

# Munich-Re-Group Media-Breakfast Baden-Baden 2008

Renewals at 1 January 2009 –  
The market has turned

Ludger Arnoldussen

27 October 2008



Münchener Rück  
Munich Re Group





# Reinsurance is gaining significance

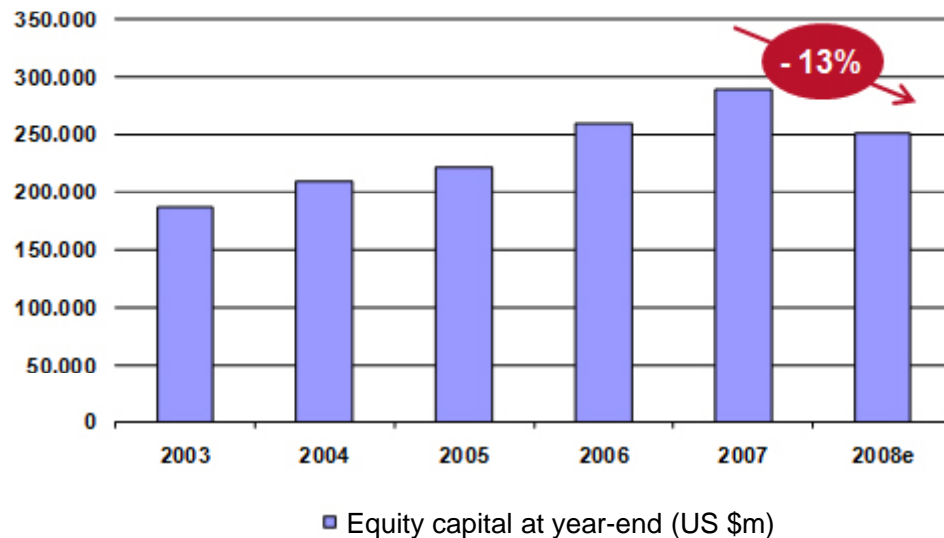
**Capital market crisis has an impact on share prices**

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

**Reinsurance is gaining significance**

# Financial market crisis is clearly leaving its mark – Depleting effect on capital base

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



- Expected effect on equity capital also relevant for primary insurance industry
  - Lower capital market returns
  - Lower risk tolerance ensures flight to quality
  - Higher transparency requirements from external stakeholders
- Tangible impacts on supply and demand for reinsurance covers to be expected

**Munich Re's very solid capital base and recognised risk expertise  
open up substantial business opportunities in this environment**

\* Source: Data up to 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: Oct. 2008); development influenced by exchange rate effects.



# Munich Re best positioned to benefit under current market developments

## Recent market developments

- Significant capital market stress reduces capital base in financial services industry
- Insurance industry faces restricted refinancing options in capital market
- Increased uncertainty likely to result in lower tolerance to risk and weak security
- Rising demand for highly rated reinsurance capacity

## Munich Re's commitment

- Excellent risk management – Providing maximum capacity with superior security
- Focus on client and underwriting excellence
- Quality reinsurer – Besides capacity and security providing service, expertise and innovative solutions

## Munich Re's position and competitive edge confirmed by independent institutions

### S&P<sup>1</sup>

- *"Risk-based capital adequacy as measured by S&P's model showed a redundancy at the AAA level at year-end 2007"*
- *"We consider Munich Re's strong balance sheet to be a competitive advantage"*

### Flaspöhler survey 2008<sup>2</sup>

- *"Best reinsurer overall non-life and life"*
- *"Preferred reinsurer" in*
  - *5 out of 7 professional factors*
  - *7 out of 8 operating attributes*
  - *18 out of 21 lines of business*

## Flaspöhler study 2008 shows our progress in enhancing our competencies

<sup>1</sup> Rating report on Munich Re, published on 8 September 2008.

<sup>2</sup> 2008 Flaspöhler Reports Europe Non-Life and Life.

## Where we are at the moment

### How are we positioned for the renewals?

- We have worked hard and effectively since 2001 to regain our strength
- Our existing financial strength – despite the crisis – allows us to offer capacity at our terms and conditions
- We are prepared to provide unchanged or even higher capacities to those clients willing to accept our higher rates
- Munich Re' s financial security and stability have a high value for our clients

**Competitive strength is impressively reflected by the risk-hedging market:  
The market rates Munich Re top among all financial service institutions.**

# Renewal 1 January 2009



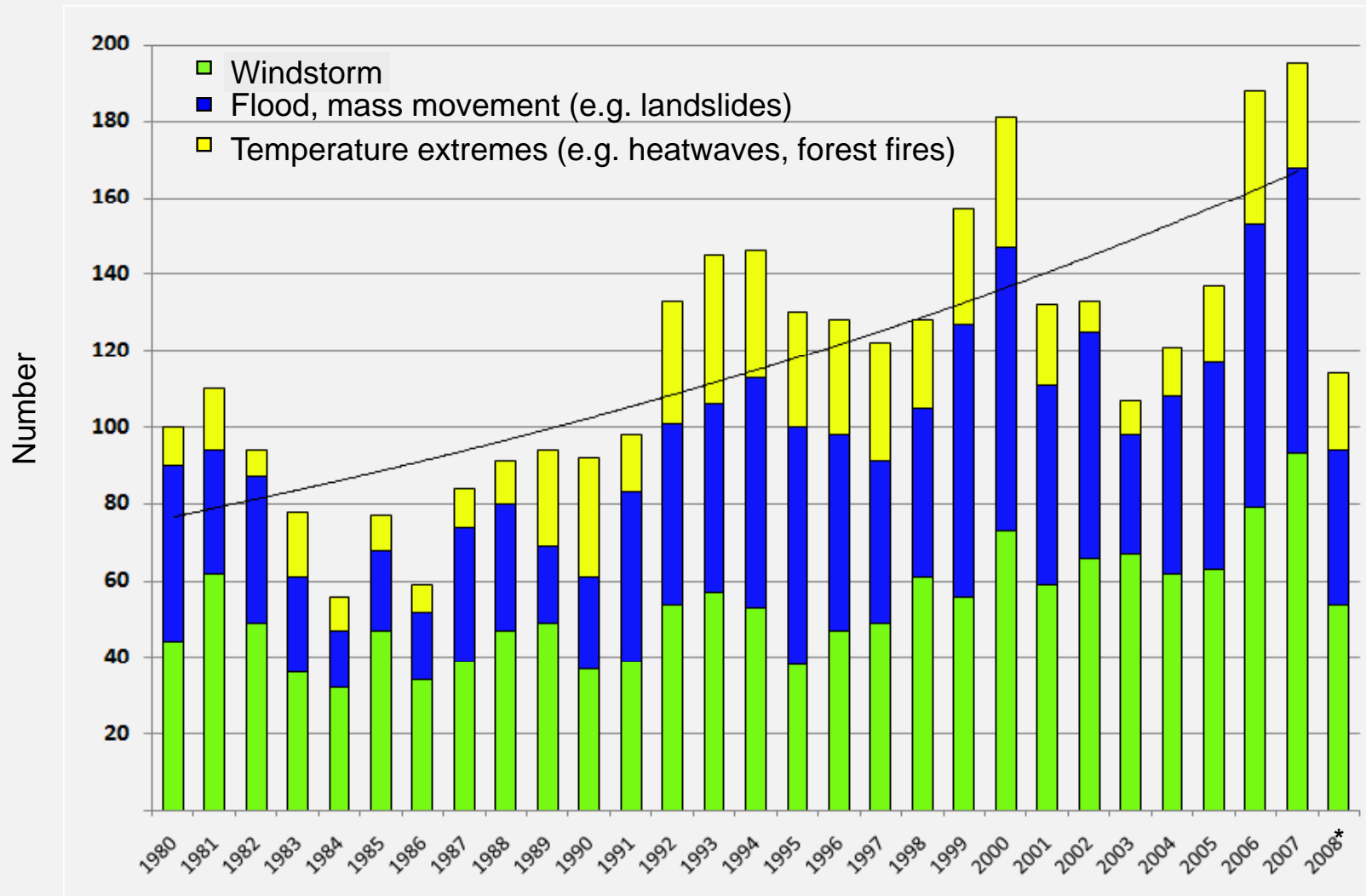
## Our focus

- Our know-how and financial stability are the foundations for
  - taking market opportunities;
  - an individual client- and market-specific approach – based on our renewal policy to improve overall profitability;
  - achieving differential prices that allow customised solutions for clients.
- What Munich Re offers its 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 well positioned for taking the market opportunities**



# Weather catastrophes in Europe, 1980–September 2008

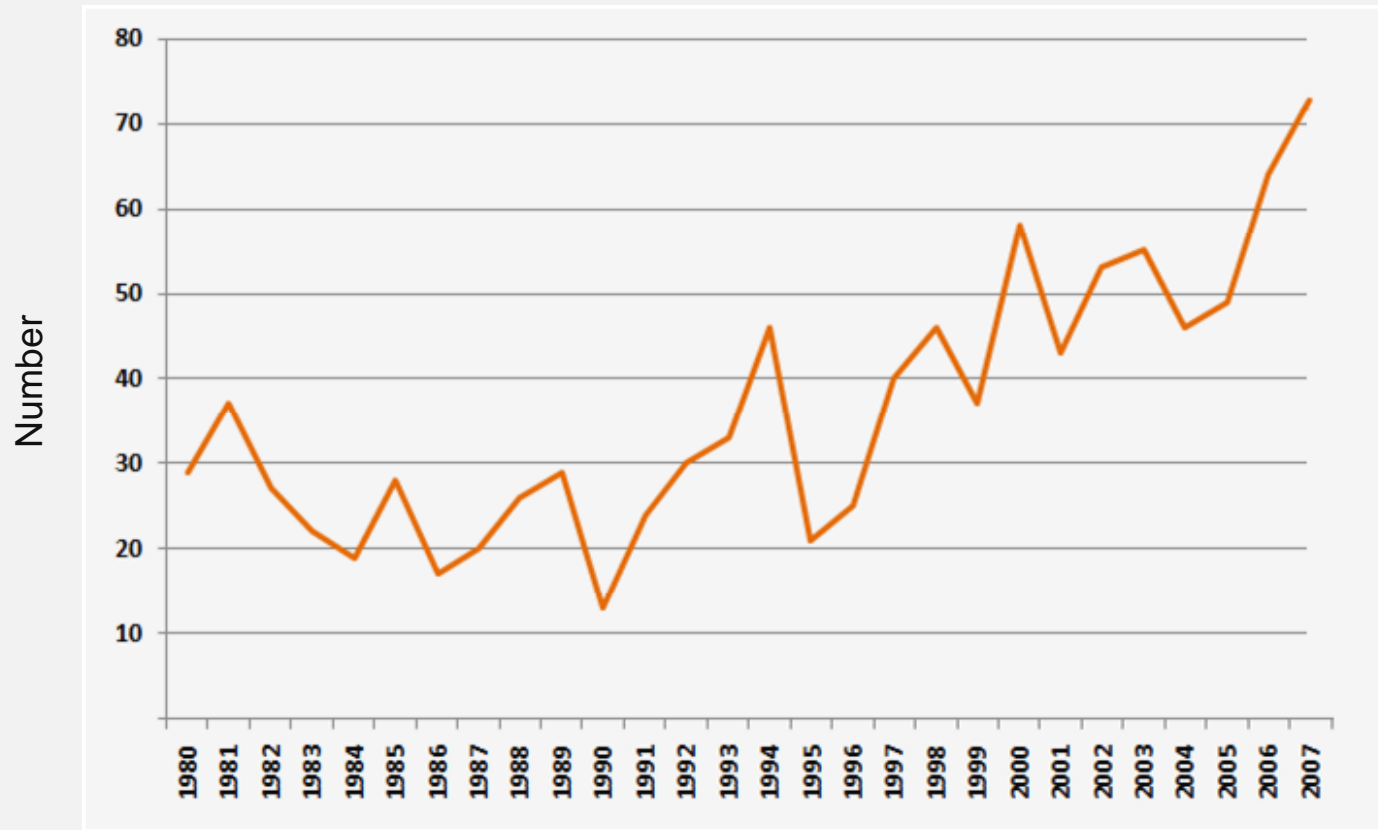


\* January – September 2008

© 2008 Münchener Rück NatCatSERVICE, status 20.10.2008



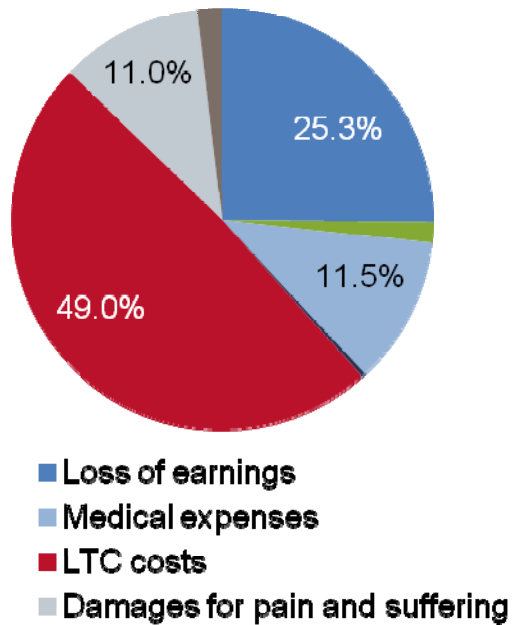
# Marked increase in severe storms in Europe, 1980–2007



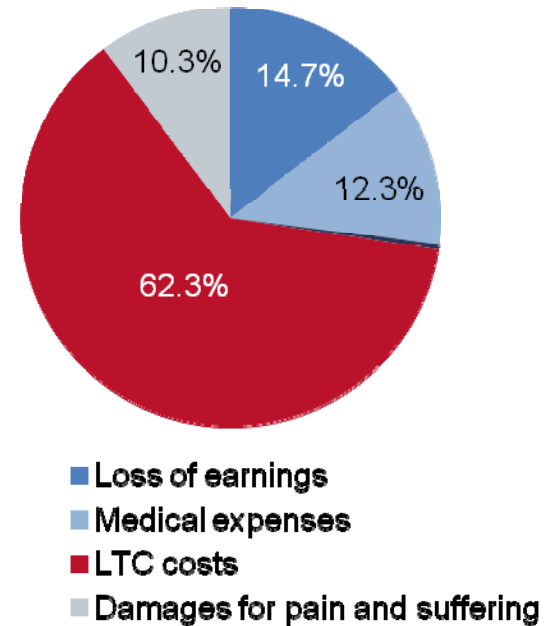


# Breakdown of claims components over course of time

Average breakdown of claims in first year



Average breakdown of claims in tenth year



Increase in LTC costs from 49.0% to 62.3% of overall expenses



# Development of LTC costs with reference to a case of tetraplegia

## LTC costs in 1985

Inpatient care in a nursing home

- Flat-rate accommodation costs of €3,500 p.m.
- Fixed costs, e.g. for care equipment and mobility aids: total €6,000 p.a.
- For 18-year-old man: €846,000
- For 45-year-old man: €695,000

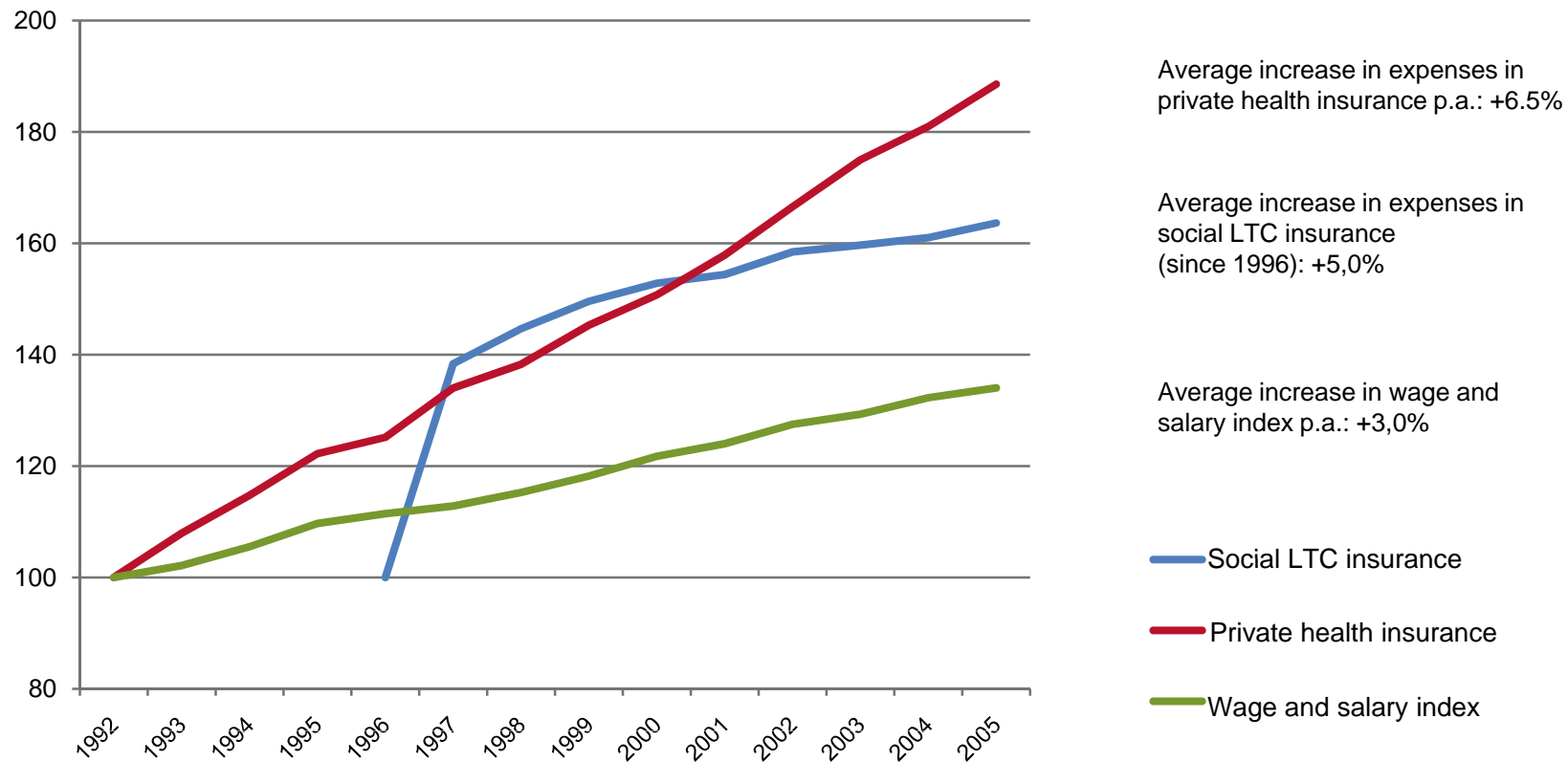
## LTC costs in 2008

24-hour outpatient care at home

- 4.6 carers each costing €3,000 per month = €13,800 p.m.
- Care equipment and mobility aids, but also maintenance contracts: total €15,000 p.a.
- For 18-year-old man: €6.29m
- For 45-year-old man: €4.86m

# The German example: Need for action

## Healthcare expenses rising much faster than wage and salary index



**Munich Re's risk management measure:**

**Appropriately divide the risk of change/inflation by adjusting the index clause  
(German motor third-party liability)**



# Financial crisis affects cycle





# Munich Re in good position for sustained business development

**Despite financial crisis, Munich Re in strong position**

**The cycle has turned  
Expansion of profitable business**

**Munich Re emerges stronger from the financial crisis**

# 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.