

Business models in reinsurance Munich Re's positioning

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6 September 2009

Monte Carlo



Münchener Rück
Munich Re Group



Short-term trends

- Decrease in capacity and resulting hardening of the markets, particularly
 - in very capital-intensive or highly exposed segments (e.g. nat. cat.)
 - in classes of business severely affected by the economic crisis (such as credit or D&O)
- Pressure on primary insurance premiums due to the recession and reduced availability of income to spend on insurance
→ Increased pressure on reinsurance rates

Long-term trends

- Growing exposures
- More complex risks
- Changes to known risks
- Emergence of new risks
- Increasing importance of enterprise risk management and efficient capital management

Service reinsurer

- Sustainable capacity
- Lead in major programmes
- Strong risk modelling expertise
- Service in product development and pricing
- Pronounced market and client proximity through a network of international branches and subsidiaries

Low-cost capacity provider

- Little or no service
- Mostly in the role of follower
- In some cases opportunistic market strategy
- Sometimes with a focus on individual classes or market segments

Risk transfer to the capital markets

- Pure capacity provider
- Assumption of risk through ILS or sidecars
- No service
- No intrinsic underwriting expertise
- High level of security
- Dependent on third-party models

Increasing complexity and demand for flexibility



Demand trend	Examples
Balance-sheet management and financing	<ul style="list-style-type: none">▪ Management of cost of capital and leverage▪ Capital flexibility over the insurance cycle▪ Optimisation of balance-sheet figures▪ Financing of growth
Changing and complex risks	<ul style="list-style-type: none">▪ Higher and more frequent claims due to climate change▪ Growing interdependencies between risks▪ New court decisions regarding long-tail claims▪ Medical inflation
Insurability of new risks	<ul style="list-style-type: none">▪ New technologies (internet viruses, renewable energy)▪ Extended business interruption covers▪ Longevity▪ Obesity
Efficient coverage of standardised risks	<ul style="list-style-type: none">▪ Motor quota shares▪ Buildings insurance▪ Cat XL▪ Mortality

Clear positioning as a service reinsurer

- As a comprehensive provider of all types of reinsurance and capital market solutions
- Consultancy and services for clients
- Transformation of risk knowledge into individual solutions for clients
- Substantial investments to continuously enhance actuarial and underwriting expertise

The three cornerstones of Munich Re's enhanced positioning

A high level of security and individual reinsurance solutions

Efficient reinsurance of standard risks

Customised solutions for risk and balance-sheet management

Enterprise risk management

Solvency II / ALM consultancy services

Risk transfer to capital markets

(Re)insurance of complex and new risks

Expanding the limits of insurability by developing new coverage concepts

First-class modelling

Development of databases and replacement of missing data using our top expertise

Tapping into new client groups

Highly specialised primary insurance niche business; Cooperation with MGAs

Public-private partnerships

Insurance pools

"Münchener Rück" now worldwide Munich RE





Two business models on one base

Munich Re

Reinsurance solutions worldwide

Munich Re
Risk Solutions

Specialised B2B primary insurance solutions out of reinsurance

Solidity and specialised risk know-how

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- Consultancy, workshops and tools on **Solvency II**
 - **PODRA (Pillar One Dynamic Reinsurance Analysis)** – Calculation service using the PillarOne open-source modelling software to determine the risk-based capital requirement under Solvency II
 - **ALPHA (Asset Liability Portfolio Hedge Administration)**: Offers clients holistic support with the asset-liability management of their individual portfolios
 - **MIRA (Munich Re Internet Risk Assessor)**: An internet-based risk assessment and rating tool that combines optimised workflow efficiency, a user-friendly interface and Munich Re's global underwriting knowledge
 - **Allfinanz**: Highly efficient platform for processing new life business allowing underwriting automation at the point of sale
 - **Enterprise risk management**: Assisting clients in establishing ERM structures and systems



- New types of cover for **expanded contingent business interruption losses**
- **Performance cover** for photovoltaic panels
- Comprehensive solutions for **construction projects**: Risk assessment, primary insurance know-how, reinsurance capacity, certification and risk inspection services from a single competent source → Dedicated construction projects unit has been set up

Examples: New groups of clients


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- **The “Agro System”**: A crop insurance solution for farmers based on a public-private partnership involving the government, the agricultural sector and the insurance industry
 - **Caribbean Catastrophe Risk Insurance Facility (CRIFF)**: Parametric earthquake and windstorm cover for 16 island states in the Caribbean based on a public-private partnership
 - Structuring and involvement in **pharma and terrorism pools**
 - **Insurance of large industrial risks** by a dedicated unit via Group-owned frontiers
 - **Roanoke**: One of the largest marine insurance underwriting agencies and brokers in the USA. Expertise combined with an expanded distribution network in the USA helps to provide better solutions for clients
 - **HSB**: One of the largest insurance and inspection companies for engineering risks in the USA – A perfect match of expertise adds value for Munich Re and HSB clients



TOPICS
From knowledge to solutions
Solvency II
Climate change




How can you keep on moving up with Solvency II?



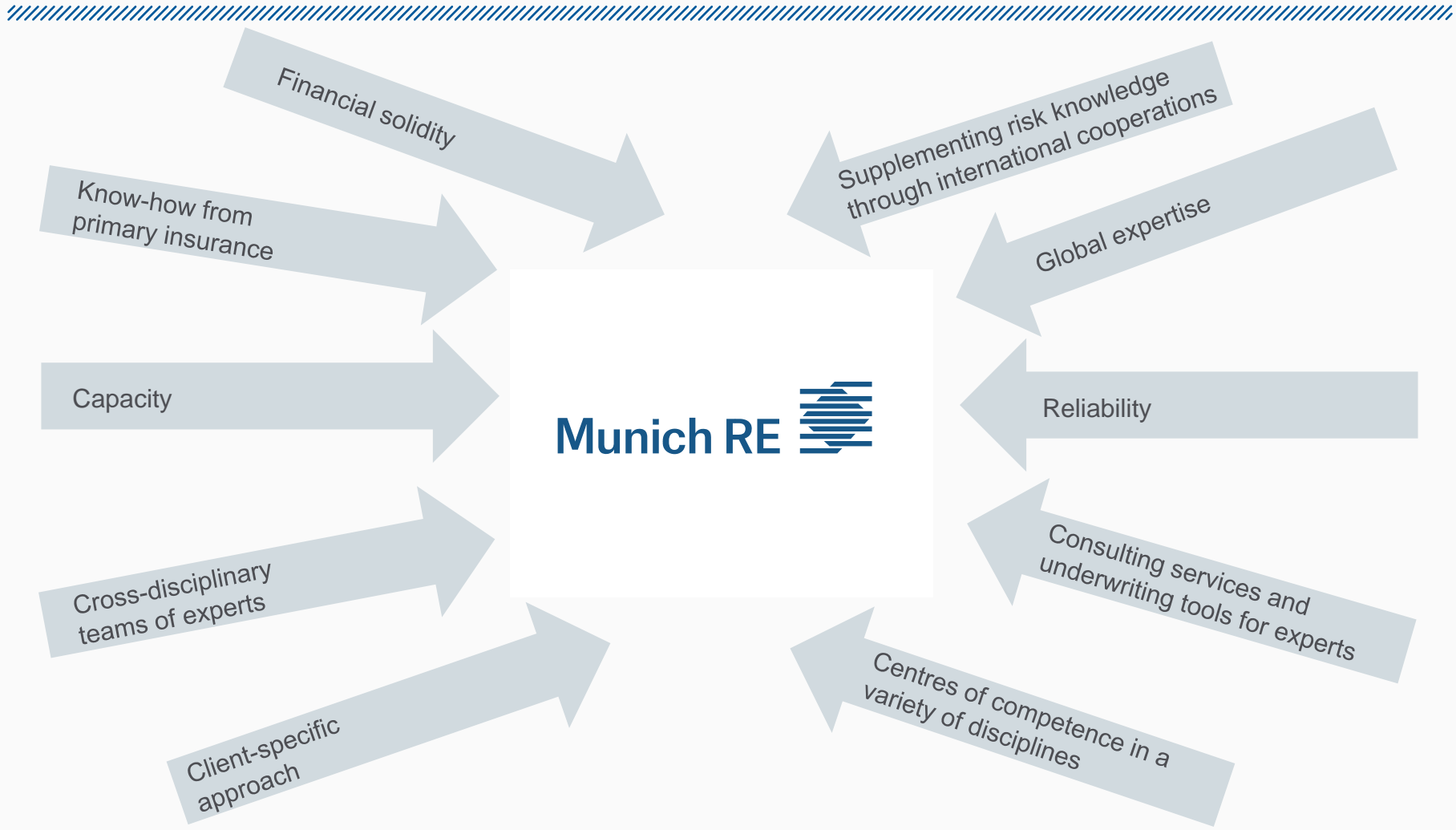
Solvency II poses ambitious challenges for insurers in Europe and in other countries. However, these challenges can lead to new potential areas for your business – provided, that is, that you have our risk management experts on hand to advise you step by step. Acting as your partner, our Solvency Consulting Team offers comprehensive support in adjusting to the new regulations and across the whole spectrum, from optimising risk capital to providing tailor-made risk transfer solutions.

To find out how to shape up your enterprise risk management business, check out our website at www.munichre.com



- Our solution-oriented approach is reflected in the new look of advertisements and publications.
- The new look stands for an enhanced value proposition.

Enhanced value proposition



Munich Re – Much more than the sum of its parts



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THANK YOU FOR YOUR INTEREST.

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