

# Rendez-Vous de Septembre in Monte Carlo 2008 Munich Re's media conference

Renewals at 1 January 2009 – The wind is turning

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# Reinsurance is gaining significance as a means of refinancing

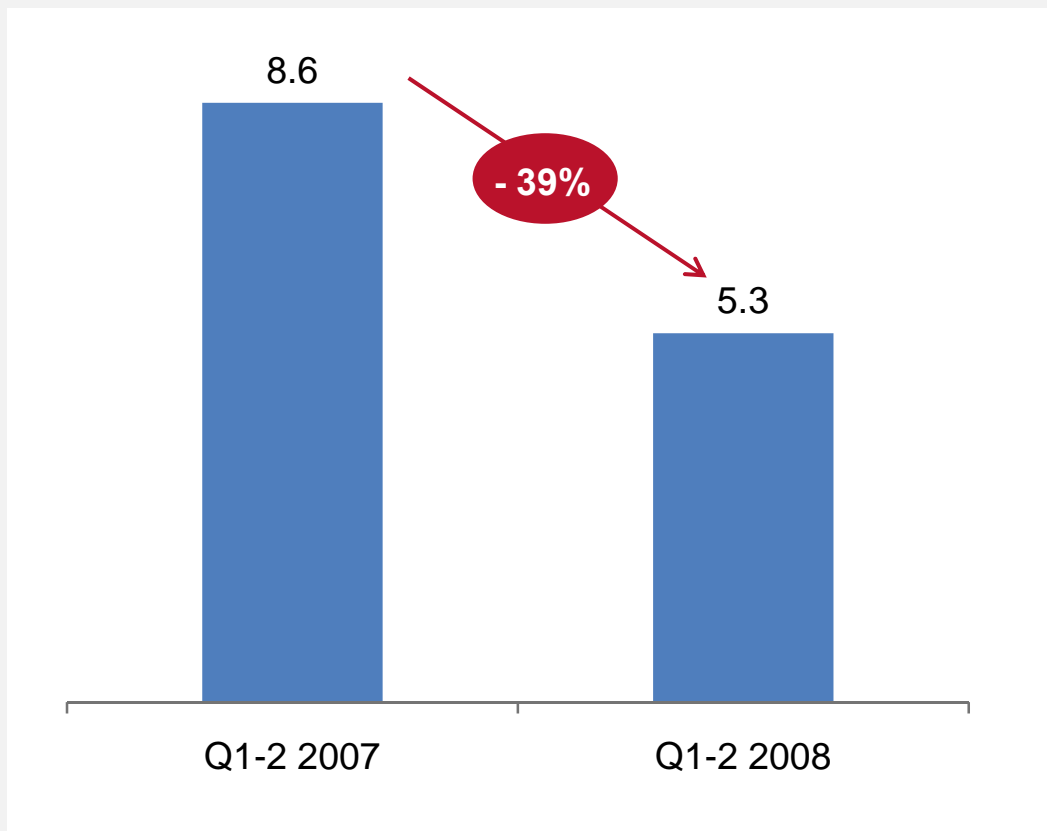
**The capital market crisis has an impact on share prices**

**The refinancing options available to insurance companies in the capital market are restricted**

**Reinsurance is gaining significance**

# Lower reinsurer profits promote awareness of risk-adequate underwriting

Consolidated results of the world's top five reinsurers\* (€bn)

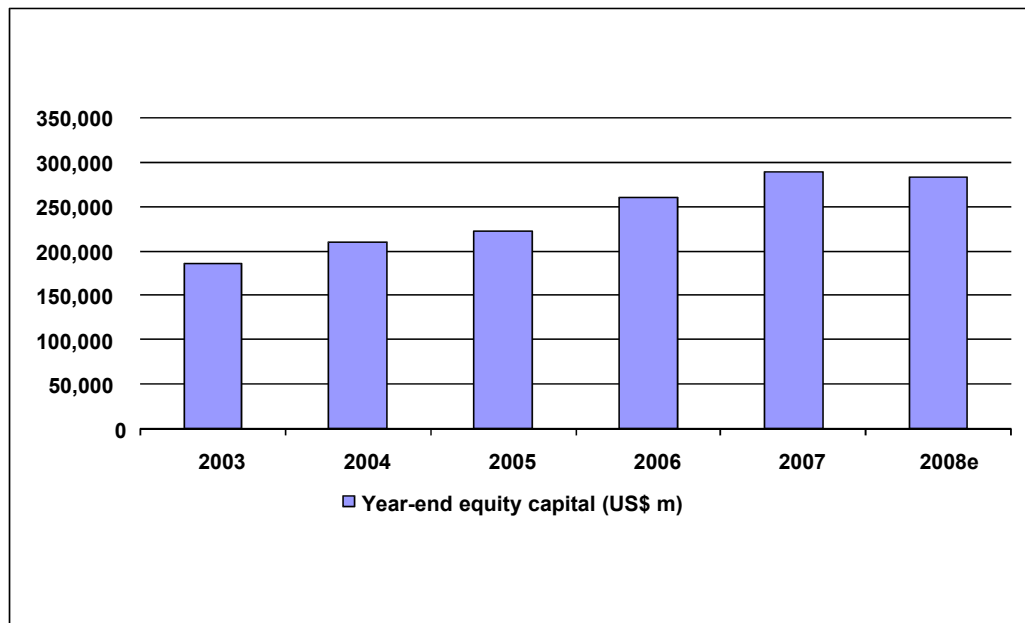


- Marked decrease in reinsurance industry profits during the first half of 2008 due to capital market crisis
  - Several insurers and reinsurers revised their profit expectations for 2008
- Increased uncertainty is likely to result in lower risk tolerance and more cautious behaviour in the market

\*Top five reinsurers' consolidated results including minority interests (based on 2007 net earned reinsurance premium).  
Sources: Consolidated quarterly reports Q1–Q2 2008 and 2007

## Decreased capital base – Consistent cycle management remains a must

After several years of growth, the capital base of the worldwide reinsurance industry is expected to decrease in 2008\*



- The expected impact on equity capital is likely to have appreciable effects on reinsurance supply and demand
- Lower capital market returns
- Better risk management and control systems
- Increased transparency requirements of external stakeholders

**Munich Re's very solid capital base  
opens up business opportunities in this environment**

\* Source: Data through 2007 are based on publications by the world's 35 top reinsurers and for some companies include primary insurance business; 2008 estimate is based on external forecasts for about 20 companies (status: Aug. 2008); development is subject to exchange rate effects.

# Widening gap between exposure and prices – Short-tail business I

## Hurricanes in the Atlantic

- Sustained warm phase in the North Atlantic since 1995 with increased tropical storm and hurricane activity
- Landfalls and damage peaked in 2004 (Charlie, Frances, Ivan, Jeanne) and 2005 (Katrina, Rita, Wilma, Dennis)
- In spite of the relative calm during 2006 and 2007, the warm phase and increased activity is expected to continue for at least another ten years

## Windstorm Europe

- Prices for windstorm Europe have softened over the last few years, sometimes falling below risk-adequate levels

# Widening gap between exposure and prices – Short-tail business II

## Flood/inundation

- Flood/inundation risks are being underestimated throughout the world (pricing, underwriting, risk selection and risk management)
- Significant individual losses and accumulation losses (Australian mining losses 2008, New Orleans 2005, UK 2007, US Midwest 2008)

## Property and business interruption losses

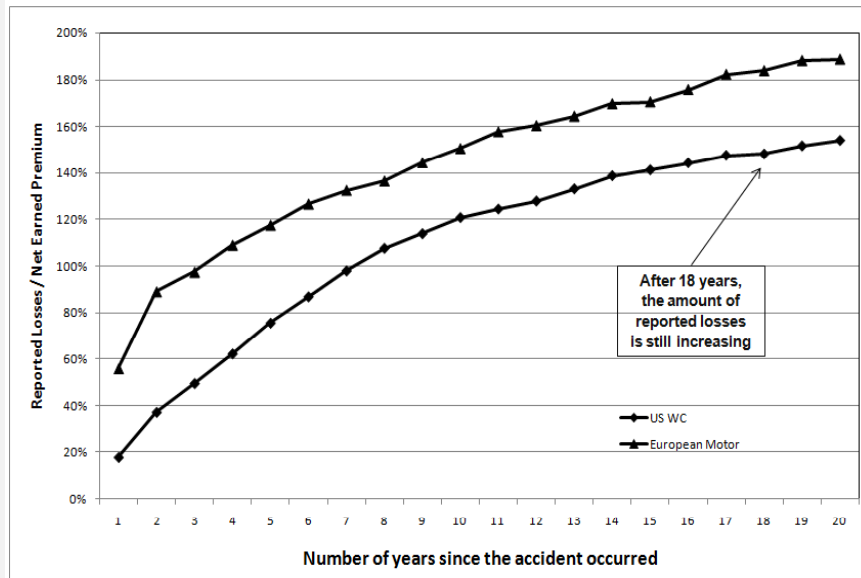
- Rising values, inflation and the globalisation of the economy result in higher property and business interruption losses
- Rising commodity prices also result in higher business interruption losses

**Munich Re is maintaining its underwriting discipline and consistently withdrawing from business that does not offer risk-adequate prices and conditions**

# Non-proportional long-tail business: Trend of severe personal injury claims demands action

## Excess of loss – Loss ratio reported

US Workers' compensation and European motor business



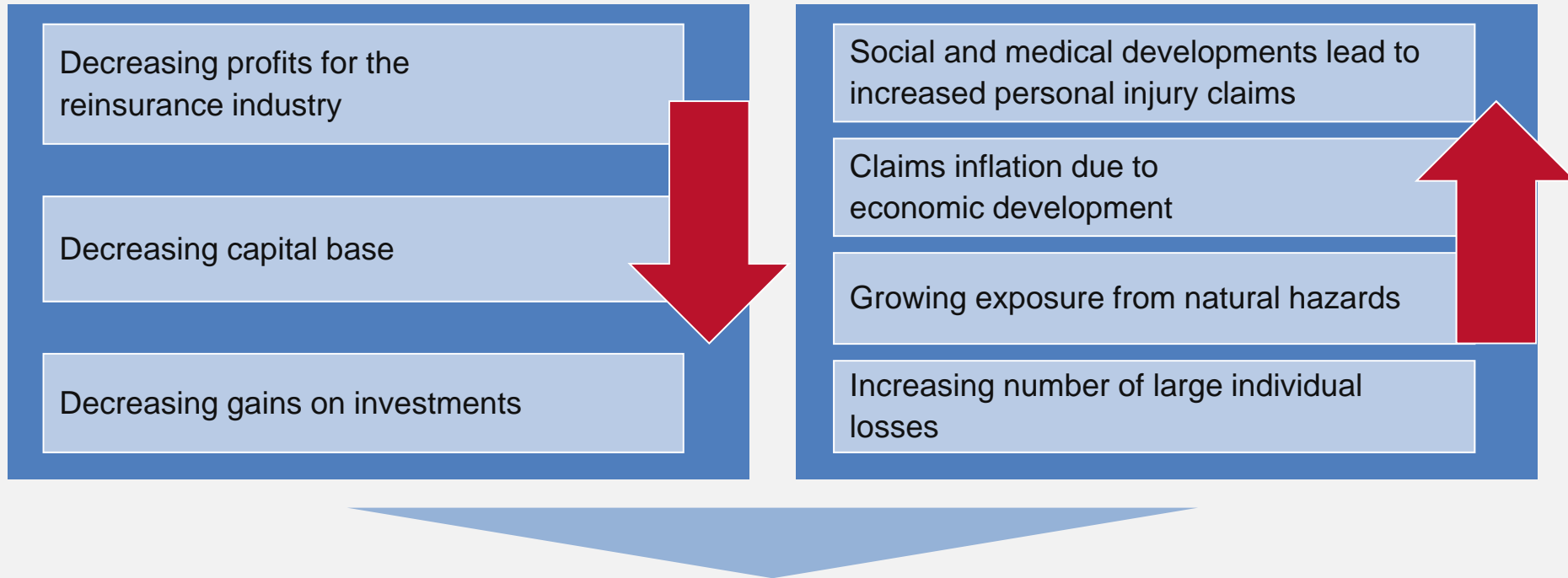
## Main loss drivers:

- **Longevity** – People are getting older
- **Medical know-how** – Victims are more likely to survive severe accidents thanks to modern methods of treatment
- **Social trends** – Long term care is increasingly being exercised by professional service providers outside the family and is causing costs for insurers to rise
- **Economy** – In times of economic uncertainty, claimants often prefer the certainty of workers' compensation benefits to the uncertainty of wage payments

## Munich Re's risk management measures

- Appropriately divide the risk of change by adjusting the index clause (German motor third-party liability)
- Support professional rehabilitation management (US workers' compensation)
- Expand claims reporting obligations: potential major losses must be reported earlier (German motor third-party liability and US workers' compensation)
- Introduce sunset clauses (US workers' compensation)

# Varying trends impact on the cycle



**Environment could accelerate turnaround in cycle trend**



# An appropriate price for better service

**Better  
financial security**

**All-round  
service**

**Global  
network**

**Excellent risk  
knowledge**

→ Differences in reinsurance services must be adequately reflected

→ The overall price for reinsurance will not increase, but will be distributed appropriately

→ Differential pricing also allows customised solutions for clients

**In return for an adequate price, Munich Re offers a lasting commitment:  
to provide stable, long-term capacity founded on our financial solidity  
coupled with access to a unique fund of expertise**

# Munich Re – Added value for clients



**Excellent risk management** – Providing maximum capacity with maximum security

**Focus on the client** – Enhanced client focus with the new structure deriving from Changing Gear

**Quality reinsurer** – Besides capacity and security, we provide service, expertise and innovative solutions

**Munich Re is excellently positioned for sustainable business development**

# Disclaimer

- This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.