Munich RE

Munich, 29 December 2009
Press release

Few major natural catastrophe losses in 2009
General trend confirmed by large number of weather extremes

Contact
Media Relations Munich,
Michael Able
Tel.: +49 (89) 3891-2934
Fax: +49 (89) 3891-72934
mable@munichre.com

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

www.munichre.com

Natural catastrophe losses were far lower in 2009 than in 2008 due to the absence on the whole of major catastrophes and a very benign North Atlantic hurricane season. However, the total number of destructive natural hazard events was above the long-term average, 850 being recorded in all. Consequently, despite the lack of really disastrous events, there were substantial economic losses of US$ 50bn and insured losses amounted to US$ 22bn compared with economic losses of US$ 200bn and insured losses of US$ 50bn in the previous year.

By way of further comparison, the average number of natural hazard events with relevant losses over the past ten years was approximately 770 per annum. Economic losses came to around US$ 115bn on average and insured losses US$ 36bn. There were some 75,000 deaths per year due to natural catastrophes on average. Not only were the losses but also the death toll from natural catastrophes in 2009 – around 10,000 – was well below average.

“However, we should make no mistake: despite the lack of severe hurricanes and other megacatastrophes, there was a large number of moderately severe natural catastrophes. In particular, the trend towards an increase in weather-related catastrophes continues, whilst there has fundamentally been no change in the risk of geophysical events such as earthquakes”, said Prof. Peter Höppe, Head of Munich Re’s Geo Risks Research.

What is noticeable about the 2009 loss statistics is the high level of individual severe-weather losses in the USA, three events alone each causing insured losses of over US$ 1bn. In all, severe weather events accounted for 45% of global insured losses. In the USA, losses due to heavy thunderstorms accompanied by hail, torrential rain or tornados rose in the decades between 1980 and the present from US$ 4bn to US$ 10bn a year on average, taking inflation into account. “Initial analyses indicate that, apart from socio-economic factors, this is already due in part to climate change”, Prof. Höppe reported.

Winter Storm Klaus, which hit northern Spain and southwest France between 23 and 25 January with winds of up to 195 km/h, ranked as the costliest single event of 2009. It produced metre-high waves on the Atlantic coast and caused loss and damage to numerous buildings and vehicles. Over a million people

suffered power cuts. In Spain, a large number of photovoltaic systems were damaged. Although the area affected was relatively small by winter-storm standards, insured losses nevertheless came to US$ 3bn (€2.4bn) and economic losses to US$ 5.1bn (€4bn).

An earthquake that shook the Indonesian island of Sumatra on 30 September claimed the highest death toll of 2009. Although the magnitude 7.6 earthquake occurred 80 kilometres below ground, tens of thousands of houses collapsed in the city of Padang, 45 kilometres from its epicentre, and in the surrounding area. Nearly 1,200 people were killed. Storms in Asia also caused many deaths, the Philippines being the worst affected, although Vietnam and Taiwan were also hit when three severe typhoons (Morakot, Ketsana, Parma) struck, causing widespread destruction and claiming over 1,700 lives.

By contrast, the North Atlantic hurricane season was benign. Although warm water temperatures in the tropical North Atlantic produced conditions favouring an above-average hurricane season, only nine named storms were recorded, three reaching hurricane force. The figures were thus not only well below the average for the warm phase that has persisted since the mid-1990s (14.3 named storms, 7.5 hurricanes) but also below the long-term average (10.8 named storms).

According to initial assessments, the El Niño phenomenon is likely to have had a mitigating effect on cyclone formation. In El Niño conditions, upper-atmosphere wind speeds over the Atlantic change, impeding the formation of cyclones. “The long-term hurricane risk is not apparent from a single season. Many experts are convinced that climate change has already increased hurricane exposure”, said Höppe. Munich Re continues to assume that hurricane activity over the next few years will fluctuate around the average for the North Atlantic warm phase, which has now lasted for some 15 years.

In the Indian Ocean and West Pacific, this year’s tropical storm season was also slightly below average. Nevertheless, the year ended with a super-cyclone that battered Australia’s northwest coast just before Christmas. For a time, Cyclone Laurence was upgraded to the maximum level, Category 5. However, the regions in its path were for the most part uninhabited. If a town had been hit, the losses would probably have been substantial, but fortunately there was relatively little property damage.

Torsten Jeworrek, Munich Re Board member responsible for global reinsurance business, drew attention to the marked increase in major weather-related natural catastrophes worldwide since 1950, the number now having more or less tripled. Economic losses from weather-related natural catastrophes in the period since 1980 totalled approximately US$ 1,600bn (in original values). “Climate change probably already accounts for a significant share. In the light of these facts, it is very disappointing that no breakthrough was achieved at the Copenhagen climate summit in December 2009. At Munich Re, we look closely at a multitude of risks and how best to handle them. Risks that change in the course of time are especially hazardous. Climate change is just such a risk of change.”

Losses caused by climate change will continue to increase in the future. Jeworrek: “We need as soon as possible an agreement that significantly reduces greenhouse gas emissions because the climate reacts slowly and what we fail to do now will have a bearing for decades to come.”

Consequently, Munich Re will now drive forward its own initiatives with even greater commitment – investments of up to €2bn in renewable energy, for instance, or the Desertec desert-power project. “We will do our utmost to ensure that DII GmbH, the Desertec project planning entity, can put forward finished plans in the next three years. Munich Re will, of course, also be involved in their implementation – as an investor and insurer”, Jeworrek added.

Note for the editorial staff:
For further questions please contact

Media Relations Munich, Michael Able
Tel.: +49 (89) 3891-2934

Media Relations USA, Terese Rosenthal
Tel.: +1 (609) 243-4339

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 2008, the Group – which pursues an integrated business model consisting of insurance and reinsurance – achieved a profit of €1.5bn on premium income of around €38bn. It operates in all lines of insurance, with around 44,000 employees throughout the world. With premium income of around €22bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients seek solutions for complex risks, Munich Re is a much sought-after risk carrier. The primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance. and 40 million clients in over 30 countries place their trust in the services and security it provides. 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 €175bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Munich, 29 December 2009

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstraße 107
80802 München
Germany