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Press release

Munich Re expands the boundaries of insurability

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The market environment for the insurance industry continues to be dominated by strong competition and relentless pressure to change. Munich Re is meeting these challenges by means of active cycle management, customised reinsurance solutions, and innovation.

The run-up to the renewals at 1 January of most of the reinsurance treaties in the traditional property-casualty segment remains taxing. Competition is characterised by low interest rates, high capitalisation of market participants, and the impact of alternative capital. There is still ample capacity available. But pressure on prices, terms and conditions has eased off slightly in recent renewal rounds.

Munich Re is pursuing a multi-track strategy. Development in the reinsurance market is two-tiered: on the one hand, there is strong competition in standard business, which Munich Re is addressing with resolute cycle management. On the other hand, there is consistent demand for individual reinsurance cover for complex requirements. Munich Re offers customised solutions for these requirements. "In addition, we are also driving innovation forward, often working in tandem with our cedants," said Torsten Jeworrek, member of the Board of Management of Munich Re. "Innovation in areas such as product development, data analytics, automated underwriting and supporting digital business models means that together with our cedants we are able to take advantage of profitable growth opportunities."

Munich Re has already generated around €500m in premium volume from innovative products. Two examples of how Munich Re is slowly but surely pushing back the boundaries of insurability are cyber coverage and insuring epidemic risks.

Increasing digitalisation and interconnection of the world in almost all areas of the economy also means that risks are taking on new dimensions. Both private individuals and companies are becoming more and more aware of this exposure and are seeking insurance protection. Global premium volume for cyber insurance is currently around US\$ 3bn, but it is expected to rise to US\$ 8–10bn by 2020. Thomas Blunck, member of Munich Re's Board of Management, said: "We want to meet the growing needs of our customers. So we are systematically

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expanding our expertise in assessing different types of cyber risk." Dealing with possible accumulations will be a particularly important challenge for the insurance industry. In order to always remain up-to-date in assessing new technologies, Munich Re is driving forward the development of ecosystems with specialist technology firms.

Munich Re is also cooperating with partners in developing a new product which provides insurance solutions for companies that could suffer financial loss as a result of epidemics. It will be of interest, for example, for the tourist industry and airlines when there is a drastic fall in visitor numbers due to an epidemic.

The constant expansion of the boundaries of insurability – increasingly supported by digital technology – is an important growth driver for the insurance industry, and thus of central strategic importance for Munich Re.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2015, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.1bn on premium income of over €50bn. It operates in all lines of insurance, with more than 43,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Munich Re's primary insurance operations are concentrated in ERGO, one of the leading insurance groups in Germany and Europe. It is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2015, ERGO posted premium income of €17.9bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments (excluding insurance-related investments) amounting to €215bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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