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## Press release

# Munich Re developing cover for new risks – while Hurricane Harvey highlights insurance gap for natural catastrophes

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**Munich Re combines its in-depth knowledge of risk with innovative technologies and insurance solutions to shape the transformation of the insurance industry. The current natural catastrophes in the USA and India demonstrate all too painfully the significant gap in cover for natural hazard losses.**

While the demands placed on insurers are changing rapidly, their fundamental role remains the same – namely to secure value in order to promote prosperity and preserve livelihoods. New technologies are giving rise to novel opportunities to do just that. Alongside loss indemnification itself, the importance of loss mitigation and avoidance is increasing.

Torsten Jeworrek, the member of the Board of Management responsible for reinsurance at Munich Re, said: “Assessing, managing and accepting risks in order to promote entrepreneurial activity is – and always will be – our most important role. By building on our core competencies, we develop solutions for new risks and client groups, while using the latest technology. This is how we will continue to strike the right chord with clients in future.”

Yet natural catastrophe losses remain largely uninsured worldwide – even in highly developed markets. Although we do not know the exact level of losses from Harvey and the severe monsoon flooding in India, it is already clear that there is a considerable gap between economic losses suffered and the amount covered by insurance. Governments and private insurers are called upon to find solutions to mitigate considerable natural catastrophe losses. Governments do this by ensuring adequate loss prevention, strengthening building regulations and implementing forward-looking municipal planning, while insurers draw up intelligent coverage concepts and develop new products.

In addition to purely commercial cover from the insurance industry, there are also some good examples of public-private partnerships. Notable examples include Flood Re, the state-run insurance pool for flood risks in the United Kingdom, and the National Flood Insurance Program (NFIP) in the USA. These public-private partnerships benefit from primary insurers’ and reinsurers’ risk expertise and capital strength, and from their sales and claims-handling infrastructure. The solutions offer policyholders more insurance coverage

10 September 2017  
**Press release**  
Page 2/3

options, promote flood protection, and also reinforce the basis for improved risk management.

Epidemics are another major risk that threatens not only lives but also whole economies. The Ebola epidemic in West Africa in 2014 demonstrated that developing countries in particular have insufficient financial resources to urgently deliver appropriate medical care and to control an epidemic. In conjunction with the World Bank, the World Health Organization and companies in the financial services sector, Munich Re has developed the first insurance solution to cover epidemic risks in developing countries. Its aim is to stop epidemics from spreading, and prevent them from turning into pandemics. The Pandemic Emergency Financing Facility (PEF) creates a totally novel mechanism to quickly channel first-relief surge funding to developing countries facing a disease outbreak with pandemic potential.

Governments are increasingly utilising the competence and financial strength of the insurance industry in order to provide urgent assistance after a major loss event. Jeworrek said: "Weaker economies in particular keep suffering natural catastrophes and other major loss events that set back their economic development for years. Governments and private industry need to work together to find solutions to reduce risk and strengthen the basis for prosperity in these countries."

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10 September 2017

**Press release**

Page 3/3

**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 2016, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €2.6bn. It operates in all lines of insurance, with over 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. Its primary insurance operations are concentrated mainly in ERGO, one of the leading insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2016, ERGO posted premium income of €16.0bn. Munich Re's global investments (excluding insurance-related investments) amounting to €219bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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