

Quarterly Statement: Munich Re posts net result of €1,271m for Q1, confident of meeting full-year guidance

- Combined ratio in property-casualty reinsurance (86.5%) only slightly higher than expected (86%), despite above-average losses attributable to natural catastrophes
- Total technical result for life and health reinsurance (€320m) and net result for ERGO (€219m) exceed pro-rata guidance (full year: €1.0bn and €0.7bn, respectively)
- April renewals generate considerable premium growth (+11.1%) with rate increases (+4.7%)
- Positive trend in investment business continues: return on investment increases to 3.0%
- Outlook confirmed following pleasing operational performance



“The earthquake that hit Turkey on the border with Syria in February 2023 was one of the most catastrophic we have seen in recent history. Around 60,000 people lost their lives. The insured losses amount to some €4–5bn, of which Munich Re is shouldering €0.6bn – one of the reasons why major losses from natural catastrophes in Q1 2023 were higher than expected. Owing to otherwise pleasing operational performance and a strong investment result, however, Munich Re generated a net result of almost €1.3bn. In addition, the April renewals saw Munich Re continue its trend of profitable growth. Accordingly, we are confident that we can reach our 2023 net result guidance of €4bn; the chances for us to surpass this target have increased.”

Christoph Jurecka, CFO

Summary of Q1 figures

Munich Re is presenting its results for Q1 2023 in accordance with the new accounting standards IFRS 9 and IFRS 17 for the first time. Comparative figures from the previous year for the insurance business are already shown on the basis of the new standard (IFRS 17). The corresponding figures for the investment business are, in part, still

based on IAS 39, the standard applicable up to 31 December 2022. For that reason, they are not fully comparable with the Q1 2023 figures disclosed in accordance with IFRS 9. However, transitional effects have already been anticipated wherever possible¹.

In Q1 2023, Munich Re generated a net result of €1,271m (1,480m). Whereas the Q1 result in the previous year had been bolstered in particular by low major losses in property-casualty reinsurance, as well as by currency gains, the result for the first quarter of 2023 was impacted by precisely the opposite effects. Insurance revenue from insurance contracts issued climbed to €14,273m (13,261m). The total technical result amounted to €1,809m (1,863m). Owing mainly to currency losses against the US dollar and the Canadian dollar, the currency result fell to –€145m (221m). The operating result was €1,768m (1,864m) and the effective tax rate was 26.4% (18.6%).

Equity was higher at the reporting date (€28,182m) than at the start of the year (€27,245m). The solvency ratio was approximately 254% (260% as at 31 December 2022), which is above the optimum range (175–220%). A share buy-back with a volume of €1bn has already been planned.

The annualised return on equity (RoE) for Q1 2023 was 17.3% (23.6%).

Reinsurance: Net result of €1,051m

The reinsurance field of business contributed €1,051m (1,324m) to the Group's net result in Q1. Insurance revenue from insurance contracts issued climbed to €9,232m (8,656m). The total technical result amounted to €1,248m (1,588m), and the operating result was €1,467m (1,598m).

Life and health reinsurance generated a total technical result of €320m (238m) in Q1. The contribution to net result from release of the contractual service margin was in line with expectations. Strong growth in new business more than offset the amount released. The net result for life and health reinsurance totalled €291m (367m). Insurance revenue from insurance contracts issued came to €2,734m (2,913m).

Property-casualty reinsurance generated a net result of €760m (958m) in Q1. Insurance revenue from insurance contracts issued rose to €6,498m (5,743m). The combined ratio was 86.5% (77.0%) of insurance revenue (net). The normalised combined ratio was 85.1%.

Major losses of over €30m each totalled €1,035m (618m). These figures include gains and losses from the run-off of major losses from previous years. Major-loss expenditure corresponded to 16.4% (11.1%) of insurance revenue (net), and was thus above the long-term average expected value of 14%. Man-made major losses fell slightly to

¹ Overlay approach applied to participating business in ERGO life and health insurance.

€165m (170m). Major losses from natural catastrophes rose to €870m (448m). The major loss figures above take account of the effects from discounting and risk adjustment. As a consequence of the earthquake in Turkey, Munich Re posted nominal losses of €0.6bn.

In Q1, reserves of €314m (291m) were released for basic losses from prior years; this figure corresponded to 5.0% (5.3%) of insurance revenue (net). Munich Re continually seeks to set the amount of provisions for newly emerging claims at the very top end of the estimation range so that profits from the release of a portion of these reserves can be generated at a later stage.

In the reinsurance renewals as at 1 April 2023, Munich Re was able to increase the volume of business written to €2.9bn (+11.1%). It was possible to leverage growth opportunities, especially in Asia – particularly in Japan and India – as well as in Latin America. Non-proportional natural catastrophe business was expanded, in particular, in view of attractive rate levels. By contrast, Munich Re once again selectively discontinued business that no longer met risk/return expectations.

Prices developed positively overall and for the most part more than compensated for the significantly higher loss estimates in some areas, which were caused primarily by inflation or other loss trends. To varying degrees, price increases were evident around the world. All in all, prices for the Munich Re portfolio increased by 4.7%. This figure is, as always, risk-adjusted. In other words, price increases are offset if they are associated with increased risk and, consequently, elevated loss expectations.

Munich Re expects the market environment to remain positive and to present attractive growth opportunities in the upcoming July renewal rounds.

ERGO: Net result of €219m

In the ERGO field of business, Munich Re posted a net result of €219m (156m) in Q1. Insurance revenue from insurance contracts issued increased to €5,041m (4,605m), driven by all segments.

The ERGO Property-casualty Germany segment made a strong contribution to the net result of €166m (–64m). Q1 2023 was underpinned by low major losses, strong operational performance, a good investment result and seasonally low expenses in acquisition cash flows. The same quarter last year had been impacted by high major losses.

ERGO Life and Health Germany generated a net result of €41m (137m), largely driven by the consistently high amounts released from the contractual service margin in long-term life and health business. Short-term health insurance business also made a positive contribution to the net result. Overheads and taxes had an offsetting effect.

ERGO International generated a net result of €12m (84m). Major losses in Polish property-casualty business, the negative claims development in legal protection insurance and a seasonal effect in Spanish health insurance business had a material impact on the net result. These developments were partially offset by contributions to net result from the undertakings in Greece and Belgium.

The total technical result for the field of business amounted to €561m (275m), and the operating result was €301m (€267m). In the Property-casualty Germany segment, the combined ratio was 81.2% (106.3%); for ERGO International, it was 95.4% (88.7%).

Investments: Investment result of €1,612m

Munich Re's investment result increased to €1,612m (258m) in Q1, benefiting from a significantly higher running yield as a result of higher interest rates.

Regular income from investments climbed to €1,601m (1,415m). The balance from write-ups and write-downs was –€28m (–1,031m). The balance from gains and losses on disposal came to €166m (936m). The fair-value change was €74m (–926m). Write-downs and falling stock markets in connection with the war in Ukraine were the main reason for the low investment result in the same quarter last year. In addition, the substantial rise in interest rates in Q1 2022 had a negative impact on interest-bearing securities recognised in profit or loss.

Overall, the investment result for Q1 represents a return of 3.0% on the average market value of the portfolio, which is considerably higher than the forecast of above 2.2% for the full year. The running yield was 3.0%, and the yield on reinvestment 4.4%. As at 31 March 2023, the equity-backing ratio including equity-linked derivatives amounted to 3.3% (2.0% as at 31 December 2022). The investment portfolio totalled €210,580m (207,965m) at book values as at 31 March 2023.

Outlook for 2023: Annual guidance unchanged at €4.0bn

Munich Re remains confident in its outlook for positive business opportunities in 2023. The targets communicated for 2023 in Munich Re's Group Annual Report 2022 are thus unchanged. Accordingly, Munich Re is aiming to generate a net result of €4.0bn for the 2023 financial year.

All forecasts and targets face considerable uncertainty owing to fragile macroeconomic developments and volatile capital markets. In particular, there continues to be considerable uncertainty regarding the financial impact of the Russian war of aggression in Ukraine. As always, the projections are subject to major losses remaining within normal bounds, and to the income statement not being impacted by severe fluctuations in the currency or capital markets, significant changes in the tax environment, or other one-off effects.

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Munich Re

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