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Press release

Munich Re banks on innovation and cycle management in a challenging environment

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Munich Re expects moderately increasing demand for reinsurance, driven by growth markets and greater need for innovative solutions to new risks. Due to its strict cycle management and broad diversification, Munich Re considers itself to be well positioned in these challenging times for the traditional reinsurance market. This was demonstrated, for example, by the latest round of renewals in the USA.

Munich Re believes that there will be a moderate rise in demand for property-casualty reinsurance. In the highly developed markets in Europe and North America – which already have large premium volumes – it anticipates growth of 1% in each of the next three years. In Asia-Pacific and Latin America, the growth forecasts are 3% and 4% respectively, but starting off from a much lower level. This growth is being fuelled partly by increasing market penetration and rising values of material assets, particularly in emerging markets. Reinsurance also offers various ways to support primary insurers when regulatory requirements change. It can be used, for example, to help primary insurers to comply with capital requirements under Solvency II or similar supervisory regimes. In addition, new risks emerging from technological or societal trends and increasing environmental and weather risks require continuous development of appropriate insurance solutions.

Most innovations are being developed on the borderline between primary insurance and reinsurance, where highly specialised know-how is combined with global risk competence. For example, risks arising from the worldwide use of the internet require innovative insurance solutions. Enterprise risks, such as the financial impact on a company of an event causing reputational damage, can be covered within a clearly defined scope. Previously, such risks had been regarded as uninsurable. Munich Re is already offering such cover, and is actively developing other new products. Torsten Jeworrek, Munich Re's Reinsurance CEO, stressed at the annual industry conference in Monte Carlo that "innovative insurance solutions in new areas are the key to long-term profitable growth."

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The environment for the start of negotiations on reinsurance treaty renewals at 1 January 2015 is still dominated by strong competition and extremely low interest rates for investments. Years where losses were relatively low are magnifying pressure on prices. Jeworrek said: "We provide cover for loss events that do not occur every year, but we need to earn adequate premiums over all those years. In our business, if your thinking is short-term, you pay a high price later." Munich Re underlined once again that it intends to stick with its rigorous underwriting policy. Due to its broad geographical spread across all lines of business, and also because of its combined expertise in both primary insurance and reinsurance, Munich Re is able to react flexibly in every environment. "In standard business, we will continue to resist pricing pressures and withdraw from business if necessary. We can deploy our know-how and capacity better in offering our clients new and intelligent coverage concepts for the most diverse requirements," said Jeworrek.

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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 2013, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.3bn on premium income of over €51bn. It operates in all lines of insurance, with almost 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 2013, ERGO posted premium income of €18bn. 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 €209bn 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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