Munich Re press conference at the Rendez-Vous de Septembre in Monte Carlo 2006

Reinsurance in the run-up to the 2006/07 renewals

Nikolaus von Bomhard

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2006 renewals

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Renewal 1 January 2006

- Regions: worldwide (primarily Europe and the USA)

Renewal 1 April 2006

- Regions: mainly Japan, Korea, India and the USA

Renewal 1 July 2006

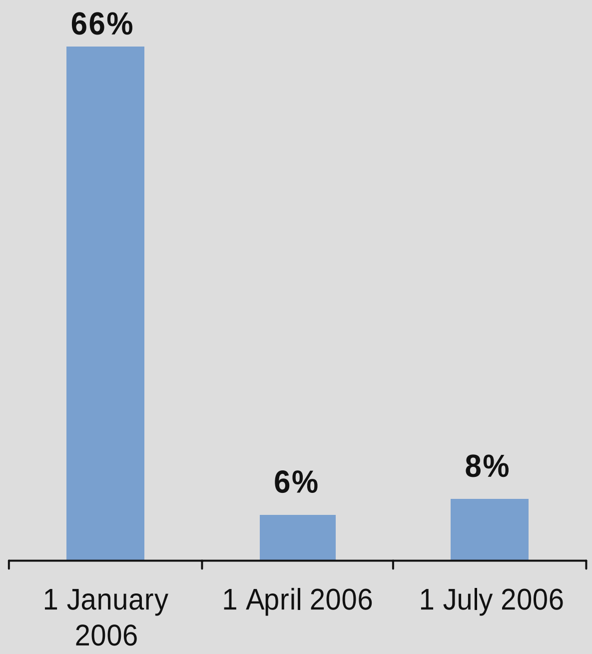
- Regions: principally the USA, Latin America and Australia

Reinsurance trends in 2006:

- Significant price increases for business affected by NatCat losses
- Slight pressure on prices for liability and industrial property business in some countries
- Stable prices in other business

Reinsurance markets generally disciplined

Munich Re's overall property/casualty business was up for renewal as follows:



Outlook for the main renewal at 1 January 2007

- Sustained price levels for NatCat business
- Largely risk-adequate reinsurance prices and conditions also in areas not exposed to NatCat losses
- Very tight retrocession and cat bond market, particularly for US scenarios

Basic parameters

- Worldwide interest levels remain relatively low
- Rating agencies increase capital requirements → reinsurance markets disciplined by pressure

Risk-adequate prices, terms and conditions remain the key to sustained profitability and performance

Main challenges

1 Natural catastrophes

→ Frequency and severity of events

→ Concentration of insured values

2 Personal injury

→ Hyperinflation in the last 15 years

Reasons for this inflation:

- Technical and medical advances
- Change in legal parameters
- Soaring nursing and healthcare costs
- Heightened claims mentality

3 Terrorism

→ Political and social dimension

→ Underwriting has only limited means of control

Munich Re meets the challenges
→ Natural catastrophes

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Measures taken after the hurricanes in 2005:

- Adjustment of prices in time for the renewal at 1 January 2006
- Adjustment of models
- Reduction of proportional liabilities by means of cession limits, annual limits and event limits
- XL covers in higher layers
  → lower claims frequency
- XL covers in offshore energy (Gulf of Mexico) provide for the second event only
  → not affected by first event in a given year

With its competence and sustained financial strength, Munich Re can continue to provide high capacity for US hurricane risks

Munich Re meets the challenges → Personal injury, taking France as an example

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Treaty measures

- Loss commutation by the reinsurer after a period that is limited and thus easier to plan (run-off clause)
- Price adjustments
- New cover concepts change the way losses are split between the primary insurer and reinsurer
- Introduction of dismemberment schedules in reinsurance treaties
- Introduction of cedant retentions

Structural measures:

- Greater portfolio and claims transparency
- Information and public relations work to create a stable legal environment

Munich Re meets the challenges → Terrorism

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- Attack on WTC five years ago → new form of terrorism
- Munich Re considers terrorism insurable on a very limited basis only
  - Claims frequency is very difficult to prognosticate
  - Political and social developments have a significant influence
- Terrorists' goal: to cause substantial damage and instil fear and uncertainty

Munich Re meets the challenges → Terrorism

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Underwriting policy

- Exclusion of the risk of terrorism, wherever possible
- Provision of limited cover, provided
  - the exposure assumed is highly transparent,
  - the liabilities are clearly limited and controllable,
  - the premium is risk-adequate.
- Support of all state initiatives and pools (e.g. GAREAT in France, Extremus in Germany)

We continue to support our clients within clearly defined limits

New requirements for risk management

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- Integrated risk management required under Solvency II
  - Qualitative risk management requirements in addition to quantitative capital requirements
  - Decisive: overall risk situation and risk management quality
  - Basis for calculating solvency: internal model or standard approach
  - October 2006: announcement of first framework directive; not to be implemented until 2010
- Rating agencies also direct their attention to risk management
  - Risk models and risk capital management required
  - Risk management is an additional criterion for rating a company

Risk-adequate management continues to gain significance

New risk management requirements → Consequences of Solvency II for reinsurance

- Reinsurers' internal risk models take diversification effects into account
  - → Lower capital requirements
  - → Strong diversification leads to more efficient use of capital
- Primary insurers will also work with internal risk models in the foreseeable future
  - → Reinsurance is an effective measure for reducing peak risks and volatility
  - → Value added by reinsurance becomes clearly visible and measurable

As a pioneer in the area of risk assessment, Munich Re is experienced in providing the best possible service and reinsurance cover for clients

Our proven approach

- Risk-commensurate prices, terms and conditions

  → fair for all concerned

- Widest possible diversification

  → provides for additional security

- Great financial strength, expertise, strong client focus

  → basis for long-term client relations

Munich Re – Preferred partner in risk

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