Media Release

Munich
19 October 2020

Munich RE

# Munich Re expects further hardening of markets

- Low interest rates are impacting the profitability of reinsurers
- Recent experiences following the lockdown in many countries have been a wake-up call regarding systemic risks
- The market for cyber risks remains one of the most important strategic growth areas

**Following years of eroding rates caused by excess capacities and low major-loss expenditure, particularly in European markets, low interest rates – likely to remain even lower for even longer due to the coronavirus pandemic – are impacting the profitability of reinsurers. Insurance covers are therefore likely to become more expensive, particularly for long-term risks in third-party liability and other lines. Munich Re will consistently ensure that prices, terms, and conditions are commensurate with the risks in the next renewal round.**

The gradual erosion of rates and the softening of terms and conditions – caused by excess capacities and randomly lower major-loss expenditure, particularly in European countries – have for years been making profitability a challenge for reinsurers. Interest rates have dropped to record lows once again in 2020. Against the backdrop of the coronavirus crisis, it is increasingly likely that the current interest-rate environment will continue to affect low-risk investments for the foreseeable future. These circumstances mean that sustained profits, in long-tail business and elsewhere, will only be possible if prices match the assumed risks.

"Interest rates will remain low for quite some time. In turn, income for insurers must come from risk assumption itself, and that includes long-tail business. Relying on interest income, or hoping that statistically likely losses will not occur, is an unsuitable basis for the long-term assumption of major risks. We want to support our clients reliably and in the long run with our financial capacity and our knowledge of risks. We devote considerable attention at Munich Re to sound underwriting as well as appropriate prices, terms, and conditions."

Doris Höpke, Member of the Board of Management responsible for Europe and Latin America

## Elevated risk awareness of systemic developments

The sheer scale of the COVID-19 pandemic serves as a stark reminder that we must always properly assess and manage low-probability risks that bear tremendous loss potential. This is especially true of risks that are exposed to an underlying deterioration – as is the case with certain natural disasters made worse by climate change. Recent experiences following the lockdown of public life and the business world in many countries have been a wake-up call regarding the staggering potential for systemic risks to result in losses that subsequently trigger many different repercussions. Yet it is by definition impossible to insure risks that lead to losses everywhere at the same time, thus violating the fundamental criterion of insurability.

The coronavirus pandemic has also indirectly affected the rapidly growing insurance segment for cyber risks: the lockdowns forced most office staff to work from home and a lot of companies to migrate many business operations online, followed by a sharp rise in cyber attacks. In order to ensure sustained growth of cyber business, Munich Re is pursuing a comprehensive strategy of assessing existing risks individually; identifying systemic trends; and pursuing risk-commensurate prices, terms, and conditions. A Munich Re team of over 130 experts specialises in cyber solutions throughout the value chain, including the analysis, prevention, and transfer of risks.

The market for cyber risks remains one of Munich Re's most important strategic growth areas. And additional, pandemic-fuelled momentum from digitalisation and companies' rising awareness of cyber risks can further boost a market already exhibiting robust growth. In fact, the cyber insurance market could even surpass the current forecast for growth, from slightly above US$ 7bn in 2020 to around US$ 20bn in 2025.

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Group Media Relations
Koeniginstrasse 107, 80802 Munich, Germany

www.munichre.com
LinkedIn: https://de.linkedin.com/company/munich-re
Twitter: @MunichRe

For Media inquiries please contact

Strategic Communications & PR
**Florian Amberg**
Tel.: +49 89 3891 2299
Mobile: +49 170 712 97 84
flamberg@munichre.com

Group Media Relations
**Stefan Straub**
Tel.: +49 89 3891 9896
Mobile: +49 151 64 93 30 48
sstraub@munichre.com

Group Media Relations
**Axel Rakette**
Tel.: + 49 89 3891 3141
Mobil: +49 151 20462132
ARakette@munichre.com

Media Relations Asia-Pacific
**Faith Thoms**
Tel.: +65 63180762
Mobile: +65 83390125
fthoms@munichre.com

Media Relations North America
**Jodi Dorman**
Tel.: +1 609 243 4533
Mobile: +1 908 391 2427
jdorman@munichreamerica.com

London Insurance Market
**Lillian Ng**
Tel.: +44 207 8863952
Mobile: +44 7809 495299
lillianng@munichre.com

**Munich Re**

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The group consists of the reinsurance and ERGO business segments, as well as the asset management company MEAG. Munich Re is globally active and operates in all lines of the insurance business. Since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its sound financial position. It offers customers financial protection when faced with exceptional levels of damage – from the 1906 San Francisco earthquake through to the 2019 Pacific typhoon season. Munich Re possesses outstanding innovative strength, which enables it to also provide coverage for extraordinary risks such as rocket launches, renewable energies, cyberattacks, or pandemics. The company is playing a key role in driving forward the digital transformation of the insurance industry, and in doing so has further expanded its ability to assess risks and the range of services that it offers. Its tailor-made solutions and close proximity to its customers make Munich Re one of the world's most sought-after risk partners for businesses, institutions, and private individuals.

**Disclaimer**