Münchener Rück
Munich Re

1996/97

Munich Re Group

	1994/95 DM m	1995/96 DM m	1996/97 DM m
Gross premiums written	28,974	28,989	32,181
Reinsurers	18,848	18,507	19,329
Direct insurers	10,126	10,482	12,852
Investments	111,008	120,279	148,288
Reinsurers	48,398	52,937	61,803
Direct insurers	62,610	67,342	86,485
Net underwriting funds and provisions	100,162	107,783	135,459
Reinsurers	42,305	45,663	55,313
Direct insurers	57,857	62,120	80,146
Shareholders' funds	4,442	5,378	6,604
Profit for the year	325	595	699
Earnings per share in DM* (according to DVFA/GDV; previous years adjusted)	6.76	14.00	15.65
Dividend of the Munich Reinsurance Company	102	133	141
Dividend per share in DM* (previous years adjusted)	1.35	1.60	1.70

* 1:10 stock split in August 1997

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München

Königinstrasse 107 · D-80802 München
Phone: (0 89) 38 91-0
Fax: (0 89) 39 90 56
http://www.munichre.com

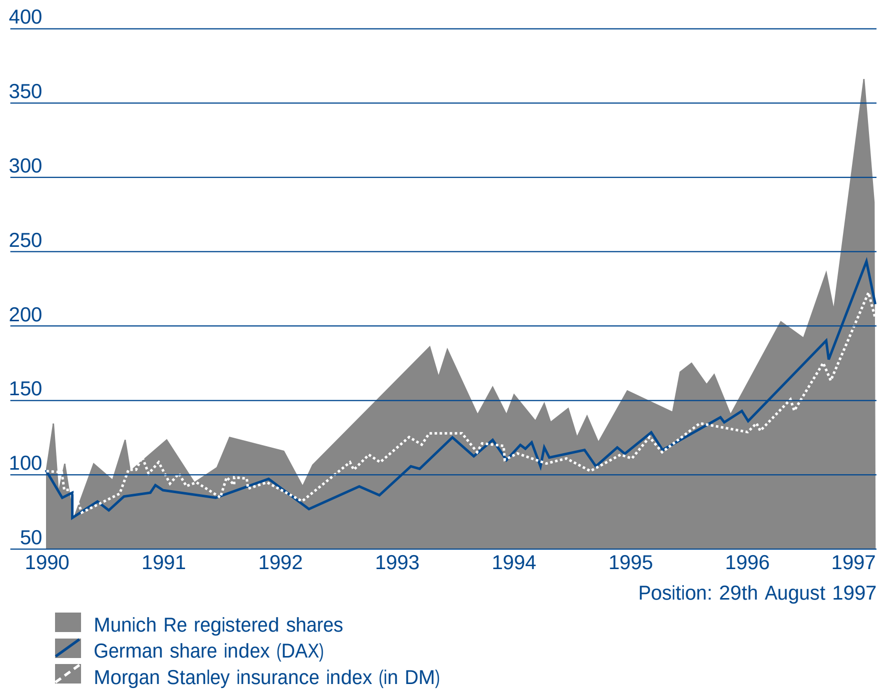
Munich Re registered shares

Positive performance of Munich Re registered shares

The German stock market has experienced a strong overall rise in prices since the beginning of 1997, despite the fallback that occurred in the second half of August. The representative German share index, the DAX, rose altogether by 35% up to the end of August. The very good performance of the market as a whole has again been surpassed by the performance of Munich Re registered shares, whose price rose by 39% in the same period. This price advance is a clear expression of investors' great confidence in the intrinsic value of Munich Re shares and a positive evaluation of the measures taken by the management in the past year to strengthen the Munich Re Group further. The inclusion of Munich Re registered shares in the DAX 30 last year and the 1:10 stock split carried out in August 1997 have added to their attractiveness.

Investment in Munich Re registered shares has also been extremely attractive for the long-term oriented investor, particularly if the warrants issued in 1994 and due to expire in March 1998 are taken into account. Whereas the DAX has risen by 108% since July 1990, Munich Re registered shares have increased in value by 174%, also far outstripping the international index for the insurance sector, which rose by only 97% in the same period. The market capitalization achieved – over DM 44 billion – reflects the importance of the Munich Reinsurance Company as a world leader in its sector.

Price performance
1st July 1990 = 100

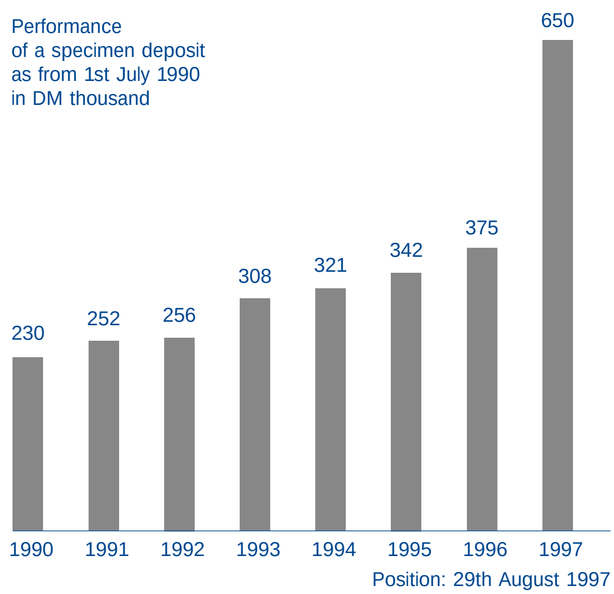


Performance of a specimen deposit of Munich Re registered shares

A deposit of 100 Munich Re registered shares purchased at the beginning of July 1990 cost DM 230,000 (not including transaction charges). With reinvestment of subsequent dividends to purchase a further 2 shares and of subscription rights (opération blanche) to purchase another 18, a German shareholder would have been able to add a total of 20 shares and 12 warrants to the deposit. After the 1:10 stock split on 18th August 1997, the deposit thus contains 1,200 Munich Re registered shares and 12 warrants. On the basis of prices at the end of August 1997, the value of the deposit amounts to DM 650,412, equivalent to an increase of 183%. According to the Internal Rate of Interest method, this works out at an average annual rate of return of 15.8%.

We will be happy to supply further information about Munich Re shares on request.

Performance
of a specimen deposit
as from 1st July 1990
in DM thousand



Münchener Rückversicherungs-Gesellschaft
Report for the 117th year of business
1st July 1996 to 30th June 1997

Note: The abbreviation TDM used in this report stands for thousand D-marks.

Munich Re

All over the world people and companies are clients of insurance companies, which in turn are our clients – over 5,000 of them in around 160 different countries. We assume a part of their risk, in particular the large individual risks and the catastrophe risks in their portfolios, and also provide support in many markets for the handling and development of insurance business, including the taking up of new lines. Our clients benefit from the expertise and personal attention of Munich Re's more than 4,500 staff – at our head office in Munich and at over 60 locations worldwide.

Munich Re can take pride in 117 years of successful operations. The foundations of our business philosophy are:
- Independence of the company
- Exceptional financial strength
- Ability and willingness to meet our obligations at all times
- Extensive reinsurance capacity and comprehensive services for our clients
- Continuity of relationships with clients and markets
- Profitable growth
- Global balance of risks through the writing of business in all classes of insurance throughout the world
- Stabilization of our business through strategic interests in the direct (= primary) insurance sector

We take advantage of calculable opportunities without indulging in speculation. We act in accordance with proven principles while remaining receptive to new ideas, which we actively help to develop. Munich Re's goal, as a world leader in its branch of business, continues to be the further improvement of its position in as many potentially profitable business sectors as possible. For our clients, we want to continue to be what we have always been – a reliable and professional partner, especially when markets are changing.

Munich Re's share capital of DM 814,752,000 is furnished by approximately 13,000 shareholders. Our largest shareholder, with 25%, is Allianz AG, in which Munich Re also holds a 25% share. Bayerische Vereinsbank, Deutsche Bank and Dresdner Bank each hold around 10%. Commercial Union Assurance Company plc, London, with an interest of just under 5%, is also a longstanding shareholder. Otherwise, our shareholders are widely distributed throughout Germany and abroad, with international investment companies and pension funds holding Munich Re shares in their portfolios. Our shareholder structure reflects the great confidence placed in Munich Re, and the above-average return on Munich Re shares (see inside cover page) shows that an investment in our company is well worthwhile.

Supervisory Board

Chairman (until 6th Dec.1996)	Professor Dr. jur. Dr.-Ing. E. h. Dieter Spethmann Attorney, former Chairman of the Board of Management of Thyssen AG
Chairman (since 6th Dec. 1996)	Ulrich Hartmann Chairman of the Board of Management of VEBA AG
Deputy Chairman	Dr. jur. Henning Schulte-Noelle Chairman of the Board of Management of Allianz AG
Deputy Chairman	Dr. rer. pol. Wolfgang Röller Former Chairman of the Supervisory Board of Dresdner Bank AG
	Herbert Bach Employee of the Munich Reinsurance Company
	Christiane Bartl Employee of the Munich Reinsurance Company
	Peter Burgmayr Employee of the Munich Reinsurance Company
	Dr. jur. Edgar Jannott Chairman of the Boards of Management of VICTORIA Holding AG, VICTORIA Versicherung AG and VICTORIA Lebensversicherung AG
	Ludwig Knabl Employee of the Munich Reinsurance Company
	Hilmar Kopper Chairman of the Supervisory Board of Deutsche Bank AG
	Dr.-Ing. E. h. Eberhard v. Kuenheim 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. Albrecht Schmidt Spokesman of the Board of Management of Bayerische Vereinsbank AG
	Dr. rer. nat. Klaus Schumann Employee of the Munich Reinsurance Company
	Dr.-Ing. Dieter Soltmann General Partner of Gabriel Sedlmayr Spaten-Franziskaner-Bräu KGaA

Report of the Supervisory Board

The Supervisory Board constantly monitored the conduct of the company's business during the period under review. In addition to the written reports we received, we obtained detailed information at the Supervisory Board meetings from the Board of Management on the position and development of the company and its main participations. All important transactions were extensively discussed. Where individual management measures required the approval of the Supervisory Board, this was granted unanimously in each case. Outside the regular meetings, too, all members of the Supervisory Board were informed without delay about individual decisions and business transactions that were of particular significance for the further development of the company. Besides this, the Chairman of the Supervisory Board remained in close contact with the Chairman of the Board of Management.

One of the main topics discussed in the period under review was the exchange of shareholdings with Allianz AG agreed on in July 1996. As a result of this exchange DKV Deutsche Krankenversicherung AG now belongs completely to the Munich Re Group, whilst Hermes Kreditversicherungs-AG no longer numbers among the group of consolidated companies.

The acquisition of American Re Corporation, concluded in November 1996, was also discussed in detail with the Supervisory Board by the Board of Management. The latter reported to us extensively at various stages regarding the integration of Munich American Reinsurance Company (MARC) and the US Branch into American Re.

A further important subject was the restructuring of the Hamburg-Mannheimer Group. This involved the two operative companies, the new Hamburg-Mannheimer Versicherungs-AG and Hamburg-Mannheimer Sachversicherungs-AG, being put under a holding company retroactively as from 1st January 1997, with the aim of a clear separation of life and non-life business.

Further points discussed included the change in the structure of investments owing to the measures in respect of Munich Re's shareholdings, the taking up of a long-term loan of DM 1 billion in April 1997, and the effects of the inclusion of Munich Re shares in the DAX 30.

At the beginning of the new business year we closely considered and assessed together with the Board of Management the planned formation of ERGO Versicherungsgruppe AG through the merger of the Hamburg-Mannheimer/DKV and VICTORIA/D.A.S. insurance groups.

The Munich Reinsurance Company's bookkeeping, its company accounts and consolidated accounts as at 30th June 1997, as well as the Board of Management's report for the company and the Group as a whole, have been examined by the Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and have received an unqualified auditors' certificate. The auditor's reports were promptly sent to all the members of the Supervisory Board. After detailed discussion between the Chairman of the Supervisory Board and the auditor, there was also extensive discussion of the accounts, the Board of Management's report and the auditor's reports at the balance sheet meeting of the Supervisory Board, where the auditor was available for providing clarification and explanations. The auditor's reports meet with our approval.

After our own examination, which did not give rise to any objections either, we approved the accounts drawn up by the Board of Management. They are thus adopted in accordance with Article 172 of the German Stock Companies Act.

The Supervisory Board agrees to the proposal for the appropriation of the balance sheet profit.

On reaching the age of 70, Professor Spethmann stepped down as Chairman of the Supervisory Board in December 1996, having held the office since 1978. He continues to be a member of the Supervisory Board. We thank Professor Spethmann for his many years of constructive work and great commitment as Chairman of the Supervisory Board in the interests of the company and its shareholders. The Supervisory Board has elected Mr. Hartmann as its new Chairman.

With effect from 1st January 1998 Messrs. Stefan Heyd (52), Christian Kluge (56) and Karl Wittmann (52), who have worked for the company for many years, were appointed members of the Board of Management.

We wish to thank the members of the Board of Management, the staff of the Munich Reinsurance Company and its subsidiaries, and the staff representatives, for their hard work and commitment.

Munich, 23rd October 1997

For the Supervisory Board

Ulrich Hartmann
Chairman

Board of Management

From left to right:

Dr. jur. Heiner Hasford
Rudolf Ficker
Dr. jur. Claus Helbig
Dr. phil. Detlef Schneidawind
Dr. jur. Wolf Otto Bauer
Dr. jur. Hans-Jürgen Schinzler (Chairman)
Dr. jur. Fedor Nierhaus
Dr. jur. Hans-Wilmar von Stockhausen
Hans-Dieter Sellschopp
Dieter Göbel
Hans Rathnow

Dear Shareholders,

Dr.jur. Hans-Jürgen Schinzler
Chairman of the Board of Management

Your Munich Re was again very successful in the business year 1996/97. We can report growth in premium income and a further increase in the Group's profit for the year. Earnings per share improved to DM 15.65. The parent company's considerably increased profit for the year will enable us to raise the dividend per share from DM 1.60 to DM 1.70.

We have taken decisions of major significance during the past year:

– In July 1996 we acquired Europe's largest health insurer, DKV Deutsche Krankenversicherung, from Allianz.
– In August 1996 we acquired American Re.
– In July 1997 it was decided to merge substantial parts of our German direct insurance group with VICTORIA/D.A.S. to form the ERGO Versicherungsgruppe.

The stock market has responded very positively to these transactions, accompanying our good business results. Munich Re shares have performed notably better than the DAX share index, in which – not least due to our own efforts – they have been included since 23rd September 1996.

In *reinsurance* it remains our goal to be or become the leading reinsurer in as many countries and potentially profitable sectors of business as possible. We see good opportunities for taking positive advantage of the keener competitive situation. Our risk portfolio is very well structured after our improvement measures of the last few years, a fact borne out by the last two years' outstanding underwriting results. We thus have enough scope not only to defend our market shares but also to expand them. In doing so, the excellent ratings we have again received from leading rating agencies will stand us in good stead: Munich Re was awarded the highest possible ratings both by Standard & Poor's and by A.M. Best, which specializes in the rating of insurance companies.

Following the integration of our previous US organization into American Re, our aim in the USA is to become market leader.

We want to create synergies from the strengths of the Munich Re Group worldwide, utilizing them in particular for the innovative further development of products and services. One example is the development of alternative forms of cover, where our specialists work together closely with clients to devise individual and innovative solutions, including financing components. Another example is the increasingly important field of alternative markets for the risks of large industrial and service companies; for this, we have set up a Center of Competence for the Munich Re Group at American Re.

We are constantly reviewing our operational processes to enhance our competitiveness: in future, regionally oriented teams of highly qualified staff members from underwriting and regional divisions will further expedite decision-making.

We attach the greatest importance to training and personnel development. Our staff's specialist knowledge, their expertise with regard to markets and clients, their commitment and their enthusiasm are fundamental to the continued successful development of our Group.

The stable development of premium income and results in the Munich Re Group is furthered by our *direct insurance participations.* These companies operate mainly in personal lines business, and last year we significantly strengthened this emphasis on personal lines through the complete acquisition of DKV. Now we are rounding off our direct insurance participations through the merger of Hamburg-Mannheimer and DKV with VICTORIA and D. A. S., in which we have held substantial stakes for decades. We will become the majority shareholder of ERGO, the second biggest direct insurance group in Germany. The listing of ERGO shares on the stock exchange will make the value of Munich Re shares more transparent.

The focus of our direct insurance group hitherto has been on life and health business. With the addition of VICTORIA, it will now include a major insurer of property-casualty business. The cooperation between the companies in the ERGO Group will provide them not only with opportunities for appreciable savings and synergies but also with additional premium potential, especially through the fuller range of products they can offer and the mutual use of distribution channels. It will certainly not be possible to achieve this overnight, but the basis has been created for the further positive development of our direct insurance interests.

Thus our direct insurance group should be able to balance our reinsurance operations – which are naturally susceptible to stronger fluctuations in results – even better in the future. This gives our shareholders and our reinsurance clients additional security. Even though around half of the Group premium will derive from direct insurance in future, there will be no change in Munich Re's traditional role as reinsurer of the German and international insurance industries. We will continue to be a fair, reliable, long-term and innovative partner for our clients.

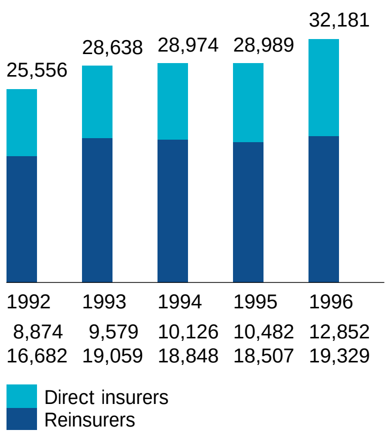
Hence the strategic decisions that we have taken over the past months are in the interests of our shareholders, our clients and our staff throughout the world.

Yours sincerely,

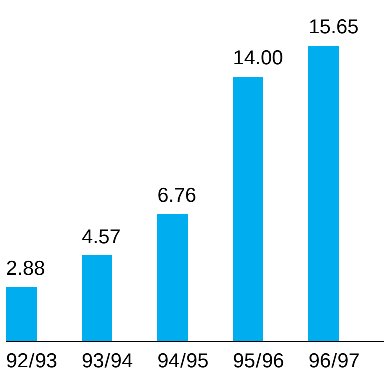
H. J. Schinzler.

Board of Management's report for the Munich Re Group and the Munich Reinsurance Company

Gross premiums in DM m



Earnings per share in DM
(after stock split)



The business year 1996/97 was again a very satisfactory one for the Munich Reinsurance Company and its subsidiaries: there was another marked increase in the Group's profit for the year, with growth in premium income. This positive development is partly attributable to the changes in the group of consolidated companies.

The companies consolidated in the Group accounts recorded a total premium income of DM 32,181 million. Of this, 60% was written by the reinsurance companies. The increase to 40% in the share written by the direct insurers is due to the first-time consolidation of DKV Deutsche Krankenversicherung AG as from 1st August 1996. The income and expenditure of American Re, on the other hand, is not included in the 1996/97 consolidated accounts.

The Group's premium income rose by DM 3,192 million or 11.0% compared with the previous year. Without the changes in the group of consolidated companies, premium growth would have amounted to 3.4%.

Net premiums total DM 28,934 million, an increase of DM 2,702 million or 10.3% on the previous year.

The Group's underwriting result improved from DM 573 million in the previous year to DM 776 million in the year under review, a development to which the reinsurers and the direct insurers both contributed.

The claims equalization provision and similar provisions have been increased by DM 1,216 million, compared with DM 952 million in the previous year. This is mainly attributable to the further improvement in the business results of the parent company.

In addition, the parent company has again been able to make large special allocations, amounting to DM 200 million (previous year: DM 500 million), to its provision for outstanding claims.

The Group's investments increased by DM 28,009 million to DM 148,288 million; DM 22,586 million of this is apportionable to American Re and DKV.

On account of the larger volume of investments, investment income rose further. Owing to the developments on the capital markets, writedowns again decreased. The profit on investments amounts to DM 9,362 million, compared with DM 7,935 million in the previous year. In accordance with accounting regulations, DM 7,104 million of this is incorporated in the underwriting result.

The Group result before tax improved by DM 79 million to DM 1,213 million. The Group's profit for the year amounts to DM 699 million, compared with DM 595 million in the previous year; this represents an increase of 17.5%.

Earnings per share – calculated according to the system of the DVFA/GDV (German Association of Financial Analysts and Investment Consultants/ Association of German Insurers) – rose to DM 15.65 (previous year: DM 14.00).

The Munich Reinsurance Company's profit for the year is DM 281 million. After allocation of DM 140 million to the revenue reserves, the balance sheet profit remaining is DM 141 million. This has been earmarked for distribution to shareholders in the form of an increased dividend of DM 1.70 per share (previous year: DM 1.60).

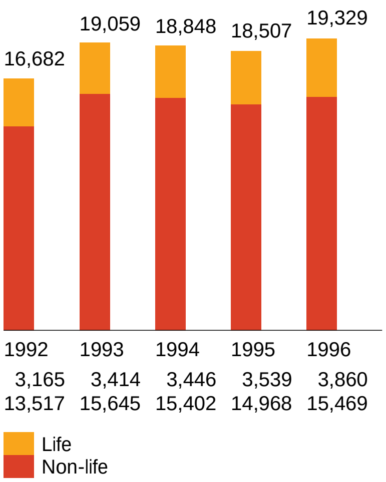
Reinsurance

As the world's leading reinsurer, Munich Re works together with direct insurance companies in around 160 different countries. We operate on the one hand directly from our head office in Munich, Germany; on the other hand we are represented at over 60 locations worldwide through reinsurance subsidiaries, branch offices, service companies and liaison offices.

As expected, competition in reinsurance intensified in the year under review. In individual markets and some classes of business, prices and conditions came under increased pressure. Growing financial strength and further moves towards consolidation in direct insurance caused the volume of business ceded in reinsurance to shrink in some markets. The trend towards higher retentions on the part of direct insurers continued. In addition, a change is also taking place as regards types of cover effected; forms of reinsurance with less premium volume are increasing in importance alongside the still significant classic covers.

In this market situation we maintained our position well. We parted with inadequately rated business, but we were also able to acquire new business and to increase attractive participations.

Gross premiums in DM m

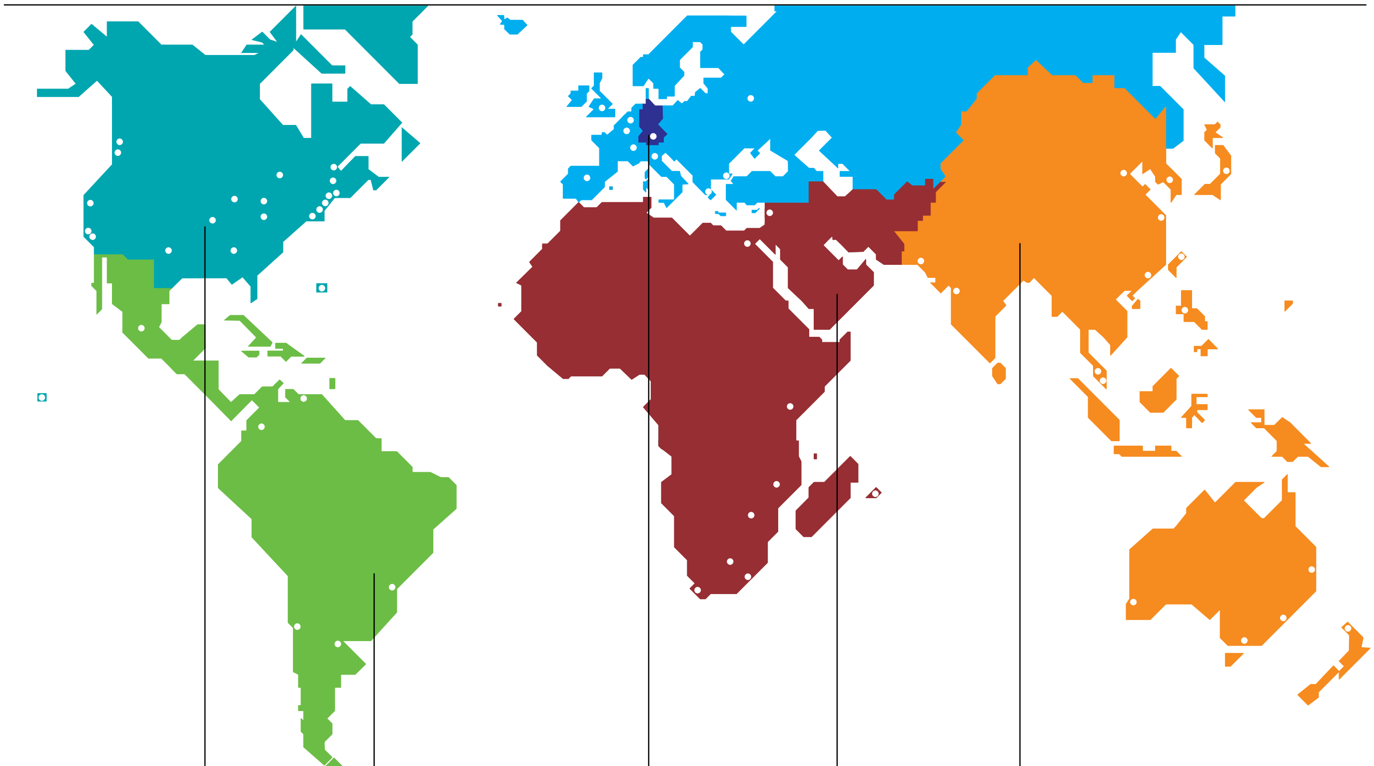


Altogether, the consolidated gross premiums written by the reinsurers in the year under review total DM 19,329 million, compared with DM 18,507 million in the previous year. This represents an increase of 4.4%, to which the parent company and the reinsurance subsidiaries both contributed. Changes in exchange rates again affected the development of premium income, but this time positively: the generally lower valuation of the D-mark in the year under review produced an increase of DM 542 million in the premium volume, contrasting with a reduction of DM 871 million in the previous year. Without the influence of changes in exchange rates, i.e. in original currencies, premium income in the year under review would have increased by 1.5%.

Net premium income from reinsurance business increased by DM 249 million or 1.5% to DM 16,775 million.

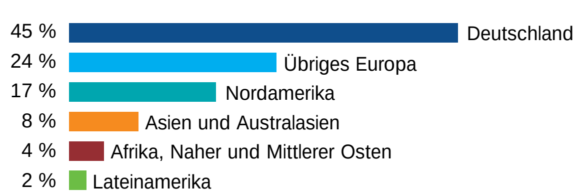
The geographical division of the Group's reinsurance premium was as follows:

	1996 DM m	Previous year DM m
Germany	8,630	8,846
Rest of Europe	4,604	3,881
North America	3,284	3,124
Asia and Australasia	1,625	1,580
Africa, Near and Middle East	807	730
Latin America	379	346
Total	19,329	18,507



Geschäftsbereiche	Nordamerika	Lateinamerika	Deutschland Übriges Europa	Afrika, Naher und Mittlerer Osten	Asien und Australasien
	Atlanta	Bogotá	**München**	Blantyre	Auckland
	Boston	Buenos Aires		Durban	Brisbane
	Burlington	Caracas	Athen	Harare	Hongkong
	Chicago	Mexiko	Brüssel	Johannesburg	Karatschi
	Columbus	Santiago de Chile	Genf	Kairo	Kuala Lumpur
	Dallas	São Paulo	Istanbul	Kapstadt	Manila
	Hamilton		London	Nairobi	Melbourne
	Hartford		Madrid	Port Louis	Mumbai
	Honolulu		Mailand	Tel Aviv	Peking
	Kansas City		Moskau		Perth
	Los Angeles		Paris		Schanghai
	Minneapolis				Seoul
	Montreal				Singapur
	New York				Sydney
	Philadelphia				Taipeh
	Princeton				Tokio
	San Francisco				
	Seattle				
	Toronto				
	Vancouver				
	Woodland Hills				

Rückversicherungsbeiträge



In comparison with the previous year the share of German business has decreased by 3 percentage points, contrasting with an equivalent increase for the rest of Europe.

There will be a more marked shift in regional emphasis in the current business year. The first-time consolidation of American Re will increase the share of North American business in the reinsurance group to around 30%, whilst the share of German business will decrease to well below 40%. These figures make clear the further improvement in the regional distribution of our business resulting from the acquisition of American Re.

Gross premiums by class of business

- Life 20%
- Personal accident/health 6%
- Liability 9%
- Motor 17%
- Marine 4%
- Fire 20%
- Engineering 10%
- Other classes 14%

By class of business, the premium income developed as follows:

	1996 Gross DM m	1996 Net DM m	Pr. year Gross DM m	Pr. year Net DM m
Life	3,860	3,200	3,539	3,054
Personal accident/health	1,229	1,108	1,209	1,113
Liability	1,751	1,425	2,092	1,943
Motor	3,341	2,917	3,267	2,933
Marine	682	642	683	666
Fire	3,799	3,408	3,623	3,166
Engineering	1,900	1,613	1,847	1,615
Other classes	2,767	2,462	2,247	2,036
Total	19,329	16,775	18,507	16,526

The development of the reinsurance premiums was affected on the one hand by liability business, which after boosting premium income in the previous year through an exceptional transaction, returned almost to the volume of the year before. On the other hand, there was pleasing growth in the premium income from life, fire and the business subsumed under “other classes”.

The reinsurance underwriting result improved further, with the underwriting profit rising to DM 231 million (previous year: DM 98 million). This was mainly attributable to the business experience of the parent company, which was again very favourable. The business development of the reinsurance subsidiaries was mixed; as a whole, their underwriting result deteriorated owing to the market circumstances in their areas of operation.

As anticipated, the underwriting loss in liability shows a considerable decrease. The result improved significantly in engineering as well, with a satisfactory profit after a deficit in the previous year. The profit in fire increased again, whereas the motor result in particular deteriorated appreciably.

The result of the reinsurance companies’ investments improved further, with the profit totalling DM 3,392 million, compared with DM 3,174 million in the previous year.

The reinsurance companies’ unadjusted earnings were, at DM 2,119 million, somewhat lower than the DM 2,163 million achieved in the previous year.

Another very large allocation was made to the claims equalization provisions and similar provisions. At DM 1,203 million, this was even larger than the previous year's exceptional allocation of DM 984 million.

In the case of the parent company, it was again possible to make very large special allocations to the provision for outstanding claims, totalling DM 200 million (previous year: DM 500 million).

The reinsurance companies' pre-tax profit for the year increased from DM 679 million in the previous year to DM 716 million in the year under review; this represents an improvement of 5.5%.

The most important figures for the reinsurers in DM million:

	1992/93	1993/94	1994/95	1995/96	1996/97
Gross premiums	16,682	19,059	18,848	18,507	19,329
Net premiums	14,385	16,750	16,531	16,526	16,775
Underwriting result*	–1,652	–746	–562	98	231
Investment result*	2,317	2,857	2,745	3,174	3,392
Unadjusted earnings	664	1,097	1,270	2,163	2,119
Special allocations to the provisions for outstanding claims	–450	–350	–250	–500	–200
Change in the claims equalization provision and similar provisions	–33	–523	–798	–984	–1,203
Operating result before tax	181	224	222	679	716

* The figures for the years 1992/93 and 1993/94 are comparable only to some extent with those as from 1994/95 owing to the change in the allocation of the expenses for employees' pensions and "other depreciation".

The insurance markets

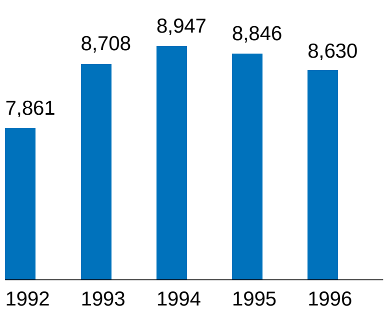
Germany

Although the economy began to recover, the overall economic situation in *Germany* was unsatisfactory. Despite positive impulses from some export-oriented branches, weak domestic demand and the high costs for companies meant that altogether the rate of new orders remained unsatisfactory, competitiveness declined and many firms' production fell. The number of unemployed rose to over four million, the highest figure in the Federal Republic's history. With only moderate wage settlements and a continuing high level of taxes and other charges, a revival in private demand was scarcely possible. This unfavourable economic background had an inevitable impact on the insurance industry.

German direct insurers recorded their lowest premium growth since 1949, namely 3.1%. A distinction must be made between insurances of the person and property-casualty insurance, however. The discussion concerning state pensions had a positive effect on the sales of private pension insurances. And private health insurance – mainly as a result of premium adjustments – was able to record growth well above the general average. By contrast, there was no premium growth in property-casualty insurance overall.

In addition to these general conditions in the German market, there were special aspects that affected us in reinsurance. For example, as reinsurers we had practically no benefit from the increased demand for private pension insurances. Besides this, the trend among large German insurers in particular to increase their retentions and restructure their reinsurance programmes continued. This development and its adverse impact on premium ceded in reinsurance, which especially affected us as leading reinsurer, could not be fully compensated for by the acquisition of new business, even though we were very successful in this in the year under review.

Gross premiums in DM m



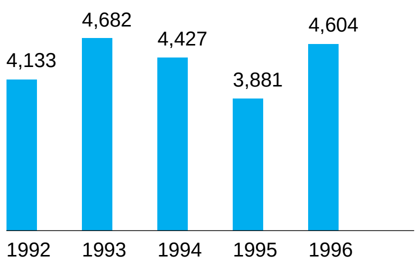
Premium income from our German reinsurance business therefore declined by 2.4% to DM 8.6 billion. The underwriting result was again positive, albeit slightly down on the previous year.

So far it has been mainly motor insurance in which the effects of deregulation have been evident in the form of keener competition, new products and appreciable losses in premium, but there are now signs of similar effects in other classes of business. In property insurance, the range of conditions in use on the market has increased considerably. The fact that, due to chance, claims costs were again relatively low and results consequently good has favoured the trend towards innovation.

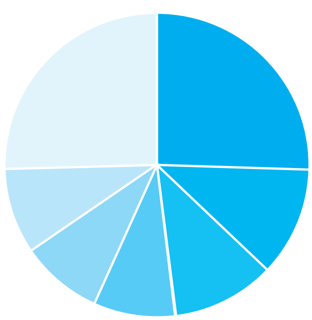
In the current risk period, i.e. 1997, we expect a further decline in the premium income from our German reinsurance business, for the same reasons as last year. Despite the claims arising from the floods on the Oder, we anticipate another satisfactory result, provided we are not affected by an exceptional accumulation of natural catastrophes or other very large losses.

Rest of Europe

Gross premiums in DM m



Gross premiums by country



UK	26%
Netherlands	11%
France	10%
Switzerland	9%
Italy	9%
Austria	9%
Other 34 countries	26%

In our business from the rest of Europe, premium income increased by around DM 720 million to DM 4.6 billion. The underwriting profit was lower than in the previous year. Developments in individual markets did differ, however.

For us the *UK* remains, after Germany, the country from which we derive the largest premium volume in Europe. In the year under review we recorded a pleasing increase in premium from our UK business. On account of the continuing price competition in some market segments, however, the result was not as good as in the previous year.

For some years now the UK insurance market has been characterized by restructuring. On the one hand this has taken the form of mergers between composite insurers and also between brokers, with the aim of cutting costs and improving international competitiveness. On the other hand large building societies are preparing to become risk-carriers themselves instead of passing on risks to insurers. In addition, mutuals are being converted into public companies so as to put them in a better position to finance future business expansion.

These developments also mean a change in reinsurance needs, requiring from reinsurers a high degree of flexibility and the ability to offer individual and innovative solutions. We consider ourselves well prepared for this.

We have been represented in London for many years by our Main Representation Office and by two branch offices that chiefly handle local UK business. In contrast, our British subsidiary, *Great Lakes Reinsurance Company (UK), London,* writes international business and is also available for special business segments. In the year under review the latter wrote gross premium income of £95 million (previous year: £96 million) and recorded a satisfactory profit.

For 1997 we expect our UK business to show significant premium growth. This is mainly due to a sizeable business connection in motor, which has required considerable investment. For this reason the result for the UK will be somewhat less favourable than last year.

In the *Netherlands,* despite keener price competition and continuing consolidation in the direct insurance market, we managed to achieve positive results again whilst expanding our portfolio further. This was due to the fact that some areas of state social insurance have been privatized, presenting new business opportunities especially in insurances of the person. We are expecting further premium growth in 1997. The result of our Dutch business will probably deteriorate somewhat as a result of competition.

In *France, Belgium* and *Luxembourg* we were also able to extend our important market position and increase our premium income. The result here was adversely affected by the fire in the Channel Tunnel in November 1996. Our share of this loss totalled around DM 115 million.

Premium income will increase further in 1997; we expect premium growth above all in the facultative sector and in insurances of the person. The result should improve significantly. We see particular growth potential for insurances of the person in the future. Consequently, in France we have recently participated in the setting up of a life insurance company, GPM Assurance, and the formation of a life reinsurance company, Prévoyance Re.

Switzerland, the country with the highest per capita insurance density in the world next to Japan, has been suffering from economic stagnation for many years. In the year under review insurance volume in non-life declined by about 2% for the first time since 1940. Price competition resulting from deregulation, increasing cost pressure and market consolidation, plus the resultant trend towards higher retentions on the part of direct insurers, influenced the volume of business ceded in reinsurance. Nevertheless, we were still able to increase our premium income. For 1997 we are reckoning with a stagnating premium volume at most. As far as the result is concerned, the positive trend of the last few years is continuing, despite some major losses in fire.

At our Swiss subsidiary, *New Reinsurance Company, Geneva,* we carried out a substantial capital increase in November 1996, raising shareholders' funds by around Sfr 400 million to over Sfr 520 million. This has considerably broadened the basis for the further development of the company's business. In the business year 1996 New Re recorded a substantially higher gross premium income of Sfr 532 million (previous year: Sfr 452 million). Its reinsurance underwriting result improved, even though claims provisions were significantly strengthened. The profit for the year rose to Sfr 4.7 million (previous year: Sfr 3.5 million).

In *Italy* our subsidiary *Münchener Rück Italia S.p.A., Milan,* developed pleasingly; it was able to extend its position as one of the leading Italian reinsurance companies. In 1996 it contributed Lit 381 billion to the Group's premium income (previous year: Lit 336 billion). Its reinsurance underwriting result improved, enabling it to post an increased profit for the year.

In view of acceptable underwriting results and growing consolidation in the Italian market, competition has become appreciably keener, especially in reinsurance but also in direct insurance. We are keeping a close eye on the rapidly rising levels of compensation for bodily injury in motor and liability. On the other hand, we see interesting opportunities for growth, particularly in insurances of the person as a consequence of the continuing discussion regarding the reduction of state social benefits. In the non-life sector the long-awaited implementing provisions for the law regulating public construction orders would be a positive impulse for growth.

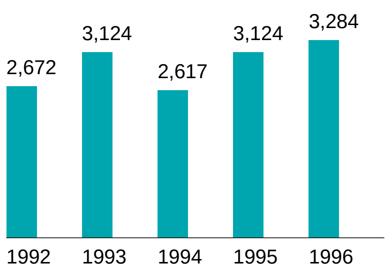
In *Austria* we were again able to extend our leading position and record another positive overall result. The Austrian insurance industry once more developed more favourably than the economy as a whole. Life insurance contributed particularly to this growth, with a temporary boom in new business being triggered by the fact that tax benefits on certain life insurance products were only being granted until 31st December 1996. Growing national – but also international – competitive pressure led to further widening of conditions and price erosion in some classes of business. At the same time we are witnessing increasing consolidation in Austria as well. It must be assumed that the notable growth in the insurance market will cease in the near future, not least as a result of the savings package adopted by the government. Nevertheless, we expect a further increase in our premium income in 1997. The result will probably deteriorate owing to the growing competition.

After large-scale political and economic reforms, the countries of *Central and Eastern Europe* as a whole are experiencing above-average economic growth in comparison with Western Europe. This is also having a positive effect on growth in the insurance markets. Despite keener competition we were able to increase our premium income significantly and the result was pleasing. We expect further growth in 1997.

North America

In the North American market we achieved a total premium income of DM 3,284 million in the year under review, compared with DM 3,124 million in the previous year. This represents an increase of 5.1%.

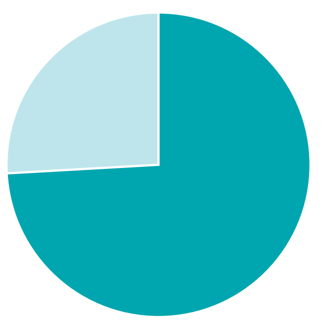
Gross premiums in DM m



The *USA,* the world's largest insurance market, was again hit by losses from tropical cyclones. However, with the exception of Hurricane Fran, these did not reach catastrophic proportions. In comparison with the previous year there was a slight reduction in the underwriting deficit recorded by the property-casualty insurers; their overall result for the year improved slightly. For non-life reinsurers – including our respective operations – 1996 was a successful year; altogether they showed a pleasing increase in their operating profit.

The life insurance market in the USA continues to be characterized by hard price competition and increasing consolidation. Good opportunities for future growth are seen mainly in cooperation with banks and in long-term care insurance, disability covers and annuity insurance.

Gross premiums by country



USA	74%
Canada	26%

Through the acquisition of *American Re, Princeton,* which was completed on 25th November 1996, we have enormously strengthened our market position in the USA. The gross premiums written by the company in 1996 totalled US$ 2.3 billion. With net premium income of US$ 1.9 billion, it ranked second among US reinsurers. American Re achieved an underwriting profit and posted an overall profit for the year of US$ 111.7 million. It had to bear large exceptional cost burdens in the business year 1996: US$ 36.1 million for expenses resulting from the merger with *Munich American Reinsurance Company, New York (MARC),* completed in 1997, and US$ 34.0 million for expenses in connection with the defeasance of debentures. American Re's income and expenditure will be consolidated in the Group accounts for the first time in the business year 1997/98.

MARC was able to increase its gross premiums again in 1996 by 6.5% to US$ 798 million (previous year: US$ 749 million). With its reinsurance underwriting result remaining at the same level as in the previous year, it posted a profit for the year of US$ 44.4 million (previous year: US$ 45.6 million).

In July 1997 we completed the merger of MARC and our US Branch with American Re. As a result American Re's capital and surplus increased to US$ 2.4 billion. The regional offices of American Re and MARC have been consolidated and the integration completed smoothly at the head offices, too. It has been possible to offer many of MARC's staff attractive jobs with American Re and thus to transfer the longstanding client contacts of MARC staff to American Re as well.

Munich American Reassurance Company, Atlanta, which is a life reinsurance specialist, increased its premium income to US$ 118 million in 1996 (previous year: US$ 99 million). Claims experience was more favourable than in the previous year; financing costs for new business were greater. Altogether, it achieved a profit for the year of US$ 4.9 million (previous year: US$ 2.6 million).

Great Lakes American Reinsurance Company, New York, wrote gross premiums of US$ 93 million (previous year: US$ 60 million) in the year under review. The underwriting deficit was markedly reduced. Overall, it recorded a higher profit for the year of US$ 8.0 million. In July 1997 the company was sold to Folksamerica, New York, in view of our intention to concentrate on American Re in the USA.

In *Canada* several primary insurers, reinsurers and brokers merged in the year under review. The Canadian reinsurance market lost a considerable portion of its business through increases in retentions and placements in other markets, such as Bermuda and Lloyd's.

In this difficult market situation, *Munich Reinsurance Company of Canada, Toronto,* maintained its position well. It increased its gross premium income by 16.7% to Can$ 300 million (previous year: Can$ 257 million). The underwriting result was not as good as in the previous year, but the profit for the year nevertheless rose to Can$ 16.8 million (previous year: Can$ 14.9 million) owing to higher income from investments.

Gross premiums from our Canadian life business, which we write through *Munich Reinsurance Company Canada Branch (Life), Toronto,* increased by 41.3% to Can$ 394.5 million (previous year: Can$ 279 million). On account of unfavourable experience in disability business, the overall profit of Can$ 10.6 million was much lower than in the previous year (Can$ 39.2 million).

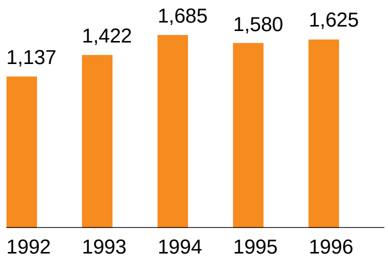
Great Lakes Reinsurance Company, Toronto, ceased its active business operations as planned on 31st December 1996. In the year under review it recorded gross premium income of Can$ 100 million (previous year: Can$ 149 million). Its underwriting result, which had been exceptionally good in the previous year owing to a revaluation of its loss reserves, deteriorated. The profit for the year decreased significantly to Can$ 8.3 million (previous year: Can$ 34.2 million).

The 1997 figures for North America will be substantially influenced by the first-time consolidation of American Re's income and expenditure.

Asia and Australasia

The premium income from the business region *Asia and Australasia* rose by 2.8% to a total of DM 1,625 million (previous year: DM 1,580 million). The result was very favourable, partly because we were not hit by major losses from natural catastrophes.

Gross premiums in DM m



Japan continues to be one of the most important markets in Asia. In view of the forthcoming deregulation, Japanese non-life insurers are striving to cut their expense ratios appreciably. Growing financial strength and – in view of the lack of capital investment – stagnating risk exposure have caused them to spend much less on reinsurance cover. Our premium income therefore declined somewhat. In this period of commercial reorientation for our longstanding clients and in view of the formation of new insurance and reinsurance companies, we are making every effort to maintain our role as the Japanese insurance industry's competent and reliable long-term partner.

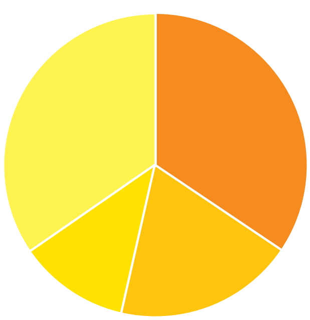
The other Asian insurance markets continue to grow as expected; reinsurance demand, on the other hand, is lagging somewhat behind, as the financial strength of many insurers increases. Despite this, we achieved a pleasing overall increase in our premium income from Asia. With the scheduled expansion of our already well-developed network of branches, service companies and liaison offices, we are creating a good platform to take advantage of the existing opportunities for growth, even though all our competitors also see Asia as their most important growth market.

On 1st July 1997 Hong Kong was integrated into the *People's Republic of China.* We too expect that the policy of "One country, two systems" confirmed by the Chinese government will boost investment in Southern China. With Hong Kong remaining an important insurance centre, we have strengthened our office there in terms of both staff and organizational structure. Our presence and infrastructure in the huge Chinese insurance market will be enhanced by our representative offices in Beijing and Shanghai.

Munich Re has been accompanying developments in the People's Republic for many years. We will gear our further investments above all to the medium-term business opportunities to be expected.

We are currently making great advances in the growth of our business in *Taiwan* and *Korea.* In Korea we have expanded our liaison office.

Gross premiums by country



Japan	33%
Australia	21%
Taiwan	13%
Other 27 countries	33%

Our contact office in *India* will be upgraded to a representative office so that we are prepared for an opening of the market and can also take advantage of other opportunities on the Indian Subcontinent.

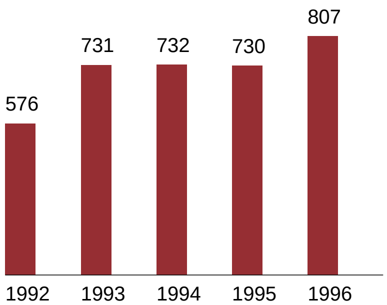
The expansion of our branches in *Singapore* and *Malaysia* is now complete, so that we may now expect to reap the fruits of our considerable investments in the ASEAN region. These branches service the growth markets of Southeast Asia. They are already staffed largely with Asian specialists, and we are consequently very well integrated in the markets.

In *Australia* our subsidiary *Munich Reinsurance Company of Australia Ltd., Sydney,* is one of the market leaders. In the year under review it recorded a slightly reduced premium income of A$ 273 million (previous year: A$ 275 million), adverse effects being felt from the continuing erosion of original premium rates and of reinsurance premiums in catastrophe business. The company's underwriting result deteriorated. The profit for the year amounted to A$ 16.1 million (previous year: A$ 26.6 million).

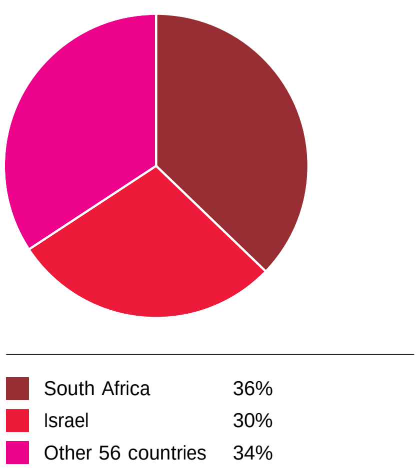
For the business region Asia and Australasia as a whole we expect our premium volume to increase in 1997, with continuing good results.

Africa, Near and Middle East

Gross premiums in DM m



Gross premiums by country



In the business region *Africa, Near and Middle East* we achieved a total premium income of DM 807 million in the year under review, compared with DM 730 million in the previous year; this represents growth of 10.5%. The result was considerably worse than in the previous year, mainly because of run-off losses from terminated participations in Israeli liability business.

The most important and most highly developed insurance market in Africa is *South Africa,* where the insurance industry contributes around 15% to the country's gross domestic product. This large share is attributable to the lack of a state social security system.

Our South African subsidiary, *Munich Reinsurance Company of Africa, Johannesburg,* is the leading property-casualty reinsurer in the region. In the year under review it earned premium income of R 1,117 million (previous year: R 809 million). It posted a higher profit for the year of R 58.9 million (previous year: R 35.3 million). The economic liberalization of many African markets and the gradual emergence of a middle class offer Munich Reinsurance Company of Africa good opportunities for further growth; in order to take the best possible advantage of these, it set up a subsidiary on Mauritius in July 1997.

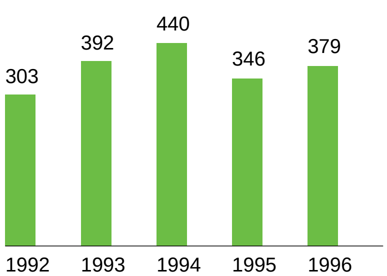
In the highly developed insurance market of *Israel* growth slowed down after the boom of the last few years. Competition has become more intense; as a result of the oversupply of capacity, price levels in nearly all sectors are coming under increasing pressure. We are endeavouring to counter this development with enhanced service both from Munich and through the engineering office we opened in Tel Aviv in 1995.

In the *Arab countries* we recorded a marked increase in premium income in the year under review. As expected, health insurance proved to be the most important growth sector. Also of great importance are the engineering classes of business with their substantial development potential. In acknowledgement of this fact and our leading position in the Arab markets, we have opened an engineering office in Cairo.

Altogether we expect the business region Africa, Near and Middle East to produce a slight increase in premium income in 1997, with satisfactory results.

Latin America

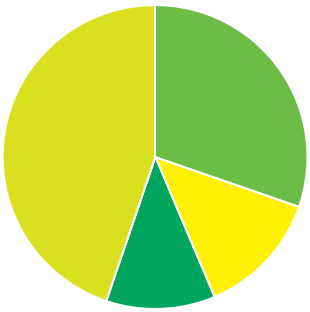
Gross premiums in DM m



Latin America contributed a total of DM 379 million to the Group's premium income (previous year: DM 346 million). This represents an increase of 9.5%. Our results were again positive, since we were not affected by major catastrophe losses.

The slow structural changes in Latin America, although accompanied by many setbacks, have meanwhile led to a certain stabilization of the countries' economies. Improvement in incomes, an increase in capital investment, falling inflation and the privatization of social insurance systems have created greater demand for insurance. The opening of markets and the signing of supra-regional trade agreements have also provided positive impulses.

Gross premiums by country



Mexico	30%
Colombia	14%
Argentina	12%
Other 24 countries	44%

However, owing to the continuing competition in both insurance and reinsurance, prices are increasingly coming under pressure in Latin America as well. For this reason premium in the property classes of business is currently growing at only a modest rate or not at all. Insurances of the person, on the other hand, are showing substantial growth, with considerable potential for the future.

We will be aiming in particular to make good use of the business opportunities in Mexico, Argentina, Colombia and Chile. In Brazil, the largest Latin American market, we are preparing ourselves for the abolition of the reinsurance monopoly. We recently opened an office in São Paulo in order to intensify contact with our future clients now, in the preliminary phase.

Our premium income will continue to increase in 1997. If we are again spared catastrophe losses, we expect another positive result, albeit not as good as last year owing to the increased competition.

Reinsurance underwriting results for 1996 by class of business

DM m	Life	Personal accident/ health	Liability	Motor	Marine	Fire
Gross premiums written	3,860	1,229	1,751	3,341	682	3,799
Net premiums written	3,200	1,108	1,425	2,917	642	3,408
Net premiums earned	3,114	1,106	1,448	2,877	648	3,364
Interest on premium funds and provisions	896	102	2	7	2	13
Claims incurred						
– Payments	1,674	650	1,286	2,144	423	1,869
– Change in provision	32	102	–150	223	24	25
	1,706	752	1,136	2,367	447	1,894
Operating expenses	886	378	505	639	177	1,112
Other income and expenditure	–1,421	–97	14	–38	–2	–42
Underwriting result	–3	–19	–177	–160	24	329
Change in the claims equalization provisions	–	0	–384	–100	–5	–439
Underwriting result after change in claims equalization provisions	–3	–19	–561	–260	19	–110
Ratios in % – business year						
Loss ratio		*67.5*	*77.3*	*83.4*	*69.0*	*57.2*
Expense ratio		*34.2*	*34.9*	*22.2*	*27.3*	*33.0*
Combined ratio		*101.7*	*112.2*	*105.6*	*96.3*	*90.2*
Ratios in % – previous year						
Loss ratio		*64.4*	*96.3*	*79.0*	*65.3*	*60.5*
Expense ratio		*30.6*	*26.2*	*20.8*	*25.7*	*31.8*
Combined ratio		*95.0*	*122.5*	*99.8*	*91.0*	*92.3*

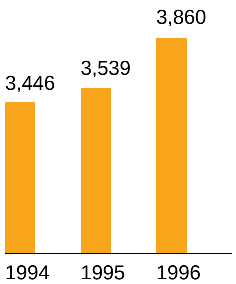
Engineering	Other classes	Non-life combined	Total	Pr. year non-life combined	Pr. year total	DM m
1,900	2,767	15,469	19,329	14,968	18,507	Gross premiums written
1,613	2,462	13,575	16,775	13,472	16,526	Net premiums written
1,597	2,395	13,435	16,549	13,508	16,537	Net premiums earned
4	5	135	1,031	141	981	Interest on premium funds and provisions
						Claims incurred
994	1,280	8,646	10,320	7,900	9,364	– Payments
–42	192	374	406	1,505	1,505	– Change in provision
952	1,472	9,020	10,726	9,405	10,869	
558	782	4,151	5,037	3,855	4,670	Operating expenses
–4	4	–165	–1,586	–336	–1,881	Other income and expenditure
87	150	234	231	53	98	Underwriting result
–182	–93	–1.203	–1,203	–984	–984	Change in the claims equalization provisions
–95	57	–969	–972	–931	–886	Underwriting result after change in claims equalization provisions
						Ratios in % – business year
59.7	*61.0*	*67.4*				*Loss ratio*
34.9	*32.7*	*30.9*				*Expense ratio*
94.6	*93.7*	*98.3*				*Combined ratio*
						Ratios in % – previous year
68.6	*59.9*	*71.1*				*Loss ratio*
34.3	*32.0*	*28.5*				*Expense ratio*
102.9	*91.9*	*99.6*				*Combined ratio*

Classes of business

Life

In *life business* we were able to increase our premium income further. The result, however, deteriorated: after a profit in the previous year we recorded a slightly negative result due to increased claims payments and above all to considerably higher financing costs.

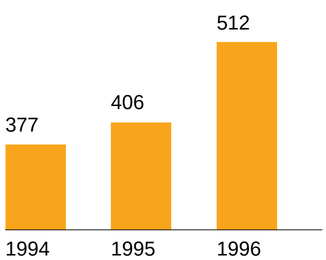
Gross premiums in DM m



Financing the growth of direct insurance is an increasingly important source of new business for us in life reinsurance. We are therefore very interested in such financing business and see it as an attractive field for the future, too.

In our German business premium income stagnated at a high level. The revival in the direct insurance market took place largely in segments that are not traditionally reinsured and therefore had no effect on our business volume. Nevertheless, with the spread of private pension insurance, a need will emerge for cover of the longevity risk in direct insurers' portfolios. We have developed appropriate coverage concepts for this, which in particular also include advice on handling the interest-rate and investment risk.

Life insurance portfolios
in DM bn



In Germany there is a definite readiness among the population to make more personal provision for old age. The continuing discussion regarding the future of state pension insurance is strengthening this attitude. The medium- to long-term development of life insurance in Germany will be influenced by the future course of this discussion and the cuts that are to be expected in social security, as well as by further developments in the area of taxation.

In our life business from the rest of Europe and overseas we were able to achieve significant premium growth. This was contributed to particularly by our branches in the UK and Canada.

Although the European markets differ in detail, they have one fundamental thing in common: everywhere social insurance carriers are struggling with financial problems. For the private insurance industry this means opportunities for growth, since the demand from clients wishing to make private provision for old age and surviving dependants and for private disability cover will increase in all the countries of Europe. An example of this can be seen in the UK, where there has been a pronounced increase in the insurance volume, triggered not least by substantial cuts in social insurance benefits. This trend has had a positive effect on reinsurance, but it continues to be offset by the consolidation process in the insurance industry. Large insurance groups have less and less need for reinsurance; for their remaining requirements they seek special covers, which they want to place with competent and financially strong reinsurers. We are in a good position here: with our security, experience and flexible coverage concepts we are a sought-after business partner.

The North American markets continue to be characterized by massive price competition in both insurance and reinsurance. There are growth opportunities for the private insurance industry here, too, given the gaps that exist in state cover and the uncertainty as to whether social security systems are affordable in the long run. There is specific demand for annuity insurance, disability covers and long-term care insurance. The partial opening as regards the sale of life insurances through banks also offers reinsurers new opportunities for growth.

Asia has been a market region with enormous growth potential for some years now. Competition among reinsurers is correspondingly intense. We have a strong market position in Southeast Asia and Japan; we are also well prepared to partner local insurers in the development of other markets in Asia, such as China.

Despite some political setbacks in the Middle East, we remain confident that the region will stabilize. In the medium term we expect a considerable economic upswing with correspondingly positive consequences for life insurance.

The Latin American markets continue to be dominated by the trend towards privatizing social insurance, which is resulting in growing challenges and business potential for insurers and reinsurers.

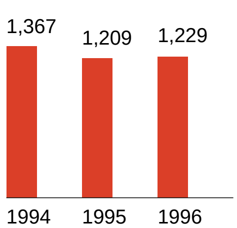
Altogether, we expect premium income to increase in 1997 and the result to remain nearly the same.

Personal accident/health

In *personal accident* we were able to acquire attractive new business in some foreign markets, which increased our premium volume. The result deteriorated appreciably, however, because of unfavourable claims experience in our foreign business.

Owing to its potentially high profitability, personal accident business is only reinsured to a limited extent worldwide. There are opportunities for expansion in the coverage of peak risks and in the privatization of state cover, especially workers' compensation insurance.

Gross premiums in DM m



	1995	1996
Loss ratio	64.4	67.5
Expense ratio	30.6	34.2
Combined ratio	95.0	101.7

The trend towards increasing retentions in mass business in the current business year is leading to a slight decrease in premium income in our existing portfolio; the first-time consolidation of American Re will produce a big addition to Group premium from workers' compensation business. The result will show a further deterioration.

In *health* business we were again able to increase our premium income in the year under review. Despite pleasing results in Germany, we were not able to emulate the very good overall result of the previous year owing to the stiff competition in several foreign markets.

We expect the impulses for growth in health insurance to become even stronger. Widely as state health care systems differ throughout the world, they are all increasingly coming up against the limits of what is affordable. The necessary consolidation measures often involve restrictions of cover or the exclusion of certain benefits from the range previously provided. This creates demand for private insurance cover.

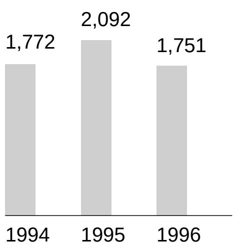
To an increasing extent, especially in threshold countries, sociopolitical functions hitherto performed by the state are being partially assumed by employers, who offer their employees, via group policies, additional cover to the basic protection provided by the state. These "employee benefits" provide cover for the most important personal risks, thereby relieving the pressure on the social security systems. As many markets, particularly in Asia, the Near and Middle East, and Latin America, are scarcely developed in this respect, we see continuing opportunities for substantial growth.

In the expansion of health insurance we are careful to take account of the fact that, owing to the rapidly changing medical and socio-economic environment, this class of business is subject to a substantial risk of change, which can only be mastered using efficient administration systems with the requisite risk and claims management. In order to support our clients in this respect, we have acquired a majority shareholding in the service company Med Net.

In spite of an overall intensification in international competition, we expect our results to remain good.

Liability

Gross premiums in DM m



	1995	1996
Loss ratio	96.3	77.3
Expense ratio	26.2	34.9
Combined ratio	122.5	112.2

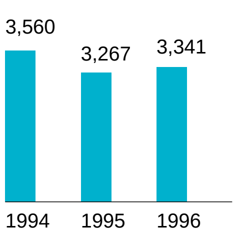
After the boost given to premium income by an exceptional transaction in the previous year – the assumption of an entire portfolio in return for a single premium payment – *liability* premium volume returned almost to the level of the year before. The result was again negative, but the deficit was markedly reduced. In assessing this result, it must be borne in mind that the interest income earned on the long-term reserves required for liability insurance is not included in the underwriting account.

For us, liability insurance remains one of the most promising classes of business for growth worldwide. We are very well equipped to support our clients with sufficient capacity and innovative reinsurance solutions. This applies both to ceding companies that are already established in industrial and commercial business and to companies in threshold and developing countries that are seeking a competent reinsurer to partner them in the initial development of their business and in competing in the market. Of particular significance here, besides our knowledge of local markets, is the international expertise we have acquired in liability business, especially in the area of products and public liability and in all lines of professional liability and D&O insurance.

For 1997 we expect pleasing growth in our premium income, which will be boosted by the first-time consolidation of American Re's substantial liability portfolio. The underwriting loss will increase again somewhat after last year's marked reduction.

Motor

Gross premiums in DM m



	1995	1996
Loss ratio	79.0	83.4
Expense ratio	20.8	22.2
Combined ratio	99.8	105.6

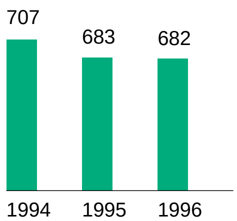
In *motor* business we were able to increase our premium income slightly. The result deteriorated, as expected: after the previous year's break-even result, the year under review produced a clear loss.

In the light of the good results of the two previous years, competition in the German insurance market continued to intensify in 1996. Following the deregulation of the market, nearly all the companies introduced new types of discount, and this trend continued in 1996. These discounts and a new rating system in motor liability insurance based on make and model resulted in a market premium decline of 4% compared with the previous year. For this reason the overall result was distinctly worse than in the previous year, despite a drop in claims frequency. As we expect a continuation of the negative premium development in 1997, we are reckoning with a further deterioration in the result of our German motor business.

In our foreign motor business we have maintained and even strengthened our position in the various markets, despite intensive competition. The motor business written by American Re will be added to this portfolio for the first time. Business experience for 1997 so far has been satisfactory overall.

Marine

Gross premiums in DM m



	1995	1996
Loss ratio	65.3	69.0
Expense ratio	25.7	27.3
Combined ratio	91.0	96.3

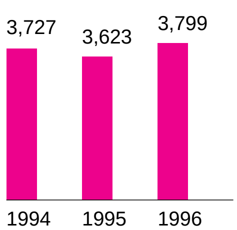
Premium income in *marine* remained at about the same level as in the previous year. The result was again positive, although the profit was slightly reduced.

On account of the generally very good results in marine insurance in the last few years, we are witnessing a very considerable influx of risk capital and new reinsurance capacity in the world's most important marine markets. This has led to extreme competition in both insurance and reinsurance. The rates for marine hull and cargo insurance have in some cases fallen drastically, which is reflected in lower premiums and deteriorating results in proportional reinsurance. Prices for non-proportional covers are also coming under severe pressure.

As we see it, we cannot hope for a reversal of this development in the next two years. The unfavourable market conditions and the technically unjustifiable price level that has meanwhile become a feature of some sectors of insurance and reinsurance have caused us to adopt a particularly selective underwriting policy. Nevertheless, we expect some premium growth in our marine business for 1997, and a small profit if the incidence of major losses remains normal.

Fire

Gross premiums in DM m



	1995	1996
Loss ratio	60.5	57.2
Expense ratio	31.8	33.0
Combined ratio	92.3	90.2

In our *fire* business we were able to achieve premium growth in the year under review from the facultative acceptance of individual risks and from reinsurance treaties covering whole groups of risks. Especially abroad, our consulting and acquisition activities brought us new business with good profit potential. However, there was an erosion of premium rates in most of the big markets for industrial fire insurance, which inevitably had an adverse effect on our premium income from proportional reinsurance covers.

We are very satisfied with the results of our business, the pleasing profit of the previous year even being exceeded. But it must be taken into account that in the year under review we were affected by only a few major losses from individual risks and recorded below-average claims costs from natural catastrophes. Particularly in fire business, with its exposure to very large individual losses and natural catastrophes, it is important for us to achieve sufficient profits in years in which the claims burden is, by chance, relatively light, so as to be prepared for the exceptional costs that may occur in other years.

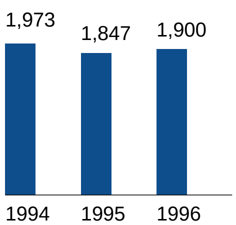
Competition in the reinsurance markets has grown stronger again recently. Following the positive results of the last four years, the supply of reinsurance has increased; in addition, the opportunities for expansion through natural growth are currently limited owing to the stagnation of important economies. The resultant intensification in competition in many markets is leading to a softening of the prices and conditions for reinsurance cover. There is the growing prospect of a return to underwriting losses in the coming years if, as in former downward phases of the cycle, the requisite balance between risks and prices is no longer maintained. It therefore remains one of our central objectives to ensure that we retain promising areas of our business, open up new business opportunities and allocate our capital to those sectors where prices and conditions are risk-commensurate and appropriate results can be expected.

For 1997 we expect our premium income to show a further increase, to which American Re will also contribute. The result will largely depend on our claims burdens from natural catastrophes and other major losses. As things stand at present, another satisfactory profit appears likely.

Engineering

In the *engineering classes* of business (machinery, EAR and CAR, electronic equipment, etc.) our premium income rose in the year under review. The result improved markedly: after a deficit in the previous year, we achieved a pleasing profit.

Gross premiums in DM m



	1995	1996
Loss ratio	68.6	59.7
Expense ratio	34.3	34.9
Combined ratio	102.9	94.6

This favourable development is mainly attributable to a lower claims ratio for basic losses in the year under review. Claims costs for major losses, on the other hand, increased considerably. Two loss events must be singled out here. On 18th November 1996 a burning lorry on a shuttle train caused serious damage to the Channel Tunnel over a length of about one kilometre. During the sixth-month repair period the tunnel's capacity was reduced by about 50%. Our estimated share of this loss totals around DM 115 million. In October 1996 a major fire took place in the clean-room of a semiconductor plant in Taiwan, part of which was still in the final stages of construction. In this case our estimated share of the loss amounts to more than DM 70 million.

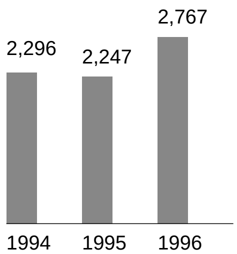
The gratifying profit in the year under review derives mainly from machinery and electronics insurance. Since we already have above-average market shares in these profitable product segments, however, opportunities for growth are limited, especially as we have to reckon with further rises in our cedants' retentions and increasing competition.

We see chances for expansion, on the other hand, in highly exposed EAR and CAR business, i.e. in classes of insurance requiring a high degree of technical expertise and intensive consulting during the risk period, which often lasts several years, as well as a willingness on the part of the reinsurer to accept substantial risks. We continue to place our main emphasis here on projects in the sectors of energy technology, transport and information technology.

Altogether, we expect our premium income to show a slight decline in 1997. The reasons for this are the increased retentions of our cedants, a trend towards softening prices and conditions in some of our important markets, and economic problems in a number of countries. We are consequently expecting only a small profit, barring any exceptionally large losses during the remainder of the current risk period.

Other classes of business

Gross premiums in DM m



	1995	1996
Loss ratio	59.9	61.0
Expense ratio	32.0	32.7
Combined ratio	91.9	93.7

All other classes of business – that is the other classes of property insurance (nuclear plant, burglary, omnium, extended coverage, glass, hail, water damage, contingency, windstorm, livestock and householders' and homeowners' comprehensive insurance), as well as business interruption, credit, fidelity guarantee, aviation and space, legal expenses, luggage and the specie insurance of private risks – together produced a premium income that was well up on the previous year. The overall result for these classes of business was again very favourable, the profit reaching nearly the same level as in the previous year. Developments in the different classes differed.

Homeowners' comprehensive, a form of cover which is of particular importance in the German market and which includes the risk elements fire, water damage, windstorm and hail, recorded a large profit, despite price erosion in both insurance and reinsurance. As in the previous year, this result was due to the fortuitously low claims costs for windstorms. In this very fluctuation-prone class of business, we need to earn sufficient profits in years with low claims costs to pay for years with catastrophe losses. Business experience in *householders' comprehensive* was again satisfactory. In *burglary* insurance we were able to achieve a small profit, despite the continuing high incidence of crimes against property in various markets.

Credit business again brought an increase in premium income, especially from abroad. Another rise in the number of insolvencies in Germany, where development in the construction industry is particularly critical, led to another big deficit in our domestic business in the year under review. This could not be offset by the results of our foreign business, which were very good across the board. Thanks to the marked efforts that our German cedants have made to improve the quality of their business, the situation in German credit insurance will improve in 1997. Although we are again reckoning with a deficit due to the further increase in the number of insolvencies in Germany, another satisfactory result in our foreign credit business should this time lead to a positive overall result. Long term, we certainly consider credit insurance to be an attractive field of business.

The premium income from *aviation* business increased slightly and the result was positive once more. Owing to the well below-average claims incidence of the last two years, pressure on rate levels is steadily growing. We are therefore only able to reckon with premium growth for 1997 because of the inclusion of American Re's portfolio in the consolidated accounts for the first time.

In our *space* business, which is conducted solely in Munich by the parent company, the premium volume again grew substantially. Despite another considerable increase in market capacity, we were able to maintain our leading position. The result was again very good. In the current year we are also expecting a significant increase in our premium volume.

Our financial strength

When deciding on the placement of their reinsurance, insurers worldwide are increasingly paying particular attention to their reinsurers' financial strength.

The Munich Reinsurance Company, as the world's leading reinsurer, further strengthened its financial resources in the year under review. Some of the warrants issued in 1994 were exercised, adding DM 35 million to our shareholders' funds. We have also made another scheduled improvement in our financial base by allocating DM 140 million out of our profit for the business year 1996/97 to our revenue reserves. The company's total shareholders' funds now amount to DM 3,535 million.

There will be a further increase in the shareholders' funds in the current business year, as the exercise period for the warrants issued in 1994 is scheduled to expire on 13th March 1998. The exercise of the remaining warrants up to that date will raise a total of just under DM 500 million.

In an environment that is subject to radical change, we will continue to attach particular importance to an appropriate development of our equity capital base.

The allocation of DM 1,201 million to our claims equalization provision and similar provisions also impressively underlines the parent company's financial strength. These provisions, which serve to mitigate future fluctuations in annual results, now total DM 4,555 million.

The underwriting provisions required for our reinsurance business were again calculated using the same prudent methods as in previous years. At the same time our claims provisions were further increased by means of special allocations totalling DM 200 million. In this way we have, as in previous years, made allowance for possible long-tail claims, especially from environmental impairment risks. The total underwriting provisions now equal 319.7% of net premiums (previous year: 295.7%).

Not only the financial strength of the parent company is outstanding, however. The capitalization of our reinsurance subsidiaries is also constantly re-evaluated and adjusted if necessary. Thus in the year under review we substantially increased the shareholders' funds of our Swiss subsidiary, New Reinsurance Company, Geneva, raising them by around Sfr 400 million to over Sfr 520 million. This will open up new business opportunities for the company.

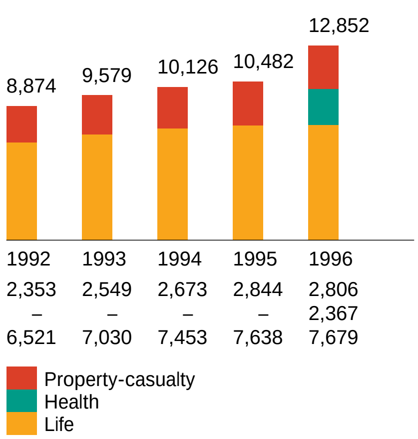
American Re can also boast exceptionally strong capital resources of US$ 2.4 billion after the merger with MARC and our US Branch, giving it a very good financial base for the further expansion of its business.

Direct insurance

The Munich Re Group includes a number of well-known German direct insurance companies in which we have had participations for many years. Our group of direct insurers operates primarily in the area of personal lines business. This focus on personal lines was strengthened even further in 1996 when, as part of a share swap with Allianz AG, we acquired the majority of shares in DKV Deutsche Krankenversicherung AG. At the same time we transferred to Allianz AG our shareholding in the industrially and commercially oriented Hermes Kreditversicherungs-AG. As Europe's largest health insurance company, DKV ideally complements the activities of our other direct insurers.

Hamburg-Mannheimer/DKV and VICTORIA/D. A. S. will merge under a common holding company with the name of ERGO Versicherungsgruppe AG as soon as the legal preconditions for this are fulfilled. For us, as ERGO's majority shareholder, this merger will result in an even more balanced and stable development of our Group's premium income and earnings. The established brand names and successful products of these equal partners will put the new group in an ideal position in the insurance markets of both Germany and Europe. VICTORIA-Holding brings to the new alliance one of the most important German insurance groups, which recorded a premium volume of DM 9.0 billion in 1996. It is well established in all the main lines of life and non-life insurance and, in D. A. S. Allgemeine Rechtsschutz-Versicherungs-AG, includes Europe's largest legal protection insurer. The addition of the VICTORIA Group to our group of consolidated companies as from 1st August 1997 would increase the gross consolidated premiums by some DM 3.5 billion in 1997.

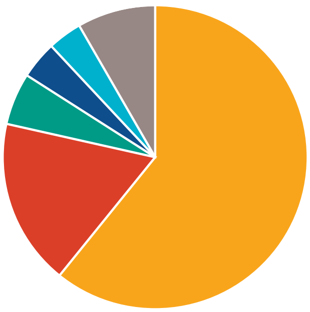
Gross premiums in DM m



In the year under review our direct insurance companies contributed a total of DM 12,852 million to the premium income of the Group as a whole; this was 22.6% more than in the previous year. The growth resulted mainly from health insurance. The growth rate in life insurance was 0.5% (previous year: 2.5%), and in property-casualty the premium income stagnated (previous year: plus 6.4%). These gross figures include the business of DKV and its foreign subsidiaries on a pro rata basis as from August 1996 (due to their mid-year acquisition) and, conversely, the business of Hermes Kreditversicherung only up to the end of July 1996. The foreign subsidiaries acquired and established by Europäische Reiseversicherung in the previous year are included in the Group profit and loss account for the first time. Without the changes in the group of consolidated companies, premium volume would have totalled DM 10,683 million, or 1.9% more than in the previous year.

The reduced growth of our direct insurance subsidiaries compared with the previous year is a reflection of the general development of the economy in Germany, as mentioned already. The financial problems in statutory pension insurance meant that life insurers experienced a revival in new business; development might have been even more favourable but for the discussion regarding the taxation of interest income from life policies with a savings element. The increase in real GDP by only 1.4% and the keener competition resulting from deregulation in the insurance market also reduced premium growth in property-casualty business.

Gross premiums by class of business



	Life	60%
	Health	18%
	Personal accident	6%
	Motor	4%
	Credit and bond	4%
	Other classes	8%

As a result of the acquisition of DKV, the division of gross premium income between the various classes of insurance has changed markedly compared with the previous year: 60% of the direct insurers' gross premiums now comes from life insurance, 22% from property-casualty insurance, and 18% from health insurance. With full consolidation of DKV, health insurance would be in second place.

The consolidated net premiums increased by 25.3% to DM 12,159 million (previous year: DM 9,706 million).

The underwriting profit in our life insurance business – which, in accordance with the accounting regulations, includes the entire investment income and expenditure – fell by DM 37 million to DM 407 million. The life insurers allocated a total amount of DM 2,251 million (previous year: DM 1,947 million) to provisions for policyholders' dividends.

In health business, the pro rata underwriting profit amounted to DM 100 million.

The underwriting profit in non-life insurance business (before the change in the claims equalization provisions) increased to DM 38 million.

The direct insurers' operating result was a profit of DM 497 million (previous year: DM 455 million).

Important figures for the direct insurers in DM million (consolidated):

	1992	1993	1994	1995	1996
Gross premiums	8,874	9,579	10,126	10,482	12,852
Net premiums	8,095	8,740	9,406	9,706	12,159
Payments and bonuses to policyholders*	9,693	10,567	11,448	12,004	15,254
Underwriting result of the property-casualty insurers*	86	30	97	31	38
Investment result*	3,811	4,255	4,577	4,761	5,971
Operating result	384	440	504	455	497

* The figures for the years 1992 and 1993 are comparable only to some extent with those as from 1994 owing to the change in the allocation of the expenses for employees' pensions and “other depreciation”.

The most important subsidiaries developed as follows:

Hamburg-Mannheimer Versicherung, Hamburg, a life insurance company, increased its gross premium income by 1.0% to DM 5.0 billion in the year under review. New business grew by 6.0% in terms of sums insured. The total in-force sums insured of business written by the company rose by 1.4% to DM 138.6 billion. An amount of DM 1.5 billion (previous year: DM 1.3 billion) was allocated to its provision for policyholders' dividends. Its profit for the year totalled DM 114.2 million (previous year: DM 102.4 million).

Hamburg-Mannheimer Sachversicherung, Hamburg, which writes non-life insurance, managed to increase its gross premium income in 1996 by 6.0% to DM 1.3 billion. The company's underwriting profit both before and after allocations to its claims equalization provision was lower than the good result of the previous year. Its profit for the year was DM 46.9 million (previous year: DM 46.4 million).

DKV Deutsche Krankenversicherung, Cologne/Berlin, wrote gross premiums of DM 5.1 billion in 1996, an increase of 4.7% on the previous year. The inclusion of DKV as a consolidated company on a pro rata basis as from 1st August 1996 means that only DM 2.2 billion of this has been included in our Group premium income. The company allocated a total of DM 1.2 billion to its provision for policyholders' dividends. Its profit for the year amounted to DM 80.5 million, of which DM 47.2 million has been included in the consolidated accounts. DKV's foreign subsidiaries, which have also been consolidated in our accounts on a pro rata basis, contributed DM 175 million to the Group's premium income; their results were all positive.

Karlsruher Lebensversicherung, Karlsruhe, a life insurer, achieved growth of 2.2% in new business in 1996; gross premiums rose slightly by 0.9% to DM 1.7 billion. The in-force sums insured increased by 4.3% to DM 56.6 billion (previous year: DM 54.3 billion). The company was able to allocate DM 513 million to its provision for policyholders' dividends (previous year: DM 442 million). It showed a profit for the year of DM 25.1 million (previous year: DM 20.7 million).

The gross premium income of *Karlsruher Versicherung, Karlsruhe,* which writes property-casualty business, declined by 4.7% to DM 368 million in 1996. Its underwriting profit also decreased slightly; owing to the large allocation to its claims equalization provision, its underwriting account again closed with a deficit. Its profit for the year totalled DM 7.9 million (previous year: DM 8.3 million).

Despite growth in new business of 7.1%, the life insurer *Berlinische Lebensversicherung, Wiesbaden,* saw its gross premium income decline by 5.0% to DM 834 million, not least as a consequence of restructuring measures. In-force sums insured decreased by 2.4% to DM 28.9 billion. This mainly involved credit life insurance, which is an important line of business for the company. DM 218 million was allocated to the provision for policyholders' dividends (previous year: DM 172 million). The company posted a profit for the year of DM 8.1 million (previous year: DM 2.5 million).

Hermes Kreditversicherung, Hamburg, has only been included in the 1996/97 consolidated accounts on a pro rata basis with seven twelfths of its income and expenditure. The company increased its premium income and, despite a further rise in the number of insolvencies, was able to achieve a marked improvement in its underwriting result both before and after the withdrawals from its claims equalization provision. Its pro rata profit for the year amounted to DM 8.2 million (previous year total: DM 11.9 million).

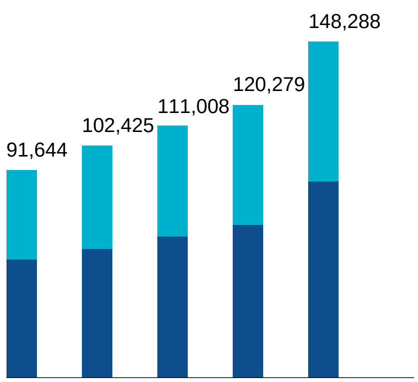
Our travel insurer, *Europäische Reiseversicherung, Munich,* wrote gross premiums of DM 326 million in 1996, or 7.3% more than in the previous year. Before allocations to its claims equalization provision, it achieved an underwriting profit of DM 7.8 million (previous year: loss of DM 0.2 million). At DM 8.7 million, its profit for the year was just below that of the previous year (DM 8.9 million). Its foreign subsidiaries contributed premium income of DM 205 million and their overall result was positive.

Investments

Owing to the basically positive trend on the bond and equity markets, the business year 1996/97 offered good investment opportunities. The upward trend in the value of the D-mark, which had continued for many years, came to a halt and, in particular in relation to the US dollar and the British pound, underwent a reversal. The main reasons for this were the uncertainty surrounding the introduction of the euro, the lack of clear reform measures in German economic and fiscal policy, and the general weakness of economic activity in continental Europe. On balance, the changes in exchange rates had the effect of increasing the value of the investment portfolios of the parent company and the reinsurance subsidiaries. Altogether, the Group’s investments rose by DM 28,009 million to DM 148,288 million. DM 22,586 million of this is attributable to the first-time consolidation of American Re and DKV.

We continued to attach particular importance to the quality of our investments in the year under review, giving due regard not only to profitability and security but also to an appropriate degree of liquidity.

Investments, including deposits retained on assumed reinsurance, in DM m as at 30th June



1993	1994	1995	1996	1997
39,093	45,197	48,398	52,937	61,803
52,551	57,228	62,610	67,342	86,485

Reinsurers
Direct insurers

In order to minimize currency risks, it remains our fundamental policy to match our underwriting liabilities with investments in the same or similar currencies.

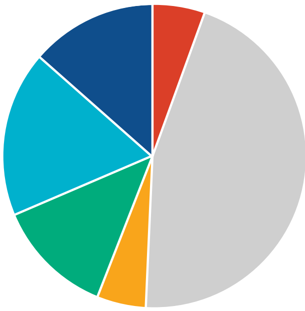
The use of derivatives was again limited to transactions for hedging purposes in respect of parts of the portfolio, for optimizing earnings, and for implementing planned purchases and sales. The overall volume of this business was small, and we observed strict rules as regards the limitation of risks in terms of volume and the choice of top-quality business partners. These transactions involving derivatives – whose overall balance was positive – had no significant effect on our investment result.

Owing to the large investment volume of the life insurers, more than three quarters of the Group’s funds are placed in Germany. The USA, the UK and Canada together continue to account for a total of 12% of our investments.

Development of capital-market interest rates in the most important countries for our investments varied. They were highly volatile, but as a whole they continued to fall. During the period under review new investments were therefore possible only at relatively low interest rates compared with the long term. On the other hand the stock markets worldwide – with the exception of Japan – recorded all-time highs. This gave us the chance to realize capital gains in many important markets.

Loans account for by far the largest part of our investment portfolio (46%). Investment fund shares were increased appreciably outside Germany as well to enable us to react even more flexibly to the increasing volatility of the capital markets in our operative investments.

Investment mix



Real estate	5%
Loans	46%
Participations	5%
Fixed-interest securities, fixed deposits	12%
Shares, investment fund certificates	19%
Deposits retained on assumed reinsurance	13%

There was only an insignificant change in the overall proportion of investment in real estate. In May 1997 we sold various items of property containing a total of nearly 900 rented apartments from our extensive Munich portfolio. We will reinvest the proceeds largely in German real estate with the aim of achieving a broader regional spread in our portfolio and utilizing the possibilities for tax savings. In connection with this transaction DM 127 million was allocated to the special reserve under Article 6 b of the German Income Tax Act.

On account of the larger volume of investments and the first-time consolidation of DKV, investment income increased further. It grew by DM 1,585 million or 18.0% to DM 10,386 million. DM 824 million of this is apportionable to DKV. American Re’s income and expenditure in respect of investments will not be consolidated in the Group accounts until the business year 1997/98.

Owing to the capital market developments, writedowns on investments again decreased.

The profit from investments increased by DM 1,427 million to DM 9,362 million. In accordance with accounting regulations, DM 7,104 million of this has been incorporated in the underwriting result.

Our staff

We wish to thank our staff throughout the world for their hard work, constructive cooperation and loyalty.

Besides its outstanding financial strength, the key factor in Munich Re's leading market position is the quality of its staff – their skill, their experience, their motivation and their dedication to the company and its clients. Various developments, including deregulation and globalization, also mean increasing changes for the insurance industry. This is continually placing new and greater demands on the commitment and flexibility of our staff. It is they who must accept the challenges and opportunities of this process of change and utilize them for us – in the proven close cooperation between the divisions in Munich and the units of our international organization.

In order to equip our staff to meet these growing requirements and the wishes of our clients even better, as well as to take due account of their own aspirations and expectations, we are strengthening our personnel development measures. Following the successful restructuring of our management organization and the introduction of new personnel instruments, we are devoting increasing attention to identifying and developing the individual potential of our staff, translating this into plans and measures for training and the further enhancement of knowledge and skills. We want Munich Re staff to be able to assume important tasks and responsibility as early as possible in their careers so that they are well prepared to meet the great challenges ahead.

In the interests of Munich Re and its staff, even greater importance is being attached to company training and personnel development

Prospects

Munich Re's 1997/98 consolidated accounts will differ considerably from those for the past business year. They will include American Re's income and expenditure for the first time and also DKV's income and expenditure for a whole year. The figures for the VICTORIA Group will be included on a pro rata basis for the months August to December 1997, provided all the legal preconditions for the merger with Hamburg-Mannheimer/DKV are fulfilled in time.

On this basis, at unchanged currency parities, our premium income would total around DM 43.5 billion. Approximately 55% of this would derive from reinsurance and about 45% from direct insurance. Complete consolidation of ERGO would result in a premium volume of over DM 48 billion, deriving roughly equally from the direct insurers and the reinsurers.

As things stand at present, the result will again be very satisfactory. We expect the parent company to contribute another very positive result of the same order as last year. The reinsurance subsidiaries can be expected to show a marked improvement in their overall result owing to the first-time consolidation of American Re. The direct insurance subsidiaries, too, will contribute a larger profit, particularly in the case of a pro rata inclusion of the VICTORIA Group through ERGO. Altogether, the Group profit for the year 1997/98 will clearly surpass last year's. However, this forecast presupposes that we are not affected by exceptional developments in the remainder of the risk period, especially by heavy claims burdens from natural catastrophes or other major losses.

In detail:

The parent company will again be able to achieve only a small amount of premium growth in reinsurance business in 1997. This growth will derive mainly from liability and life business. If we also take into account changes in exchange rates, the picture is likely to be more favourable, since on the basis of the current position these would again have the effect of increasing our premium income.

As regards the reinsurance underwriting result, the experience of the first nine months of 1997 shows the following trends:

Claims costs for natural catastrophes and weather losses have so far again been relatively low, albeit higher than last year. They have resulted mainly from frost and windstorm damage in Germany at the beginning of the year and from the flood damage that occurred this summer in Germany, Poland and the Czech Republic. Claims expenditure for other major losses is lower than it was at the same time last year. Our largest individual loss to date occurred in the space insurance sector. This involved the total loss of the communications satellite Telstar 401 on 11th January 1997, following a sudden breakdown in its power supply. Our share of this loss amounted to around DM 30 million.

Despite differing developments in the individual classes of business, the overall claims burden from natural catastrophes and other major losses is virtually the same as in the comparable period last year. The weight of these losses abroad has been heavier than in our domestic business.

The development of our results has varied from one class of business to the next. In this connection, please refer to our remarks in the section “Classes of business”.

The overall result picture for the parent company so far is similar to that of last year. We nevertheless cannot yet forecast whether the underwriting profit we achieved last year will be attained again this time.

Firm predictions are not possible either at this stage regarding the parent company’s investment result on our next balance sheet date, for only a few months have passed in the present reporting period and the capital markets continue to be characterized by great volatility. We expect that the volume of our investments will increase further. This should have a positive effect on the development of regular income from investments.

Investment income will also be influenced by a special factor. In mid-1997 a participation in Degussa AG which we had held since 1977 via GFC Gesellschaft für Chemiewerte mbH was sold to VEBA AG. The selling price was DM 789 million and the book profit more than DM 500 million.

The investment result will, however, be decisively influenced by the way in which the capital markets of importance for us, especially the stock markets in Europe, in the USA, and also in Japan, develop up to the end of our business year.

All in all, taking the underwriting result and the investment result together, the current picture for the parent company again looks very positive for the business year 1997/98.

The merger of American Re, MARC and our US Branch has been successfully completed as planned, thanks to the great efforts of all concerned.

Following the sale of our US subsidiary Great Lakes American Reinsurance Company, New York, to Folksamerica in July 1997, our operations in the US non-life market will be concentrating above all on direct reinsurance business in future, through American Re.

As far as the other consolidated reinsurance subsidiaries are concerned, there have been no exceptional developments so far. Business experience has matched our expectations.

Our direct insurance subsidiaries are developing according to plan. A pro rata inclusion of the VICTORIA Group as part of ERGO would have a positive effect on both premiums and earnings.

In life insurance, we expect business to develop satisfactorily in 1997, with a marked increase in premium income. Making provision for old age and surviving dependants remains an important priority for people in Germany, despite a continuing number of adverse factors. This attitude is being strengthened by the increasingly intensive debate on the future benefits payable under statutory pension insurance.

In health insurance the positive development of new business in the second half of 1996 intensified further at the beginning of 1997. As DKV and its foreign subsidiaries will be consolidated for a whole business year for the first time, the Group premium income and the Group result for health insurance will receive a considerable boost.

In property-casualty insurance, the still subdued development of the German economy and keener price competition mean that scarcely any natural growth in premium income can be expected; the result situation is similar to that of last year.

Altogether, therefore, we may assume that the consolidated accounts for 1997/98 will fulfil our high expectations with regard to both premium income and result.

Topical subjects in reinsurance

Large-scale technological risks

Major technological projects involving new types of risk are being planned and realized around the globe. Munich Re is a much sought-after partner for risk management and risk carrying in these projects: it has the requisite financial strength and also the necessary expertise.

International Liability Forum

The diversity and long-term nature of risks in liability insurance make meaningful statistics and prognoses difficult. To debate fundamental aspects of a long-term, international and multidisciplinary approach to risk assessment and control, Munich Re has organized a new series of events: the International Liability Forum.

Service and research at Munich Re

Clients expect comprehensive service from their reinsurer in order to improve and strengthen their market position. Munich Re's business philosophy in the area of services is based on close cooperation with clients and the utilization of synergies. Munich Re is taking advantage of the rapid progress in information technology to develop new service products.

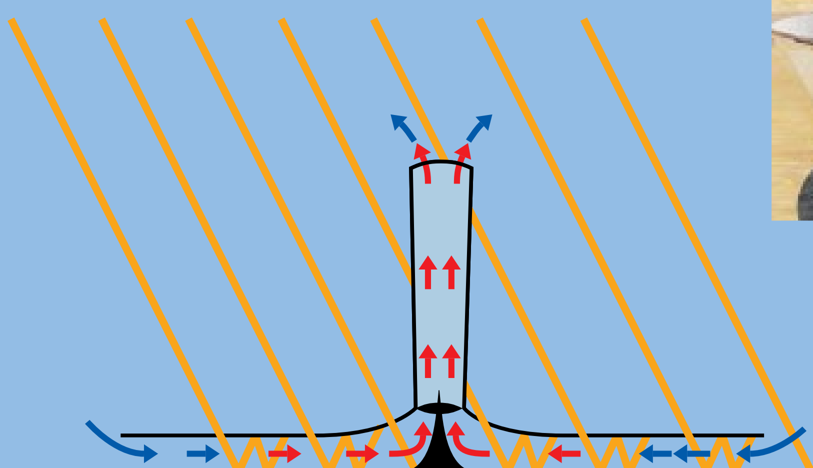
Overburdened social security systems

In a number of countries in recent years the functions of social security systems financed on a pay-as-you-go basis have been transferred to private carriers which provide cover on a funding basis. Personal provision is increasing in importance. The private insurance industry can help relieve the burden on state social security systems. As a leading and experienced reinsurer of insurances of the person, Munich Re is at its clients' service with its expertise worldwide.

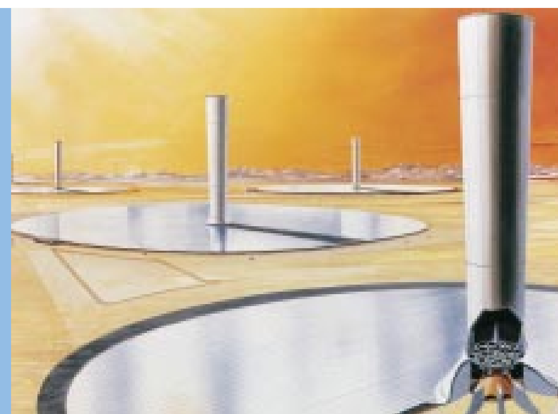
Large-scale technological risks

For years Munich Re has, by a substantial margin, been the world's leading reinsurer of large-scale technological risks. Owing to its financial strength and its expertise, it is a much sought-after partner for the management and carrying of such risks. Around the globe new types of major project in all areas of technology are being planned and realized. The following examples are intended to illustrate just how broad this field is.

Recently a project for a solar chimney was presented to us. The principle of this power plant using renewable energy is simple. A level glass surface is erected several metres above the ground. The sun heats the air under the glass. In the centre of the glass area there is a chimney, which naturally draws the hot air upwards. The updraft drives turbines installed at the base of the chimney and electricity is generated. A small plant of this type with a 200-m chimney was successfully put into operation in Spain in the eighties.



Principle of the solar chimney



Vision of a solar chimney power plant

The futuristic project now presented to us, a power plant with an output of 200 MW and costing more than US$ 500 million, is intended for India. The plant requires a glass area of 5 km^2 and a chimney 1,000 m tall. It would thus be more than twice the height of the tallest skyscrapers in the world today, the 450-m Petronas Towers in Kuala Lumpur, which went into service in autumn 1997.

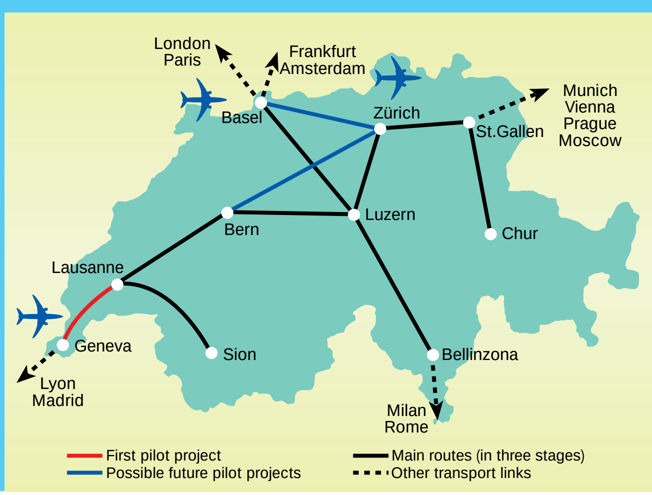
The second example is also from the field of energy technology and involves combined-cycle power plants. In these plants, gas-turbine and steam-turbine cycles are combined to produce plant efficiency levels of up to 58%, which far surpass those of any other type of thermal power plant. Combined-cycle power plants are being used with great commercial success in both developing and industrialized countries.

They have so far been operated with natural gas. But there is already an economical way of obtaining gas to fuel them from other raw materials, namely through the gasification of tars and asphalts that occur in refineries as "bottom-of-the-barrel" residual products and whose direct disposal is expensive. In Italy the first three plants using the gasification of these free fuels are being built. They each involve a combined-cycle power plant fired by this gas and generating up to 500 MW of electricity. The sum insured for each is over DM 1 billion, and we are playing a significant role in the covers for all three plants.

In the field of structural engineering and transport there is also a wide range of new infrastructure projects. For example, Munich Re has long been following and reinsuring the development of the German magnetic-levitation train Transrapid and also the Japanese rival project, Maglev.

The German magnetic-levitation train system Transrapid – a vehicle on the test track in Emsland

New Hong Kong airport – the overall project



Swissmetro's plans for an underground network using magnetic-levitation trains

A fascinating project based on the same technology is Swissmetro. The objective is to build an underground railway network linking Swiss cities with each other by trains capable of travelling at 400 km/h. This high speed is made possible by additionally reducing the air pressure in the tunnels to one tenth of the normal pressure. The company undertaking the project has already applied for a licence to construct a pilot line from Geneva to Lausanne, the construction of which could then begin in the year 2002. The 60-km double tunnel, plus the two stations, are costed at a good Sfr 3 billion.

According to Swissmetro, the costs are comparable with those of conventional systems where 40% of the track runs in tunnels (as is frequently the case in Switzerland). Energy consumption per passenger kilometre is claimed to be only a third of that required by the French TGV. The study is being financed by reputable private companies and the Swiss federal government. It remains to be seen whether this challenging project will then be realized.

There is no doubt about the opening of the new Hong Kong airport in 1998, however. The airport and its links to the city is probably the largest infrastructure project in the world at present.

It includes the world's longest double-decker suspension bridge, which was opened in April 1997. This has a span of almost 1,400 m and is designed to withstand typhoon gusts of up to 300 km/h.

In addition to the airport and suspension bridge, the project involves

- rapid-transit railway links and expressways,
- the third tunnel link between Kowloon and Hong Kong Island,
- various land reclamation projects.

The airport and the infrastructural measures are covered under five policies, whose sums insured total nearly DM 40 billion. Munich Re is the reinsurer with the highest share in each of the policies – 35% on average. The leading insurer has assigned the job of on-site risk control to a Munich Re engineer for the whole construction period.

The results for the insurers have so far been very satisfactory. As most of the work was finished by mid-1997, we are hoping there will be no significant change in this situation. The biggest risk is a fire in the almost completed terminal.

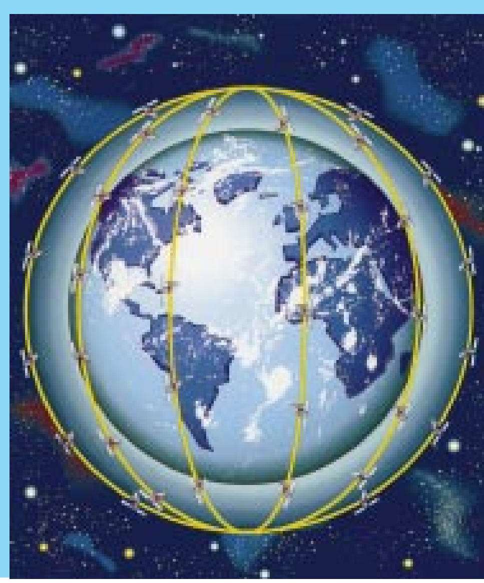
Information technology risks are becoming more and more important for us, too. The main component involved here is the computer chip in its many variations. Chip-manufacturing plants with their expensive clean-room technology, in which German firms also play a leading role, often represent values of US$ 1 billion to 2 billion. In the last few years we have been substantially involved in the erection of 25 plants, mainly in Taiwan and South Korea. When a big leap forward in technology takes place – such as the current advance from the 64-megabit to the 256-megabit chip – existing plants very quickly lose their commercial value. In such a situation business interruption insurances are particularly exposed covers, owing to the lack of incentive for operators to cooperate in getting plants running again after a fire. Losses involving these highly sensitive installations, especially material damage and business interruption due to fire in the construction or operating phase, can be very expensive and trigger claims up to the full liability limit. The customary technique of using fire walls to separate areas is not possible in this technology, and the adverse effects of this were evident in a very large loss that occurred in Taiwan in 1996.

For many years we have been the leading reinsurer of a comprehensive cover for the world's largest private telecommunications company. The resultant edge in experience we have gained has enabled us to become the main reinsurer for one of the leading operators of mobile-telephone networks in Asia, Australia and Britain. The cover is "network cessation insurance" for national networks connecting mobile phones with each other via terrestrial stations and the public telephone network.

In the meantime systems are being realized that do not need any terrestrial stations. These are systems where low-orbiting satellites are within reach of specially developed mobile phones. On the basis of the experience we have already gained, we expect to become the leading reinsurer of the operational cover for such mobile-telephone networks, in addition to our existing role as reinsurer of satellite launches and in-orbit covers.

A large number of satellites are necessary for such a system. The most radical and also the most advanced example is the Iridium project. Sixty-six satellites will orbit the earth in six polar orbits 750 km above the earth. This configuration of satellites permits any point on earth to be connected to any other point using a small battery-operated mobile phone.

The satellites orbit the earth at high speed. This, combined with the earth's rotation, means that a particular satellite can only be reached by any one mobile phone for a period of 15 minutes every two hours.



The Iridium mobile-telephone system – the orbits of the 66 satellites

The necessary transfer of the connection with the mobile phone from one satellite to the next and the transportation of the data packages between satellites will be handled by a terrestrial control centre. With its help a satellite "knows" at any time what its neighbouring satellites are doing and which of them still has capacity available. The route that the data transfer takes will depend on the relative positions and degree of utilization of the satellites at each particular moment.

In May 1997, with substantial reinsurance support from Munich Re, the first five Iridium satellites were successfully launched using a single Delta rocket and are currently being tested in orbit. Meanwhile there have been further launches, including one with seven satellites at once on a Proton rocket. The network is being financed on a completely private basis and is scheduled to go into service in 1998. With costs totalling around US$ 5 billion, it is estimated that 500,000 subscribers will be needed to make the project economically viable.

Evidently there is already demand for more than one globally operating mobile-telephone network. The rival systems Globalstar, ICO and Odyssey, which in addition to satellites also use existing terrestrial infrastructures and thus have cost advantages, are scheduled to be ready for operation between 1998 and 2000.

The examples described show the broad spectrum of new types of major risk that are dealt with by our experts every day in assessing risks and handling claims.

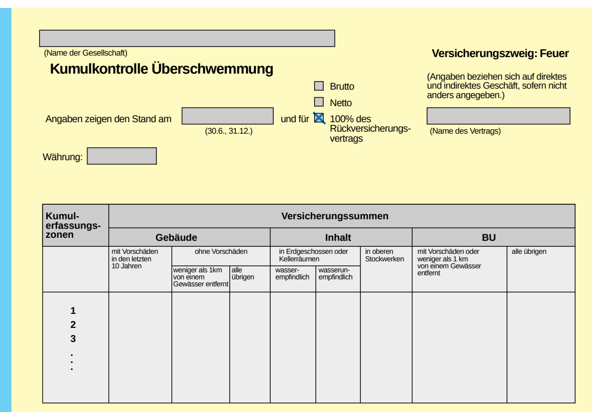
The expertise which we can offer our clients, based on many years of experience worldwide, gives us a significant competitive edge. This will help us to maintain our market lead in the reinsurance of large-scale industrial risks and to extend our position wherever possible.

Service and research at Munich Re

Reinsurance creates capacity – and not only financially. Clients expect comprehensive service from their reinsurer in order to improve and strengthen their market position. Wherever there are opportunities to increase productivity, insurers look to professional reinsurers for support: in expanding the company's product range with new forms of insurance, in developing new distribution channels, in streamlining the underwriting and administration of business, or in optimizing the profitability and security of investments. And, of course, basic and further training of underwriters and junior management also constitutes an important field of mutually beneficial cooperation between insurers and reinsurers.

Munich Re's business philosophy in the area of services is based on close cooperation with clients and the utilization of synergies. We strive for a high degree of practical usefulness combined with cost-effectiveness. This is something we aim to do above all by developing our own service products. But where there are providers outside the insurance market – e.g. software firms – which offer top quality service at a favourable price, we see our function more as a consultant and intermediary for our clients, establishing contacts and providing advice on the conclusion of contracts.

As a professional reinsurer with in-depth knowledge of all areas of insurance, our aim is to offer our clients unmistakable added value, especially where international experience is required. This is particularly the case where new, uncommon or technically demanding risks – or risks with very high individual or catastrophe exposure – can only be made insurable on the basis of data and knowledge acquired from systematic international operations. Specifically for this purpose Munich Re began building up an extensive team of experts from a wide range of disciplines at an early stage. They are for the most part integrated in our operational divisions so that they are in direct contact with daily insurance business, also ensuring


(Name der Gesellschaft)

Versicherungszweig: Feuer

Kumulkontrolle Überschwemmung

(Angaben beziehen sich auf direktes und indirektes Geschäft, sofern nicht anders angegeben.)

☐ Brutto
☐ Netto

Angaben zeigen den Stand am ______ (30.6., 31.12.) und für ☒ 100% des Rückversicherungs-vertrags ______ (Name des Vertrags)

Währung: ______

Kumul-erfassungs-zonen	Versicherungssummen							
	Gebäude			Inhalt			BU	
	mit Vorschäden in den letzten 10 Jahren	ohne Vorschäden: weniger als 1km von einem Gewässer entfernt	ohne Vorschäden: alle übrigen	in Erdgeschossen oder Kellerräumen: wasser-empfindlich	in Erdgeschossen oder Kellerräumen: wasserun-empfindlich	in oberen Stockwerken	mit Vorschäden oder weniger als 1 km von einem Gewässer entfernt	alle übrigen
1								
2								
3								
. . .								

that new service requirements are promptly recognized and covered. For projects spanning various classes of business, including fundamental questions of insurance and reinsurance, the work of these experts is supported and co-ordinated by a central division for development and research.

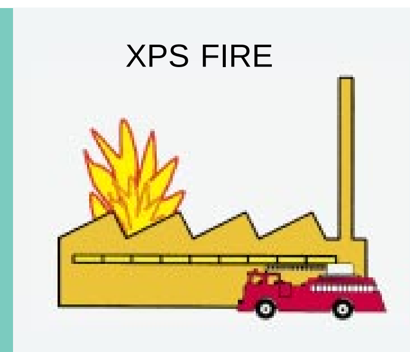
Munich Re's development work embraces all classes of insurance. Particular focal points include the assessment of complex technical risks, insurance medicine, the coordination and control of the costs of medical treatment, actuarial theory, environmental technology and, to an increasing extent, geoscientific research. Dozens of publications and, each year, many informatory events, papers and articles, are examples of this work in the service of our clients. For our primary aim is to give back to clients, through our service, the benefit of what they themselves have significantly contributed to by being prepared to work together with Munich Re and to carry risks with us. This aim is also served by hundreds of visits from our specialists every year, in which our staff pass on information and provide concrete assistance all over the world.

and NATUR, a system for rating environmental liability risks, for portfolio analyses and an aid for systematic portfolio improvements.

Expert systems are opening up a new dimension of service quality. They enable knowledge to be made available on the spot, wherever and whenever it is needed. Here, too, products developed by Munich Re have set new standards: systems for assessing and selecting risks in life and health insurance as well as tools for investigating the profitability of new products, for evaluating

reliable assessment of an industrial facility's technical quality. In addition, the knowledge stored in the system assists the user in making specific loss prevention recommendations for each of the production and storage areas examined.

Professional service through individual advice and specialized products tailored to insurers' needs – this is what Munich Re offers its clients.



Munich Re is taking advantage of the rapid progress in information technology that has been made over the last decade to develop new service products. Good examples are our PC-assisted rating systems. These are already available in several important classes of business and are regularly updated: PRS FIRE in industrial fire insurance, a similar rating program for engineering risks,

portfolios, for assessing the possible future development of business and for developing actuarial subsystems.

In property insurance, too, Munich Re expert systems are leading the field. XPS FIRE is a versatile underwriting tool for assessing risks in international fire insurance. A user without expert knowledge of security and fire-safety factors can make a

International Liability Forum

Poor results in liability insurance have caused insurers and reinsurers recurring headaches. Especially run-off losses from business written many years ago have placed a big strain on current results: all over the world claims developments have taken liability insurers by surprise.

Indeed, the diversity and long-term nature of risks in liability insurance make meaningful statistics and prognoses difficult. Technological, legal and social influences require sophisticated observation methods. Time and again new liability risks

arise from the combined effects of various independent developments, such as the rolling back and restructuring of the welfare state in conjunction with an initially independent development in liability law.

Furthermore, problems in a closely interwoven global economy require international solutions. For now-adays technological and social developments take place worldwide and then – albeit with a slight time lag – influence the individual national markets. In liability law the assessment of risks is made even more difficult by the different national forms that such law assumes and also by the influence of the social- and public-law environment, which differs from country to country.

The diversity of liability risks requires coordinated risk management in questions of environmental, occupational and product safety. And the long-term nature of these risks requires continual monitoring of the way claims develop over time. The aim must be to devise methods of long-term, international and multidisciplinary risk assessment – for liability insurance in particular but also generally as a basis for entrepreneurial risk decisions. This is the background to a new series of events organized by Munich Re: the International Liability Forum. To provide for continuity in what is conceived as an ongoing dialogue, our aim is to have a fixed group of participants in the Forum. We are grateful that leading representatives of European insurance companies from eleven countries have agreed to take part.

The first event took place on 5th March 1997 and dealt with questions of risk perception in society from the point of view of an industrial concern, a sociologist and a politician. Under the rubric "predictability" the Forum discussed among other things how firms react in a society influenced by the reporting of the mass media, how politics can help bring about a rational treatment of risk in the field of tension created by differing interests, and how liability insurers handle claims for damages in cases where loss profiles and causal connections are unclear.

The insights gained at these events will be made available in publications to a large group of interested parties. The publication on the first Forum is already available, and we will be pleased to send you a copy on request. The second Forum is scheduled for March 1998.

Professor Niklas Luhmann speaks at the Munich Re 1997 International Liability Forum

Overburdened social security systems

For a number of years now state social security systems throughout the world have been struggling with financial problems. The fact that these systems are placing too great a strain on state resources has many causes. Pay-as-you-go systems are no longer sustainable in the long run if the proportion of people over 65 rises to nearly a quarter of the population, as it will do in highly industrialized countries in the foreseeable future. But the inevitable need to cut back benefits is a message which is politically difficult to deliver, and preserving confidence in the system is essential for maintaining the social peace. On the other hand, the "pain threshold" for employees and employers has already been reached in some cases. High social security contributions have played a major part in the cost factor of labour becoming a competitive disadvantage in some countries. And if social insurance is used to pay for things it is not designed to cover, an additional strain is placed on the system to a point where it is ultimately no longer able to cope. The dimensions that this can assume are shown by the example of Germany: according to a study conducted by the German Economic Institute, around one third of the national income is used to finance the benefits of the social security systems.

The acute financing problems and the demographic changes to be expected have led most western industrial nations to modify their pension systems in recent years. But the continuing discussion shows that these modifications are unable to produce any permanent solutions. Some countries have therefore made radical changes to their pension systems.

In a number of Latin American countries in recent years the functions of pay-as-you-go social security systems have been transferred to private carriers which provide cover on a funding basis. The pioneering country in this respect was Chile, and Argentina, Colombia, Peru and Uruguay have followed suit. Mexico, Paraguay and Venezuela are currently in the process of creating the legal preconditions for privatizing social insurance.

Chile began these fundamental changes in 1981 on the basis of the "World Bank model". In the meantime the World Bank is recommending this model to industrial nations as well for remedying the problems with their social security systems.

A few European countries have also recently decided to make substantial changes, remarkable in countries with a tradition of policy geared strongly to a welfare state. Thus Sweden, Switzerland, Italy and Britain will in future be placing greater emphasis on private provision. The proposed measures differ in detail but they all have the same aim: to finance at least part of the pensions on a funded basis in future and thus help limit the state systems' liabilities without substantially curtailing individual provision. This conversion and partial reorientation has been supported and encouraged by fiscal policy.

The task of relieving social security systems through measures of the above kind is one for which the private insurance industry is essentially well equipped. The risks that the social security systems cover – death, disability, accident and illness – are typical risks assumed by insurers for appropriate premiums anyway. And, indeed, helping restructure social security systems is a rewarding challenge for the private insurance industry, which it is meeting both with its existing products and with new coverage concepts. The fact that such restructuring is possible is shown by the examples mentioned above.

As a leading reinsurer of insurances of the person, it goes without saying that Munich Re supports its clients in the assumption of covers from the area of social insurance. Munich Re's consultancy services can assist companies in taking up this business. And security is provided through extensive reinsurance cover, which we always tailor individually to the specific risk situation.

Consolidated accounts as at 30th June 1997

In the interest of a clearer presentation, we have condensed many items in the balance sheet and the profit and loss account. The relevant subitems are shown separately in the notes on the accounts in each case. On request, we will be pleased to send you the long versions of the balance sheet and the profit and loss account, in the format required by the German statutory order on insurance companies' accounting and as presented to our auditor.

Summary of the most important figures

Balance sheet – assets	Reinsurers 1996/97 TDM	Direct insurers 1996/97 TDM	Total 1996/97 TDM	Total Previous year TDM
Investments	42,727,981	86,438,175	129,166,156	102,885,611
Deposits retained on assumed business	19,075,450	46,281	19,121,731	17,393,154
Accounts receivable on reinsurance business	2,740,560	6,641	2,747,201	1,430,461
Amounts receivable on direct insurance business	–	1,045,754	1,045,754	1,146,172
Other assets	6,139,456	4,132,284	10,271,740	4,004,768
Balance sheet total			162,352,582	126,860,166

Balance sheet – liabilities	Reinsurers 1996/97 TDM	Direct insurers 1996/97 TDM	Total 1996/97 TDM	Total Previous year TDM
Shareholders' funds			6,604,244	5,377,506
Underwriting funds and provisions	55,313,419	80,145,836	135,459,255	107,783,292
Deposits retained on ceded business	3,853,298	3,145,369	6,998,667	4,948,124
Accounts payable on reinsurance business	2,959,484	60,529	3,020,013	2,202,708
Amounts payable on direct insurance business	–	4,498,908	4,498,908	4,099,193
Other provisions	1,272,981	1,223,506	2,496,487	1,834,788
Other liabilities	2,653,723	621,285	3,275,008	614,555
Balance sheet total			162,352,582	126,860,166

Premium income[1]	Reinsurers 1996 TDM	Direct insurers 1996 TDM	Total 1996 TDM	Total Previous year TDM
Gross premiums	19,329,221	12,852,245	32,181,466	28,988,768
– Life	3,859,454	7,678,941	11,538,395	11,176,487
– Health	–[2]	2,366,845	2,366,845	–
– Property-casualty	15,469,767	2,806,459	18,276,226	17,812,281
Net premiums	16,775,022	12,158,628	28,933,650	26,231,690
– Life	3,200,118	7,378,496	10,578,614	10,325,863
– Health	–[2]	2,264,980	2,264,980	–
– Property-casualty	13,574,904	2,515,152	16,090,056	15,905,827

[1] Hermes and DKV only on a pro rata basis for 1996, American Re not included; premium growth from change in group of consolidated companies = DM 2,205 million gross or DM 2,269 million net.

[2] Shown for the reinsurers under property-casualty.

Results	Reinsurers 1996/97 TDM	Direct insurers 1996/97 TDM	Total 1996/97 TDM	Total Previous year TDM
Underwriting result of reinsurers and property-casualty insurers	231,033	37,915	268,948	128,946
– Net premiums	16,775,022	2,550,147	19,325,169	18,959,400
– Interest income on premium funds	1,031,308	6,443	1,037,751	984,186
– Claims incurred	10,726,294	1,608,028	12,334,322	12,432,968
– Operating expenses	5,036,741	863,861	5,900,602	5,431,564
– Other underwriting income and expenditure	–1,812,262	–46,786	–1,859,048	–1,950,108
Underwriting result of life and health insurers	–	507,271	507,271	443,748
– Net premiums	–	9,608,481	9,608,481	7,272,290
– Result of investments	–	5,786,816	5,786,816	4,582,542
– Underwriting income and expenditure	–	–10,266,948	–10,266,948	–8,185,021
– Operating expenses	–	1,562,817	1,562,817	1,279,440
– Allocation to provisions for policyholders' dividends	–	3,058,261	3,058,261	1,946,623
Underwriting result	231,033	545,186	776,219	572,694
Result of investments	3,391,891	5,970,574	9,362,465	7,935,081
Thereof included in underwriting result	1,310,435	5,793,259	7,103,694	5,685,347
Other income and expenditure	–193,213	–213,053	–406,266	–236,371
Unadjusted earnings	2,119,276	509,448	2,628,724	2,586,057
Special allocations to the provision for outstanding claims	–200,000	–	–200,000	–500,000
Change in the claims equalization provisions and the provisions for major risks and earthquake risks	–1,203,019	–12,797	–1,215,816	–952,068
Operating result	716,257	496,651	1,212,908	1,133,989
Tax			–514,402	–538,493
Profit for the year			698,506	595,496

Consolidated balance sheet as at 30th June 1997

Assets	Notes	TDM	TDM	Previous year TDM
A. Liability of shareholders for uncalled capital			432,627	444,000
B. Intangible assets	(1)		3,814,324	122,795
C. Investments				
I. Real estate	(2)	7,687,754		6,574,822
II. Investments in affiliated companies and participations	(2, 3)	6,864,287		6,482,587
III. Other investments	(2)	114,552,441		89,784,615
		129,104,482		102,842,024
IV. Deposits retained on assumed reinsurance business	(5)	19,121,731		17,393,154
			148,226,213	120,235,178
D. Investments for the benefit of life insurance policyholders who bear the investment risk			61,674	43,587
E. Receivables	(4, 5)			
I. Amounts receivable on direct insurance business		1,045,754		1,146,172
II. Accounts receivable on reinsurance business		2,747,201		1,430,461
III. Other receivables		832,555		495,024
			4,625,510	3,071,657
F. Other assets	(6)		1,691,938	856,004
G. Deferred items	(7)		3,500,296	2,086,945
Total assets			162,352,582	126,860,166

Liabilities	Notes	TDM	TDM	Previous year TDM
A. Shareholders' funds	(8)			
I. Subscribed capital		814,752		813,350
II. Capital reserve		1,976,401		1,942,305
III. Revenue reserves		2,787,923		1,682,169
IV. Balance sheet profit		141,058		132,536
V. Minority interests		884,110		807,146
			6,604,244	5,377,506
B. Special reserve	(9)		235,716	81,619
C. Underwriting funds and provisions for own account	(10)			
I. Unearned premiums		5,847,505		4,715,118
II. Premium funds		83,405,969		67,356,735
III. Provision for outstanding claims		32,458,685		25,191,661
IV. Provision for premium refunds and policyholders' dividends		8,361,012		6,072,659
V. Claims equalization provision and similar provisions		4,816,353		3,735,915
VI. Other underwriting provisions		514,233		672,444
			135,403,757	107,744,532
D. Underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	(10)		55,498	38,760
E. Other provisions	(11)		2,496,487	1,834,788
F. Deposits retained on ceded business			6,998,667	4,948,124
G. Other liabilities				
I. Amounts payable on direct insurance business	(5, 12)	4,498,908		4,099,193
II. Amounts payable on reinsurance business	(5)	3,020,013		2,202,708
III. Notes and debentures	(13)	1,140,699		–
IV. Amounts owed to banks	(13)	1,117,204		–
V. Miscellaneous liabilities	(5, 13)	637,010		391,426
			10,413,834	6,693,327
H. Deferred items	(14)		144,379	141,510
Total liabilities			162,352,582	126,860,166

Consolidated profit and loss account for the business year 1996/97

Items	Notes	TDM	Previous year TDM
I. Technical account for reinsurance and property-casualty insurance			
1. Earned premiums for own account	(15)	19,084,998	18,971,399
2. Interest income on premium funds for own account		1,037,751	984,186
3. Other underwriting income for own account		15,012	3,655
4. Claims incurred for own account	(16)	12,334,322	12,432,968
5. Change in other underwriting provisions for own account	(17)	–1,511,244	–1,837,020
6. Expenditure for premium refunds for own account		54,149	48,084
7. Operating expenses for own account	(18, 19)	5,900,602	5,431,564
8. Other underwriting expenditure for own account		68,496	80,658
9. Subtotal	(20)	**268,948**	**128,946**
10. Change in the claims equalization provision and similar provisions		–1,215,816	–952,068
11. Underwriting result for own account in reinsurance and property-casualty insurance		**–946,868**	**–823,122**
II. Technical account for life and health insurance			
1. Earned premiums for own account	(15)	9,579,754	7,249,004
2. Premiums from the gross provision for policyholders' dividends		1,185,916	1,057,453
3. Allocated investment return transferred from the non-technical account		5,786,816	4,582,542
4. Unrealized gains on investments		11,755	858
5. Other underwriting income for own account		53,181	47,958
6. Claims incurred for own account	(16)	6,498,910	4,752,222
7. Change in other underwriting provisions for own account	(17)	–4,397,125	–3,931,761
8. Expenditure for policyholders' dividends for own account		3,058,261	1,946,623
9. Operating expenses for own account	(18, 19)	1,562,817	1,279,440
10. Unrealized losses on investments		8	–
11. Other underwriting expenditure for own account		593,030	584,021
12. Underwriting result for own account in life and health insurance	(20)	**507,271**	**443,748**

	Notes	TDM	TDM	Previous year TDM
III. Non-technical account				
1. Underwriting result for own account				
a) Reinsurance and property-casualty insurance		–946,868		–823,122
b) Life and health insurance		507,271		443,748
			–439,597	–379,374
2. Investment income	(21)	10,385,591		8,800,672
3. Investment expenditure	(22)	1,023,126		865,591
		9,362,465		7,935,081
4. Allocated investment return transferred to the technical account for reinsurance and property-casualty insurance		1,316,878		1,102,805
4a. Allocated investment return transferred to the technical account for life and health insurance		5,786,816		4,582,542
			2,258,771	2,249,734
5. Other income			331,597	341,565
6. Other expenditure			937,863	1,077,936
7. Operating result			**1,212,908**	**1,133,989**
8. Taxes on profit and income		463,358		504,874
9. Other taxes		51,044		33,619
			514,402	538,493
10. Profit for the year			**698,506**	**595,496**
Thereof:				
– Profit apportionable to minority interests			120,630	97,352
– Loss apportionable to minority interests			16,375	226

Notes on the consolidated accounts

The business year 1996/97 covers the parent company's underwriting business for the calendar year 1996 and the result of its investments plus all other income and expenditure for the period from 1st July 1996 to 30th June 1997; in the case of the consolidated subsidiaries it covers their last full business year – mostly the calendar year 1996.

The 1996/97 consolidated accounts were prepared in accordance with the provisions of the German Commercial Code and the German statutory order on insurance companies' accounting.

In accordance with the accounting regulations, all the underwriting business of the reinsurers (including life) and of the property-casualty insurers is contained in Part I of the profit and loss account, whilst Part II covers the underwriting business of the life and health insurers (including the result of their investments).

Notes on consolidation

Consolidated companies, associated companies

In addition to the Munich Reinsurance Company as the parent company, all the subsidiaries operating as reinsurers or direct insurers have been consolidated, plus all our significant holding and investment companies.

As a result of the exchange of direct insurance participations with Allianz AG in July 1996 and the acquisition of American Re Corporation on 25th November 1996, there has been a significant change in the group of consolidated companies:

DKV Deutsche Krankenversicherung, Berlin/Cologne, together with its foreign subsidiaries, has been consolidated for the first time; their income and expenditure has been included on a pro rata basis as from August 1996.

Hermes Kreditversicherung, Hamburg, is no longer a Group company. Its income and expenditure have been included in the consolidated profit and loss account only up to the end of July 1996.

The foreign subsidiaries acquired and established in the previous year by Europäische Reiseversicherung, Munich, are included in the consolidated profit and loss account for the first time.

The income and expenditure of American Re Corporation will not be consolidated in the Group accounts until the business year 1997/98.

We have not consolidated those companies in which we have a majority interest but which are not significant individually or together for assessing the Group's assets, liabilities, financial position and results.

Participations in non-affiliated companies on whose business and financial policy the parent company or any other company consolidated in the Group accounts exercises a significant influence are treated as associated companies and valued at equity in the accounts.

Consolidation methods

As regards the consolidation of investment in subsidiaries, the book value method has been used for all the subsidiaries, with the acquisition values of the participations being eliminated against the amount of the subsidiary's shareholders' funds apportionable to members of the Group at the time of acquisition. As far as differences resulting from the first-time consolidation are concerned, to the extent that they do not represent hidden reserves, they are capitalized as goodwill or offset against the revenue reserves.

The profits earned by the subsidiaries after the first consolidation – insofar as they were not distributed – are allocated to the Group's revenue reserves. This item also includes the effects of consolidation measures on profits, so that the balance sheet profit shown for the Group corresponds to the balance sheet profit of the parent company.

For valuation of shares in associated companies at equity, the same principles have been applied as for consolidation of investment in subsidiaries.

Amounts relating to intercompany transactions (receivables, liabilities, expenses and income between consolidated companies) have generally been eliminated; the same applies to profits and losses which result from intercompany sales and purchases of assets.

An adjustment item is included for payments made between the balance sheet dates of the consolidated subsidiaries or the companies valued at equity and the balance sheet date of the parent company (consolidated balance sheet date).

Accounting and valuation methods

Basic principle

The assets and liabilities shown in the consolidated accounts are included and valued uniformly according to the regulations applicable to the annual accounts of the Munich Reinsurance Company.

Intangible assets

Capitalized goodwill is offset over a period of 15 years against the revenue reserves.

Other intangible assets are valued at the acquisition cost less straight-line depreciations.

Investments

Our real estate is valued at the acquisition or construction cost less straight-line or reducing-balance depreciations admissible under German commercial and tax law.

Shareholdings in non-consolidated affiliated companies and participations are valued at the acquisition cost; all admissible writedowns are made. Shares in associated companies are valued at equity.

Loans to affiliated companies and to companies in which participations are held, mortgage loans, registered bonds, loans and promissory notes, and miscellaneous loans are included in the balance sheet at their nominal values or at their acquisition costs; in the case of inclusion at the nominal values, the relevant premiums and discounts are placed to account pro rata temporis.

Shares, investment fund certificates, bearer bonds and other fixed-interest and variable-yield securities are valued at the acquisition cost or at the market price on the balance sheet date, whichever is the lower; lower valuations from previous years are maintained even if the reason for these lower valuations no longer applies.

Loans and advance payments on insurance policies, as well as deposits retained on assumed reinsurance business, are stated at the nominal value of the amount outstanding.

The other investments are valued at their acquisition costs less admissible writedowns.

Investments for the benefit of life insurance policyholders who bear the policy risk are included at their market values, with due regard to the principle of prudent valuation.

Receivables

Amounts receivable on direct insurance business, accounts receivable on reinsurance business and other receivables are included at the nominal values; all necessary writedowns are made.

Other assets

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

Shareholders' funds

The subscribed capital and the capital reserve show the amounts paid in by the shareholders of the parent company: the paid-up nominal amounts of their shares in the one case and share premiums in the other. The revenue reserves comprise the earned surplus of the Group companies and the results of profit-affecting consolidation methods. The balance sheet profit is the amount at the disposal of the Annual General Meeting of the parent company. Consolidated subsidiaries' shareholders' funds apportionable to shareholders that are not members of the Group are shown under the item "Minority interests".

Underwriting funds and provisions

The underwriting funds and provisions of the parent company and the German subsidiaries are calculated in accordance with the requirements of German commercial law. The underwriting funds and provisions of the foreign subsidiaries are set up in accordance with the respective legal regulations of their countries. We generally include these funds and provisions unaltered in the consolidated accounts. In fact, in the case of every subsidiary the calculation of underwriting funds and provisions is based on methods which are comparable with those of the Munich Reinsurance Company.

The unearned premiums are accrued premiums already written for future risk periods. They are calculated pro rata temporis or using nominal percentages based on many years of experience and the latest knowledge we have.

The premium funds are the actuarial reserves calculated for life, health and personal accident insurance.

Claims not yet paid at the balance sheet date are shown as provisions for outstanding claims. These provisions are calculated on an individual basis. For claims that have been incurred but not yet reported, provisions are calculated on the basis of statistical methods.

The provision for premium refunds and policyholders' dividends contains the amounts payable to insureds or insurers by law or by contractual agreement insofar as they are not yet payable at the balance sheet date. In particular, this item contains the amounts for profit-related policyholders' dividends in life business with a savings element and in health insurance.

The item "Claims equalization provision and similar provisions" contains the amounts required in accordance with commercial law to mitigate fluctuations in claims experience, plus the provisions for major risks (nuclear facilities and pharmaceutical products liability) and for earthquake risks; these provisions mostly involve the parent company.

The "Other underwriting provisions" mainly comprise provisions for anticipated losses, which are calculated on the basis of many years' experience and current developments.

Underwriting provisions apportionable to business ceded in reinsurance are calculated in accordance with the terms of the reinsurance agreements.

Other provisions

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

Liabilities are stated at the amount repayable.

Deferred taxes

After revaluation of assets and liabilities in accordance with German accounting regulations, deferred taxes are newly calculated for the consolidated accounts. In addition, deferred taxes are posted for consolidation measures affecting the profit and loss account. In contrast to the previous years, deferred taxes on the assets side of the individual balance sheets of the consolidated companies are included with due regard to the principle of prudent valuation.

Currency translation

For the translation of foreign currencies, the exchange rates at the year-end are used in each case.

Realized exchange gains and realized and unrealized exchange losses are included under “Other income” and “Other expenditure” respectively; unrealized exchange gains are eliminated through the formation of an appropriate provision.

The exchange rates of the most important currencies for us developed as follows:

	31.12.1996 DM	Previous year DM
Australian dollar	1.24	1.07
Canadian dollar	1.14	1.05
Dutch guilder	0.89	0.89
French franc	0.30	0.29
Italian lira	0.0010	0.0009
Pound sterling	2.63	2.21
Rand	0.33	0.39
Swiss franc	1.15	1.25
US dollar	1.55	1.43
Yen	0.013	0.014

Notes on the consolidated balance sheet – assets

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

	Book values 30.6.1996 TDM	Additions TDM
(1) Intangible assets		
Goodwill	0	3,687,427
Other intangible assets	122,795	36,150
	122,795	3.723,577
(2) Investments		
Real estate	6,574,822	1,733,034
Investments in affiliated companies and participations		
– Shares in affiliated companies	247,621	105,901
– Loans to affiliated companies	64,368	372,048
– Participations in associated companies	97,347	2,668
– Other participations	6.062,984	538,854
– Loans to participations	10,267	36,802
	6,482,587	1,056,273

	30.6.1997 TDM	Previous year TDM
Other investments		
– Shares, investment fund certificates and other variable-yield securities	27,693,688	20,869,338
– Bearer bonds and other fixed-interest securities	17,158,417	13,046,116
– Mortage loans	9,538,538	9,399,610
– Other loans		
• Registered bonds	36,854,454	28,215,187
• Loans and promissory notes	21,787,904	16,790,255
• Loans and advance payments on insurance policies	738,025	740,055
• Miscellaneous	51,369	23,663
– Deposits with banks	725,419	700,293
– Miscellaneous investments	4,627	98
Total	114,552,441	89,784,615

Reallocations TDM	Disposals TDM	Depreciation TDM	Book values 30.6.1997 TDM
–	–	–	3,687,427
–	7,056	24,992	126,897
–	7,056	24,992	3,814,324
–	378,036	242,066	7,687,754
–253,103	–	3,678	96,741
–1,160	392,524	–	42,732
–	2,424	–	97,591
257,637	242,059	–	6,617,416
–	37,262	–	9,807
3,374	674,269	3,678	6,864.287

Investments of TDM 22,586,086 are apportionable to American Re and to DKV and its subsidiaries, consolidated for the first time in 1996/97.

The goodwill results from the acquisition of American Re Corporation in November 1996.

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

The book value of self-occupied real estate amounts to TDM 1,152,691.

The shares in affiliated companies involve those subsidiaries that are not consolidated in the accounts because of their subordinate importance for assessing the Group’s assets, liabilities, financial position and results. These are mainly holding companies and service and management companies.

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 on the balance sheet date and all the transactions concluded in the period under review was negligible.

(3) Affiliated companies, participations, other shareholdings***

	% share of capital	Sharehold-ers' funds TDM*	Result for the year TDM*
Consolidated subsidiaries			
Reinsurance			
Reinsurance companies			
American Re Corporation, Princeton**	100.0	1,502,668	173,115
American Re-Insurance Company (Chile) S.A., Santiago**	100.0	23,187	3,628
American Re-Insurance Company, Princeton**	100.0	1,956,167	370,924
Münchener Rück Italia S.p.A., Milan	100.0	107,845	4,334
Munich American Reassurance Company, Atlanta	100.0	166,162	7,627
Munich American Reinsurance Company, New York	50.0	769,119	68,867
Munich Reinsurance Company of Africa Limited, Johannesburg	100.0	210,571	19,472
Munich Reinsurance Company of Australia Limited, Sydney	100.0	201,319	19,973
Munich Reinsurance Company of Canada, Toronto	100.0	135,427	19,167
The Great Lakes Reinsurance Company, Toronto	100.0	133,901	9,461
Great Lakes American Reinsurance Company, New York	100.0	190,732	12,384
Great Lakes Reinsurance (UK) PLC, London	100.0	165,427	10,089
New Reinsurance Company, Geneva	99.9	602,442	5,422
Holding companies			
American Re Holdings Ltd., London**	100.0	5,344	3
European International Holding A/S, Copenhagen	100.0	52,188	–39
Great Lakes Reinsurance Holdings Ltd., Toronto	100.0	103,651	998
Munich Holdings Ltd., Toronto	100.0	263,236	16,831
Munich Holdings of Australia Pty. Ltd., Sydney	100.0	34,956	8,513
NVS Verzekeringen N.V., Amsterdam**	89.7	89,344	6,602
Direct insurance			
Life insurance companies			
Berlinische Lebensversicherung AG, Berlin/Wiesbaden	64.6	86,059	8,103
Hamburger Lebensversicherung AG, Hamburg	48.5	11,005	421
Hamburg-Mannheimer Versicherungs-AG, Hamburg	80.0	866,128	114,188
Hamburg-Mannheimer N.V., Brussels	80.0	14,774	2,062
Karlsruher Lebensversicherung AG, Karlsruhe	54.0	195,819	25,092
Karlsruher Hinterbliebenenkasse AG, Karlsruhe	44.3	5,530	580
NVS Levensverzekeringen N.V., Amsterdam**	89.7	2,818	51
Health insurance companies			
DKV Deutsche Krankenversicherung AG, Cologne/Berlin**	89.7	764,965	80,500
Deutsche Krankenversicherung Luxembourg S.A., Luxembourg**	89.6	13,465	1,103
dkv International S.A., Brussels**	89.6	22,600	2,400
NVS Zorgverzekeringen N.V., Amsterdam**	89.7	50,787	5,533
Property-casualty insurance companies			
Europäische Reiseversicherung AG, Munich	100.0	171,228	8,704
Compagnie Européenne d'Assurances S.A., Neuilly	100.0	9,611	188
Europeiska Försäkringsaktiebolaget, Stockholm	100.0	13,420	–25
Europæiske Rejseforsikring A/S, Copenhagen	100.0	37,864	2,070
Evropská Cestovní Pojišt'ovna A.S., Prague	100.0	5,133	444
Európska Cestovná Poist'ovňa A.S., Bratislava	100.0	1,519	0
Hamburg-Mannheimer Sachversicherungs-AG, Hamburg	71.3	554,618	46,903
Hamburg-Mannheimer Rechtsschutzversicherungs-AG, Hamburg	71.3	13,259	1,681
Karlsruher Versicherung-AG, Karlsruhe	53.0	88,449	7,898

	%-share of capital	Sharehold-ers' funds TDM*	Result for the year TDM*
Karlsruher Beamten-Versicherung AG, Karlsruhe	52.3	3,137	358
Karlsruher Rechtsschutzversicherung AG, Karlsruhe	53.0	10,948	1,078
NVS Schadeverzekeringen N.V., Amsterdam**	89.7	4,956	851
N.V. Verzekeringsmaatschappij Rijnmond, Rotterdam**	100.0	16,340	1,500
Princeton Eagle Insurance Company Limited, Hamilton**	100.0	1,885	62
Princeton Eagle West Insurance Company Ltd., Hamilton**	100.0	1,775	45
Associated companies***			
Lion Belge Société Anonyme d'Assurances, Brussels	23.3	11,605	843
Munich London Investment Management Ltd., London	50.0	1,554	4,397
TELA Versicherung AG, Berlin/Munich	25.0	304,276	25,000
Union Versicherungs-AG, Vienna	33.3	46,474	9,038
Other participations in insurance companies***			
Allianz AG, Berlin/Munich	25.0	13,794,816	601,576
Allianz Lebensversicherungs-AG, Berlin/Munich	44.4	1,198,250	190,000
Bayerische Versicherungsbank AG, Munich	45.0	531,210	58,880
Belstar Assurances S.A., Brussels	25.0	45,977	141
De Amersfoortse Reinsurance Limited, Dublin	25.0	27,894	5,240
Deutscher Lloyd Versicherungs-AG, Berlin/Munich	29.8	116,238	4,622
Europäische Reiseversicherungs-Aktiengesellschaft, Vienna	25.1	8,408	1,696
Frankfurter Versicherungs-AG, Frankfurt am Main	49.9	548,834	70,362
Mecklenburgische Leben Versicherungs-Aktiengesellschaft, Hanover	25.0	11,240	1,140

Other shareholdings, some via investment management companies***

Over 5%

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft, Munich
Bayerische Vereinsbank Aktiengesellschaft, Munich
BHF-Bank Aktiengesellschaft, Frankfurt am Main
Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg
IKB Deutsche Industriebank AG, Düsseldorf/Berlin
MAN Aktiengesellschaft, Munich
Nürnberger Beteiligungs-Aktiengesellschaft, Nuremberg

Over 10%

Degussa Aktiengesellschaft, Frankfurt am Main
Salamander Aktiengesellschaft, Kornwestheim
WMF Württembergische Metallwarenfabrik Aktiengesellschaft, Geislingen/Steige

Over 25%

Hutschenreuther Aktiengesellschaft, Selb

* The amounts are taken from the individual companies' accounts. They have been translated using the exchange rates applicable on 31.12.1996.
** Consolidated for the first time in the 1996/97 accounts.
*** Selected companies.

The 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.

(4) Amounts receivable on direct insurance business

	30.6.1997 TDM	Previous year TDM
From policyholders:		
a) Due	214,718	198,795
b) Not yet due	628,153	752,071
	842,871	950,866
From intermediaries	202,883	195,306
Total	1,045,754	1,146,172

(5) Receivables and liabilities in respect of affiliated companies and participations

	Affiliated companies 30.6.1997 TDM	Affiliated companies Previous year TDM	Participations 30.6.1997 TDM	Participations Previous year TDM
Deposits retained on assumed reinsurance business	–	–	8,289,950	8,643,521
Amounts receivable on direct insurance business from intermediaries	318	1,060	891	2,440
Accounts receivable	16	73	17,011	24,680
Other receivables	20,892	36,220	34,957	45,549
Amounts payable on direct insurance business to intermediaries	11,287	8,305	3,632	2
Accounts payable	148	65	64,304	107,122
Miscellaneous liabilities	9,725	7,528	24,091	15,688

(6) Other assets

	30.6.1997 TDM	Previous year TDM
Tangible assets and inventories	328,624	212,869
Cash at bank in current accounts, cheques and cash in hand	1,037,079	336,372
Miscellaneous	326,235	306,763
Total	1,691,938	856,004

(7) Deferred items

	30.6.1997 TDM	Previous year TDM
Accrued interest and rent	2,644,245	1,993,725
Other deferred items	856,051	93,220
Total	3,500,296	2,086,945

For loans posted in the balance sheet at their nominal values, the difference between these nominal values and higher acquisition costs totals TDM 7,162. “Other deferred items” contains an amount of TDM 805,946 (previous year: TDM 40,229) for anticipated tax relief in future business years, in accordance with Articles 274 para. 2 and 306 of the German Commercial Code.

Notes on the consolidated balance sheet – liabilities

(8) Shareholders’ funds

The Group’s shareholders’ funds developed as follows in the business year 1996/97:

	TDM
Group’s shareholders’ funds at beginning of year under review	5,377,506
Changes	
– Changes in exchange rates	106,863
– Capital increases	35,498
– Changes in share of capital, changes in group of consolidated companies	–51,614
– Change in valuation method	585,827
– Earned surplus	698,506
– Dividends	–148,342
Total changes	1,226,738
Group’s shareholders’ funds at end of year under review	6,604,244

Origin of Group’s shareholders’ funds:

	TDM
Amounts paid in by shareholders	3,006,592
Earned surplus	3,597,652
Total	6,604,244

The revenue reserves are made up as follows:

	30.6.1997 TDM	Previous year TDM
Reserves required by law	2,390	2,346
Other revenue reserves	2,785,533	1,679,823
Total	2,787,923	1,682,169

The increase in the other revenue reserves derives partly from the difference of TDM 254,292 resulting from the first-time consolidation of DKV and its subsidiaries.

(9) Special reserve

The special reserve contains reserves set up per Articles 6 b and 7 g of the German Income Tax Act. It also contains reserves set up by the subsidiaries abroad on the basis of comparable regulations.

(10) Underwriting funds and provisions	30.6.1997 Gross TDM	30.6.1997 Ceded TDM	30.6.1997 Net TDM	Pr. year Gross TDM	Pr. year Ceded TDM	Pr. year Net TDM
Unearned premiums	6,438,369	590,864	5,847,505	5,097,636	382,518	4,715,118
Premium funds	89,996,962	6,590,993	83,405,969	72,085,535	4,728,800	67,356,735
Provision for outstanding claims	37,391,946	4,933,261	32,458,685	27,184,509	1,992,848	25,191,661
Provision for premium refunds and policyholders' dividends	8,375,725	14,713	8,361,012	6,086,610	13,951	6,072,659
Claims equalization provision and similar provisions	4,816,353	–	4,816,353	3,735,915	–	3,735,915
Other	512,206	–2,027	514,233	673,672	1,228	672,444
Total	147,531,561	12,127,804	135,403,757	114,863,877	7,119,345	107,744,532

Underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	30.6.1997 Gross TDM	30.6.1997 Ceded TDM	30.6.1997 Net TDM	Pr. year Gross TDM	Pr. year Ceded TDM	Pr. year Net TDM
Premium funds	61,497	6,159	55,338	43,572	4,826	38,746
Other underwriting provisions	177	17	160	16	2	14
Total	61,674	6,176	55,498	43,588	4,828	38,760

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

	Unearned premiums	Premium funds	Claims provisions	Equalization provisions	Other provisions	Total	Reserves as % of net premiums
Reinsurers	4,864	15,735	29,717	4,580	417	55,313	279.7
– Life	678	14,454	309	–	17	15,458	483.1
– Personal accident/ health	374	1,281	2,081	–	–2	3,734	227.5
– Liability	676	–	11,839	466	11	12,992	614.3
– Motor	622	–	7,114	330	39	8,105	227.5
– Marine	112	–	929	165	–7	1,199	116.2
– Fire	986	–	2,859	2,124	299	6,268	152.1
– Engineering	723	–	2,252	367	13	3,355	199.3
– Other classes	693	–	2,334	1,128	47	4,202	155.1
Direct insurers	984	67,726	2,742	236	8,458	80,146	534.2
– Life	665	56,068	246	–	6,449	63,428	859.6
– Health	58	11,658	913	–	1,832	14,461	268.4
– Personal accident	30	–	578	–	104	712	91.6
– Motor	22	–	569	50	15	656	131.3
– Other classes	209	–	436	186	58	889	92.7
Total	5,848	83,461	32,459	4,816	8,875	135,459	389.5

The claims equalization provision and similar provisions are made up as follows:

	30.6.1997 TDM	Previous year TDM
Claims equalization provision	3,477,045	2,722,674
Provisions for major risks	169,478	156,911
Provision for earthquake risks	1,169,830	856,330
Total	4,816,353	3,735,915

(11) Other provisions

	30.6.1997 TDM	Previous year TDM
Provisions for employees' pensions and similar commitments	862,784	636,779
Provisions for tax	692,107	640,658
Miscellaneous	941,596	557,351
Total	2,496,487	1,834,788

There are pension provisions of TDM 22,581 (previous year: TDM 24,323) for former members of the Board of Management or their surviving dependants.

(12) Amounts payable on direct insurance business

	30.6.1997 TDM	Previous year TDM
To policyholders	4,389,464	4,024,412
To intermediaries	109,444	74,781
Total	4,498,908	4,099,193

(13) Notes and debentures, amounts owed to banks, miscellaneous liabilities

Liabilities with a remaining term of more than five years total TDM 2,154,784. Liabilities secured by mortgages amount to TDM 63,952.

The amount apportionable to liabilities from taxes is TDM 134,914 (previous year: TDM 85,065) and for social security TDM 44,570 (previous year: TDM 29,961).

(14) Deferred items

For loans posted in the balance sheet at their nominal values, the difference between these nominal values and lower acquisition costs totals TDM 109,127.

Notes on the consolidated profit and loss account

(15) Earned premiums for own account	Reinsurers, property-casualty insurers		Life and health insurers		Total	Total
	1996 TDM	Pr. year TDM	1996 TDM	Pr. year TDM	1996 TDM	Pr. year TDM
Gross premiums written	22,172,940	21,351,175	10,008,526	7,637,593	32,181,466	28,988,768
Ceded premiums	2,847,771	2,391,775	400,045	365,303	3,247,816	2,757,078
Net premiums written	19,325,169	18,959,400	9,608,481	7,272,290	28,933,650	26,231,690
Change in unearned premiums						
– Gross amount	–197,926	38,363	–	–	–	–
– Ceded share	–42,245	–26,364	–	–	–	–
– Net amount	–240,171	11,999	–28,727	–23,286	–268,898	–11,287
Net earned premiums	19,084,998	18,971,399	9,579,754	7,249,004	28,664,752	26,220,403

The gross premiums written show the following breakdown for assumed reinsurance business and direct insurance business:

	1996 TDM	Previous year TDM
Assumed reinsurance business	19,422,229	18,611,883
Direct insurance business		
– Life	7,661,771	7,622,131
– Health	2,359,638	–
– Property-casualty	2,737,828	2,754,754
	12,759,237	10,376,885
Total	32,181,466	28,988,768

Origin of the direct insurance business:

	1996 TDM	Previous year TDM
Germany	12,227,493	10,245,855
Other EU and EEA states	531,734	131,030
Other countries	10	–
Total	12,759,237	10,376,885

(16) Claims incurred for own account

	Reinsurers, property-casualty insurers 1996 TDM	Reinsurers, property-casualty insurers Pr. year TDM	Life and health insurers 1996 TDM	Life and health insurers Pr. year TDM	Total 1996 TDM	Total Pr. year TDM
Claims paid						
– Gross amount	13,114,089	12,087,378	6,787,380	4,971,469	19,901,469	17,058,847
– Ceded amount	1,431,068	1,410,650	293,744	217,443	1,724,812	1,628,093
– Net amount	11,683,021	10,676,728	6,493,636	4,754,026	18,176,657	15,430,754
Change in provision						
– Gross amount	1,224,115	1,727,437	1,960	–4,475	1,226,075	1,722,962
– Ceded amount	572,814	–28,803	–3,314	–2,671	569,500	–31,474
– Net amount	651,301	1,756,240	5,274	–1,804	656,575	1,754,436
Total	12,334,322	12,432,968	6,498,910	4,752,222	18,833,232	17,185,190

(17) Change in other underwriting provisions for own account

	Reinsurers, property-casualty insurers 1996 TDM	Reinsurers, property-casualty insurers Pr. year TDM	Life and health insurers 1996 TDM	Life and health insurers Pr. year TDM	Total 1996 TDM	Total Pr. year TDM
Premium funds						
– Gross amount	–	–	–4,408,164	–4,021,196	–	–
– Ceded amount	–	–	11,250	89,626	–	–
– Net amount	–1,563,432	–1,675,469	–4,396,914	–3,931,570	–5,960,346	–5,607,039
Other underwriting provisions for own account	52,188	–161,551	–211	–191	51,977	–161,742
Total	–1,511,244	–1,837,020	–4,397,125	–3,931,761	–5,908,369	–5,768,781

(18) Operating expenses for own account

	1996 TDM	Previous year TDM
Reinsurers and property-casualty insurers:		
– Gross operating expenses	6,605,541	6,042,938
– Less commission received on ceded business	704,939	611,374
Total	5,900,602	5,431,564

	1996 TDM	Previous year TDM
Life and health insurers:		
– Acquisition expenses	1,333,736	1,040,540
– Management expenses	447,764	374,574
– Less commission received on ceded business	218,683	135,674
Total	1,562,817	1,279,440

(19) Personnel costs

Personnel costs totalled TDM 1,938,283 (previous year: TDM 1,709,788).

The total emoluments of the Board of Management of the Munich Reinsurance Company for the performance of its duties in respect of the parent and subsidiary companies amounted to TDM 12,320 (previous year: TDM 10,152) and those of the Supervisory Board to TDM 972 (previous year: TDM 928). Payments to former members of the Board of Management, including pension payments for their surviving dependants, amounted to TDM 3,305 (previous year: TDM 3,436).

(20) Underwriting result by class of business

Before changes in the claims equalization provisions, the underwriting result by class of business is as follows:

	Reinsurers 1996 TDM	Reinsurers Pr. year TDM	Direct insurers 1996 TDM	Direct insurers Pr. year TDM	Total 1996 TDM	Total Pr. year TDM
– Life	–3,536	44,811	407,245	443,748	403,709	488,559
– Health	–[1]	–	100,046	–5,261	100,046	–5,261
– Personal accident	–19,326	56,011	157,085	110,375	137,759	166,386
– Liability	–176,832	–432,887	–17,126	–6,113	–193,958	–439,000
– Motor	–159,996	5,927	–68,982	57,347	–228,978	63,274
– Marine	24,400	60,428	844	1,502	25,244	61,930
– Fire	329,414	245,560	1,668	2,794	331,082	248,354
– Engineering	86,977	–47,502	210	–196	87,187	–47,698
– Other classes	149,932	165,321	–35,804	–129,171	114,128	36,150
Total	231,033	97,669	545,186	475,025	776,219	572,694

[1] Shown for the reinsurers under personal accident.

(21) Investment income

	Reinsurers, property-casualty insurers 1996/97 TDM	Life and health insurers 1996/97 TDM	Total 1996/97 TDM	Total Pr. year TDM
Dividends from participations	427,665	127,584	555,249	440,782
Income from other investments				
– Rents from real estate	268,711	479,980	748,691	687,946
– Other	2,951,290	4,987,207	7,938,497	6,966,435
	3,647,666	5,594,771	9,242,437	8,095,163
Realized gains on investments	590,775	534,583	1,125,358	670,011
Income from profit-transfer agreements	4,641	–	4,641	6,561
Income from the reduction of the special reserve	–	13,155	13,155	28,937
Total	4,243,082	6,142,509	10,385,591	8,800,672

This includes the following income from affiliated and associated companies:

	1996/97 TDM	Previous year TDM
Dividends		
– from affiliated companies	7,943	31,507
– from associated companies	11,493	11,961
Income from other investments		
– from affiliated companies	11,874	12,815

(22) Investment expenditure

	Reinsurers, property-casualty insurers 1996/97 TDM	Life and health insurers 1996/97 TDM	Total 1996/97 TDM	Total Pr. year TDM
Expenses for the management of investments, interest paid and other expenses for investments	240,153	203,445	443,598	417,187
Writedowns on investments	209,365	128,923	338,288	386,780
Realized losses on investments	85,654	5,625	91,279	60,543
Allocation to the special reserve	132,261	17,700	149,961	1,081
Total	667,433	355,693	1,023,126	865,591

Of the writedowns on investments, TDM 51,714 (previous year: DM 57,066) comprised exceptional depreciations as per Article 253 para. 2 sentence 3 of the German Commercial Code.

Special writedowns for tax purposes as per Article 6 b of the German Income Tax Act amounted to TDM 13,155 (previous year: TDM 28,937). In the business year reinstatements of value amounting to TDM 48,152 were not made for tax reasons, in accordance with the option open to us. The result for the year was only affected to a negligible extent by writedowns for tax purposes and the posting of the special reserve as per Articles 6 b and 7 g of the German Income Tax Act; the effects of the reinstatements of value not made for tax reasons are not significant for the result for the year either, being spread over several years. These measures are of subordinate importance for Group earnings as regards the results of future business years as well.

Other information

(23) Number of staff

The number of staff employed by the consolidated companies averaged as follows:

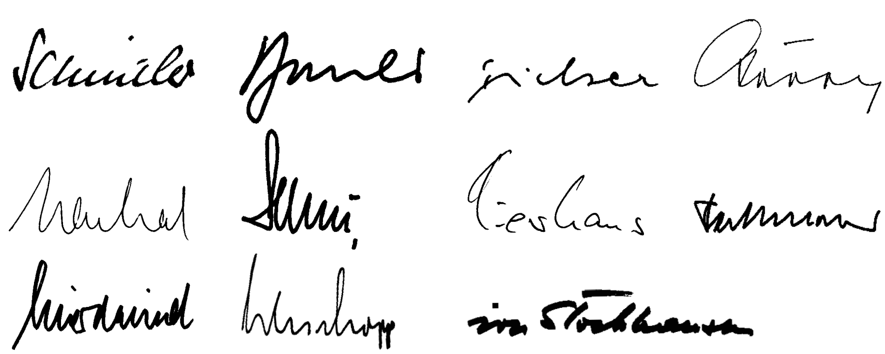
	1996/97	Previous year
Reinsurance companies	3,489	3,055
Direct insurance companies	14,532	13,288
Total	18,021	16,343

(24) Other financial commitments

There are no other financial commitments of significance for the assessment of the Group's financial position.

Munich, 30th September 1997

The Board of Management



Company accounts as at 30th June 1997

In the interest of a clearer presentation, we have condensed many items in the balance sheet and the profit and loss account. The relevant subitems are shown separately in the notes on the accounts in each case. On request, we will be pleased to send you the long versions of the balance sheet and the profit and loss account, in the format required by the German statutory order on insurance companies' accounting and as presented to our auditor.

Summary of the most important figures

Balance sheet – assets	1996/97 TDM	Previous year TDM
Investments	36,131,879	31,495,026
Deposits retained on assumed reinsurance business	24,928,796	22,768,301
Accounts receivable on reinsurance business	1,103,850	1,105,750
Other assets	632,763	645,316
Liability of shareholders for subscribed capital	399,876	399,175
Balance sheet total	63,197,164	56,413,568

Balance sheet – liabilities	1996/97 TDM	Previous year TDM
Shareholders' funds	3,535,411	3,351,391
– Subscribed capital	814,752	813,350
– Reserves	2,579,601	2,405,505
– Balance sheet profit	141,058	132,536
Reinsurance funds and provisions	51,645,387	47,859,352
Deposits retained on retroceded business	3,530,047	2,352,415
Accounts payable on reinsurance business	2,159,221	1,839,142
Other liabilities	2,327,098	1,011,268
Balance sheet total	63,197,164	56,413,568

Premium income	1996 TDM	Previous year TDM
Reinsurance premiums	18,540,559	18,013,604
– Life	4,397,944	4,068,875
– Personal accident/health	1,300,089	1,221,160
– Liability	1,493,747	1,918,689
– Motor	3,050,994	3,140,177
– Marine	630,384	627,075
– Fire	3,176,817	2,927,953
– Engineering	1,782,008	1,737,973
– Other classes	2,708,576	2,371,702

Results	1996/97 TDM	Previous year TDM
Reinsurance underwriting result	344,625	132,140
– Life	70,719	113,546
– Personal accident/health	23,012	79,218
– Liability	–122,539	–398,818
– Motor	–207,240	–24,580
– Marine	10,408	57,076
– Fire	355,223	223,652
– Engineering	88,517	–53,656
– Other classes	126,525	135,702
Investment result	1,765,723	1,813,004
– Investment income	2,277,668	2,219,466
– Investment expenditure	511,945	406,462
Other income and expenditure	–99,198	12,059
Unadjusted earnings	2,011,150	1,957,203
Special allocations to the provision for outstanding claims	–200,000	–500,000
Change in the claims equalization provisions and the provisions for major risks and earthquake risks	–1,200,688	–982,128
– Claims equalization provisions	–911,330	–559,266
– Provisions for major risks	–2,738	–5,504
– Provision for earthquake risks	–286,620	–417,358
Operating result	610,462	475,075
Tax	–329,404	–242,539
Profit for the year	281,058	232,536
Transfer to revenue reserves	140,000	100,000
Balance sheet profit at the disposal of the AGM	141,058	132,536

Balance sheet as at 30th June 1997

Assets	Notes	TDM	TDM	Previous year TDM
A. Liability of shareholders for uncalled capital			399,876	399,175
B. Intangible assets	(1)		64,258	69,481
C. Investments				
I. Real estate	(2)	2,036,025		2,185,636
II. Investments in affiliated companies and participations	(2)	12,214,535		6,222,914
III. Other investments	(2)	21,881,319		23,086,476
		36,131,879		31,495,026
IV. Deposits retained on assumed reinsurance business	(3)	24,928,796		22,768,301
			61,060,675	54,263,327
D. Receivables	(3)			
I. Accounts receivable on reinsurance business		1,103,850		1,105,750
II. Other receivables		109,663		189,268
			1,213,513	1,295,018
E. Other assets	(4)		74,532	52,387
F. Deferred taxes			99,890	–
G. Other deferred items	(5)		284,420	334,180
Total assets			63,197,164	56,413,568

Liabilities	Notes	TDM	TDM	Previous year TDM
A. Shareholders' funds	(6)			
I. Subscribed capital		814,752		813,350
II. Capital reserve		1,976,401		1,942,305
III. Revenue reserves		603,200		463,200
IV. Balance sheet profit		141,058		132,536
			3,535,411	3,351,391
B. Special reserve	(7)		185,156	54,553
C. Underwriting funds and provisions for own account	(8)			
I. Unearned premiums		3,491,963		3,331,875
II. Premium funds		20,801,972		19,712,436
III. Provision for outstanding claims		22,191,900		20,911,289
IV. Provision for premium refunds		31,411		26,048
V. Claims equalization provision and similar provisions		4,555,044		3,327,476
VI. Other underwriting provisions		573,097		550,228
			51,645,387	47,859,352
D. Other provisions	(9)		1,080,075	903,485
E. Deposits retained on retroceded business	(3)		3,530,047	2,352,415
F. Other liabilities	(3, 10)			
I. Accounts payable on reinsurance business		2,159,221		1,839,142
II. Amounts owed to banks		1,000,000		–
III. Miscellaneous liabilities		59,394		47,880
			3,218,615	1,887,022
G. Deferred items	(11)		2,473	5,350
Total liabilities			63,197,164	56,413,568

Profit and loss account
for the business year 1996/97

Items	Notes	TDM	Previous year TDM
I. Technical account			
1. Earned premiums for own account	(13)	16,087,981	16,282,697
2. Interest income on premium funds for own account		1,301,834	1,214,238
3. Other underwriting income for own account		5,200	2,666
4. Claims incurred for own account	(14)	10,281,748	10,619,155
5. Change in other underwriting provisions for own account	(15)	–1,909,211	–2,114,925
6. Expenditure for premium refunds for own account		21,240	17,097
7. Operating expenses for own account	(16, 17)	4,774,261	4,538,533
8. Other underwriting expenditure for own account		63,930	77,751
9. Subtotal		**344,625**	**132,140**
10. Change in the claims equalization provision and similar provisions		–1,200,688	–982,128
11. Underwriting result for own account	(12)	**–856,063**	**–849,988**
II. Non-technical account			
1. Investment income	(18)	3,862,081	3,569,318
2. Investment expenditure	(17, 19)	511,945	406,462
		3,350,136	3,162,856
3. Interest income on premium funds and provisions		1,584,413	1,349,852
		1,765,723	1,813,004
4. Other income		114,480	131,201
5. Other expenditure	(20)	413,678	619,142
6. Operating result		**610,462**	**475,075**
7. Taxes on profit and income		323,630	236,488
8. Other taxes		5,774	6,051
9. Profit for the year		**281,058**	**232,536**
10. Transfer to revenue reserves		140,000	100,000
11. Balance sheet profit		**141,058**	**132,536**

Notes on the accounts

The business year 1996/97 covers the Munich Reinsurance Company's underwriting business for the calendar year 1996 and the result of its investments plus all other income and expenditure for the period from 1st July 1996 to 30th June 1997.

Accounting and valuation methods

Basic principle

The assets and liabilities shown in the consolidated accounts are included and valued uniformly according to the same conservative principles as in previous years.

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.

Shareholdings in affiliated companies and other participations are valued at the acquisition cost; all admissible writedowns are made.

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

Shares, investment fund certificates, bearer bonds, fixed-interest and variable-yield securities, and other investments are valued at the acquisition cost or at the market price on the balance sheet date, whichever is the lower; lower valuations from previous years are maintained even if the reason for these lower valuations no longer applies.

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 the 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

For the first time as at 30th June 1997, as a consequence of a change in German tax law passed in September 1997, provisions for anticipated losses from pending business are no longer deductible for tax purposes; provisions posted in previous years must be reduced to zero in the tax returns over a certain period. The deferred taxes resulting from this temporary difference between financial statements and valuations prescribed for determining taxable income are included on the assets side of the balance sheet. Other deferred taxes are not included.

Underwriting funds and provisions

The underwriting funds and 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 the reinsurance business assumed by us can always be met.

The reserves 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 percentages, these are based on many years of experience and the latest knowledge we have.

The premium funds and the provisions 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, plus the provisions for major risks and for earthquake risks.

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.

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

Other provisions

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, and the other liabilities are stated at the amount repayable.

Currency translation

All business transactions are entered in our books in the respective original currencies; assets, liabilities, income and expenditure are translated using the relevant exchange rates at the end of the calendar year. We also take account of the development in exchange rates up to the balance sheet date in our result for the year.

Realized exchange gains and realized and unrealized exchange losses are included under “Other income” and “Other expenditure” respectively; unrealized exchange gains are eliminated through the formation of an appropriate provision.

The exchange rates of the most important currencies for us are listed in the notes on the consolidated accounts.

Notes on the balance sheet – assets

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

	Book values 30.6.1996 TDM	Additions TDM
(1) Intangible assets	69,481	1,491
(2) Investments		
Real estate	2,185,636	18,004
Investments in affiliated companies and participations		
– Shares in affiliated companies	1,687,506	5,994,217
– Loans to affiliated companies	6,010	59,096
– Participations	4,522,528	160,928
– Loans to participations	6,870	20,203
	6,222,914	6,234,444
Other investments		
– Shares, investment fund certificates and other variable-yield securities	9,726,545	7,936,380
– Bearer bonds and other fixed-interest securities	5,997,226	13,777,184
– Mortgage loans	38,613	4,155
– Other loans		
• Registered bonds	1,784,698	31,001
• Loans and promissory notes	5,206,505	1,729,191
– Deposits with banks	332,879	–
– Miscellaneous investments	10	–
	23,086,476	23,477,911
Total investments	31,495,026	29,730,359

The intangible assets consist of purchased insurance portfolios and software.

The book value of self-occupied real estate amounts to TDM 400,323 (previous year: TDM 440,737).

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

The information to be disclosed in accordance with Article 285 item 11 of the German Commercial Code will be filed with the commercial registry in Munich. The companies of significance in this connection are listed in the notes on the consolidated accounts.

Reallocations TDM	Disposals TDM	Depreciation TDM	Book values 30.6.1997 TDM
–	–	6,714	64,258
–	31,674	135,941	2,036,025
30,799	102,620	–	7,609,902
–	56,928	–	8,178
–35,813	57,816	–	4,589,827
–	20,445	–	6,628
–5,014	237,809	–	12,214,535
5,014	6,775,828	12,062	10,880,049
–	14,085,240	3,347	5,685,823
–	5,682	–	37,086
–	550,698	–	1,265,001
–	3,241,281	–	3,694,415
–	13,944	–	318,935
–	–	–	10
5,014	24,672,673	15,409	21,881,319
–	24,942,156	151,350	36,131,879

Of our total investments (excluding deposits retained on assumed reinsurance business) with a book value of TDM 36,131,879 (previous year: TDM 31,495,026), an amount of TDM 4,560,246 (previous year: TDM 4,349,166) 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 on the balance sheet date and all the transactions concluded in the period under review was negligible.

(3) Receivables and liabilities in respect of affiliated companies and participations

	Affiliated companies		Participations	
	30.6.1997 TDM	Previous year TDM	30.6.1997 TDM	Previous year TDM
Deposits retained on assumed reinsurance business	6,924,778	5,942,450	8,247,688	8,608,750
Accounts receivable	137,514	109,088	13,858	12,045
Other receivables	10,129	23,196	7,965	33,763
Deposits retained on retroceded business	310,814	47,455	915,854	853,825
Accounts payable	166,143	51,851	52,769	98,492
Miscellaneous liabilities	18,293	9,704	15,987	9,144

(4) Other assets

	30.6.1997 TDM	Previous year TDM
Tangible assets and inventories	14,398	15,902
Cash at bank in current accounts, cheques and cash in hand	60,134	36,485
Total	74,532	52,387

(5) Deferred items

	30.6.1997 TDM	Previous year TDM
Accrued interest and rent	258,963	300,751
Other deferred items	25,457	33,429
Total	284,420	334,180

This item includes differences totalling TDM 251 (previous year: TDM: 259) arising from the posting of loans in the balance sheet at nominal values.

Notes on the balance sheet – liabilities

(6) Shareholders' funds

In the year under review the company's share capital was increased from TDM 813,350 to TDM 814,752 through the exercise of warrants issued in 1994, utilizing part of the contingent capital as per Article 3 a of the Articles of Association.

On the balance sheet date the increased share capital comprised 300,000 bearer shares with a nominal value of DM 50 each and 7,997,520 (previously 7,983,500) registered shares with a nominal value of DM 100 each, DM 50 being paid up and entitled to dividend and one vote.

	Number	Nominal value TDM	Amount paid up TDM	Votes
Bearer	300,000	15,000	15,000	300,000
Registered	7,997,520	799,752	399,876	7,997,520
Total		814,752	414,876	8,297,520

Following the stock split in August 1997, in which the nominal values of the registered shares were reduced from DM 100, with DM 50 paid up, to DM 10, with DM 5 paid up, and the nominal values of the bearer shares were reduced from DM 50 to DM 5, the number of registered shares amounts to 79,975,200 and the number of bearer shares to 3,000,000.

By resolution of the Annual General Meeting on 8th December 1995 an amount of up to TDM 250,000 has been authorized for increasing the company's share capital in one or more stages at any time up to 8th December 2000 by issuing new shares against cash contribution.

The contingent capital of TDM 30,000 created by resolution of the Annual General Meeting on 3rd December 1993 has been reduced to TDM 28,598 as a result of its utilization through the exercise of some of the warrants issued in 1994. The warrant exercise period initially runs until 13th March 1998. Should the market price of the registered shares at the end of this period be lower than the warrant exercise price (after the stock split, currently DM 2,482 for ten registered shares), the warrant conditions provide for the exercise period to be extended by a maximum of two years.

TDM 140,000 of the profit for the year 1996/97 has been transferred to the revenue reserves.

Altogether, therefore, our shareholders' funds have increased as follows:

	Previous position TDM	Increase TDM	Current position TDM
Subscribed capital	813,350	1,402	814,752
Capital reserve	1,942,305	34,096	1,976,401
Other revenue reserves	463,200	140,000	603,200
Balance sheet profit	132,536	8,522	141,058
Total	3,351,391	184,020	3,535,411

(7) Special reserve

The special reserve has been posted as per Articles 6 b and 7 g of the German Income Tax Act.

(8) Underwriting funds and provisions

	30.6.1997 Gross TDM	30.6.1997 Retro TDM	30.6.1997 Net TDM	Pr. year Gross TDM	Pr. year Retro TDM	Pr. year Net TDM
Unearned premiums	3,905,761	413,798	3,491,963	3,651,335	319,460	3,331,875
Premium funds	24,054,911	3,252,939	20,801,972	21,918,665	2,206,229	19,712,436
Provision for outstanding claims	24,267,499	2,075,599	22,191,900	22,482,990	1,571,701	20,911,289
Provision for premium refunds	38,221	6,810	31,411	32,489	6,441	26,048
Claims equalization provision and similar provisions	4,555,044	–	4,555,044	3,327,476	–	3,327,476
Other	570,596	–2,501	573,097	550,416	188	550,228
Total	57,392,032	5,746,645	51,645,387	51,963,371	4,104,019	47,859,352

The "other" underwriting provisions include provisions for anticipated losses totalling TDM 416,338 (previous year: TDM 455,899).

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

	Unearned premiums	Premium funds	Claims provision	Equalization provision	Others	Total	Reserves as % of net premiums
Life	751	19,191	235	–	10	20,187	538.6
Personal accident/ health	151	1,611	794	–	20	2,576	216.3
Liability	321	–	9,393	466	84	10,264	879.5
Motor	285	–	5,641	328	83	6,337	231.2
Marine	85	–	692	164	2	943	165.1
Fire	596	–	1,552	2,110	326	4,584	167.1
Engineering	669	–	1,948	360	18	2,995	204.7
Other classes	634	–	1,937	1,127	61	3,759	148.6
Non-life combined	2,741	1,611	21,957	4,555	594	31,458	253.6
Total	3,492	20,802	22,192	4,555	604	51,645	319.7

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

	30.6.1997 TDM	Previous year TDM
Claims equalization provision	3,245,120	2,333,790
Provisions for major risks	140,094	137,356
– For nuclear facilities	71,792	75,044
– For pharmaceutical products liability	68,302	62,312
Provision for earthquake risks	1,169,830	856,330
Total	4,555,044	3,327,476

(9) Other provisions

	30.6.1997 TDM	Previous year TDM
Provisions for employees' pensions and similar commitments	250,974	237,608
Provisions for tax	578,302	512,866
Miscellaneous	250,799	153,011
Total	1,080,075	903,485

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 TDM 22,581 (previous year: TDM 24,323) for former members of the Board of Management or their surviving dependants.

(10) Amounts owed to banks, miscellaneous liabilities

The miscellaneous liabilities contain liabilities from taxes amounting to TDM 8,915 (previous year: TDM 8,295) and for social security amounting to TDM 4,460 (previous year: TDM 4,015). The total amount of the liabilities secured by mortgages is TDM 803 (previous year: TDM 875). The liabilities with a remaining term of more than five years total TDM 1,000,803.

(11) Deferred items

This item includes differences totalling TDM 1,694 (previous year: TDM: 3,874) arising from the posting of loans in the balance at nominal values.

Notes on the profit and loss account

(12) Reinsurance underwriting result by class of business

DM m	Life	Personal accident/ health	Liability	Motor	Marine	Fire
Gross premiums written	4,398	1,300	1,494	3,051	630	3,177
Net premiums written	3,748	1,191	1,167	2,741	571	2,744
Net premiums earned	3,743	1,190	1,202	2,740	574	2,715
Interest on premium funds and provisions	1,184	112	1	5	–	–
Claims incurred						
– Payments	2,037	679	1,163	2,139	382	1,495
– Change in provision	17	69	–251	218	20	–68
	2,054	748	912	2,357	402	1,427
Operating expenses	997	417	427	558	160	891
Other income and expenditure	–1,805	–114	14	–37	–2	–42
Underwriting result	71	23	–122	–207	10	355
Change in the claims equalization provisions	–	0	–384	–100	–5	–438
Underwriting result after change in claims equalization provisions	71	23	–506	–307	5	–83
Ratios in % – business year						
Loss ratio		*63.0*	*74.6*	*87.2*	*70.4*	*54.1*
Expense ratio		*35.0*	*35.5*	*20.4*	*27.9*	*32.8*
Combined ratio		*98.0*	*110.1*	*107.6*	*98.3*	*86.9*
Ratios in % – previous year						
Loss ratio		*61.1*	*97.2*	*81.4*	*64.4*	*59.7*
Expense ratio		*32.0*	*25.9*	*19.4*	*26.0*	*31.7*
Combined ratio		*93.1*	*123.1*	*100.8*	*90.4*	*91.4*

Engineering	Other classes	Non-life combined	Total	Pr. year non-life combined	Pr. year total	DM m
1,782	2,709	14,143	18,541	13,945	18,014	Gross premiums written
1,463	2,529	12,406	16,154	12,591	16,186	Net premiums written
1,455	2,469	12,345	16,088	12,651	16,283	Net premiums earned
–	–	118	1,302	124	1,214	Interest on premium funds and provisions
						Claims incurred
906	1,328	8,092	10,129	7,405	9,223	– Payments
–55	203	136	153	1,410	1,396	– Change in provision
851	1,531	8,228	10,282	8,815	10,619	
512	812	3,777	4,774	3,583	4,539	Operating expenses
–4	1	–184	–1,989	–359	–2,207	Other income and expenditure
88	127	274	345	18	132	Underwriting result
–181	–93	–1,201	–1,201	–982	–982	Change in the claims equalization provisions
–93	34	–927	–856	–964	–850	Underwriting result after change in claims equalization provisions
						Ratios in % – business year
58.8	*62.0*	*67.2*				*Loss ratio*
35.2	*32.9*	*30.6*				*Expense ratio*
94.0	*94.9*	*97.8*				*Combined ratio*
						Ratios in % – previous year
69.0	*61.6*	*71.6*				*Loss ratio*
34.7	*32.3*	*28.3*				*Expense ratio*
103.7	*93.9*	*99.9*				*Combined ratio*

(13) Earned premiums for own account

	1996 TDM	Previous year TDM
Gross premiums written	18,540,559	18,013,604
Retrocession premiums	2,386,668	1,827,498
Net premiums written	16,153,891	16,186,106
Change in unearned premiums		
– Gross amount	–150,696	126,465
– Retroceded amount	84,786	–29,874
– Net amount	–65,910	96,591
Net earned premiums	16,087,981	16,282,697

(14) Claims incurred for own account

	1996 TDM	Previous year TDM
Claims paid		
– Gross amount	11,270,712	10,264,121
– Retroceded amount	1,141,459	1,041,319
– Net amount	10,129,253	9,222,802
Change in provision		
– Gross amount	589,079	1,394,402
– Retroceded amount	436,584	–1,951
– Net amount	152,495	1,396,353
Total	10,281,748	10,619,155

(15) Change in other underwriting provisions for own account

	1996 TDM	Previous year TDM
Premium funds	–1,957,489	–1,978,612
Other underwriting provisions	48,278	–136,313
Total	–1,909,211	–2,114,925

(16) Operating expenses for own account

	1996/97 TDM	Previous year TDM
Gross operating expenses	5,346,297	4,992,287
Less commission received on retroceded business	572,036	453,754
Total	4,774,261	4,538,533

(17) Personnel costs

The management expenses subsumed under operating expenses and under investment expenditure include the following personnel costs:

	1996/97 TDM	Previous year TDM
Wages and salaries	247,662	231,744
Social insurance contributions and voluntary assistance	66,506	53,408
Expenses for employees' pensions	20,858	36,409
Total	335,026	321,561

Taking into account the proposal for the distribution of the profit, the total emoluments of the members of the Board of Management amount to TDM 11,813 (previous year: TDM 9,777). Payments to retired members of the Board of Management or their surviving dependants amount to TDM 3,247 (previous year: TDM 3,272).

Also taking into account the proposal for the distribution of the profit, the total emoluments of the members of the Supervisory Board amount to TDM 893 (previous year: TDM 845). This sum includes emoluments of TDM 765 (previous year: TDM 714) dependent on the dividend paid to the shareholders.

(18) Investment income

	1996/97 TDM	Previous year TDM
Dividends from participations	462,522	357,289
Income from other investments:		
– Rents from real estate	225,258	221,880
– Income from other investments	2,754,487	2,663,080
	2,979,745	2,884,960
Realized gains on investments	418,268	322,157
Income from profit-transfer agreements	1,546	1,958
Income from the reduction of the special reserve	–	2,954
Total	3,862,081	3,569,318

This includes the following income from affiliated companies:

	1996/97 TDM	Previous year TDM
Dividends from participations	78,177	64,013
Income from other investments	441,829	364,413

(19) Investment expenditure

	1996/97 TDM	Previous year TDM
Expenses for the management of investments, interest paid and other expenses for investments	186,694	187,689
Writedowns on investments	151,350	173,018
Realized losses on investments	43,298	45,755
Allocations to the special reserve as per Article 6 b of German Income Tax Act	130,603	–
Total	511,945	406,462

Of the writedowns on investments, TDM 33,322 (previous year: TDM 33,654) comprised exceptional depreciations as per Article 253 para. 2 sentence 3 of the German Commercial Code.

Special writedowns for tax purposes as per Article 6 b of the German Income Tax Act were not made (previous year: TDM 2,954). In the business year reinstatements of value amounting to TDM 28,678 were not made for tax reasons, in accordance with the option open to us.

Writedowns for tax purposes and the posting of the special reserve as per Articles 6 b and 7 g of the German Income Tax Act affected the Munich Reinsurance Company's result for the year by an amount of TDM 130,603 (previous year: TDM 300); the effects of the reinstatements of value not made for tax reasons are not significant for the result for the year, being spread over several business years. The consequences of these measures for the results of future business years are also insignificant.

(20) Other expenditure

	1996/97 TDM	Previous year TDM
Special allocations to the provision for outstanding claims		
– Liability business	190,000	500,000
– Health	10,000	–
Miscellaneous	213,678	119,142
Total	413,678	619,142

Other information

(21) Boards of the company

The members of the Supervisory Board and the Board of Management are listed on pages 4 and 7 of this Report.

(22) Number of staff

The number of staff employed by the company in the business year 1996/97 averaged 1,940 (previous year: 1,904).

(23) 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.

There are no other financial commitments of significance for the assessment of the company's financial position.

Munich, 26th September 1997

The Board of Management

Schinzler; Bauer, Ficker, Göbel, Hasford,
Helbig, Nierhaus, Rathnow, Schneidawind,
Sellschopp, von Stockhausen

Proposal for appropriation of profit
Auditor's report

Proposal for appropriation of profit

The balance sheet profit at the disposal of the Annual General Meeting amounts to DM 141,057,840.

We propose that the balance sheet profit be distributed as a dividend of DM 1.70 on every bearer and registered share, each entitled to dividend on an amount of DM 5.

Munich, 26th September 1997

The Board of Management

Schinzler; Bauer, Ficker, Göbel, Hasford,
Helbig, Nierhaus, Rathnow, Schneidawind,
Sellschopp, von Stockhausen

Auditor's report

The auditor's opinion is worded as follows:

"The accounting, the company financial statements and the consolidated financial statements, which we have audited in accordance with professional standards, comply with the legal provisions and the company's Articles of Association. With due regard to the generally accepted accounting principles, the company financial statements and the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the Munich Reinsurance Company and the Munich Re Group. The report of the Board of Management for company and Group combined is consistent with the company financial statements and the consolidated financial statements."

Munich, 6th October 1997
Bayerische Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Wiegand
Wirtschaftsprüfer

Peschel
Wirtschaftsprüfer

Business development of the Munich Re Group in DM m

Consolidated balance sheet as at 30th June	1993	1994	1995	1996	1997
Investments (including deposits retained on assumed reinsurance)	91,644	102,425	111,008	120,279	148,288
Reinsurers	39,092	45,197	48,398	52,937	61,803
Direct insurers	52,552	57,228	62,610	67,342	86,485
Shareholders' funds	3,630	4,274	4,442	5,378	6,604
Claims equalization provisions	1,370	1,846	2,614	3,736	4,816
Underwriting funds and provisions (without equalization provisions)	84,174	92,863	97,548	104,047	130,643
Life	58,506	64,005	68,570	73,632	78,886
Non-life	25,668	28,858	28,978	30,415	51,757

Consolidated profit and loss account	1992/93	1993/94	1994/95	1995/96	1996/97
Gross premiums written	25,556	28,638	28,974	28,989	32,181
Life	9,686	10,445	10,898	11,177	11,538
Non-life	15,870	18,193	18,076	17,812	20,643
Net premiums written	22,480	25,490	25,937	26,232	28,934
Life	8,676	9,430	10,038	10,326	10,579
Non-life	13,804	16,060	15,899	15,906	18,355
Net earned premiums	22,222	24,981	25,802	26,220	28,665
Underwriting result*	–1,241	–264	–100	573	776
Life	364	502	329	489	404
Non-life	–1,605	–766	–429	84	372
Investment result*	6,949	7,112	7,322	7,935	9,362
Thereof included in underwriting result	4,448	4,958	5,313	5,685	7,104
Unadjusted earnings	1,044	1,490	1,764	2,586	2,629
Special allocations to the provision for outstanding claims	–450	–350	–250	–500	–200
Change in claims equalization provisions	–29	–476	–788	–952	–1,216
Operating result	565	664	726	1,134	1,213
Taxes	–278	–364	–401	–539	–514
Profit for the year	287	300	325	595	699

* The figures for the years 1992/93 and 1993/94 are comparable only to some extent with those for the years as from 1994/95 owing to the change in the allocation of the expenses for employees' pensions and "other depreciation".

Business development of the Munich Reinsurance Company in DM m

Balance sheet as at 30th June	**1993**	**1994**	**1995**	**1996**	**1997**
Investments (including deposits retained on assumed reinsurance)	38,959	44,910	49,376	54,263	61,061
Shareholders' funds	1,725	2,534	2,605	3,351	3,535
Claims equalization provisions	1,057	1,580	2,357	3,327	4,555
Underwriting funds and provisions (without equalization provisions)	34,593	38,685	41,937	44,532	47,090
Life	13,423	15,068	17,559	18,908	20,187
Non-life	21,170	23,617	24,378	25,624	26,903

Profit and loss account	**1992/93**	**1993/94**	**1994/95**	**1995/96**	**1996/97**
Gross premium written	16,033	18,159	18,258	18,014	18,541
Life	3,415	3,695	3,974	4,069	4,398
Non-life	12,618	14,464	14,284	13,945	14,143
Net premiums written	14,020	16,175	16,178	16,186	16,154
Life	3,039	3,324	3,563	3,595	3,748
Non-life	10,981	12,851	12,615	12,591	12,406
Net earned premiums	13,859	15,834	16,089	16,283	16,088
Underwriting result*	–1,458	–616	–318	132	345
Life	68	91	98	114	71
Non-life	–1,526	–707	–416	18	274
Investment result*	3,050	2,880	2,804	3,163	3,350
Thereof included in underwriting result	921	1,026	1,134	1,350	1,584
Unadjusted earnings	634	1,134	1,360	1,957	2,011
Special allocations to the provision for outstanding claims	–450	–350	–250	–500	–200
Change in claims equalization provisions	–32	–523	–798	–982	–1,201
Operating result	152	261	312	475	610
Taxes	–80	–120	–150	–242	–329
Profit for the year	72	141	162	233	281

* The figures for the years 1992/93 and 1993/94 are comparable only to some extent with those for the years as from 1994/95 owing to the change in the allocation of the expenses for employees' pensions and "other depreciation"

Picture credits

Back cover
St. Müller-Naumann, Munich

Page 2
St. Müller-Naumann, Munich

Page 7
Tom Specht, Munich

Page 8
Tom Specht, Munich

Page 39
Gerhard Joksch
Munich Re, Munich

Page 44
Diagram and picture
Jörg Schlaich, Stuttgart

Page 45

Foto Thyssen
Transrapid System GmbH, Kassel

Map
Swissmetro S.A., Geneva

Map
ACP Hong Kong Airport
Core Program, Hong Kong

Page 46
Diagram
Hughes, Los Angeles

Page 47
Graphics
Munich Re, Munich

Page 49
Andreas Heddergott, Munich

Page 50
Spike & Ethel, ZEFA, Düsseldorf

Munich Re worldwide

		Germany	Rest of Europe
Reinsurance	**Reinsurers and branches**	Munich Reinsurance Company	*Belgium* Great Lakes Reinsurance (UK) PLC Brussels Branch *UK* Great Lakes Reinsurance (UK) PLC Munich Reinsurance Company United Kingdom General Branch Munich Reinsurance Company United Kingdom Life Branch *Italy* Münchener Rück Italia S. p. A. *Switzerland* New Reinsurance Company with branch in Singapore
	Service companies and liaison offices	IIC – International Insurance Consultants Münchener Ecoconsult	*France* Münchener Rückversicherungs-Gesellschaft Bureau de Paris *Greece* Muenchener Rueck Hellas Services S. A. *UK* Munich Reinsurance Company Main Representation Office Munich London Investment Management Ltd. *Russia* Münchener Rückversicherungs-Gesellschaft Liaison Office *Spain* Münchener Correduría de Reaseguros, Grupo Münchener Rückversicherungs-Gesellschaft, S. A. *Turkey* Münih Re Reasürans Aracılık ve Danışma Servisleri Limited Şirketi
Direct insurance	Berlinische Leben	(life insurance)	
	DKV Deutsche Kranken	(health insurance)	
	Europäische Reise	(travel insurance)	
	Hamburg-Mannheimer	(life insurance, property-casualty insurance)	
	Karlsruher	(life insurance, property-casualty insurance)	

North America, Latin America

Canada
Munich Reinsurance Company of Canada (MROC) with regional offices in Toronto, Montreal and Vancouver

Munich Reinsurance Company
Canada Branch (Non-Life)

Munich Reinsurance Company
Canada Branch (Life)
with regional office in Montreal

The Great Lakes Reinsurance Company

USA
American Re Corporation/American Re-Insurance Company with regional offices in Princeton, Atlanta, Boston, Chicago, Columbus, Dallas, Hartford, Kansas City, Los Angeles, Minneapolis, New York, Philadelphia, San Francisco and Seattle as well as offices in Egypt, Argentina, Australia, Belgium, Bermuda, Chile, China, the UK, Japan, Canada, Colombia, Mexico and Singapore

Munich American Reassurance Company (MARC-Life)

Africa, Near and Middle East

South Africa
Munich Reinsurance Company of Africa (MRoA) with regional offices in Johannesburg, Durban and Cape Town as well as offices in Kenya, Malawi, Mauritius and Zimbabwe

Asia and Australasia

Australia
Munich Reinsurance Company of Australia (MRA) with regional offices in Sydney, Brisbane, Melbourne and Perth

Münchener Rückversicherungs-Gesellschaft
Australian Branch

China
Munich Reinsurance Company
Hong Kong Branch

Malaysia
Münchener Rückversicherungs-Gesellschaft
Malaysia Branch

Singapore
Münchener Rückversicherungs-Gesellschaft
Singapore Branch

Argentina
Münchener de Argentina Servicios Técnicos S. R. L.

Brazil
Münchener do Brasil Serviçios Técnicos Ltda.

Canada
Munich Canada Systems Corporation (MCSC)

Colombia
Münchener de Colombia S. A.
Corredores de Reaseguros

Mexico
Muenchener de México, S. A.

USA
Am-Re Brokers, Inc.

Am-Re Consultants, Inc.

American Re Asset Management, Inc.

Becher + Carlson Risk Management, Inc.

Venezuela
Münchener de Venezuela, C. A.
Intermediaria de Reaseguros

Egypt
Munich Reinsurance Company
Contact Office

Israel
Munich Reinsurance Company
Liaison Office

China
Munich Reinsurance Company
Representative Offices

India
Consultant for India to
Munich Reinsurance Company

Japan
Munich Reinsurance Company
Liaison Office

Korea
Munich Reinsurance Company
Liaison Office

New Zealand
Munichre New Zealand Service Limited

Pakistan
Resident Correspondent

Philippines
Munich Management Pte. Ltd.
Munich Re Representative Office

Taiwan
Munich Reinsurance Company
Liaison Office

Position: October 1997

Important dates in 1998

Interim report 1997/98	29th June 1998
Balance sheet meeting of Supervisory Board	23rd September 1998
Balance sheet press conference	13th October 1998
Annual General Meeting	5th November 1998

Further information is obtainable from our Central Division: Information and Public Relations.

Phone: (0 89) 38 91-25 04 Rainer Küppers
(0 89) 38 91-23 76 Christian Jacobi
Fax: (0 89) 38 91-35 99

Besides this English translation of the official German original (also available from the company), a shortened version of the Annual Report 1996/97 is obtainable in French and Spanish.

Information on other Munich Re publications is available in a separate catalogue. We will be pleased to send you a copy on request.

The paper used for this Annual Report was produced without chlorine bleaching.