

# The Munich Re Group Renewals 2004/05

Telephone conference for the media

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Münchener Rück  
Munich Re Group



## Important notice



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- Unless otherwise stated, this presentation is based on underwriting-year figures. This basis is only remotely comparable with calendar-year figures, which are in turn the basis of quarterly and annual accounts
- Portfolio developments are measured at constant foreign exchange rates
- Developments and comments refer to the treaty book of business only
- All numbers on 2005 renewals contain estimates

## General highlights



- 65% of our total portfolio was due for renewal in January
- Overall stable prices realised in our portfolio
- New business of 8% driven by selected growth opportunities (e.g. China)
- Premium volume remains at a high level: –4.4%, thereof planned termination of RSA quota share –5.2%

Further portfolio enhancement

- Munich Re maintained improvements in terms and conditions of last years' renewal
- Necessary margins achieved in all markets and lines of business
- Outstanding profitability through disciplined underwriting
- Favourable outlook for upcoming renewals

Our business is priced for a combined ratio of well below 97% for 2005.

## Market sentiment



### Rates

- Differentiated rate development by line of business, region and loss experience:
  - Improvements in loss-affected treaties (e.g. hurricane-affected business, motor XL Europe)
  - Pressure on rates and increased competition especially in loss-free accounts

Overall largely stable reinsurance market, but increasing challenges

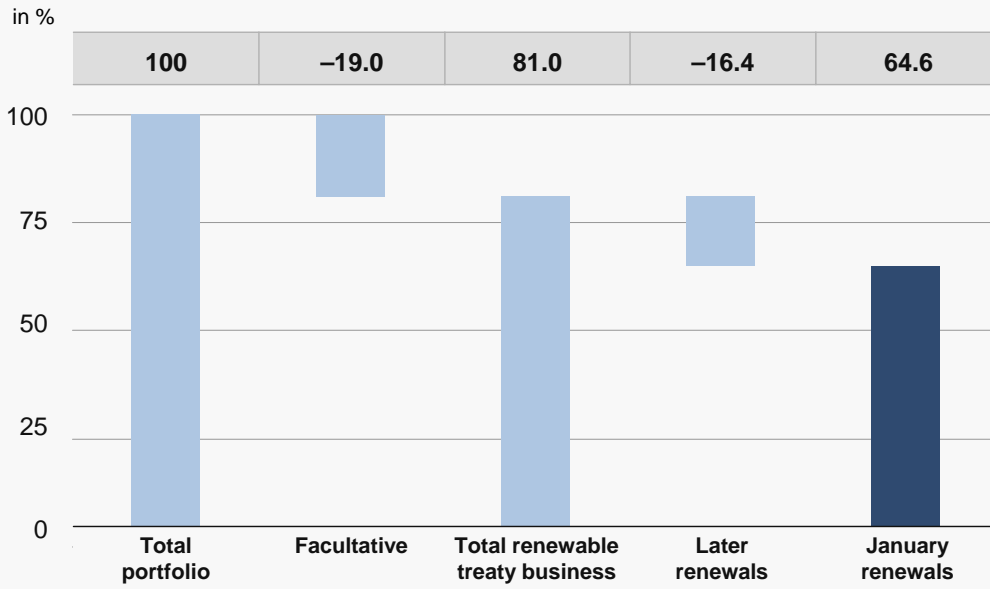
### Terms and conditions

- US: Easing of terms and conditions due to increased competition
- Europe and Asia: Generally disciplined markets, selective attempts to broaden coverage

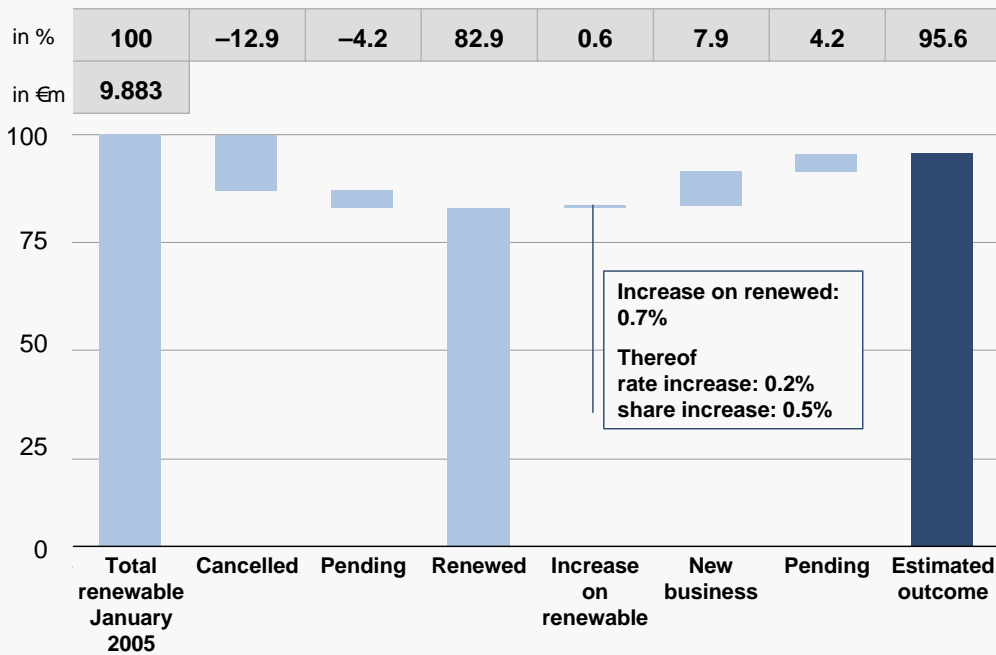
### Market capacity

- Global reinsurance capacity continues to increase due to good underwriting results
- Overall capacity sufficient

January renewals 2005 (Premiums written)



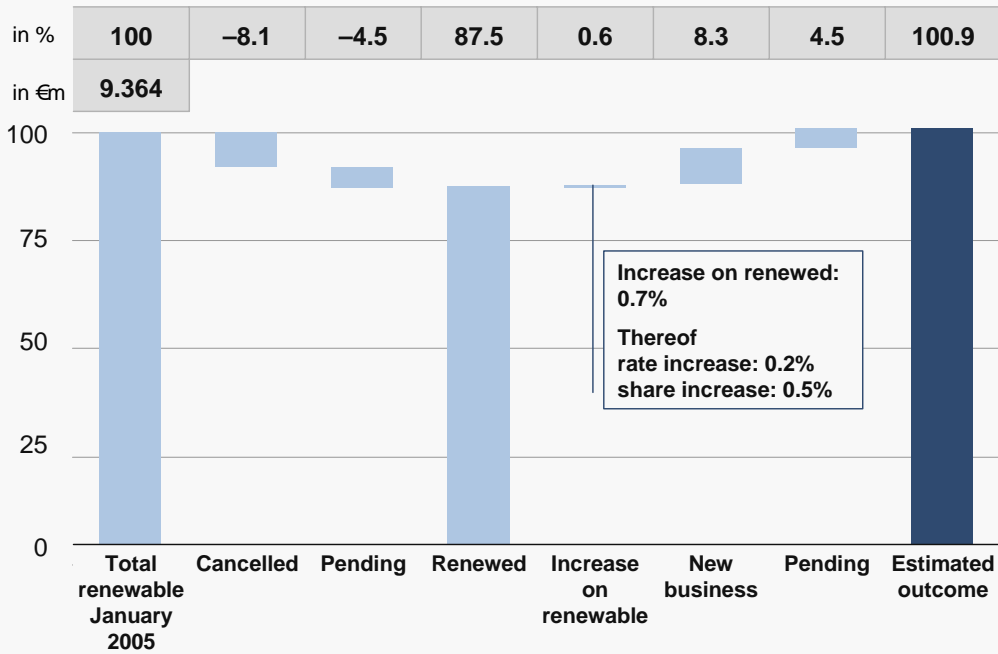
Changes in premium – Treaty total



Cancelled business mainly consists of:

- RSA (as planned) 5.2%
- Motor Europe
- Casualty US

## Changes in premium – Treaty without RSA



## Active Munich Re portfolio management

### New business

### Business rationale

- **China** Property/Casualty/Marine +€330m First mover advantage
- **USA/Europe** Property Prop/XL +€70m Attractive rates on selected accounts
- **Europe** Casualty Prop/XL +€90m

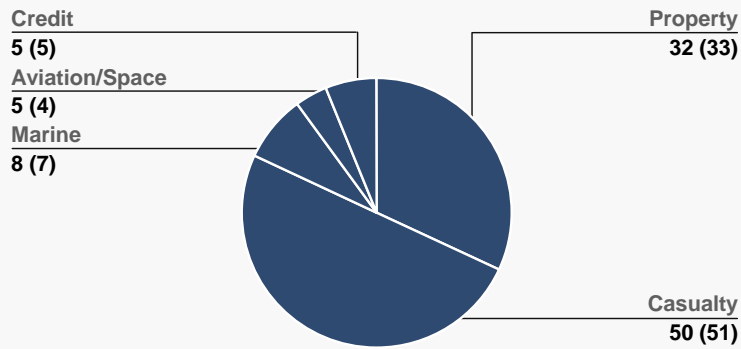
### Cancelled business

### Business rationale

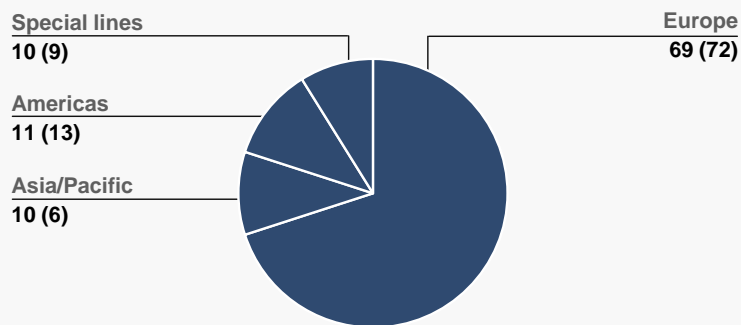
- **USA** Casualty Prop -€120m Inadequate prices in WC
- **Europe** Casualty Prop/XL -€180m Inadequate prices in motor

### Split of renewed business by lines of business/regions

Lines of business  
in %

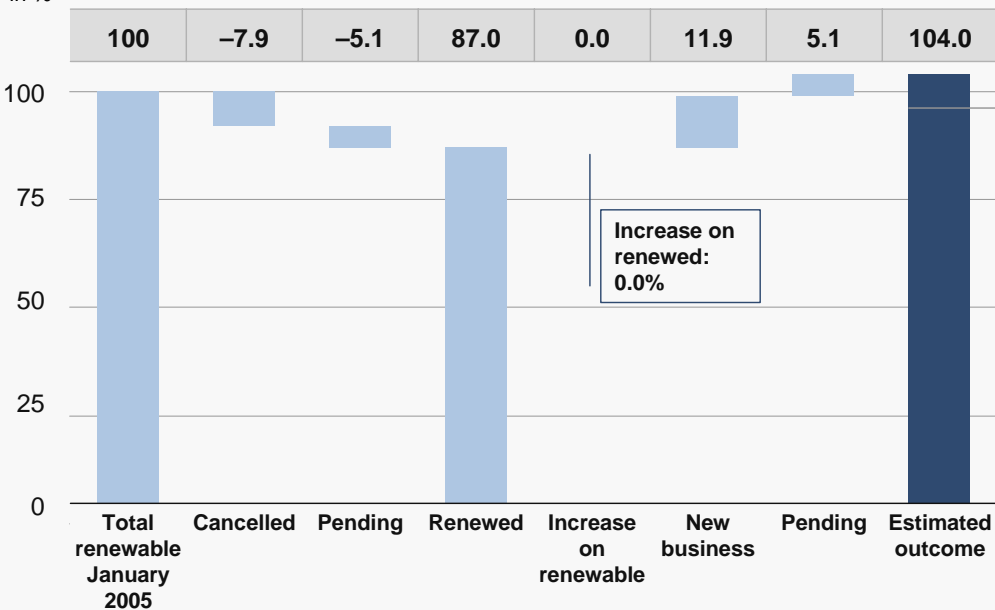


Regions  
in %



### Property Changes in premium

in %



Including RSA:  
96.3%

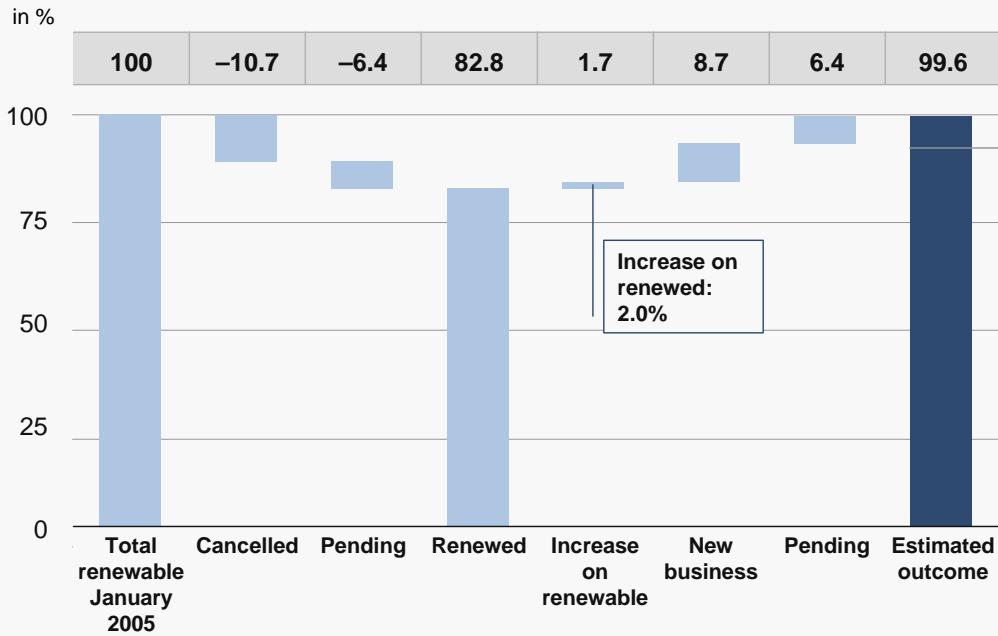
**Property**  
**Overview of pricing**

	The market is...	Munich Re is ...
Europe	<ul style="list-style-type: none"> <li>Showing stable to slightly softening rate levels for non-loss-affected areas and loss-affected areas up significantly</li> </ul>	<ul style="list-style-type: none"> <li>Decreasing portfolio by 2% and switching from pro rata to XL</li> </ul>
Americas	<ul style="list-style-type: none"> <li>Showing stable to slightly softening rate levels for non-loss-affected areas and loss-affected areas up significantly</li> </ul>	<ul style="list-style-type: none"> <li>Decreasing volume by 16% driven by pro rata business (US)</li> </ul>
Asia/Pacific	<ul style="list-style-type: none"> <li>Showing stable to slightly softening rate levels for non-loss-affected areas and loss-affected areas up significantly</li> </ul>	<ul style="list-style-type: none"> <li>Growing in selected markets (China)</li> </ul>

**Property**  
**Overview of terms and conditions**

- Holding on to achieved improvements
- Sliding-scale commissions in proportional treaties
- Event limits maintained
- Terrorism (TRIA): Conditional exclusion

**Casualty**  
**Changes in premium**



Including RSA:  
92.6%

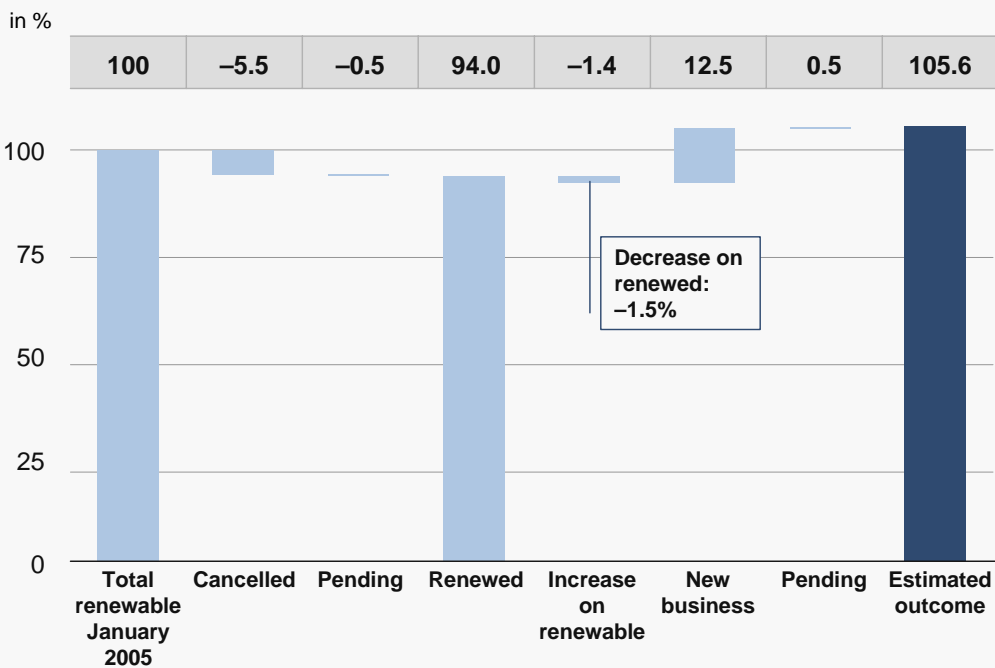
**Casualty**  
**Overview of pricing**

	The market is...	Munich Re is.....
Europe	<ul style="list-style-type: none"> <li>Still showing slight rate increases, with generally stable risk-adequate prices</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining its volume</li> <li>Selectively adding new and getting out of inadequately priced business</li> </ul>
Americas	<ul style="list-style-type: none"> <li>Accelerating competition is putting pressure on margins as well as on terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>Substantially reducing its casualty book (US)                             <ul style="list-style-type: none"> <li>Overall approx. 23% reduction</li> <li>Mainly by pro rata book (workers' compensation)</li> </ul> </li> </ul>
Asia/Pacific	<ul style="list-style-type: none"> <li>Showing slightly decreasing rates remaining on a risk adequate level</li> </ul>	<ul style="list-style-type: none"> <li>Growing in selected markets (China)</li> </ul>

**Casualty**  
**Overview of terms and conditions**

- Workers' compensation: Further limitation of coverage for terrorism (limited reinstatements)
- Munich Re is resisting the softening trend in terms and conditions in the US

**Marine**  
**Changes in premium**





## Marine Overview of pricing



	The market is...	Munich Re is.....
Worldwide	<ul style="list-style-type: none"><li>▪ Showing generally risk-adequate rate levels</li><li>▪ Increasing pressure on XL rates compensated by hurricane events</li></ul>	<ul style="list-style-type: none"><li>▪ Optimising the in-force book and</li><li>▪ Growing in selected areas with risk-adequate returns (e.g. China)</li></ul>

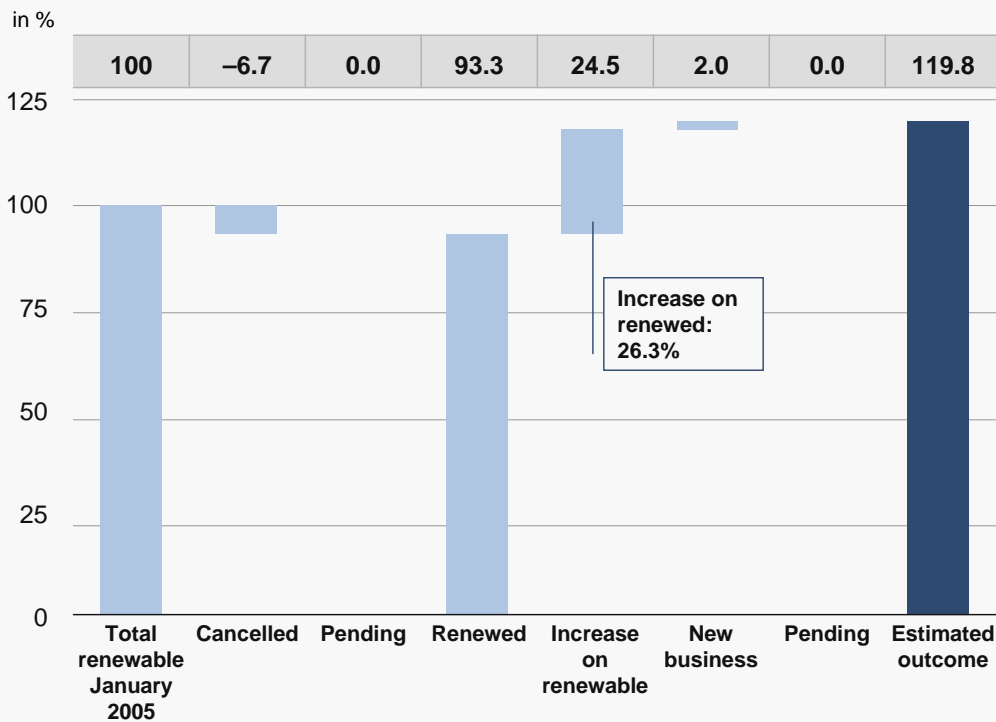
## Marine Overview of terms and conditions



- New RACE\* and biochemical clause introduced worldwide
- Retentions at a high level

\*Radioactive contamination exclusion

**Aviation/Space**  
**Changes in premium**



Increase on renewable mainly driven by special additional treaty

**Aviation/Space**  
**Overview of pricing**

	The market is...	Munich Re is.....
Worldwide	<ul style="list-style-type: none"> <li>Showing rate reductions at reduced speed due to low claims frequency in proportional and non-proportional covers for airlines at still adequate levels</li> <li>Showing price increases for risks with unchanged exposures in product liability</li> <li>Showing general Aviation at constant rate level</li> </ul>	<ul style="list-style-type: none"> <li>Starting to reduce its overall aviation book</li> <li>Note: picture distorted due to temporary share increase in GAUM which is the sole driver for the increase</li> </ul>

## 1 April renewals: Rates in general risk-adequate – Price increases in loss-affected lines

### Korea

- **Property:** Stable renewal on prices and terms and conditions; demand for capacity remains high
- **Casualty:** Only minor changes compared to 2004 expected; prices in some specialty lines (e.g. D&O) remain at too low levels
- **Marine:** Biggest claims burden in the past year e.g. major car carrier losses; need for further improvement of terms and conditions; strain on capacity expected

### Japan

- **Property:** Major claims (five storms 2004) show need for continued increases to include climatic change into pricing. Man-made industrial losses further support market discipline
- **Casualty:** Stable market expected, need for further improvements in case of US exposure
- **Marine:** Favourable results 2004; prices, terms and conditions expected to remain stable

Munich Re Group committed to risk-adequate pricing: Best guarantee that we can continue to be our clients' preferred and reliable partner

## Appendix

### Disclaimer

The information given here, in particular the “Outlook” section, refers to statements relating expressly and implicitly to the future and contains words such as “expect”, “believe”, “assume”, “targets” and other similar expressions. Such forward-looking statements are based on current expectations, estimates, forecasts and prognoses concerning the development of the market as well as management estimates and assumptions. Such forward-looking statements are no guarantee that events or results will actually materialise in the future and are subject to risks, uncertainties, assumptions and other factors that could lead to actual events or results deviating substantially from those anticipated in these forward-looking statements. Other factors include in particular catastrophes that could lead to extraordinary loss burdens as well as considerable price changes on the capital market, namely share price changes which may have an impact on the financial situation of the Munich Re Group. Munich Re assumes no obligation to update any information contained in this presentation.