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# Monte Carlo 2018

## Excel. Grow. Invent.

Monte Carlo | 9 September 2018  
**Torsten Jeworrek & Stefan Golling**

## Global Reinsurance landscape

))) Torsten Jeworrek

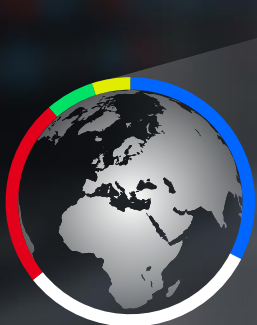
## Munich Re's cyber strategy

Stefan Golling

# Moderate reinsurance premium growth expected until 2020, rates roughly in line with primary insurance premium growth

## Global premium development from 2010–2017/2018e–2020e

### P-C RI: Ceded premiums 2017



Europe	€73bn	33%
North America	€71bn	31%
Asia Pacific	€56bn	24%
Latin America	€15bn	7%
Africa/Middle East	€12bn	5%
<b>Total</b>	<b>~€227bn</b>	<b>100%</b>

### P-C RI and PI real growth rates (CAGR)

RI		PI	
10–17	18–20	10–17	18–20
1%	2%	0.5%	2%
3%	2%	2%	2%
5%	3%	7%	6%
4%	3%	4%	4%
2%	3%	3%	4%
<b>3%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>

# Traditional reinsurance market showing moderate growth

Non-traditional capacity focusing on competitive sub markets and primary insurance

## Dedicated reinsurance capital



Source: AM Best, Guy Carpenter, Aon Benfield, Munich Re

<sup>1</sup> YoY Q1 2017 → Q1 2018

## Trends

### Traditional market

- Capital base of the reinsurance industry stable overall over the last 3 years
- Many reinsurers use dividend payments and share buy-backs to manage their capital more actively

### Non-traditional capacity/Alternative Risk Transfer (“ART”)

- Liquid/traded product (Cat Bonds/ILWs) continues to be outgrown by traditional “ART” formats (Collateralized Re, RI quota shares)
- Total capital growing by ~10%<sup>1</sup> to 95 bn USD (Q1 2018)
- Institutional investors with investment cases in Florida/U.S. East Coast Nat Cat and retro markets; little impact on RI outside those sub markets
- We continue to utilize this capacity source for capital management

# Digital transformation offers new opportunities for reinsurers

## Traditional Reinsurance

Effectively serving our clients and strengthening the business model

## Risk Solutions

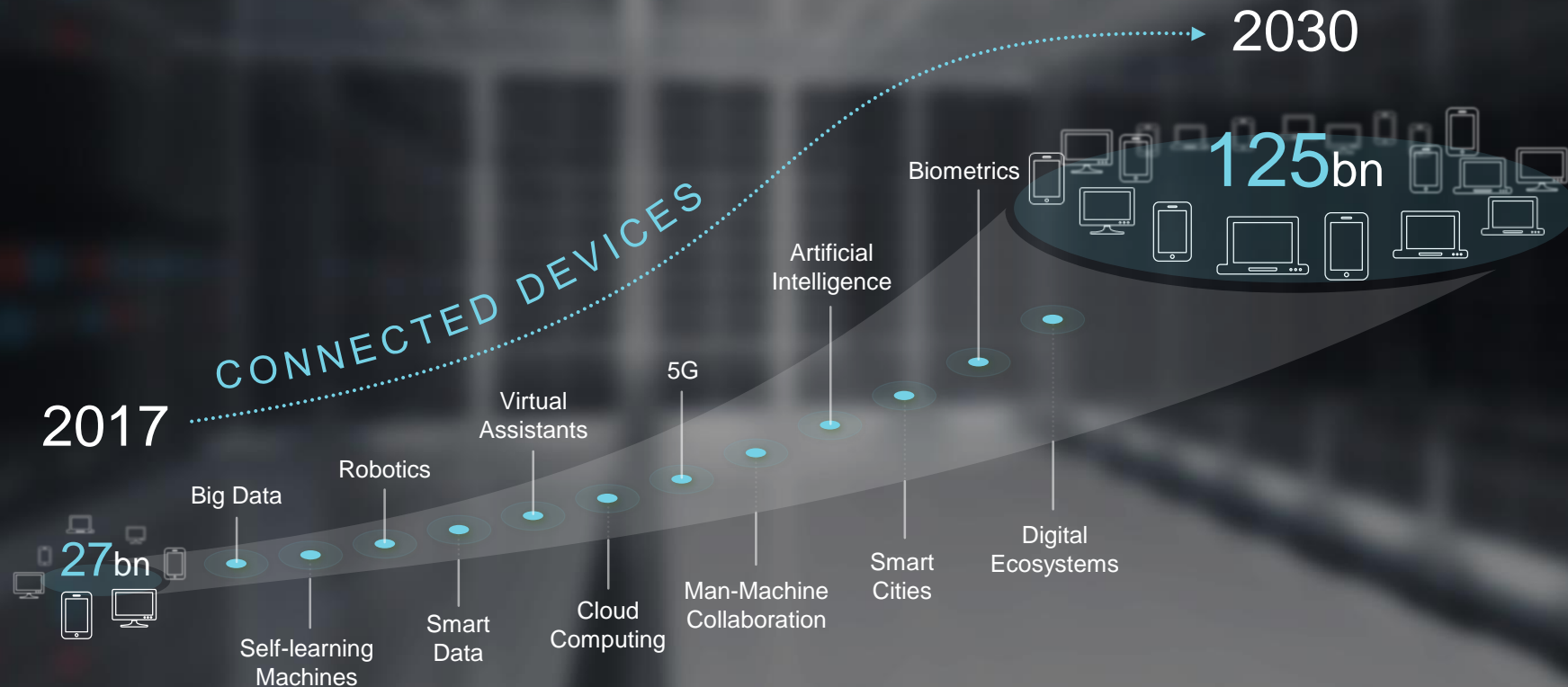
Reinforcing underlying profitability and growth

## New strategic options

Building a diversified profit base

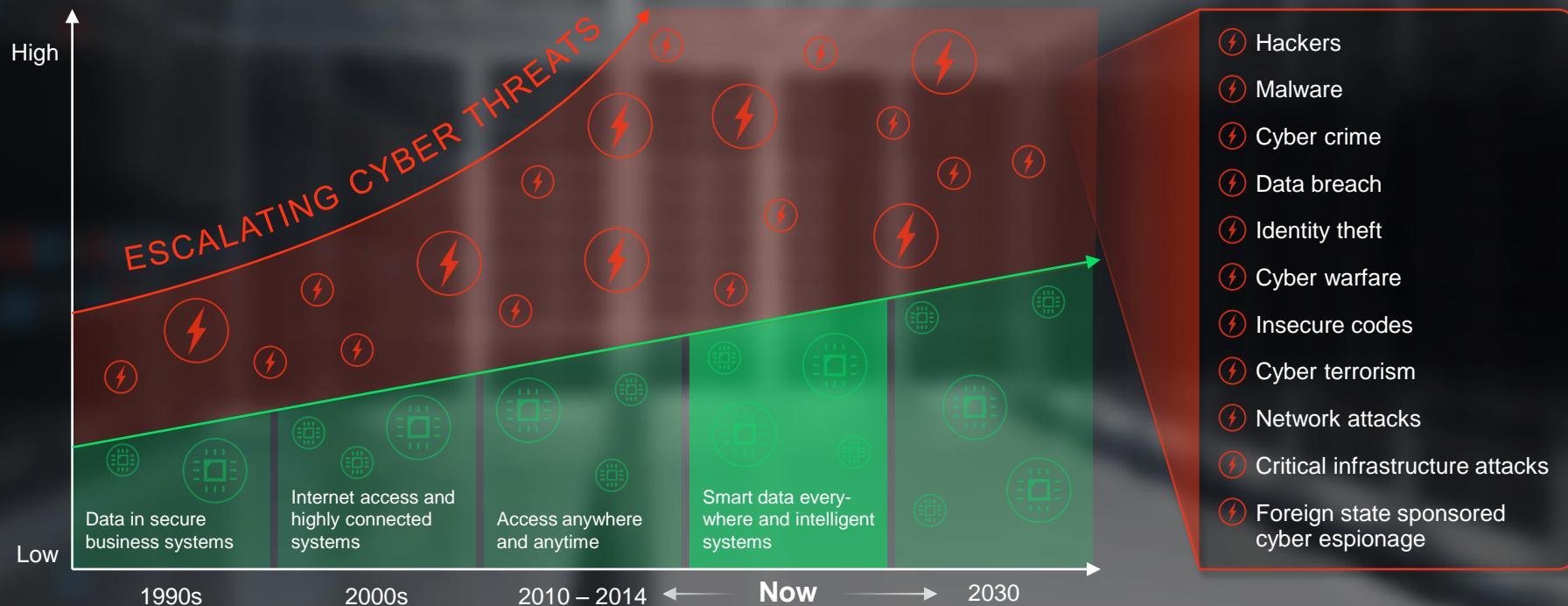


# Digital revolution bears a hyper-connected world





# Cyber risks constitute one of the greatest threats we face



Global Reinsurance  
landscape

Torsten Jeworrek

Munich Re's cyber  
strategy

))) Stefan Golling

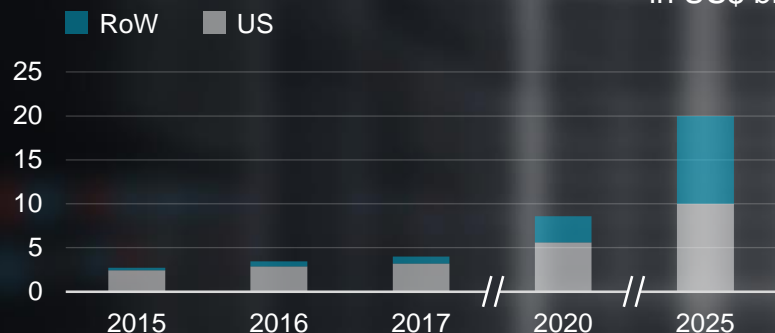


# Cyber insurance market with strong expected growth

Munich Re – Cyber reinsurer of the year 2017 and 2018

## GWP global cyber insurance market<sup>1</sup>

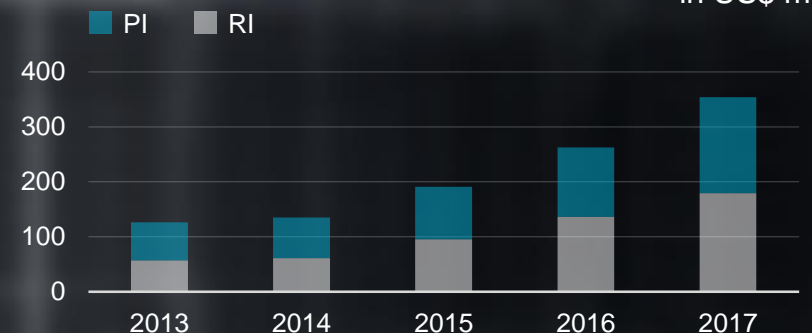
in US\$ bn



- Strong correlation with cyber security market, however overall share uncertain
- Higher awareness of cyber risks/claims reporting will drive demand for insurance solutions
- GDPR implementation in Europe

## GWP Munich Re cyber portfolio

in US\$ m



- Munich Re serves all client segments via Reinsurance and Primary Insurance carriers
- Well established player in US and RoW
- Munich Re aims to keep 10% market share in the growing cyber market

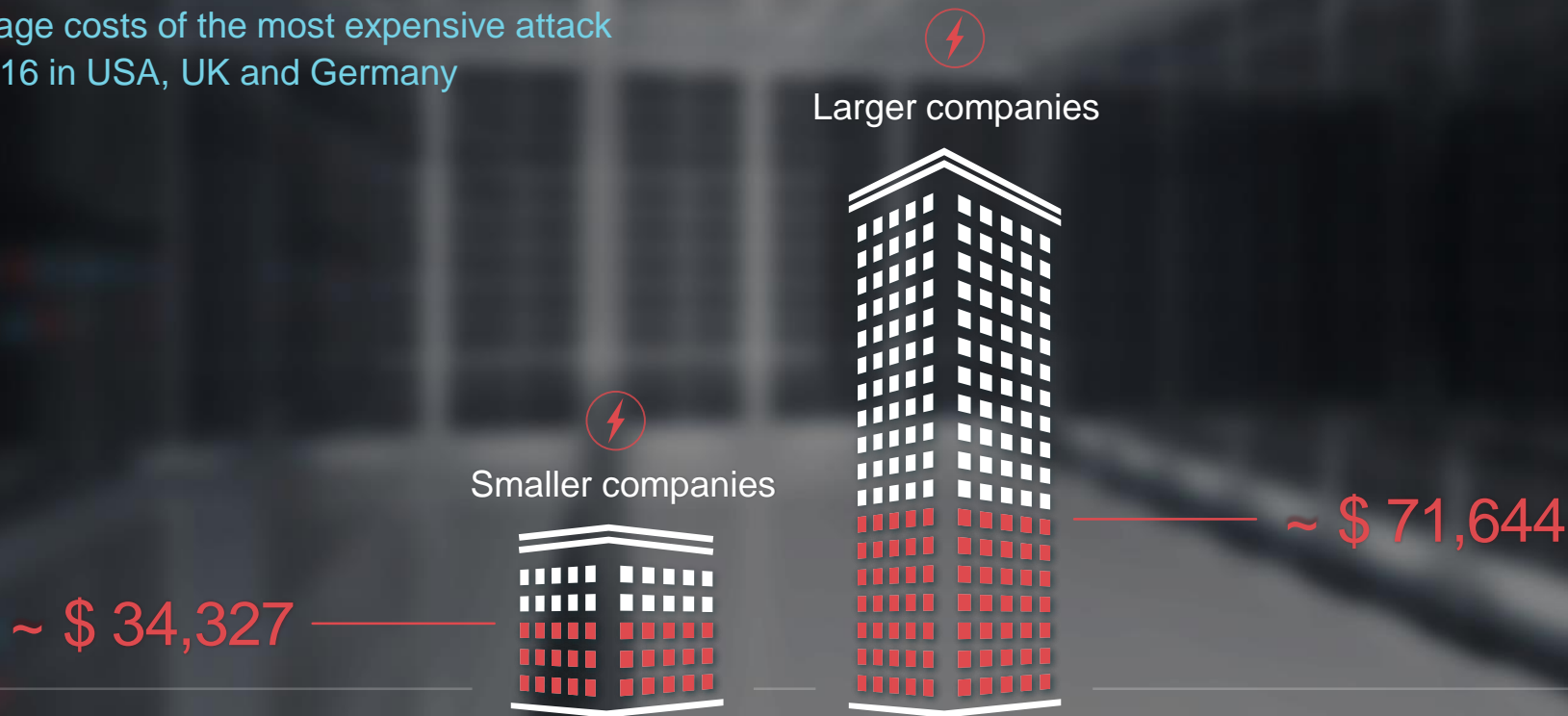
Cyber is one of Munich Re's main strategic growth areas, therefore we further invest in leading-edge expertise and strong global market presence.

<sup>1</sup> Estimates based on different external sources (Marsh & McLennan, Barbican Insurance, Allianz).

# Smaller companies

An easy prey

Average costs of the most expensive attack  
in 2016 in USA, UK and Germany



# Bundling of risk transfer and services

## Traditional Risk Taking Approach

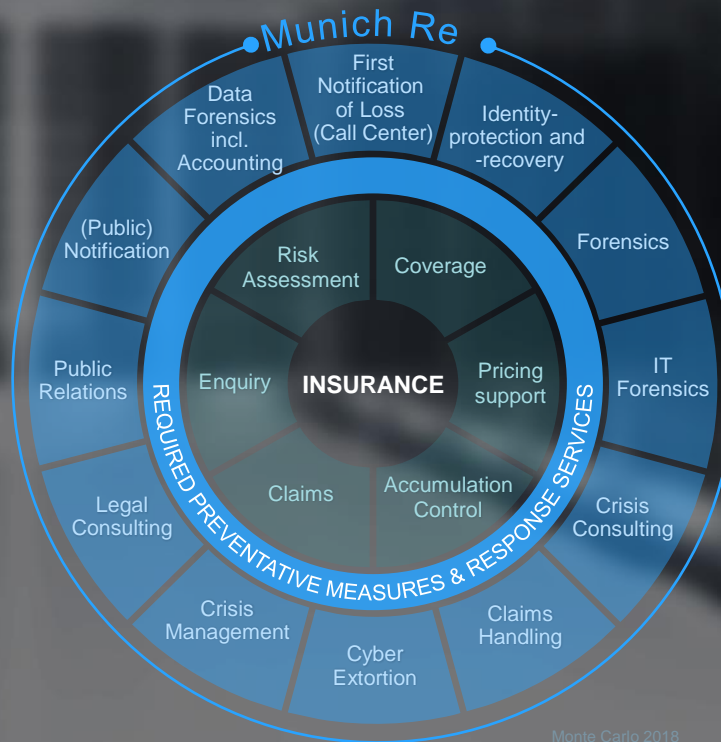
### Primary Insurance

Bespoke and transactional

### Traditional Reinsurance

Focus on proportional participations

## Comprehensive Service Model



# State of the art risk management as true business enabler

## Accumulation



Virus &  
Malware



Data  
breach



IT Service  
provider outage



Outage of  
external networks

## Transparency – Do we write cyber?

- **Almost every** conventional non-life policy can be exposed to cyber risk
- Silent Cyber exposure is potentially significant, but it presents also a nearly untapped area of business opportunities

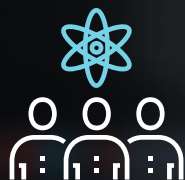
## Action required

- Achieve transparency of the inherent exposure
- Turn the silent coverage into at least non-silent or even better affirmative coverage
- Risk assessment and pricing
- Accumulation control

Our biggest risk is the “strategic risk  
not to find any insurance solution for cyber”.

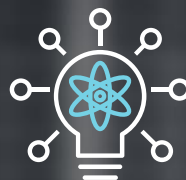
# Munich Re's value add

Where can we support?



## Experience and Expertise

We bring well-established experience to the table with experts who can operate **in all industries and organisations**, from large corporates, to SMEs, and personal lines



## Continuous Improvement

We **continuously monitor changes to the cyber environment**, seek to improve our understanding of the risk, and then adapt our cyber products to ensure we remain relevant to our customers



## Innovation

We are actively identifying and developing cyber initiatives to **improve our customers' experience** and enhance underwriting





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Thank you for your attention!

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**Munich RE** 