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Press release

Despite additional capacity, Munich Re expects largely stable renewals at 1 January 2014 for its own portfolio

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Munich Re sees opportunities in the increased use of reinsurance by primary insurers for risk and capital management.

“The overall economic situation remains clouded by uncertainty. Reinsurance is still indispensable for many primary insurance clients because of their growing need for tailor-made solutions”, said Torsten Jeworrek, Munich Re Board member responsible for global reinsurance business.

Munich Re expects tangible growth in the insurance industry worldwide. In Asia’s emerging markets, growth will be particularly marked in property-casualty primary insurance, averaging 11% each year until 2015. In the USA, the largest insurance market in the world, growth is expected to average 3% annually until 2015. This will also benefit the reinsurance industry.

But the business will remain highly competitive: On the lookout for profitable investment opportunities, investors such as pension funds are increasingly buying into the securitisation of insurance risks. The capital is mainly going into non-proportional catastrophe business, such as coverage for hurricane losses in the US. The prices for reinsurance protection in these segments were already under pressure in the 2013 renewal seasons, albeit less than originally anticipated. Munich Re’s portfolio is only moderately affected by this, as proportional business clearly predominates. For proportional business, Munich Re expects that in the renewals at 1 January 2014 the primary insurance and thus also reinsurance prices will remain largely stable, chiefly due to the still comparatively low interest rates. In its other business segments, Munich Re also predicts no significant changes in prices and conditions.

Munich Re considers itself to be well positioned for the forthcoming negotiations. Particularly in the current difficult economic climate, primary insurers benefit from reinsurance solutions as a flexible instrument for improving their risk and capital management. “Broadly diversified reinsurers like Munich Re offer their clients far more than just capacity. We demonstrate this particularly in the case of complex risks such as large industrial risks, and also in segments that are not standardised such as liability, agricultural reinsurance or aviation”, said Jeworrek. “With our vast expertise, we create solutions that are individually tailored to the risk profile and balance sheet of each individual client. These could be transactions offering solvency relief if the client needs capital at short notice, or innovative covers for new technologies, such as renewable energies. In the future, we will thus continue to play an indispensable role in covering constantly growing values.”

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2012, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.2bn on premium income of around €52bn. It operates in all lines of insurance, with around 45,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2012, ERGO posted premium income of €19bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €214bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Disclaimer

This press release 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.

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