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Press release

Solvency II now the principal challenge for Europe's insurers

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On an economic basis, many insurers experienced a drastic slump in their equity capital in 2008. The first signs of a recovery were only visible this year. Insurance companies are now having to gear up for the new regulatory framework under Solvency II, which is scheduled to be introduced in Europe as from 2012.

"Insurers have mastered the financial crisis comparatively well so far. They now need to regain their former capital strength and secure it long term in order to meet the higher standards required by Solvency II. Munich Re will offer clients its full support in this connection. We create individual solutions for risk transfer that are specifically designed to provide the required capital relief for our clients", said Ludger Arnoldussen, member of Munich Re's Board of Management responsible for reinsurance business in Germany, Asia Pacific and Africa.

With the advent of Solvency II, insurers have to prepare themselves for a consistently economic evaluation of all risks. Besides greater emphasis on sound risk management, it is expected that small or specialist insurers in particular will face a need for more risk capital. With Solvency II, more precise monitoring and controlling of risks will become standard practice. Uniform rules applying to the insurance industry in Europe will also serve as a model for countries outside Europe, for example in Asia. The industry as a whole will be more crisis-resistant and internationally competitive as a result.

For primary insurers, reinsurance will assume a new quality with Solvency II. On the one hand, the capital-relief effect of reinsurance will be taken into account in the risk-based models from 2012 and reinsurance cessions will no longer be limited to certain volumes. On the other hand, the need for tailored advice and consultancy will increase with Solvency II.

"In terms of implementing Solvency II, Munich Re has a clear advantage as a service reinsurer. With advice and consultancy services ranging from analysis of necessary risk capital to assessment of asset-liability management, we can let our clients benefit from our long-standing experience in this area", said Arnoldussen. The first pilot projects have confirmed the transferability of these concepts to Munich Re's clients.

While economic conditions have improved markedly in 2009, insurance premiums nevertheless remain under pressure due to dampened economic development and reduced purchasing power. “In times when margins are reduced, individual risk-transfer solutions are particularly valuable. This is precisely where Munich Re’s strength lies”, said Arnoldussen.

Also due to its solid capitalisation, Munich Re will continue to provide substantial capacity in the forthcoming round of renewals. Assuming appropriate prices, terms and conditions, there are no plans to restrict liability limits.

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