



2005/6 reinsurance renewal season
Munich Re press conference held at the
Rendez-Vous de Septembre Monte Carlo 2005


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11 September 2005



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2005/6 non-life reinsurance renewals	 <div>Münchener Rück Munich Re Group</div>
Where we are coming from <ul style="list-style-type: none">▪ The 2005 renewals – Point of departure for the development of the reinsurance markets	
Where we currently stand <ul style="list-style-type: none">▪ Renewal environment – Overall situation is changing	
Where we are heading <ul style="list-style-type: none">▪ 2006 renewal – Munich Re well positioned to meet the challenges of the future	
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<p>2005 renewals</p> <p>Picture varies greatly from one reinsurance market and line of business to another</p>	 <p>Münchener Rück Munich Re Group</p>
<ul style="list-style-type: none"> ▪ 1 January 2005 renewal <ul style="list-style-type: none"> ▪ Stable to slightly higher European liability prices ▪ Hurricane events reduce pressure on XL rates, e.g. marine and property business ▪ Pressure on prices in claims-free areas, e.g. in property business in Europe, America and Asia ▪ 1 April 2005 renewal <ul style="list-style-type: none"> ▪ Increase in typhoon XL rates for Japan ▪ Improvement in prices and conditions for Japanese proportional fire business ▪ 1 July 2005 renewal <ul style="list-style-type: none"> ▪ Increased primary insurer retentions for proportional business in Australia ▪ Growing reinsurance capacity and falling prices in US property and casualty business ▪ Price increases affecting loss-laden natural catastrophe XL treaties in Latin America 	<p>Proportion of overall non-life portfolio renewed as at:</p> <p>1 Jan. 2005: approx. 65%</p> <p>1 April 2005: approx. 4%</p> <p>1 July 2005: approx. 10%</p> <p>Munich Re partly offsets business lost through individual price pressures by gains in attractive new business.</p> <p>Munich Re Group Monte Carlo press conference 11 September 2005</p>

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<p>Overall situation autumn 2005</p> <p>Reinsurance market maintains a professional stance</p>	 <p>Münchener Rück Munich Re Group</p>
<ul style="list-style-type: none"> ▪ Due to worldwide increase in risks, demand for reinsurance cover high, despite larger retentions in some areas ▪ On balance, capacities expand, but not as much as in the past ▪ Competition is keener, particularly among primary insurers ▪ On the whole, prices and conditions are in line with risks ▪ Evolution differs from market to market ▪ Low interest levels, reduced investment income prospects 	<p>Munich Re Group Monte Carlo press conference 11 September 2005</p>

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Renewal environment

Risks becoming increasingly complex

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▪ Hyperactive hurricane season in the USA and Caribbean

▪ Further floods in central Europe

▪ Pharmaceutical risks: dramatic increase in costs

▪ Continued rise in personal injury claims in France and the UK

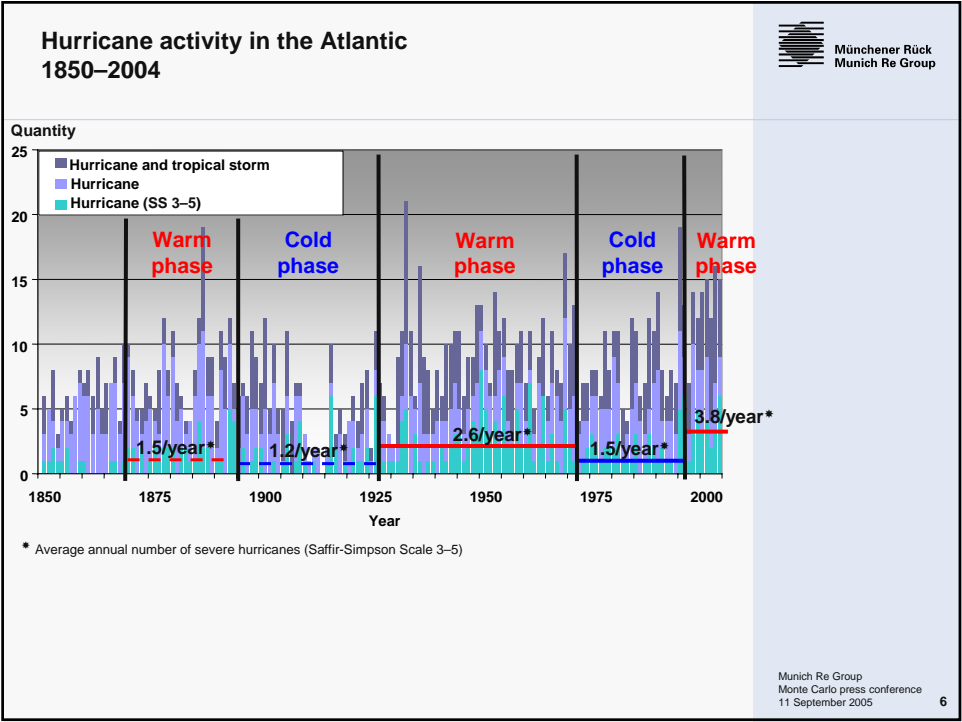
➤ Global changes in risk and loss complex require global changes in underwriting policy.

▪ Five major aviation losses in August alone

➤ ... will have a stabilising effect in the forthcoming renewal.

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Renewal environment

Hurricane Katrina (I)

Another vivid reminder of vast loss potential



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Munich Re's approach to natural catastrophe modelling:


- In-house expertise and databases
- Access to a global network of experts
- All models available on the market are tested and assessed
- Constant comparison of loss experience and modelled results
-> portfolio-specific adjustment of individual model results
- Prospective underwriting, i.e. anticipating greater frequencies and loss amounts

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Renewal environment

Hurricane Katrina (II) – Initial estimates of its effects on the reinsurance markets



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- Cost to the insurance industry could outweigh “Andrew”; current estimates vary widely
- Reinsurance: Further proof of its role in stabilising the system

San Francisco

1906

||

Andrew

1992

9/11

2001

Katrina

2005

→

- Demand for reinsurance continues to grow:
 - High claims burden, principally on US insurers
 - Increased global perception of the need for cover against natural catastrophe risks
- Burden on reinsurers is impacting the capital strength of some market players but there is no worldwide shortage of capacity
- In short: Need for risk-adequate prices and conditions has again been clearly demonstrated – climate change means a steady increase in prices for natural hazards.


Munich Re's view that natural catastrophe exposures – and particularly extreme weather events – are on the increase has been confirmed; price levels must be constantly monitored to ensure they adequately reflect the risks.

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Renewal environment

Using the French example: Severe personal injury losses (I)
Action is needed to counter the current trend



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- Hyperinflation in severe personal injury losses over the last 15 years: average annual increase of over 10%
- Due to:
 - Technical and medical progress
 - Unpredictability of legislative reform
 - Soaring healthcare costs
 - Change in claims mentality
- Initial action by Munich Re:
 - Launch of a database specifically designed to record precise details of personal injury losses

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Renewal environment

Using the French example: Severe personal injury losses (II)
Munich Re's response



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- Actions on the treaty side:
 - Price adjustments
 - Introduction of annual aggregates
 - Introduction of loss participations
 - Introduction of dismemberment schedules to reinsurance treaties
 - We will use innovative coverage concepts to redefine the insurance/reinsurance relationship. These will be aimed at a more appropriate distribution of the risk of change
- Structural measures
 - Greater portfolio and claims transparency
 - Lobbying to create a stable legal environment





Prices and conditions must be on a par with the risks if Munich Re is to remain in this sector in the long term.


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<div>Renewal environment</div> <div>Using the German example Motor insurance</div>	<div><div>Münchener Rück Munich Re Group</div></div>
<div><ul style="list-style-type: none">Falling premiums due to intense competition... only partially offset by better claims experience<div>Reinsurers' options:</div><ul style="list-style-type: none">Close monitoring of the individual client connectionsAmended conditions<ul style="list-style-type: none">Reduction of the reinsurance commission on proportional treatiesShift from proportional to non-proportional productsExit from motor business that does not create value in the medium term</div>	
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<div>Renewal strategy</div> <div>What does Munich Re stand for?</div>	<div><div>Münchener Rück Munich Re Group</div></div>
<div><ul style="list-style-type: none">Success factors: First-class expertise, wide product range, capacity and service, backed by excellent financial strengthReliability and consistencyInnovative, tailored reinsurance solutions to match individual client needsConstantly upgraded risk assessment based on detailed informationRisk-commensurate prices and conditions</div>	<div>Munich Re's underwriting policy reacts to global trends.</div>
<div><div></div><div>Munich Re ideally positioned thanks to its strategic focus and expertise</div></div>	<div>Munich Re Group Monte Carlo press conference 11 September 2005</div> <div>12</div>

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