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Press release

Munich Re's risk know-how supports prevention against natural catastrophes

Contact
Media Relations Munich,
Stefan Straub
Tel.: +49 (89) 3891-9896
Fax: +49 (89) 3891-79896
sstraub@munichre.com

**Münchener Rückversicherungs-
Gesellschaft**
Aktiengesellschaft in München
Media Relations
Königinstraße 107
80802 München
Germany
Letters: 80791 München

www.munichre.com
<http://twitter.com/munichre>

Initial estimates indicate that losses due to natural catastrophes totalled €17bn in Europe in the first nine months of 2013. These loss figures were dominated by flood losses, which accounted for a share of 75%. Governments and insurance companies need to concern themselves more closely with risk mitigation strategies in order to limit such losses. In addition, strong fluctuations in business results can thus be avoided. Munich Re provides the services and solutions required in this regard.

The long-term trend in the number of natural catastrophe events and the resulting losses is clearly pointing upwards: an analysis of Munich Re's natural hazards statistics confirms that severe weather events have almost tripled worldwide since 1980. Flood events in Germany and central Europe have doubled since 1980.

“It is urgently necessary to adapt to such events now. Studies clearly show that it makes far more economic sense for economies to invest in prevention early on and thus avoid losses”, said Ludger Arnoldussen, member of Munich Re's Board of Management. From a humanitarian perspective, at any rate, preventive measures are a must. They reduce susceptibility to loss, particularly in the case of flood risks. Examples of preventive measures include the designation of flood plains near rivers, cross-border river management and, of course, private protection measures.

The flooding in southern and eastern Germany and neighbouring states in May and June 2013, which gave rise to an economic loss of more than €12bn, has been the biggest loss event thus far. Given their dimension, natural catastrophes have a substantial influence on insurers' results and capitalisation. To limit these fluctuations and their impact on capitalisation, Munich Re offers tailored reinsurance solutions. Special risk transfer solutions are available for the coverage of entrepreneurial risks arising from uncertain and unforeseeable weather systems – for instance, for energy companies whose turnover is dependent on the weather. In addition, Munich Re assists its clients in identifying and managing risk on the basis of comprehensive data analyses. The risks are recorded according to their geographic location to ensure that even regionally extensive portfolios can be assessed in a risk-commensurate manner.

21 October 2013
Press release
Page 2/2

“Our services and risk expertise are what distinguishes us from other market players”, commented Arnoldussen. “We have a very broad spectrum of solutions to offer our clients.”

Munich Re sees itself as well positioned for the forthcoming treaty renewal negotiations in reinsurance business and expects prices for business in its own portfolio to remain largely stable. Special circumstances apply to the German market, where the high claims burden from natural hazard events in the current year will play a major role in the renewal discussions.

Note for the editorial staff:
For further questions please contact

Media Relations Munich, Stefan Straub
Tel.: +49 (89) 3891-9896

Media Relations Asia, Nikola Kemper
Tel.: +852 2536 6936

Media Relations USA, Beate Monastiridis-Dörr
Tel.: +1 (609) 243-4622

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

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Germany