New Reinsurance Company

Financial Statements as at 31st December 2008

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Summary

1. Key Figures

	2008	2007
(in CHF)		
Gross premiums written	**1,124,090,456**	1,241,327,962
Net premiums written	**1,081,012,032**	1,178,498,254
Investment income	**79,400,460**	103,708,149
Management expenses	**-31,470,908**	-26,553,921
Result for the year	**45,959,096**	227,290,363
Investments	**2,960,530,606**	3,121,199,555
Technical reserves (net)	**3,168,338,429**	3,528,026,207
Shareholder's equity *)	**985,906,082**	940,726,986

*) before appropriation of profit

2. Main events during the year

Focus on cycle management

In 2008, the main focus of New Re's business activities was on cycle management. In softening markets, New Re deliberately declined business in areas where pricing levels fell under a risk adequate level. As a result, premiums reduced, in some segments up to -15%.

Together with the depreciation of the major currencies against the Swiss Franc, written premiums decreased in total from CHF 1.24 bn in 2007 to CHF 1.12 bn (-9.7%).

Life volume shrank over proportionally by 20.4% to CHF 515 m due to the commutation of a few individual contracts. In non-life, however, new segments filled the gap and premium volumes increased by 2.5% to CHF 609 m.

Major event: IKE

2008 was a successful year for New Re, exceeding expectations in almost all segments. Hurricane IKE, however, has been an exceptional NatCat event. With a total amount of CHF 78.8 m, this single large claim amounts to 13.9% of New Re's combined ratio, bringing it up to 102.0 % as opposed to 85.8% in the previous year.

Financial crisis managed successfully

New Re has managed the shocks of the financial crisis with great success. Equities have been divested already in 2006, and on the fixed income side, New Re incurred basically no loss of capital at all. Counter party credit risks are reduced to a minimum, currencies and duration are ALM-matched. The performance of assets in original currencies amounted to 4.5%.

Positive result and strengthened equity basis

With a result of CHF 46.0 m, New Re could again strengthen its equity which rose to CHF 986 m. The capital basis remains thus excellent and New Re continues to enjoy a AA- rating. In addition, New Re is a core company of Munich Re Group.

Positive outlook for 2009

In 2009, New Re continues its strict technical approach towards further softening conditions in specific markets. The resulting loss of business volume, however, will be counterbalanced by new contracts and new segments actively developed and promoted. Munich Re Group significantly enlarged the mandate of New Re for further business growth and continued development. This very promising outlook led to the decision of New Re to relocate its offices to Zurich to be even closer to its clients, partners and potential employees.

Balance sheet as at 31st December 2008
(before appropriation of result)

Assets (CHF)	**2008**	2007
Bank and post office accounts and cash	35,956,844	49,065,386
Short-term investments	15,829,277	514,002,127
Securities	2,834,840,849	2,484,228,406
Real estate	73,903,636	73,903,636
Amounts due from companies for reinsurance business:		
- in current account	274,747,134	221,522,292
- for deposits made	1,043,885,155	1,265,792,749
Sundry debtors and transitory assets	162,947,078	239,416,012
Total	**4,442,109,973**	4,847,930,608

Liabilities (CHF)	**2008**	2007
Capital subscribed	260,000,000	260,000,000
General reserve fund	91,503,654	46,045,581
Free reserve	588,443,332	407,391,042
Result (incl. profit/loss brought forward)	45,959,096	227,290,363
Technical reserves for own account:		
- Premium funds	923,466,130	984,810,699
- Unearned premiums	78,641,596	73,558,015
- Claims reserves	2,166,230,703	2,469,657,493
Amounts due to companies for reinsurance business:		
- in current account	210,675,605	294,602,807
- for deposits retained	30,851,739	39,908,386
Sundry creditors and transitory liabilities	46,338,118	44,666,222
Total	**4,442,109,973**	4,847,930,608

Profit and loss account for the business year 2008

Technical accounts (CHF)			**2008**			2007
Life						
1. Net earned premiums:						
- Gross premiums	455,956,716			588,723,247		
- Premiums retroceded	-17,653,358			-23,115,167		
- Change in unearned premiums	5,370,472			7,652,163		
		443,673,830			573,260,243	
2. Expenditure for claims on death or maturity for own account, incl. change in claims reserves and change in premium funds		-273,386,729			-367,767,457	
3. Commissions for own account		-112,514,977			-146,317,964	
4. Interest for own account						
- on premium funds	23,209,722			29,088,172		
- on other technical reserves	5,153,392			7,060,915		
		28,363,114			36,149,087	
5. Management expenses		-7,824,376			-2,472,092	
Technical result for life			**78,310,862**			92,851,817
Other classes						
6. Net earned premiums:						
- Gross premiums	668,133,740			652,604,715		
- Premiums retroceded	-25,425,066			-39,714,541		
- Change in unearned premiums	-20,314,679			1,546,944		
		622,393,995			614,437,118	
7. Claims for own account, incl. change in claims reserves		-504,911,783			-424,232,004	
8. Commissions for own account		-101,988,692			-87,479,970	
9. Interest on technical reserves for own account		47,303,689			53,442,903	
10. Management expenses		-19,169,963			-20,261,849	
Technical result for other classes			**43,627,246**			135,906,198
Overall technical result			**121,938,108**			228,758,015

General accounts (CHF)			**2008**			2007
Overall technical result (brought forward)			121,938,108			228,758,015
11. Investment income		79,400,460			103,708,149	
Interest on technical reserves - life f.o.a.		-28,363,114			-36,149,087	
Interest on technical reserves - other classes f.o.a.		-47,303,689			-53,442,903	
			3,733,657			14,116,159
12. Other result			-69,168,612			-5,830,857
13. Management expenses		-31,470,908			-26,553,921	
Management expenses - life f.o.a.		7,824,376			2,472,092	
Management expenses - other classes f.o.a.		19,169,963			20,261,849	
			-4,476,569			-3,819,980
14. Writedowns and value adjustments			-1,517,899			-1,575,081
15. Taxes			-4,549,589			-4,357,893
Result for the year			**45,959,096**			227,290,363
Profit/loss brought forward from previous year			0			0
Balance sheet result			**45,959,096**			227,290,363

Notes to the financial statements

1. Accounting principles

The company's accounting principles are in line with those prescribed by the Swiss Code of Obligations (OR). They are consistent with those applied in the prior year. The accounting and valuation principles of the main balance sheet captions are as follows:

Investments

Equity investments and investment funds are valued at lowest ever of cost or reported market value.

Fixed interest securities are valued at amortised cost. The annual amortisation amount is recognised as current income.

Unrealised gains are neither recognised in equity nor in the income statement.

Real estate

Buildings are valued at the lower of either cost of original acquisition plus the cost of renovations or market value.

Accounts receivable

Receivables are booked at nominal values and written down if there is a risk that they cannot be recovered, which is calculated considering individual exposures and a general allowance based on the analysis.

Technical reserves

Technical reserves are recorded for the amounts reported by ceding companies. At the year-end closing most accounts received for recent underwriting years are incomplete and are subject to estimates. The claims reserves are valued at the expected ultimate cost - including reserves for incurred but not reported claims - either reported by ceding companies or estimated by underwriters and the actuarial department.

Other assets and liabilities

These are held at their nominal value.

2. Transactions conducted in foreign currencies

All transactions are recorded in their original currency. All balance sheet and profit & loss account items are translated into CHF using the year-end exchange rate. The company records a provision for net unrealised foreign exchange gains.

3. Other information according to the Swiss Code of Obligations (OR)

Art. 663 paragraph 2 and 3 OR

Financial Income during 2008 was as follows:

in TCHF	**2008**	2007
- Financial Revenues	94,382	107,220
- Financial Expenses	14,982	3,512
Financial Income	**79,400**	103,708

Art. 663b N°2 OR

The assets pledged or assigned to secure New Re's commitments, plus the assets under reservation of ownership, amounted TCHF 125,562 as at 31.12.2008 (previous year: TCHF 142,875).

Art. 663a N°4 OR

At the balance sheet date there were receivables and liabilities in respect of other affiliated companies belonging to the Munich Re Group, as follows:

in TCHF	**2008**	2007
Amount due from companies for reinsurance business		
- current account	23,351	2,969
- deposits made	93,927	74,010
Total receivables	**117,278**	76,979
Amount due to companies for reinsurance business		
- current account	48,126	69,211
- deposits retained	1,795	2,509
Total liabilities	**49,921**	71,720

The above-mentioned figures for amounts due from or to group companies include estimations of technical positions at year-end.

Art. 663b N°4 OR
Insured values of tangible assets (fire cover):

in TCHF	2008	2007
- Buildings	107,440	101,760
- Furniture incl. computer equipment	7,860	7,668
Total	**115,300**	109,428

Art. 663b N°12 OR
Information on the Risk Assessment

Objectives and methods of risk management

The selective acceptance of reinsurance risks is at the core of New Re's business model. Risk management plays a core role in the steering of New Re's operations. The company deploys a mixture of risk management functions, tools and processes for its diverse global business to manage its operational, financial and compliance risks.

New Re seeks to maintain a balanced relationship between risks and earnings opportunities for the benefit of stakeholders, primarily shareholders, clients, rating agencies, supervisory authorities and staff.

Consequently New Re's risk management strategy aims:
- to protect the reputation of New Re and the Munich Re Group
- to ensure the highest degree of confidence in meeting policyholders' claims
- to enable the Munich Re Group to protect and generate sustainable shareholder value.

The internal control system is an integral part of the company's enterprise risk management and therefore represents a key element of New Re's Corporate Governance.

Risk identification

The global Risk Management function is organized by risk categories and is based on the Risk Catalogue, which identifies, evaluates, mitigates and monitors the most significant risks.

The majority of New Re's risk and control activities is in the area of Reinsurance. The right assessment of risk, exposure, price, wording and guidelines is the major part in New Re's business.

Risk tolerance and evaluation

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively, significantly influence the financial situation of New Re.

Risk tolerance value is defined as a function of the risk strategy and risk-bearing capacity. Events exceeding 1% of the IFRS equity are regarded as a material risk, events exceeding 10% as a threatening risk.

New Re determines the required economic capital using a robust market-consistent economic capital model, the Munich Re Capital Model. It is calibrated to enable the company to absorb two successive annual losses of a size only to be expected every 100 years. The required risk capital is allocated to the business units on a proportional basis in line with the volatility of their business activities.

Internal control system (ICS)

New Re has a holistic approach to the ICS and its application is a continuing process, mainly based on a segregation of duties.

The ICS must be fully functional at all times and therefore be adjusted periodically to reflect changes in the business and control environment. As such, the ICS does not cover all controls, but only those that address significant and relevant risks.

As part of the Munich Re Group, New Re follows their compendium of regulations and guidelines. It uses a modular system and refers to specific operational matters and strategic issues in a summarized way.

Responsibilities

The responsibilities for risks and controls are clearly allocated. It is part of an efficient ICS to promote and further develop a positive risk and control culture in all areas and on all levels of New Re.

Executives and employees are both asked to proactively report deficiencies and risks in their respective areas of activity to allow for a timely remediation of such deficiencies or risks.

The Board of Directors is ultimately responsible for the risk management principles and policies, as well as for approving the overall risk tolerance.

Art. 663b N°14 in combination with Art 662a paragraph 2 N°2 OR

On 22nd January, 2009, New Re announced its plans to relocate its headquarters to Zurich in order to further expand and develop its business activities. The relocation will be implemented over the time period between April 2009 and September 2010, after which the Geneva offices will close.

Art. 663c OR

New Re's main shareholder is the Munich Reinsurance Company (Münchener Rückversicherungs-Gesellschaft, Aktiengesellschaft in München) with a 99.99% shareholding.

The share capital is made up with a nominal value of CHF 200. New Re's financial statements are consolidated within the financial statement of Munich Re Group.

There are no other facts requiring disclosure under Art. 663b OR.

Proposed appropriation of the 2008 net profit after tax

The 2008 result for the year amounts to CHF 45,959,096 (previous year: CHF 227,290,363). The Board of Directors proposes to the Annual General Meeting to pay out a dividend of 0.45 CHF per share, resulting therefore in the following appropriation of the balance sheet result of CHF 45,959,096 (previous year: CHF 227,290,363):

in CHF	
Increase of general reserve fund (20% of the profit of the year) :	9,191,819
Free reserve:	36,182,277
Dividend 2008:	585,000
Balance sheet result 2008	**45,959,096**

Geneva, 23 April 2009

The Chairman
of the Board of Directors

Dr. Thomas Blunck

The Chairman
of the Executive Board

Andreas Molck-Ude

Report of the Statutory Auditors on the Financial Statements to the General Meeting of **New Reinsurance Company, Geneva**

As statutory auditors, we have audited the accompanying financial statements of New Reinsurance Company on pages 4 to 12, which comprise the balance sheet, income statement and notes for the year ended 31 December 2008.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.
We further confirm that the proposed appropriation of available earnings on page 12 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Ian Sutcliffe
Licensed Audit Expert - Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 23 April 2009

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