



SOLVENCY II – RISK PARTNERSHIP WITH MUNICH RE

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Munich RE 

Modest prospects at best for the German insurance sector



Development of premiums in the German insurance sector (% change on previous year)



¹ including pension funds
 Source: German Insurance Association – Konjunktur und Märkte 1/2009

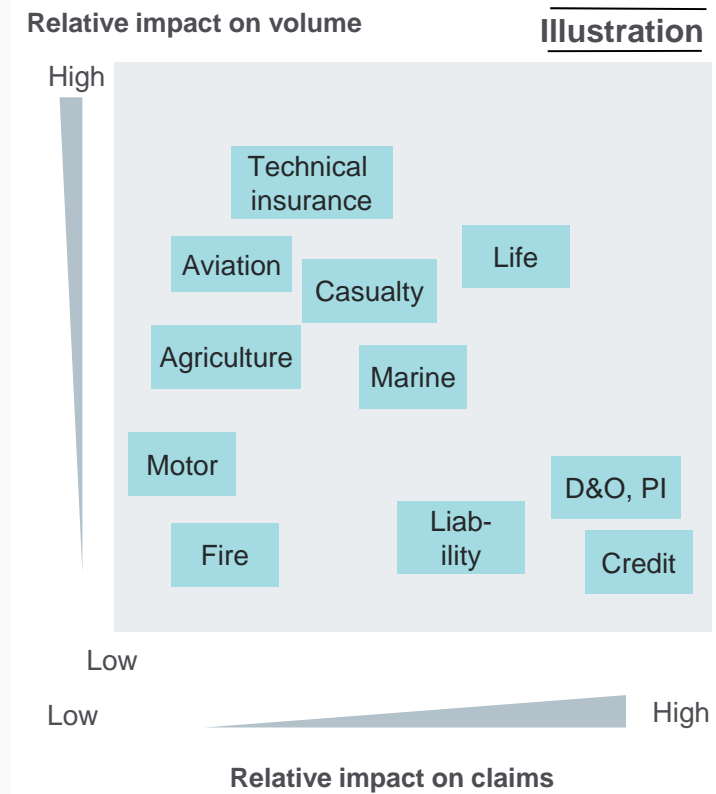
Insurance industry: no lasting changes so far as a result of the financial crisis, but less certainty for forecasts



Effects of the financial crisis

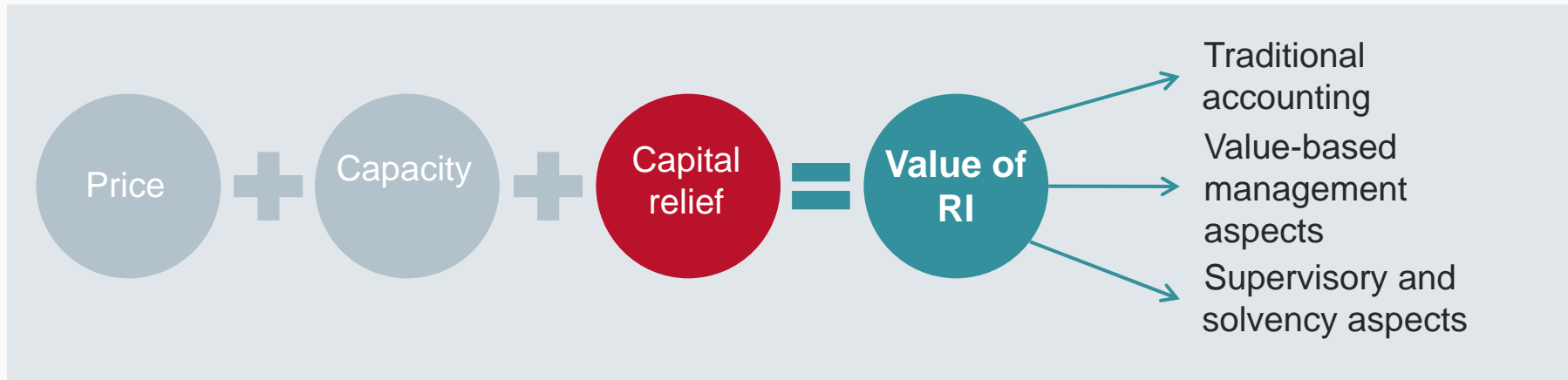
- **Currently no lasting changes expected due to financial crisis**
- **but:**
 - **pressure on technical profitability has increased significantly**
 - **forecasts remain very uncertain**
 - the continuing economic crisis could have lasting effects on the environment (see matrix on right)
 - risk of higher inflation in medium term
 - realisation of book value losses in the event of large property-casualty claims
- **Lessons learned from the crisis**
 - Reinsurance can be an effective solution for financial and balance sheet management
 - Sound risk management and asset-liability management are crucial
 - Stronger focus on qualitative aspects under Solvency II

Effect of a clear recession on insured risks



Lasting change is primarily driven by long-term trends

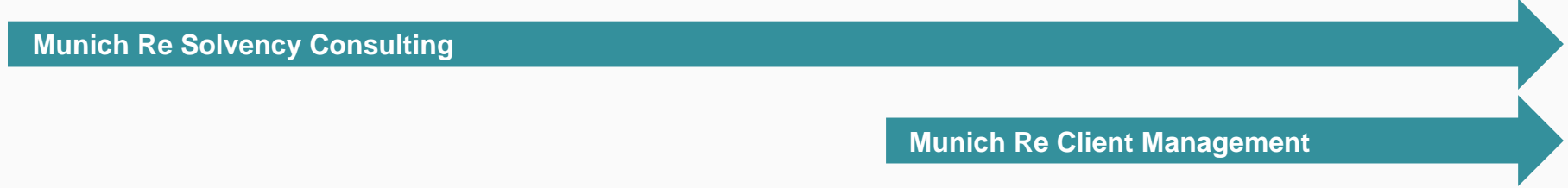
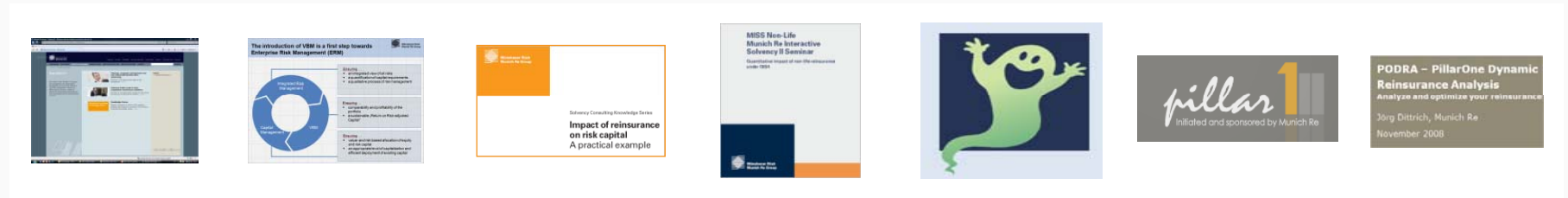
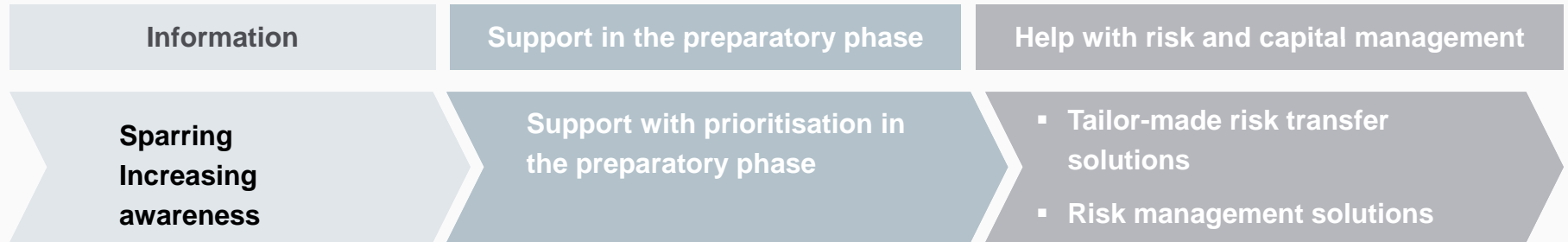
Reinsurance and other ways of achieving capital relief are gaining in importance



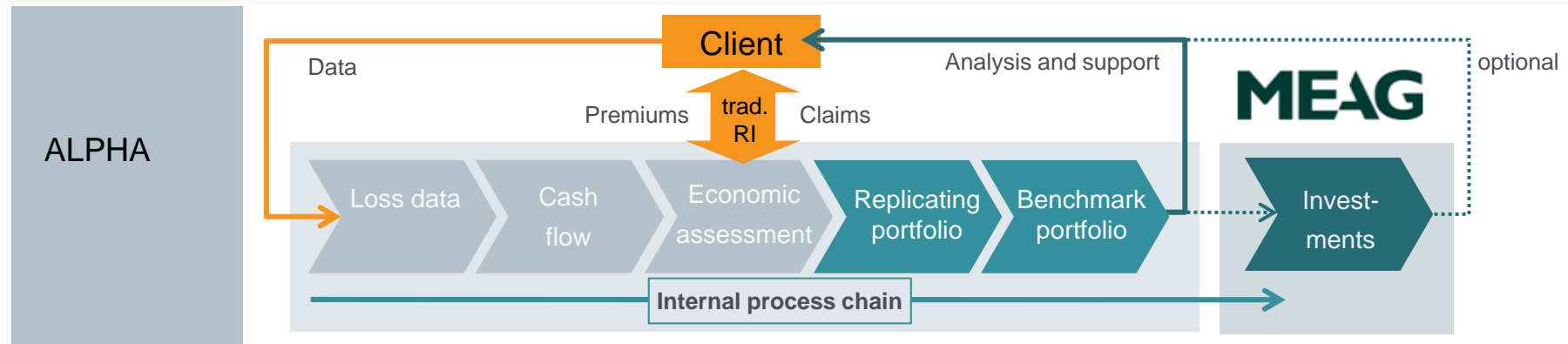
A renaissance for reinsurance

- Recognition of reinsurance no longer limited to 50% as under Solvency I – full recognition of capital-relief effect under Solvency II
- Improved return on the required risk-adjusted capital
- Reinsurance supports strategic goals such as sustainability, growth, diversification and lower volatility
- Reinsurance promotes consistency between the business and risk strategies (e.g. avoidance of additional capital requirements)

Transparency and measurability of risk and the worth of reinsurance are guaranteed



Alpha* provides the option of releasing risk capital or increasing income on investments



Client requirements

- Considerably more stringent risk management and asset-liability management (ALM) requirements under Solvency II
- Property-casualty insurers in particular prepared to outsource parts of the ALM process

Client benefits

Results for a pilot client with mid eight-figure (euro) premium income:

- Increase in investment income for the year of just under €1m
- or alternatively a risk capital saving of €3m

Munich Re well positioned for future challenges



New global brand



Munich Re's three cornerstones

1

A high level of security and individual solutions

- Efficient reinsurance of standard risks
- Customised solutions for risk and balance-sheet management
- Consulting on Solvency II/ ALM, enterprise risk management
- Risk transfer to capital markets

2

(Re)insurance of complex and new risks

- Expanding the limits of insurability by developing new coverage concepts
- First-class modelling
- High investment in actuarial and underwriting skills

3

Tapping into new client groups

- Highly specialised primary insurance niche business; cooperation with MGAs
- Public-private partnerships
- Insurance pools

Clear positioning as a comprehensive service reinsurer



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