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Innovation – Translating ideas into business

Monte Carlo, 13 September 2015
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1

Global reinsurance landscape

Torsten Jeworrek

2

Munich Re strategy

Torsten Jeworrek

3

Munich Re innovations

Thomas Blunck

4

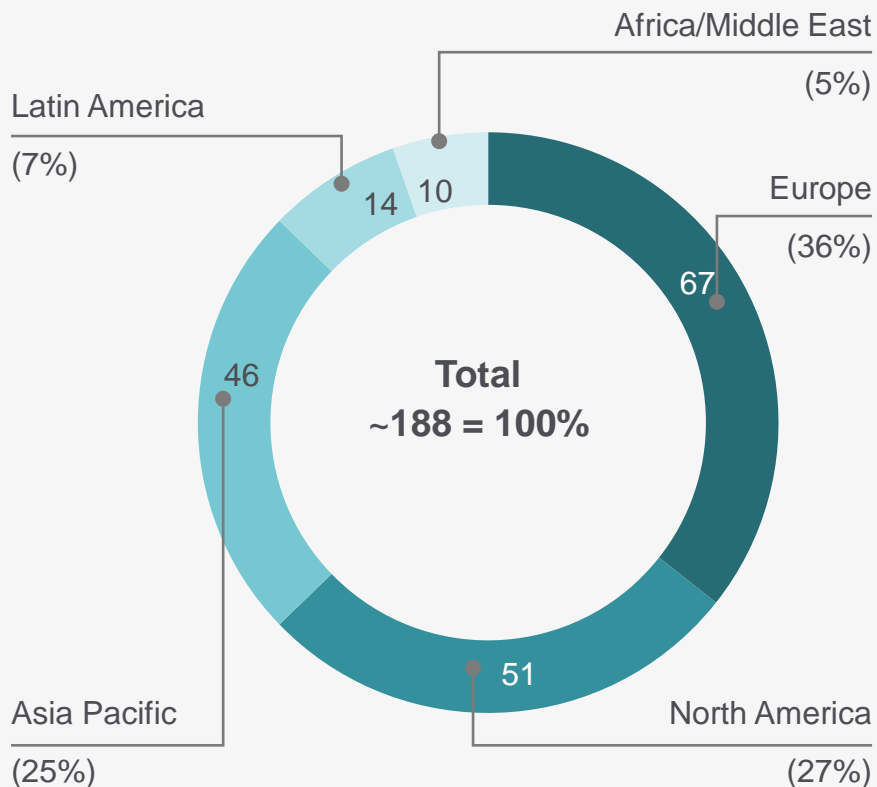
Key takeaways

Torsten Jeworrek

Moderate reinsurance premium growth, stronger growth in primary insurance

Global premium development from 2008–2014/2015e–2017e

P-C RI: Ceded premiums 2014 €bn



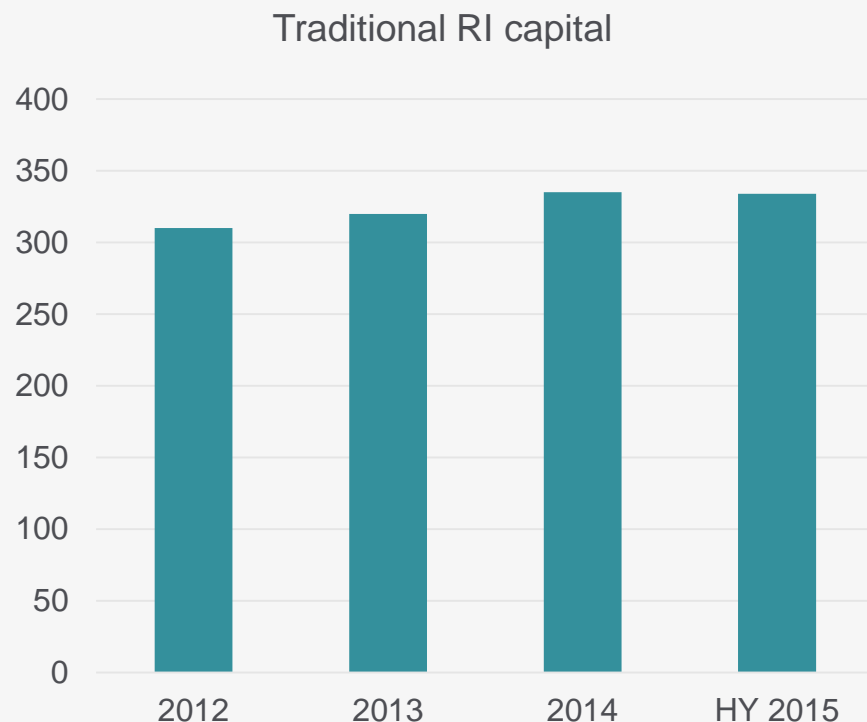
P-C RI and PI real growth rates (CAGR)

	RI		PI	
	08–14	15–17	08–14	15–17
Europe	-1%	1%	-1%	2%
North America	-1%	1%	0%	2%
Asia Pacific ¹	4%	0%	6%	6%
Latin America	6%	3%	7%	5%
Africa/Middle East	3%	3%	4%	5%
Total	1%	1%	1%	3%

¹ RI premium growth influenced by volatile motor solvency-relief deals in China
 Source: Munich Re Economic Research

Reinsurance capital growing, but not excessively compared to exposure

Dedicated reinsurance capital US\$bn



Reinsurance capital often overestimated

- The capitalisation of the reinsurance industry is growing
- In 2014 about US\$335bn was allocated to reinsurance business
- Alternative capital grew from US\$48bn in 2013 to US\$60bn in 2014
- Comparing alternative and traditional reinsurance capital directly is misleading as reinsurance capital can be leveraged, whereas alternative capital has to collateralise limits by almost 100%



The absolute size of dedicated reinsurance capital has a significant influence on the effect of nat cat events, stricter solvency regimes and capital market crises, etc.

Changing reinsurance buying patterns following M&A in the (re-)insurance industry

Consolidation will continue

Reasons

- Cost and capital synergies
→ better financials, more competitive, greater diversification
- Access to new markets, clients or business segments
- Acquisition of know-how and models

Consequences

- Business models are changing
- Companies are bringing together primary insurance and reinsurance
- Bigger primary insurers have different demand patterns:
 - Buy reinsurance more centrally
 - Buy more capital driven reinsurance solutions
- Consolidation on the reinsurance side will lead to the development of more second tier market players
- Short term: more capacity offered by these larger companies; more competition
- Mid term: consolidation may lead to price consolidation

 Munich Re is in a position to flexibly react to each arising demand

1

Traditional reinsurance:
Tailor-made solutions and cycle management

- Munich Re in excellent position to successfully manage the soft cycle due to:
 - Broadest geographic reach
 - Preferential client access
 - Leading risk know-how
 - Superior diversification

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Risk Solutions generating strong earnings

- Excellent profitability; largely detached from reinsurance cycle
- With €4bn premium larger than P-C reinsurance portfolios of several top-ten peers

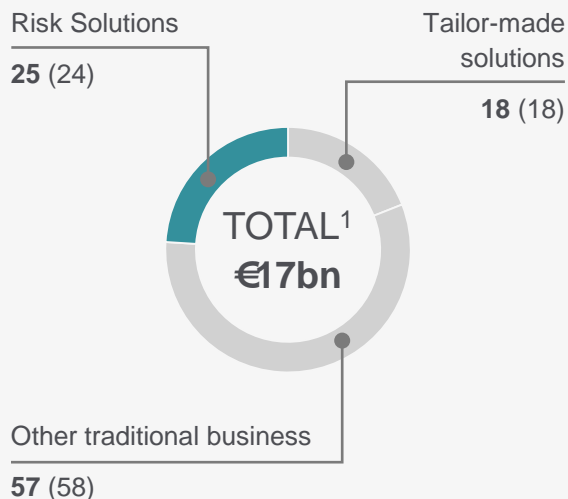
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Innovations

- Tapping new profit pools by expanding existing market boundaries with innovative products and services

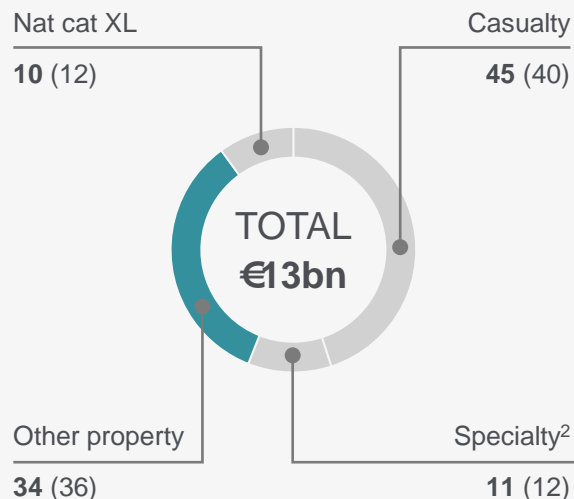
Flexibility in managing the portfolio due to superior diversification

Total P-C book [%]



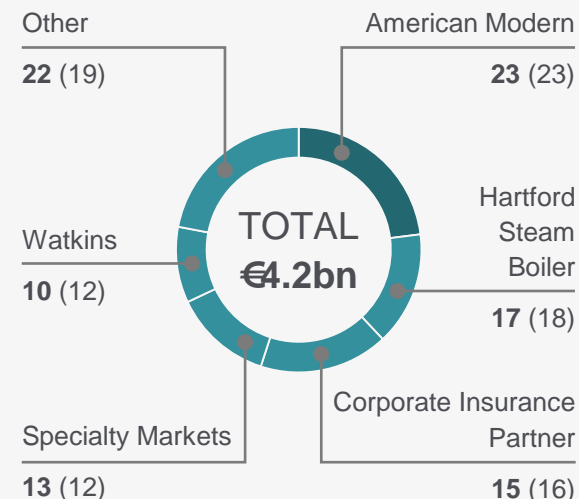
- Stable and well-diversified portfolio
- Risk Solutions and tailor-made solutions less impacted by market terms

Traditional [%]



- Cycle management mitigates price pressure
- Shift from nat cat XL and other property to casualty

Risk Solutions [%]



- Continued expansion of US specialty primary business where rates are still increasing
- Combined ratio 2014: 88.6%

¹ Gross premiums written property-casualty reinsurance as at 31.12.2014 (31.12.2013)

² Aviation, marine and credit

Future drivers of insurance demand

Growth drivers in traditional (re-)insurance

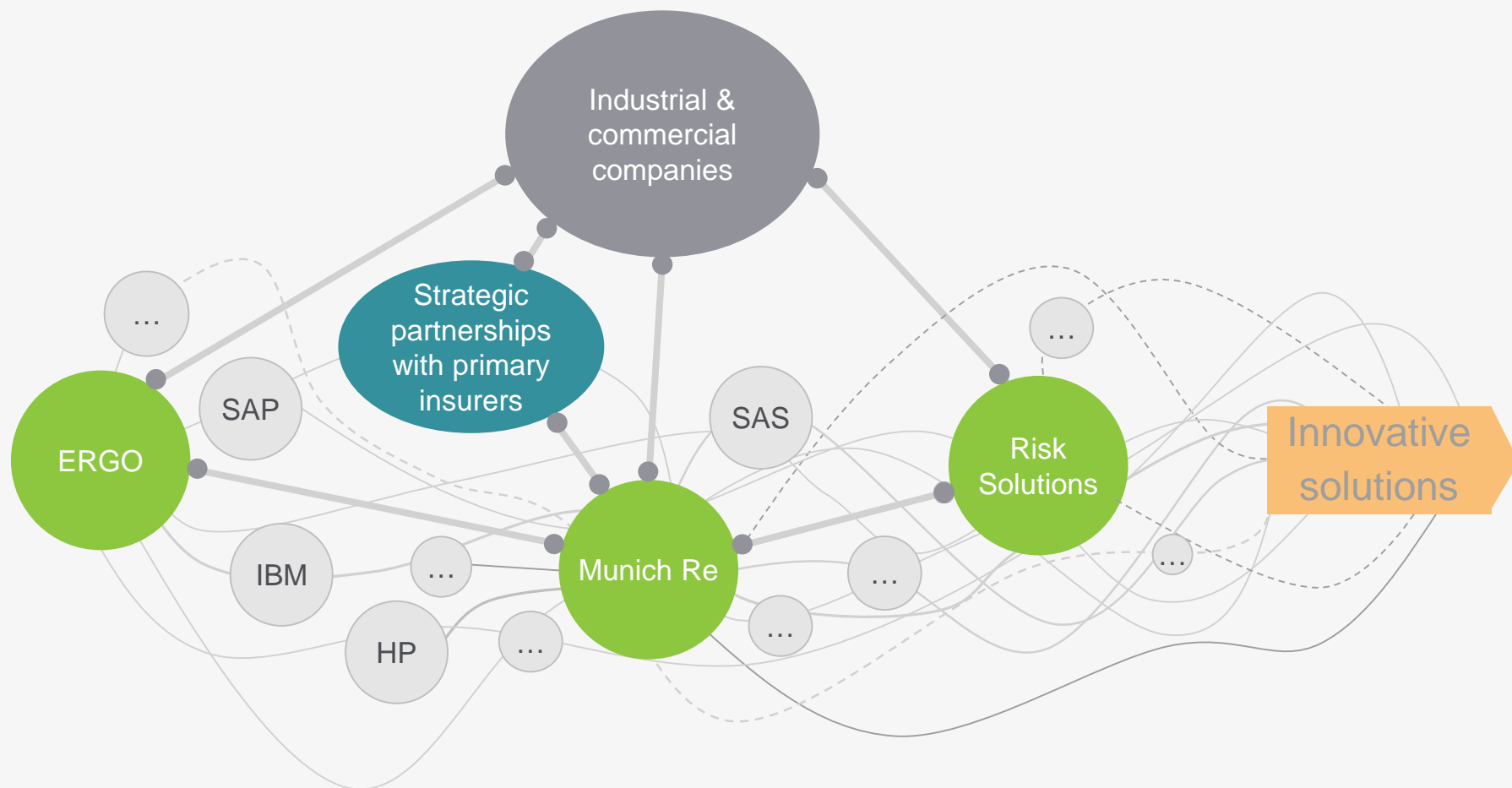
- Higher demand from emerging markets
- Large portion of non- or underinsured risks
- New forms of capital and risk management

Innovation-driven demand

- New risk landscape (e.g. cyber, supply chains, logistics, mobility)
- New data and IT technologies
- New distribution channels
- New services due to changes in customer behaviour

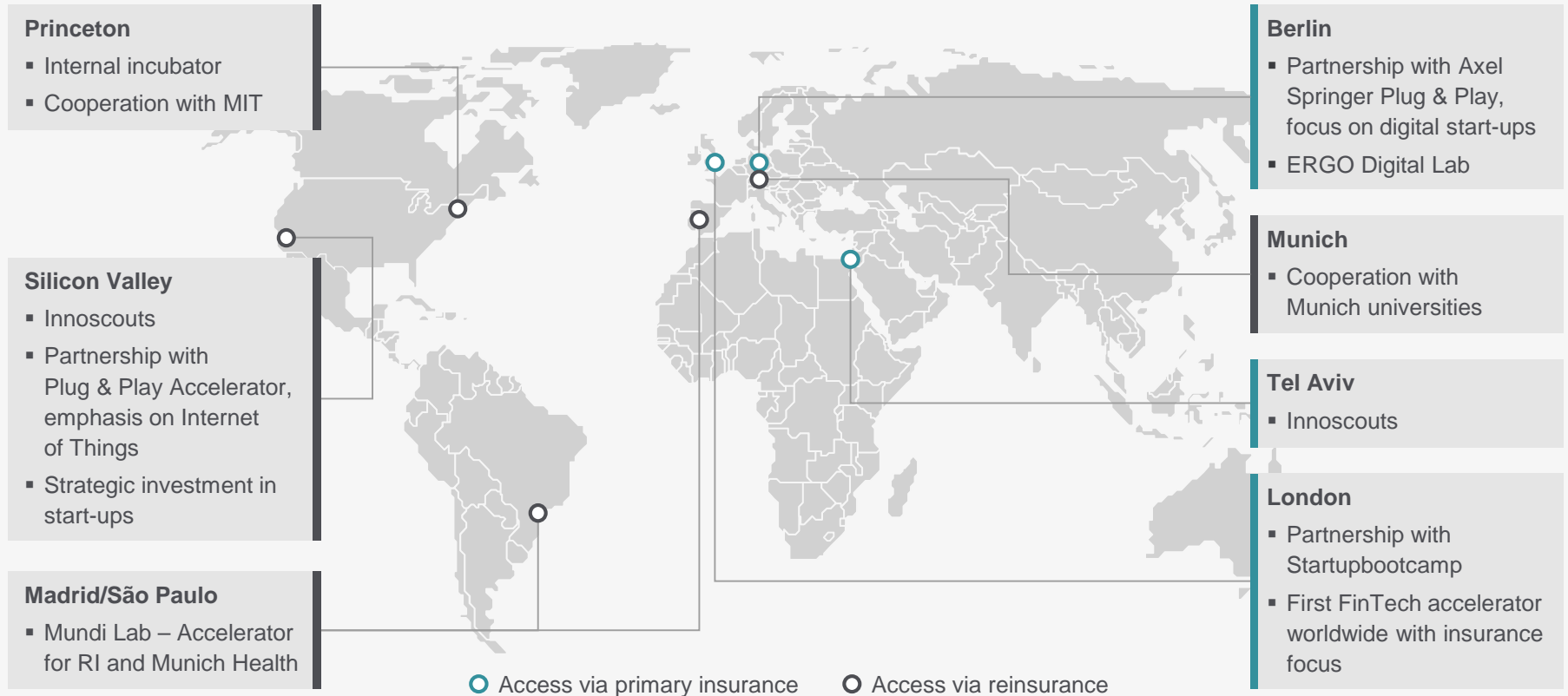
▶ Change as the driver – risk as the opportunity – innovation as the answer

Anticipating insurance demand due to excellent client access



Impulses for innovative business ideas

Munich Re present in innovation hubs around the world



▶ Digitalisation and highly competitive reinsurance markets speed up innovation process

Munich Re emphasises innovation in four key development areas

New (re-)insurance products

Munich Re strives to position itself as leading (re-)insurance product developer for new and emerging risks (in a digital world)

New business models

Munich Re ensures its competitiveness against existing and new players by further developing its business model

New risk-related services

Munich Re offers risk-related services creating tangible value for clients

New clients and demands

Munich Re brings in non-insurance players as business partners, and expands business relationships within existing customer groups

Enabler

Data

Proprietary and big data; data analytics

Agile IT

Fast and flexible IT, interconnectivity, digital customer experience and process chains

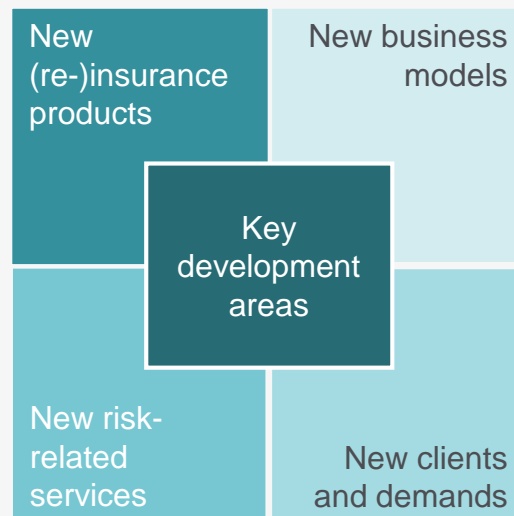
Collaboration

Collaboration models with players within and beyond insurance eco-system

Set of strategic business initiatives in each key development area

- ❖ Cyber risks
- ❖ Energy and technology (e.g. technical performance guarantees)
 - Non-damage BI
 - Weather and Climate
 - Project cost insurance
 - Product design in Life and Health based on enhanced data analytics

- ❖ Consulting (e.g. Motor and Property Consulting services)
 - Project risk rating
 - Virtual simulation of e.g. constructions
 - Predictive- and preventive services



- ❖ Automation and digitalization of processes (e.g. automated underwriting platform)
 - White Labelling
 - Risk-sharing with pension funds
- ❖ Corporate finance / capital management solutions (e.g. Capital Partners)
 - Public-sector business development
 - Sharing economy / mobility

 ~ €400m¹ premium generated by innovative products

Cyber risks: Basket of cyber solutions according to clients' needs



Long-term coverages at the cutting edge of technological developments

New (re-)insurance products / risks

Energy and technology Technical performance guarantees

Current technologies

- Solar energy
- Wind energy
- Fuel cells
- LED
- Satellites

Benefit for Munich Re's clients

- Financial security
- Credible long-term guarantee
- Technical endorsement by neutral party
- Rating improvement which reduces finance costs
- More attractive for investors

Munich Re's outlook

- Support new and disruptive technologies
- Technical expertise to extend boundaries of insurability
- Partner with upcoming companies
- Complex risks, difficult to copy for competition
- Unique support for reinsurance clients in single-risk business (facultative support)

Property Consulting helps clients to significantly improve portfolio quality

New risk-related services

Property Consulting

Benefit for Munich Re's clients

- Tailor-made actuarial service for personal and commercial property lines
- Supports clients in improving portfolio quality, product development, pricing and tariff design

Munich Re's outlook

- Very strong track record in Motor Consulting
- First property pilot projects show promising results
- Further enhancement via data analytics

Automated underwriting platforms as important part of digitalisation of (re-)insurance industry

New business models Munich Re Automation Solution

Benefit for Munich Re's clients

- Automated underwriting of life insurance policies for every point of sale (multi-channel)
- Unrivalled risk selection and pricing
- Reduction of administrative costs through excellent interconnectivity
- Agile and flexible easy-to-use tool

Munich Re's achievements and outlook

- Core element in the value chain of life insurers in a digital world
- To be enhanced with big data and new analytics
- Feasibility study on transferring automated underwriting services for non-life

New broker platform in Germany vers.diagnose

Benefit for Munich Re's clients

- Automated point-of sale underwriting platform for life insurance and professional disability
- Open architecture for insurance companies and distribution agents (multi-channel)
- Easy-to-use, and greater transparency for brokers and insureds

Munich Re's achievements and outlook

- Automated risk assessment with Munich Re underwriting rules generating consistent results
- Partnering with additional life insurers and adding further life covers will expand market penetration

Capital Partners addresses clients' demands beyond pure risk-transfer solutions

New clients and demands

Corporate finance / capital management: Capital Partners

Benefit for Munich Re's clients

- Looking at reinsurance and alternative capital solutions as a means for integrated risk, financial and capital management of the client
- Tailoring structured prospective and retroactive reinsurance and alternative capital solutions into one solution
- Leveraging Munich Re's global capabilities

Munich Re's outlook

- Addressing market trends: bifurcation into simple risk transfer and complex financial solutions
- Bundling expertise and a broad spectrum of capabilities within Munich Re to understand, analyse and solve financial and capital-driven client needs
- Roll-out of global presence to increase client proximity and combine with local expertise

1

Global reinsurance landscape

Market environment remains challenging

2

Future (re-)insurance landscape

New (re-)insurance demand will arise in traditional business, as well as from new risk landscape and changing customer behaviour

3

Munich Re strategy

Munich Re in excellent position to successfully manage the soft cycle

4

Munich Re strategy

Munich Re emphasis on innovation and cooperation to meet future insurance demand

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