2001

Munich Reinsurance Company
Annual Report

Münchener Rück
Munich Re Group

Munich Reinsurance Company

	2001 in €m	2000 in €m	1999 in €m
Gross premiums written	15,464	12,818	10,955
Investments	48,655	43,384	40,211
Net underwriting provisions	39,592	34,559	32,355
Shareholders’ equity	4,449	4,228	3,951
Profit for the year	441	441	328
Dividend	221	221	168
Dividend per share in €	1.25	1.25	0.95
Share price at 31st December in €	304.95	380.00	251.80
Market capitalization at 31st December	53,961	67,239	44,548

Munich Reinsurance Company
Report on the 122nd year of business
1st January 2001 to 31st December 2001

Note: The abbreviation T€ used in this report stands for thousand euros.

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Report of the Supervisory Board

Ladies and gentlemen,
The terrorist attack of 11th September gave rise to extremely high losses in the business year 2001, deeply impacting Munich Re's results. However, thanks to its solid financial foundations, the company was able to close with a positive result for the year and even to consolidate and extend its position in the insurance and reinsurance markets.

Meetings of the Supervisory Board
At four meetings in the business year 2001, the Supervisory Board obtained detailed information from the Board of Management on the situation in the most important insurance and reinsurance markets, the development of business, and the position of the company and its main affiliates. The Board of Management's reports on business experience, future planning, questions of risk management and significant individual measures were all discussed intensively. 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 important business transactions.

The Board of Management kept us briefed on the restructuring measures implemented on 1st July 2001, which will further enhance Munich Re's efficiency and competitiveness. We were also regularly informed by the Board about the Holocaust issue and the state of considerations with regard to corporate governance.

The second half-year was dominated by the effects of the terrorist attack on 11th September. The Board of Management put us clearly and fully in the picture about this loss, by far the biggest in Munich Re's history. We consequently examined, among other things, the new risk management concept for limiting terrorism coverage which the Board of Management presented to us in detail. Furthermore, we discussed at length the Board of Management's decision to give Munich Re subsidiary American Re a capital injection of over US$ 1bn.

The members of the Supervisory Board were also notified without delay in between the meetings about all transactions that were of fundamental significance for the further development of the Group, in particular
– the restructuring of Munich Re's shareholdings in the insurance and banking sectors, decided on in the first half of the year;
– the combined public purchase and exchange offer to ERGO shareholders;
– the cooperation between the HVB Group and the Munich Re Group.

The Annual General Meeting on 18th July 2001 adopted a number of amendments to the Articles of Association. In preparation for this, the Supervisory Board discussed in particular the authorization to increase the company's share capital in order to issue employee shares and the authorization to buy back shares.

Supervisory Board committees
The Standing Committee met four times in 2001. Its work included matters for which the Supervisory Board's approval was required under the internal rules of procedure. The Board of Management Committee also met three times in order to deal with personnel matters involving members of the Board of Management. No meeting of the Conference Committee was required.

Annual financial statements
KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the following documents and gave them an unqualified auditor's opinion: the Munich Reinsurance Company's bookkeeping, its company financial statements and the consolidated financial statements as at 31st December 2001, plus the management reports for the company and the Group. The auditor's reports were promptly given 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 23rd May 2002, at which the auditor was present.

The Supervisory Board checked 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. This examination did not result in any adverse findings.

At the balance sheet meeting of the Supervisory Board, we approved and adopted the annual financial statements drawn up by the Board of Management. We agree to the Board of Management's proposal for the appropriation of the balance sheet profit, which provides for an unchanged dividend of €1.25 per share.

Corporate governance
The Supervisory Board welcomes the German Code of Corporate Governance adopted in February 2002, which sets out standards of good and responsible corporate management and control. Munich Re already meets many of these standards. We will be looking at the Code's other recommendations with the Board of Management shortly.

Personalia
With effect from 1st April 2002 we appointed Mr. John Phelan (55) a member of the Board of Management. Mr. Phelan joined Munich Reinsurance Company of Canada (MROC) in 1973, where he became President and Director in 1986. Since 9th March 2002 he has been President, Chief Executive Officer and Chairman of the Board of American Re Corporation (ARC).

There has also been a change on the Supervisory Board. One of the shareholders' representatives, Dr. Ferdinand Piëch, left the Board on 16th April 2002. As his successor with effect from 17th April 2002, the Registry Court has appointed Dr. Bernd Pischetsrieder; this appointment is scheduled to be ratified by the AGM on 17th July. We thank Dr. Piëch for the valuable contribution he made during his time as member of our Supervisory Board.

The great dedication shown by the members of the Board of Management and the staff of the individual Group companies was again a significant factor in the Munich Re Group's performance in the year under review. The Supervisory Board wishes to thank them for their hard work and commitment on behalf of the company.

Munich, 23rd May 2002

For the Supervisory Board

Ulrich Hartmann
Chairman

Supervisory Board

CHAIRMAN
Ulrich Hartmann
Chairman of the Board of Management of E.ON AG

DEPUTY CHAIRMAN
Herbert Bach
Employee of the Munich Reinsurance Company

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

Hans-Georg Appel
Employee of the Munich Reinsurance Company

Klaus Peter Biebrach
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
Co-Chairman of the Executive Board and Chief
Executive Officer of SAP AG

Gertraud Köppen
Employee of the Munich Reinsurance Company

Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand Piëch
(until 16th April 2002)
Chairman of the Supervisory Board of Volkswagen AG

Dr. jur. Dr.-Ing. E. h. Heinrich v. Pierer
President and Chief Executive Officer of Siemens AG

Dr. e. h. Dipl.-Ing. Bernd Pischetsrieder (from 17th April 2002)
Chairman of the Board of Management of
Volkswagen AG

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

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

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

Wolfgang Stögbauer
Employee of the Munich Reinsurance Company

Josef Süßl
Employee of the Munich Reinsurance Company

Dr. rer. pol. Alfons Titzrath
Former Member of the Board of Management of
Dresdner Bank AG

Judy Võ
Employee of the Munich Reinsurance Company

Ludwig Wegmann
Employee of the Munich Reinsurance Company

For seats held on other supervisory boards and comparable
bodies see page 36 f.

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Board of Management

Dr. Hans-Jürgen Schinzler
(Chairman of the Board of Management)

Executive Offices
Press
Internal Auditing

Dr. Wolf Otto Bauer (until 30th June 2002)

Corporate Underwriting/Global Clients
together with Stefan Heyd

Dr. Nikolaus von Bomhard

Europe 2 and Latin America
together with Dr. Hans-Wilmar von Stockhausen

Clement Booth

Special and Financial Risks
Investor Relations
Strategic Planning

Dr. Heiner Hasford

Finance
General Services
Company Structure and Organization

Stefan Heyd

Corporate Underwriting/Global Clients
together with Dr. Wolf Otto Bauer

Christian Kluge

Europe 1
together with Dr. Hans-Wilmar von Stockhausen
Corporate Communications

John Phelan (from 1st April 2002)

North America

Dr. Detlef Schneidawind

Life and Health
Human Resources

Dr. Jörg Schneider

Accounting
Controlling
Taxes
Information Technology

Dr. Hans-Wilmar von Stockhausen (until 30th June 2002)

Europe 1
together with Christian Kluge
Europe 2 and Latin America
together with Dr. Nikolaus von Bomhard

Karl Wittmann

Asia, Australasia, Africa

Division of responsibilities as from 1st April 2002.

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Management report

As a professional reinsurer, the Munich Reinsurance Company operates worldwide in all classes of insurance. It is the parent company of the Munich Re Group, whose business encompasses reinsurance, primary insurance and asset management.

In the business year 2001 the Munich Reinsurance Company wrote premium income of €15.5bn (12.8bn), representing growth of 20.6%. In the last few years the share of our business from clients outside Germany has steadily increased, and this trend continued. Clients outside Germany now contribute 68% (60%) of our premium income.

The underwriting result was significantly worse than in the previous year. The events of 11th September had a marked effect on the year under review. By contrast, claims costs from natural catastrophes were lower. This is reflected in the respective combined ratios: including claims costs from the terrorist attack, our combined ratio rose to 127.4% (115.7%), but excluding these claims costs it fell to 111.5%. There was a small withdrawal of €1m (82m) from the claims equalization provisions. This meant that altogether we showed a significantly increased underwriting loss of €2,520m (1,007m).

We once more succeeded in improving our investment result; the profit came to €4,225m (2,926m). In accordance with accounting regulations, €1,114m (957m) of this has been incorporated in the underwriting result.

The profit for the year amounts to €441m (441m). After an allocation of €220m (220m) to the revenue reserves, the balance sheet profit remaining is €221m (221m). This has been earmarked for distribution to shareholders in the form of an unchanged dividend of €1.25 per share.

Classes of business

In our **life reinsurance** business we were able to record another significant increase in premium income. As in the previous year, this growth was due mainly to the development of our business outside Germany. Exceptionally high rates of growth were achieved in the UK, the US and Canada. Our result in this class of business was affected by claims costs from 11th September 2001, so that we were unable to emulate the previous year's very good figure. For the year 2002 we anticipate a further increase in premium income and a markedly better result for three reasons: firstly, the positive trend shown by the major factors affecting growth in life insurance business (economic growth, demographic development and the reform of social security systems); secondly, the business opportunities presented by emerging markets; and thirdly, the efforts we have made to enhance our competitiveness in selected markets.

In **health reinsurance** we also grew our premium income substantially. This was due partly to the premium increases implemented by primary insurers and partly to our taking advantage of new business opportunities in growth markets. We expect further premium growth in the current risk period. Our result ought to be better, thanks to the favourable impact of the remedial measures we have successfully implemented in the renewals.

Although our premium income in **personal accident reinsurance** was much the same as in the previous year, it closed with a much more favourable result. This was mainly due to our rehabilitation efforts in workers' compensation business. For 2002 we expect to see a slight increase in premium income. The result in this sector should continue to improve.

In **liability reinsurance** we recorded an increase in premium income. Especially because of the above-average incidence of large losses, our result was much worse than in the previous year. As far as 2002 is concerned, we anticipate a higher premium income than in the previous year; there is no sign of a significant change in the result yet.

In **motor reinsurance** we also registered an advance in premium income. The prices and conditions at primary insurance level became noticeably better in individual markets, so that we went for targeted expansion there. If the primary insurance markets continue to develop favourably in this respect and our own remedial efforts bear fruit, we expect the year 2002 to yield premium income of the same order as last year and a further improvement in results.

The major growth in **marine reinsurance** premium is due to the development of our foreign business. The past business year was marked by an unusually serious accumulation of major losses. Our result was again negative. For the year 2002, however, we expect appreciable price increases on a broad front, which should enable us to maintain our growth rate. The result should show a considerable improvement on last year.

In **aviation reinsurance** the market conditions were distinctly more favourable in 2001, enabling us to implement some substantial premium adjustments. In space reinsurance, premium income declined because of the much lower number of satellite launches. Our negative result in aviation reinsurance is attributable above all to the high claims costs from the WTC disaster and other major losses. The drastic rate increases following the terrorist attack will lead to clear growth in premium income for the year 2002. Assuming an average claims burden for major losses, we expect our result for this sector to be substantially better than in 2001.

Even before 11th September, the terms of trade in **fire reinsurance** had improved from our point of view. We took advantage of new business opportunities in the hardening market, and this is reflected in strong growth in premium income. The terrorist attack on the World Trade Center had a particularly big impact on claims experience. The trend towards significantly higher prices and improved conditions has been strengthened and accelerated by the effects of 11th September. In the most recent round of renewals we terminated business where we considered prices to be insufficient; however, the resulting losses in premium should be more than compensated for by premium growth in adequately rated business. In other words, the quality of our portfolio has been further improved. For the year 2002 we are reckoning with a slight increase in our premium income. Assuming that no major catastrophes occur, we expect there to be an appreciable recovery in our result.

In the **engineering** classes of business (machinery, EAR, CAR, electronic equipment, etc.) premium income showed an increase over the previous year, this being largely attributable to our foreign business. But owing to considerable burdens from large losses and to the still unsatisfactory rate level, we closed with a less favourable result than in the previous year. Our efforts to rid our portfolio of less satisfactory business will lead to a decline in premium income. On the other hand, given the improvement in the quality of the business, our result ought to be considerably better.

Subsumed under the heading of **"other classes of business"** are all the remaining classes of property insurance (burglary, glass, hail, water damage, contingency, windstorm, livestock and householders' and homeowners' comprehensive insurance) as well as credit, fidelity guarantee, legal expenses, luggage, and the specie insurance of private risks.

These classes of business together achieved a premium income roughly equivalent to that of the previous year. However, the overall result was negative. Credit insurance, in particular, recorded an unsatisfactory result due to the generally difficult economic situation worldwide and the associated increase in insolvency rates. We expect these classes of business to generate almost the same overall premium income in 2002 as last year. Given average claims experience, the result of this sector should distinctly improve.

Investments

The book value of the Munich Reinsurance Company's investments (excluding deposits retained on assumed reinsurance) rose by 15% to €30.2bn (26.3bn).

Real estate showed a slight decrease to €0.96bn (1.0bn).

Investments in affiliated enterprises and participating interests grew by around 6% to €10.8bn (10.2bn), with various regroupings that resulted in shareholdings being classified as participating interests.

The other investments increased by 22% to €18.5bn (15.1bn), with shares and investment fund certificates growing by 29% to €12.1bn (9.4bn). Given the importance we attach to investment in stocks and real assets in the medium to long term, we took selected advantage of opportunities to enter the equity market. Bearer bonds and other fixed-interest securities rose to €6.1bn (5.0bn).

The market value of our real estate, equity investments (shareholdings in affiliated enterprises, participating interests, shares and investment fund certificates) and bearer bonds amounted to €65.9bn (66.9bn) at 31st December 2001. The development of our investments thus reflected the price falls on the capital markets, some of which were dramatic. The Euro STOXX 50, for instance, lost a good 20% in the year under review.

Overall income from investments climbed to €4.9bn (3.2bn). In particular, income from "other investments" was up on the previous year, rising to €2.6bn (1.9bn).

Realized capital gains amounted to €1.3bn, more than doubling the previous year's figure (0.5bn). Realized losses totalled €206m (45m).

Expenses for writedowns came to €391.4m (€89.4m) in the business year 2001. The significantly greater need for writedowns, particularly on shares, was observable market-wide.

At €4.2bn, the investment result clearly surpassed the previous year's figure of €2.9bn.

Prospects

For the current business year we expect further growth in premium income. This will be driven mainly by fire and liability business, but also by aviation. We expect slight falls in premium income in the engineering classes of business.

In the renewals for the business year 2002 we were able to achieve higher prices and better conditions in many sectors. This should have a positive influence on underwriting results. However, the decisive factor will be what claims costs we incur from natural catastrophes and other major losses in the rest of the risk period 2002.

The volume of our investments is likely to increase further. Our investment result will be significantly influenced by the large book profits ensuing from the complex reorganization of our shareholdings with the Allianz Group, initiated in the two previous years.

In January we successfully completed the shareholding transactions announced in April 2001: the Munich Re Group now holds 25.7% of the share capital and 26.4% of the voting rights in HypoVereinsbank AG and 91.7% of ERGO AG. In return, we have sold our shares in Allianz Lebensversicherungs-AG and Dresdner Bank AG to Allianz AG and reduced our stake in the voting capital of Allianz AG to around 21%.

The other measures envisaged in April 2000 are scheduled to be realized as planned in the middle of this year: Munich Re will sell its shares in Bayerische Versicherungsbank AG and Frankfurter Versicherungs-AG to Allianz AG and will increase its stake in Karlsruher Lebensversicherungs AG to 90.1%.

Risks of future development

How do reinsurers make their living? They 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 provided that these are sufficiently transparent and their assumption is worthwhile for us and hence for our shareholders.

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

The normal market risks are important for the Munich Reinsurance Company, of course, such as the emergence 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 classes of business and markets
– Precise underwriting guidelines, 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 tools and suitable structures for ensuring that we have sufficient early warning of all important developments for the Munich Reinsurance Company, that we can initiate the requisite measures in good time and can monitor them appropriately
– A prudent 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. We control 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 where necessary to take account of current developments.

Currency risks
A substantial portion of our reinsurance 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 (currency matching). In individual cases, selective use is also made of derivative financial instruments for hedging purposes.

Security in the IT sector
The globally oriented development strategy of the Munich Re Group requires an increasingly dense networking of its business units worldwide. The consequence of this is a growing dependency on electronic communications technology. At the same time, information and data are exposed to various risks as regards confidentiality, availability and integrity.

In order to manage these risks better and to restrict them as far as possible, we have made information security a centrally controlled function in both our insurance and reinsurance business. An internationally operating unit – supported by a centre of competence – draws up security regulations and also monitors compliance with these rules. The conception and implementation of the protective measures are based on risk analyses conducted by our experts. We place emphasis not only on the protection of our own data; of equal importance to us is the security of the information entrusted to us by our clients. Thanks to the precautions we had taken, we were barely affected by the global and sometimes spectacular computer virus attacks that occurred in 2001, some of which assumed threatening dimensions. Isolated "infections" were unable to inflict any significant damage on our global networks.

Our security regulations embrace not only the technical design of hardware and software systems but also functional security structures and organizational measures, e.g. access controls and training requirements for staff.

Corporate integrity
It goes without saying that in business transactions we respect the laws and regulations of each country and use only fair and legal means of competition.

All companies in our Group have binding standards of corporate integrity governing conduct within the companies themselves, their business transactions and other relationships with external parties. These standards also serve to prevent conflicts of interest for staff.

Insider rules
Even the suspicion of an infringement of insider laws can have a highly detrimental effect on a company's reputation and standing, particularly in the financial sector. At Munich Re itself, and at all the main subsidiaries, a compliance officer ensures that insider information is handled in conformity with the law. This officer is also responsible for monitoring adherence to insider regulations.

Legal risks
The subject of Holocaust claims continues to be a public issue. After the establishment of the foundation "Remembrance, Responsibility and Future" the class actions brought in the US against Munich Re and VICTORIA Leben in 1997 and 1998 were dismissed. However, despite the promise of full and lasting relief from legal action before US courts, a new class action involving VICTORIA has been pending since October 2001. Furthermore, as a result of special Holocaust legislation, Munich Re and its American subsidiaries continue to be subject to far-reaching reporting requirements and administrative action by insurance regulatory bodies in various US states. In several cases we have had to appeal against such measures in the courts. Despite successes at various instances, a final decision in California, for example, is still pending.

Outlook
Markets, products, structures and operations are subject to processes of change at ever shorter intervals. This means that the risk situation is continually changing, one of the potential hazards being that opportunities may not be recognized or exploited in time.

Of particular significance in this respect are strategic risks, which result chiefly from management decisions on the further development of the Group and its business units. In order to help ensure the effectiveness of our activities, we have set out our corporate objectives in so-called balanced scorecards. In the context of value-based management, this step enables us to better implement the concrete measures required by strategic decisions, to monitor their implementation and to take countermeasures at an early stage in the event of any deviations from the intended goals.

Summary of the risk position

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 Reinsurance Company.

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Financial statements

Balance sheet as at 31st December 2001

ASSETS	Notes	T€	T€	T€	T€	Prev. year T€
A. Intangible assets	(1)				30,735	35,419
B. Investments	(2, 3)					
I. Real estate				964,097		1,038,147
II. Investments in affiliated enterprises and participations*						
1. Shares in affilitated enterprises			7,170,517			9,117,359
2. Loans to affiliated enterprises			849,387			788,785
3. Participations			2,665,203			230,143
4. Loans to participations			67,114			46,766
				10,752,221		10,183,053
III. Other investments						
1. Shares, investment fund certificates and other non-fixed-interest securities			12,095,412			9,375,097
2. Bearer bonds and other fixed-interest securities			6,055,201			4,956,502
3. Mortgage loans			12,322			11,556
4. Other loans						
a) Registered bonds		3,908				67,635
b) Loans and promissory notes		9,471				261,193
c) Miscellaneous		128				0
			13,507			328,828
5. Deposits with banks			230,581			388,697
6. Miscellaneous investments			52,653			23,706
				18,459,676		15,084,386
IV. Deposits retained on assumed reinsurance business				18,479,311		17,078,611
					48,655,305	43,384,197
C. Receivables						
I. Accounts receivable on reinsurance business Thereof from – affiliated enterprises: T€604,907 (368,731) – participations: T€281,846 (339,915)				2,635,236		2,551,134
II. Other receivables Thereof from – affiliated enterprises: T€228,864 (221,468) – participations: T€2,761 (1,568)	(4)			764,243		606,096
					3,399,479	3,157,230

* Companies in which a participating interest is held.

	Notes	T€	T€	T€	T€	Prev. year T€
D. Other assets						
I. Tangible assets and inventories				35,410		11,941
II. Cash at bank in current accounts, cheques and cash in hand				186,378		76,594
III. Other assets				4,691		0
					226,479	88,535
E. Deferred taxes					441,309	347,380
F. Other deferred items	(5)					
I. Accrued interest and rent				100,115		85,085
II. Miscellaneous deferred items				3,980		10,845
					104,095	95,930
Total assets					52,857,402	47,108,691

EQUITY AND LIABILITIES	Notes	T€	T€	T€	Prev. year T€
A. Shareholders' equity	(6)				
I. Issued capital			452,992		452,977
II. Capital reserve			2,713,342		2,712,388
III. Revenue reserves			1,061,799		841,799
IV. Balance sheet profit			220,979		221,180
				4,449,112	4,228,344
B. Special reserve	(7)			148,905	273,779
C. Underwriting provisions	(8)				
I. Unearned premiums					
1. Gross amount		3,289,481			2,316,751
2. Less for retroceded business		233,220			237,716
			3,056,261		2,079,035
II. Provision for future policy benefits					
1. Gross amount		17,046,579			16,996,619
2. Less for retroceded business		2,095,453			2,536,420
			14,951,126		14,460,199
III. Provision for outstanding claims					
1. Gross amount		20,767,638			16,077,658
2. Less for retroceded business		2,475,840			1,143,585
			18,291,798		14,934,073
IV. Provision for premium refunds					
1. Gross amount		24,299			18,146
2. Less for retroceded business		4,362			4,025
			19,937		14,121
V. Claims equalization provision and similar provisions			2,753,501		2,736,691
VI. Other underwriting provisions					
1. Gross amount		532,224			339,912
2. Less for retroceded business		12,863			5,346
			519,361		334,566
				39,591,984	34,558,685

EQUITY AND LIABILITIES	Notes	T€	T€	T€	Prev. year T€
D. Other accrued liabilities	(9)				
I. Provisions for employees' pensions and similar commitments			197,138		184,390
II. Provisions for tax			757,107		699,775
III. Miscellaneous			182,147		248,963
				1,136,392	1,133,128
E. Deposits retained on retroceded business				2,353,537	2,717,513
F. Other liabilities					
I. Accounts payable on reinsurance business Thereof to – affiliated enterprises: T€135,321 (104,015) – participations: T€221,504 (257,752)			2,074,383		1,918,421
II. Notes and debentures	(10)		1,179,473		1,160,481
III. Amounts owed to banks	(11)		901,824		676,593
IV. Miscellaneous liabilities Thereof towards – affiliated enterprises: T€816,099 (188,734) – participations: T€94,150 (164,777) Thereof from taxes: T€14,523 (6,876) Thereof for social security: T€2,744 (2,411)	(12)		1,021,514		441,393
				5,177,194	4,196,888
G. Deferred items	(13)			278	354
Total equity and liabilities				52,857,402	47,108,691

Income statement for the business year 2001

ITEMS	Notes	T€	T€	T€	Prev. year T€
I. Technical account					
1. Earned premiums for own account					
a) Gross premiums written		15,463,618			12,818,452
b) Retroceded premiums		1,737,908			1,517,577
			13,725,710		11,300,875
c) Change in gross unearned premiums		–931,010			–292,292
d) Change in retroceded share of unearned premiums		–6,172			–20,052
			–937,182		–312,344
				12,788,528	10,988,531
2. Interest income on underwriting provisions for own account	(15)			978,166	800,388
3. Other underwriting income for own account				1,207	497
4. Claims incurred for own account					
a) Claims paid					
aa) Gross amount		9,579,618			8,940,858
bb) Retroceded amount		989,049			898,564
			8,590,569		8,042,294
b) Change in provision for outstanding claims					
aa) Gross amount		4,249,607			252,533
bb) Retroceded amount		1,303,642			37,688
			2,945,965		214,845
				11,536,534	8,257,139
5. Change in other underwriting provisions for own account					
a) Net provision for future policy benefits			–245,170		–937,936
b) Other net underwriting provisions			–82,004		15,539
				–327,174	–922,397
6. Expenses for premium refunds for own account				16,925	8,148
7. Operating expenses for own account	(16)				
a) Gross operating expenses			4,777,871		4,077,303
b) Less commission received on retroceded business			388,698		408,776
				4,389,173	3,668,527
8. Other underwriting expenses for own account				18,260	22,033
9. Subtotal				–2,520,165	–1,088,828
10. Change in claims equalization provision and similar provisions				526	82,194
11. Underwriting result for own account	(14)			–2,519,639	–1,006,634

	Notes	T€	T€	T€	T€	Prev. year T€
II. Non-technical account						
1. Investment income	(17, 19)					
a) Dividends from participations Thereof from affiliated enterprises: T€300,648 (356,070)			654,103			489,746
b) Income from other investments Thereof from affiliated enterprises: T€298,563 (296,608)						
aa) Rents from real estate		146,148				148,298
bb) Income from other investments		2,615,435				1,931,521
			2,761,583			2,079,819
c) Income from write-ups			51,960			69,383
d) Realized gains on investments			1,321,636			512,203
e) Income from reduction of special reserve			139,077			23,764
				4,928,359		3,174,915
2. Investment expenses	(16, 18, 19)					
a) Expenses for the management of investments, interest paid and other expenses for investments			102,278			114,454
b) Writedowns on investments			391,365			89,370
c) Realized losses on investments			206,181			44,605
d) Allocations to special reserve			3,062			0
				702,886		248,429
				4,225,473		2,926,486
3. Interest income on underwriting provisions				1,114,254		956,697
					3,111,219	1,969,789
4. Other income				170,976		71,485
5. Other expenses						
a) Special allocations to provision for outstanding claims			0			140,000
b) Miscellaneous			241,298			175,090
				241,298		315,090
					–70,322	–243,605
6. Operating result before tax					521,258	719,550
7. Taxes on profit and income				75,903		275,415
8. Other taxes				4,499		2,955
					80,402	278,370
9. Profit for the year					**440,856**	**441,180**
10. Profit brought forward from previous year					123	0
11. Transfer to revenue reserves					220,000	220,000
12. Balance sheet profit					**220,979**	**221,180**

Notes to the financial statements

The financial statements have been prepared on the basis of German accounting regulations (German Commercial Code).

Accounting and valuation methods

Basic principle
The assets and liabilities shown in the company financial statements are included and valued uniformly according to conservative principles.

Intangible assets
Intangible assets are valued at the acquisition cost less admissible straight-line depreciations.

Investments
Our real estate is valued at the acquisition or construction cost less depreciations admissible under German tax law. The useful economic life of the items concerned ranges from 25 to 50 years.

Shareholdings in affiliated enterprises and other participations are valued at the acquisition cost; necessary writedowns are made.

Loans to affiliated enterprises and to companies in which participations are held, mortgage loans, registered bonds, and loans and promissory notes are generally included in the balance sheet at their nominal values; in the case of inclusion at the nominal values, the relevant premiums and discounts are shown as deferred items and placed to account pro rata temporis.

Shares, investment fund certificates, bearer bonds, fixed-interest and non-fixed-interest securities, and other investments are valued at acquisition cost or at the market price at the balance sheet date, whichever is the lower.

Lower valuations from previous years are maintained for our investments if the impairment in value is probably permanent. Where the market value at the balance sheet date was higher than the previous year’s valuation, we have written back the value to the acquisition cost or the amortized cost. Investments with participating interests have been valued according to the strict lower of cost or market principle, despite the alternative valuation option admissible for the first time in financial statements at 31st December 2001.

Receivables
Deposits retained on assumed reinsurance business, amounts receivable on reinsurance business and other receivables are included at the nominal values; all necessary adjustments of value are made.

Other assets
Inventories are valued at acquisition cost. Office furniture and equipment is valued at acquisition cost less admissible depreciations. The purchase price of assets classifying as low-value goods is fully written off in the year of acquisition.

Deferred taxes
Deferred taxes result from temporary differences between financial statement valuations and valuations prescribed for determining taxable income. They have been included on the assets side of the balance sheet insofar as differences arise as a result of the German tax reform laws since 1996. For foreign branches, deferred taxes are posted for differences between commercial and tax valuations and for tax loss carry-forwards.

Underwriting provisions
The underwriting provisions are calculated in accordance with the requirements of German commercial law. In all cases we have taken into account the necessity of ensuring that our obligations from reinsurance business can always be met.

The provisions for unearned premiums have been calculated in accordance with the principles of German commercial law, partly on the basis of information received from our ceding companies and partly using nominal percentages. Where unearned premiums are calculated using such percentages, these are based on many years of experience and the latest knowledge we have.

The provision for future policy benefits and the provision for outstanding claims have generally been set up in accordance with the amounts reported to us by our ceding companies; in all cases where these amounts do not appear adequate to us in the light of our experience and our assessment of the situation, we have increased them accordingly. Sufficient provisions, calculated using actuarial methods, have been posted for losses that have been incurred but not yet reported.

The item “claims equalization provision and similar provisions” contains the amounts required in accordance with commercial law to mitigate fluctuations in claims experience in future years, plus the provisions for major risks and natural hazards.

The “other underwriting provisions” mainly comprise provisions for anticipated losses, which are calculated on the basis of many years’ experience and taking into account the latest information we have, and provisions for profit commission.

The underwriting provisions apportionable to the business retroceded by us have been calculated in accordance with the terms of the retrocession agreements.

Other accrued liabilities
The provisions for employees’ pensions are calculated according to the entry age normal method on the basis of the actuarial interest rate of 6% provided for under German tax law. The other provisions are posted in accordance with the probable requirements.

Liabilities
The deposits retained on retroceded business, the accounts payable on reinsurance business, the amounts owed to banks and the other liabilities are stated at the amount repayable.

Foreign currency translation
All business transactions are generally booked in the respective original currencies. For the balance sheet, foreign currencies have been translated using the respective year-end exchange rates. In the income statement, average exchange rates for the period 1st January to 31st December are used.

Realized exchange gains and realized and unrealized exchange losses are included under "other income" and "other expenses" respectively; unrealized exchange gains are eliminated through the formation of an appropriate provision.

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	
	31.12.2001	Prev. year	2001	Prev. year
Australian dollar	1.73040	1.68970	1.73170	1.58884
Canadian dollar	1.40800	1.41020	1.38644	1.37123
Pound sterling	0.60880	0.62850	0.62171	0.60936
Rand	10.55960	7.10710	7.69710	6.39340
Swiss franc	1.48030	1.52140	1.51050	1.55780
US dollar	0.88180	0.93890	0.89545	0.92400
Yen	115.692	107.217	108.711	99.537

Notes to the balance sheet – assets

The intangible assets and investments developed as follows in the year under review:

	Carrying amount 31.12.2000 T€	Fluctuation/ translation effect T€	Additions T€	Reallo-cations T€	Disposals T€	Appre-ciation T€	Depre-ciation T€	Carrying amount 31.12.2001 T€
(1) Intangible assets	35,419	0	2,209	0	0	0	–6,893	30,735
(2) Investments								
Real estate	1,038,147	0	73,315	0	–4,927	0	–142,438	964,097
Investments in affiliated enterprises and participations								
– Shares in affiliated enterprises	9,117,359	0	2,206,895	0	–4,151,437	0	–2,300	7,170,517
– Loans to affiliated enterprises	788,785	31,291	703,565	0	–674,254	0	0	849,387
– Participations	230,143	–6	2,441,635	0	0	0	–6,569	2,665,203
– Loans to participations	46,766	2,972	17,830	0	–454	0	0	67,114
	10,183,053	34,257	5,369,925	0	–4,826,145	0	–8,869	10,752,221
Other investments								
– Shares, investment fund certificates and other non-fixed-interest securities	9,375,097	267,356	5,991,914	–1,611	–3,350,372	6,883	–193,855	12,095,412
– Bearer bonds and other fixed-interest securities	4,956,502	81,661	5,936,633	–3,327	–4,887,470	17,229	–46,027	6,055,201
– Mortgage loans	11,556	3	2,703	0	–1,940	0	0	12,322
– Other loans								
– Registered bonds	67,635	0	245	3,327	–67,635	336	0	3,908
– Loans and promissory notes	261,193	0	4,600	0	–256,322	0	0	9,471
– Miscellaneous	0	0	128	0	0	0	0	128
– Deposits with banks	388,697	9,815	0	0	–167,931	0	0	230,581
– Miscellaneous investments	23,706	0	0	1,611	0	27,512	–176	52,653
	15,084,386	358,835	11,936,223	0	–8,731,670	51,960	–240,058	18,459,676
Total investments (2)	26,305,586	393,092	17,379,463	0	–13,562,742	51,960	–391,365	30,175,994

The intangible assets consist mainly of purchased insurance portfolios and software.

The carrying amount of self-occupied real estate totals T€223,351 (188,497).

The shares in affiliated enterprises and participations involve those share-holdings that make up more than 20% of the share capital of the respective company, as well as our shareholdings in limited liability companies.

The item “miscellaneous investments” is largely made up of swaptions, concluded to hedge against a risk of changes in interest rates assumed in underwriting.

Of our total investments (excluding deposits retained on assumed reinsurance business) with a carrying amount of T€30,175,994 (26,305,586), an amount of T€2,879,740 (2,605,793) is deposited with ceding companies or foreign governments or in the custody of trustees nominated by us.

Derivative financial products continue to be used only for hedging purposes in respect of parts of the portfolio, for optimizing earnings and for implementing planned purchases and sales. For this, strict rules apply as regards the limitation of risks in terms of volume and the choice of top-quality business partners. Adherence to these rules is continually monitored. In relation to the balance sheet total, the volume of open positions at the balance sheet date and all the transactions concluded in the period under review was negligible.

			31.12.2001
	Fair value T€	Carrying amount T€	Valuation reserves T€
Real estate	2,564,006	964,097	1,599,909
Equity investments	57,007,037	21,931,132	35,145,905
Fixed-interest securities	6,231,259	6,055,201	176,058
Total	65,872,302	28,950,430	36,921,872

For the fair values of real estate, the capitalized earnings value is generally used; new buildings are valued at cost at the balance sheet date. Equity investments consist of shares, investment fund certificates and shareholdings in affiliated enterprises and other participations. Where the companies concerned are listed on the stock market, the share price at the balance sheet date is used; in the case of unlisted companies, the net asset value according to the method of the DVFA (German Association of Financial Analysts and Investment Consultants) is used or – for new acquisitions – the acquisition cost. The fair value of fixed-interest securities is determined on the basis of the stock market price at the balance sheet date.

The equity investments include the Munich Reinsurance Company's shareholdings in Allianz (23%) and Allianz Leben (40.6%); the fair values of these holdings at 31st December 2001 amounted to €16.3bn and €2.6bn respectively.

(3) List of shareholdings
The information to be disclosed in accordance with Section 285 item 11 of the German Commercial Code is filed with the commercial registry in Munich.

(4) Other receivables
This item includes a corporation tax imputation credit of T€36,830, linked to payment of the dividend for 2001 this year.

(5) Other deferred items
This item includes differences totalling T€14 (16) arising from the posting of loans in the balance sheet at nominal values.

Notes to the balance sheet – equity and liabilities

(6) Shareholders' equity
The exercising of Munich Re 1998/2002 warrants in the course of the business year resulted in the issue of 5,921 new registered shares at an exercise price of €163.61 each. This increased the share capital to €452,991,982.08, and the company raised a total of €968,754.95 from the issue of the new shares.

The share capital as at 31st December 2001 is thus divided into 176,949,993 registered shares, each fully paid up and entitled to one vote.

The contingent capital is as follows:

All figures in €m	31.12.2001
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
Total	35.2

On 18th July 2001 the Annual General Meeting approved a further authorization to increase the company's share capital (Authorized Capital Increase IV) by up to €3.84m in order to issue employee shares.

The capital authorized for capital increases is thus as follows:

All figures in €m	31.12.2001
Authorized Capital Increase I (until 19th July 2005)	120.0
Authorized Capital Increase II (until 5th November 2003)	25.6
Authorized Capital Increase III (until 5th November 2003)	76.7
Authorized Capital Increase IV (until 18th July 2006)	3.8
Total	226.1

The capital reserve increased by €0.9m to €2,713.3m.

€220m from the profit for the year has been allocated to the revenue reserves.

By resolution of the Annual General Meeting on 19th July 2000, the company was authorized to buy back shares amounting to a maximum of 10% of the share capital up to 19th January 2002. This authorization was cancelled by the Annual General Meeting on 18th July 2001 and replaced by a new one, authorizing the Board of Management to buy back shares amounting to a maximum of 10% of the share capital up to 18th January 2003.

In the business year 2001 Munich Re bought back 63,496 shares, and one subsidiary 103,096 shares, with a total calculated nominal value of €426,475.52. This represents 0.09% of the share capital. The shares were acquired for an average price of €319.77 per share via the stock exchange; the transaction value totalled €53,271,622.08. In October 2001 Munich Re transferred its 63,496 own shares with a calculated nominal value of €162,549.76, representing 0.04% of the share capital, to the above-mentioned subsidiary. The transaction was carried out at the then-current stock market price of €320 per share. The resultant proceeds of €20,318,720 were used for a capital increase at the subsidiary. The shares held are purely for safeguarding the stock appreciation rights granted to the Board of Management and top Munich Re executives since 2000.

Furthermore, the companies of the ERGO Insurance Group acquired 59,139 Munich Re shares with a calculated nominal value of €151,395.84, representing 0.03% of Munich Re's share capital, within the framework of their employee share-ownership programme in the business year 2001. These shares were acquired at an average price of €325.11 per share. As part of the employee share-ownership programme, staff of the ERGO Insurance Group in Germany were offered the chance to subscribe for up to two of the shares at a price of €171.28 (DM 335) each. In addition, senior executives of the ERGO Insurance Group could choose to received their performance-related remuneration in these shares at a price of €250 each. After the issue of 29,242 employee shares, the remainder – with a calculated nominal value of €74,859.52, representing 0.02% of Munich Re's share capital – were sold on the stock exchange by the end of the year for an average price of €296.56.

(7) Special reserve

The special reserve has been posted as per Sections 6 b and 52 para. 16 of the German Income Tax Act.

(8) Underwriting provisions

Broken down by class of business, the net underwriting funds and provisions are as follows (in €m):

	Unearned premiums	Provision for future policy benefits	Claims provision	Claims equalization provision	Other provisions	Total	Reserves as % of net premiums
Life	879	13,646	623	–	124	15,272	418
Health	28	570	144	–	14	756	150
Personal accident	63	735	589	–	9	1,396	318
Liability	228	–	6,530	570	9	7,337	757
Motor	451	–	3,710	238	76	4,475	200
Marine	108	–	720	–	1	829	140
Aviation	68	–	612	–	1	681	239
Fire	492	–	3,148	1,239	278	5,157	198
Engineering	431	–	1,416	207	13	2,067	186
Other classes	308	–	800	500	14	1,622	122
Non-life combined	2,177	1,305	17,669	2,754	415	24,320	242
Total	3,056	14,951	18,292	2,754	539	39,592	288

The claims equalization provision and similar provisions break down as follows:

	31.12.2001 T€	Prev. year T€
Claims equalization provision	1,332,229	1,558,488
Provision for major risks	100,674	94,606
– for nuclear facilities	52,524	49,222
– for pharmaceutical products liability	48,150	45,384
Provision for natural hazards	1,320,598	1,083,597
Total	2,753,501	2,736,691

The "other" underwriting provisions include provisions for anticipated losses totalling T€173,562 (153,948).

(9) Other accrued liabilities
We have agreed to pay pensions to nearly all our staff and their surviving dependants. These commitments are to be met partly by the company itself and partly by the "Versorgungskasse der Angestellten der Münchener Rückversicherungs-Gesellschaft", the Munich Re staff pension fund.

There are pension provisions of T€25,180 (25,956) for former members of the Board of Management or their surviving dependants.

The miscellaneous other provisions include, in particular, provisions of T€29,923 for currency risks and T€64,596 for personnel expenses not yet due at the balance sheet date.

(10) Notes and debentures
In June 2000 the Munich Reinsurance Company issued exchangeable bonds on Allianz shares. Creditors are entitled to convert each of their exchangeable bonds into Allianz shares with an equivalent value of €509.44 per share. If all the conversion rights are exercised, the Munich Reinsurance Company's shareholding in Allianz will reduce by almost 1%. The annual coupon payment is 1% on the face value. If the bonds are not exchanged or redeemed beforehand, they will be redeemed on 9th June 2005 at 108.5629% of the face value; the creditors' annual gross yield will then amount to 2.625%.

(11) Amounts owed to banks
Liabilities with a remaining term of more than five years total T€142,306.

(12) Miscellaneous liabilities
The sum of the liabilities secured by mortgages is T€396 (405).

(13) Deferred items
This item includes differences totalling T€196 (197) arising from the posting of loans in the balance sheet at nominal values.

Notes to the income statement

(14) Reinsurance underwriting result by class of business in €m

	Gross premiums written		Underwriting result		Change in claims equalization provisions		Combined ratio in %	
	2001	Prev. year	2001	Prev. year	2001	Prev. year	2001	Prev. year
Life	4,178	3,700	80	143	–	–	–	–
Health	527	462	–26	–12	–	–	105.1	102.8
Personal accident	487	485	7	–41	–	–	98.4	109.3
Liability	1,046	857	–521	–247	103	–36	158.5	131.0
Motor	2,420	2,165	–76	–244	–	51	103.7	113.5
Marine	644	520	–168	–133	–	47	129.1	129.3
Aviation	465	381	–371	–53	34	18	235.7	119.6
Fire	2,973	2,088	–1,057	–400	–176	23	142.8	122.5
Engineering	1,285	805	–330	–82	41	15	134.8	112.4
Other classes	1,439	1,355	–58	–20	–1	–36	104.5	101.6
Non-life combined	11,286	9,118	–2,600	–1,232	1	82	127.4	115.7
Total	15,464	12,818	–2,520	–1,089	1	82	–	–

In the year under review our clients reported substantial claims for losses from earlier years. Especially in engineering, we therefore had to post considerable additional expenses for commitments from previous years.

(15) Interest on underwriting provisions
We have calculated the interest on underwriting provisions in accordance with Section 38 of the German Accounting Regulations for Insurance Companies and – where prescribed there – have transferred it from the non-technical to the technical account.

(16) Personnel expenses
The management expenses include the following personnel expenses:

	2001 T€	Prev. year T€
Wages and salaries	175,530	177,981
Social insurance contributions and voluntary assistance	42,482	35,060
Expenses for employees' pensions	16,805	20,143
Total	234,817	233,184

They also include expenses for a long-term incentive plan, which links compensation for the Board of Management and top executives of the Munich Re Group to the performance of Munich Re's share price.

(17) Investment income
The write-ups result from the reversal of no longer appropriate writedowns.

(18) Investment expenses
Of the writedowns on investments, T€8,869 (56,002) comprised exceptional depreciations as per Section 253 para. 2 sentence 3 of the German Commercial Code.

Special writedowns of T€114,131 (10,681) were made for tax purposes as per Section 6 b of the German Income Tax Act.

(19) Tax influences on accounting
Writedowns for tax purposes and the reduction of the special reserve as per Sections 6 b and 52 para. 16 of the German Income Tax Act affected the Munich Reinsurance Company's result for the year by T€114,131 and T€139,077 respectively. T€3,062 was allocated to the special reserve.

(20) Compensation linked to shares
As at 1st July 1999, 1st July 2000 and 1st July 2001 Munich Re launched long-term incentive plans. These plans, each with a term of seven years, provide for the members of the Board of Management and senior management in Munich and for 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 the start of the plan. In addition, Munich Re shares must have outperformed the DAX 30 (Plan 1999) or the Euro Stoxx 50 (Plan 2000 and Plan 2001) 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.

In the year under review a total of 102,880 (63,469) stock appreciation rights were granted, 42,664 (27,029) of these to members of the Board of Management. The expenses/income incurred for the stock appreciation rights have been determined on the basis of the change in Munich Re's share price.

In the year 2001 the provision set up in the previous years was reduced by €15.8m (previous year: increase of €17.1m). The reduction in the provision resulted partly from the fact that stock appreciation rights from the Long-Term Incentive Plan 1999 had been exercised and partly from the fall in Munich Re's share price.

	Incentive Plan 1999	**Incentive Plan 2000**	**Incentive Plan 2001**
Plan commencement	1.7.1999	1.7.2000	1.7.2001
Initial share price	€182.60	€319.34	€320.47
Number of rights on 31.12.1999	104,340	–	–
Additions	–	63,496	–
Number of rights on 31.12.2000	104,340	63,496	–
Additions	–	5,946	96,934
Exercised	31,935	–	–
Number of rights on 31.12.2001	72,405	69,442	96,934
Exercisable at year-end	72,405	–	–

Other information

(21) Boards of the company, compensation and loans for Board members
The members of the Supervisory Board and the Board of Management are listed on pages 5 and 7 of this report.

Taking into account the proposal for the appropriation of the profit, the total emoluments of the members of the Board of Management amounted to T€11,085 (9,192). Of this, T€4,283 (4,508) is apportionable to fixed components, T€3,250 (4,684) to variable components, and T€3,552 to the exercise of stock appreciation rights granted under the Long-Term Incentive Plan 1999. Details of the long-term incentive plan are provided in Note 20.

Payments to retired members of the Board of Management or their surviving dependants total T€3,310 (2,898).

Taking into account the proposal for the appropriation of the profit, the total emoluments of the members of the Supervisory Board amounted to T€1,154 (1,153). This sum includes emoluments of T€604 (604) dependent on the dividend paid to shareholders.

The Board members did not receive any advances or loans in the year under review; no contingent liabilities were entered into for their benefit.

(22) Other seats held by Board members[1]

Supervisory Board	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Ulrich Hartmann	Deutsche Lufthansa AG Hochtief AG IKB Deutsche Industriebank AG (Chairman) RAG AG (Chairman) E.ON AG* (Chairman) VEBA OEL AG* (Chairman)	Henkel KGaA ARCELOR, Luxembourg
Dr. jur. Henning Schulte-Noelle	BASF AG E.ON AG Linde AG Siemens AG Thyssen Krupp AG Allianz Dresdner Asset Management GmbH* (Chairman) Allianz Lebensversicherungs-AG* (Chairman) Allianz Versicherungs-AG* (Chairman) Dresdner Bank AG* (Chairman)	Assurances Générales de France S. A., Paris* Riunione Adriatica di Sicurtà S. p. A., Milan*

[1] Status: 7th May 2002.
* Own group company within the meaning of Section 18 of the German Stock Companies Act.

Supervisory Board	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Rolf-E. Breuer	Bertelsmann AG Deutsche Börse AG (Chairman) Deutsche Lufthansa AG E.ON AG Siemens AG	Compagnie de Saint-Gobain S. A., Paris Landwirtschaftliche Rentenbank
Prof. Dr. rer. nat. Henning Kagermann	DaimlerChrysler Services AG IDS Scheer AG Deutsche Bank AG	–
Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand Piëch (until 16th April 2002)	Dr.-Ing. h. c. F. Porsche AG	Porsche Holding GesmbH, Salzburg Porsche GesmbH, Salzburg
Dr. jur. Dr.-Ing. E. h. Heinrich v. Pierer	Bayer AG Hochtief AG Volkswagen AG	Siemens AG Austria, Vienna* (Chairman)
Dr. Bernd Pischetsrieder (from 17th April 2002)	METRO AG Audi AG* (Chairman)	Tetra Laval Group, Pully Rolls-Royce and Bentley Motor Cars Ltd., Crewe* SEAT, S. A., Barcelona* (Chairman)
Dr. jur. Albrecht Schmidt	Allianz AG Bayerische Börse AG (Chairman) Siemens AG HVB Real Estate Bank* (Chairman) Vereins- und Westbank AG* (Chairman)	Bank Austria, Vienna* (Chairman)
Dr. phil. Ron Sommer	T-Mobile International AG* (Chairman) T-Online International AG* (Chairman)	–
Dr. rer. pol. Alfons Titzrath	Allianz AG Celanese AG Deutsche Lufthansa AG Dresdner Bank AG RWE AG	–

* Own group company within the meaning of Section 18 of the German Stock Companies Act.

Board of Management	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Dr. jur. Hans-Jürgen Schinzler Chairman	Allianz Lebensversicherungs-AG Dresdner Bank AG ERGO Versicherungsgruppe AG (Chairman) MAN AG	Aventis S. A., Schiltigheim Dresdner Kleinwort Wasserstein Inc., New York
Dr. jur. Wolf Otto Bauer	Karlsruher Versicherung AG (Chairman)	–
Dr. jur. Nikolaus von Bomhard	Münchener und Magdeburger Hagelversicherung AG	–
Clement Booth	–	ACORD, Pearl River, New York Inreon Ltd., London Nova Risk Partners Ltd., Johannesburg New Reinsurance Company, Geneva*
Dr. jur. Heiner Hasford	D. A. S. Deutscher Automobil Schutz Allgemeine Rechtsschutz-Versicherungs-AG ERGO Versicherungsgruppe AG Europäische Reiseversicherung AG (Chairman) BHS tabletop AG MAN Nutzfahrzeuge AG Nürnberger Beteiligungs-AG VICTORIA Lebensversicherung AG VICTORIA Versicherung AG WMF Württembergische Metallwarenfabrik AG	Munich London Investment Management Ltd., London American Re Corporation, Wilmington, Delaware*

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Board of Management	Seats held on supervisory boards of other German companies	Membership of comparable bodies of German and foreign business enterprises
Stefan Heyd	Allianz Versicherungs-AG Bayerische Versicherungsbank AG Frankfurter Versicherungs-AG Kraft Versicherungs-AG	–
Christian Kluge	Karlsruher Lebensversicherung AG Mercur Assistance AG Holding (Chairman)	–
John Phelan (from 1st April 2002)	–	American Re Corporation, Wilmington, Delaware* (Chairman) Munich Reinsurance Company of Canada, Toronto*
Dr. phil. Detlef Schneidawind	DKV Deutsche Krankenversicherung AG Generali Lloyd AG Hamburg-Mannheimer Sachversicherungs-AG Hamburg-Mannheimer Versicherungs-AG Karlsruher Lebensversicherung AG (Chairman) Mecklenburgische Kranken Versicherungs-AG Mecklenburgische Leben Versicherungs-AG	Munich American Reassurance Company, Atlanta*
Dr. jur. Jörg Schneider	Forst Ebnath AG (Chairman) MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH	American Re Corporation, Wilmington, Delaware*
Dr. jur. Hans-Wilmar von Stockhausen	Allgemeine Kreditversicherung AG	Münchener Rück Italia S. p. A., Milan* New Reinsurance Company, Geneva*
Karl Wittmann	–	Jordan Ins. Co. p. l. c., Amman Saudi National Insurance Company E. C., Jeddah Munich Reinsurance Company of Africa Ltd., Johannesburg* Munich Reinsurance Company of Australasia Ltd., Sydney* Munich Reinsurance Company of Canada, Toronto*

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(23) Number of staff
The number of staff employed by the company in Munich and at its offices abroad in the business year 2001 averaged 2,613 (2,410).

(24) Contingent liabilities, other financial commitments
As a member of the German Reinsurance Pharmapool, we are committed – to the extent of our proportional share – to assuming the payment obligations of another pool member if the latter is not able to meet these obligations. Similar commitments exist in connection with our membership of the German Nuclear Insurance Pool and the German Aviation Pool.

As part of the restructuring of shareholdings, there were commitments of €7,787m at the balance sheet to acquire shares in HypoVereinsbank and ERGO. The purchases were effected on 15th January 2002.

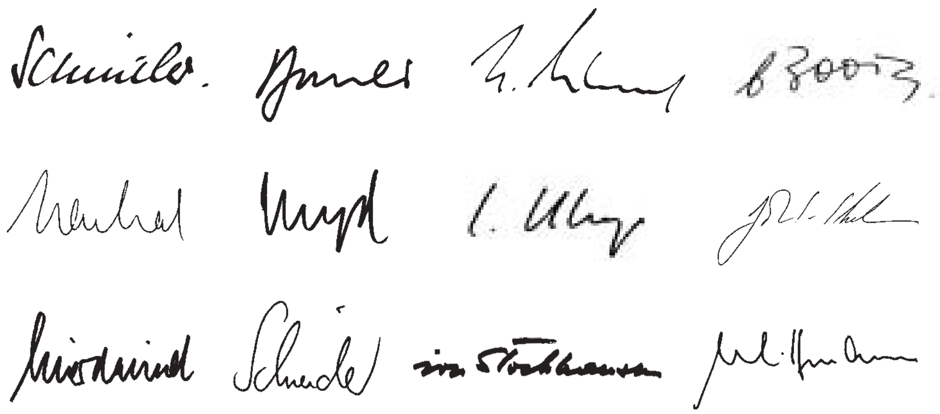
Beyond this, there were other financial commitments of €419m. These include liabilities under option agreements, not fully utilized credit lines of an affiliated company, and a binding offer to acquire shares.

In addition, the company has given a customary market guarantee, required by supervisory law, for the liabilities of one foreign subsidiary.

We have entered into no other financial commitments of significance for the assessment of the company's financial position.

Munich, 7th May 2002

The Board of Management



Auditor's report

The auditor's opinion is worded as follows:

We have audited the annual financial statements, together with the bookkeeping system, and the management report of the Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München for the business year from 1st January 2001 to 31st December 2001. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the Articles of Association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institute of German Certified Accountants (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. Altogether, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Munich, 13th May 2002

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Herbert Loy	Christine Peschel
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified public accountant)	(Certified public accountant)

Proposal for appropriation of profit

The balance sheet profit at the disposal of the Annual General Meeting amounts to €220,979,251.25.

We propose that the balance sheet profit be distributed as a dividend of €1.25 on each share entitled to dividend and that the amount apportionable to own shares be carried forward to new account.

Munich, 7th May 2002

The Board of Management

Schinzler, Bauer, von Bomhard, Booth, Hasford, Heyd, Kluge, Phelan, Schneidawind, Schneider, von Stockhausen, Wittmann

Münchener Rückversicherungs-Gesellschaft
Central Division: Corporate Communications
Königinstrasse 107
80802 München
Germany
http://www.munichre.com

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