurers** Insurance companies that assume the insurance risks of other insurance companies without themselves having any direct contractual relationship with the policyholder.

**Retrocession** Reinsurance of reinsurance business assumed from other insurance companies (a reinsurance of reinsurance). Retrocession enables the reinsurer to lay off part of its risk to other insurance companies.

# S-V

**Segment reporting** Presentation of the items in the annual financial statements according to classes of business and regions.

**Shareholder value** Management concept which puts the value of a company and the increasing of this value for the shareholders at the centre of its business strategy.

**Swap** Agreement between two counterparties to exchange payment flows over a specified period in order to profit from relative cost benefits that one party enjoys on a particular financial market. In the case of an interest rate swap, payment obligations in the same currency but with different interest rate conditions (e.g. fixed/variable) are exchanged. In the case of currency swaps, the payment obligations exchanged are in different currencies.

**Underwriting provisions** Uncertain liabilities directly connected with insurance business. These provisions are made to ensure that obligations under insurance contracts can always be met.

**Unearned premiums** The portion of premium income in the business year that is attributable to periods after the balance sheet date is accounted for as unearned premiums in the underwriting provisions.

**Unit-linked life insurance** A type of life insurance with a savings component, where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

**US Generally Accepted Accounting Principles (US GAAP)** The principles of US accounting that are stipulated as compulsory for listed companies in the USA.

**Value-based management** The concept of value-based management is geared to increasing the value of a company on a long-term basis. Value is only created long term if a company regularly earns a profit that exceeds the costs of the equity capital invested.

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Annual General Meeting  
19th July 2000

Dividend payment  
20th July 2000

Interim report as at 30th June 2000  
21st September 2000

Balance sheet meeting of Supervisory Board  
28th May 2001

Interim report as at 31st March 2001  
29th May 2001

Balance sheet press conference  
29th May 2001

Annual General Meeting  
18th July 2001

Dividend payment  
19th July 2001

Interim report as at 30th June 2001  
30th August 2001

Interim report as at 30th September 2001  
29th November 2001

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Our Investor Relations Division will be glad to supply you with any other information you require.

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