



# Baden Baden 2020

## Reinsurance market dynamics

19 October 2020  
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Munich RE 

# Current market environment

## Relevant characteristics for market development

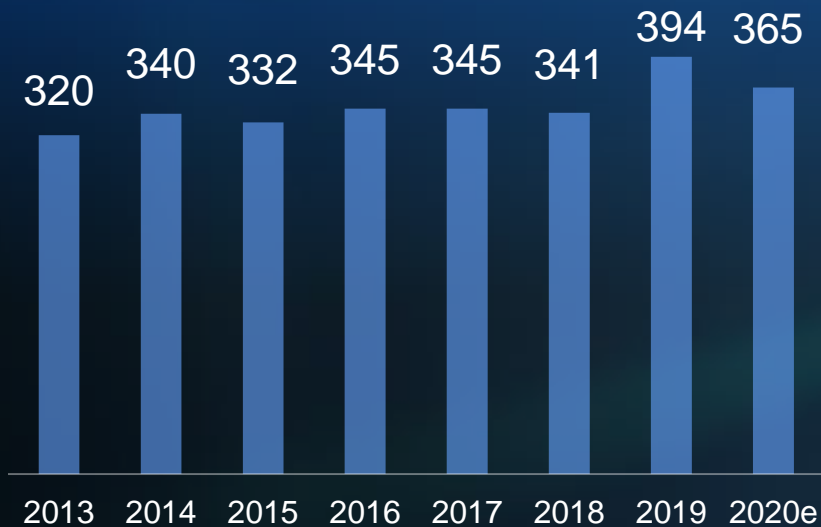


# Insurance capacity stable overall

## Alternative capital re-evaluating investment case

### Traditional reinsurance capital

US\$bn



Source: AM Best, Guy Carpenter, Munich Re

<sup>1</sup> Total of reported top 50 fund NAV plus estimated non-reported capital

## Trends

### Traditional market

- Traditional reinsurance capital showing overall stable development despite recent COVID-19 impact
- Capital markets highly volatile in 2020 but recent market recovery
- Capital increases by existing market players and new players entering the market
- Withdrawal of capacity in some lines of business

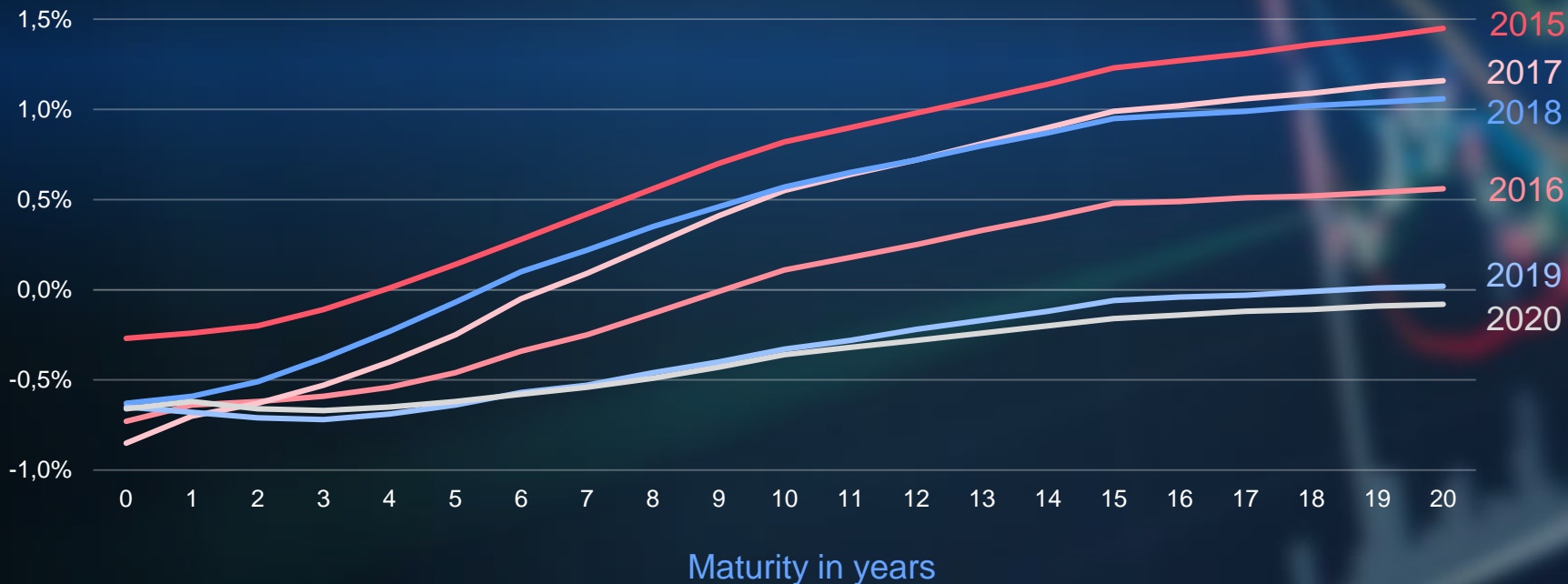
### Non-traditional capacity/Alternative Risk Transfer (“ART”)

- Market for Alternative Risk Transfer (ART) remains stable at US\$ 90bn+<sup>1</sup>
- Loss creep, unmodelled perils and uncertainty around COVID-19 leading to investors expecting higher returns
- Recent tendency to lock up capital in illiquid products driving interest in more transparent, liquid Cat bond market
- “Flight to quality” of ART capacity supporting our retro programme

# Government yield curve development

## Significant profitability decline in recent years

### EUR – Government yield curves



# Systemic risks on the rise



Image: zhangshuang / Getty Images

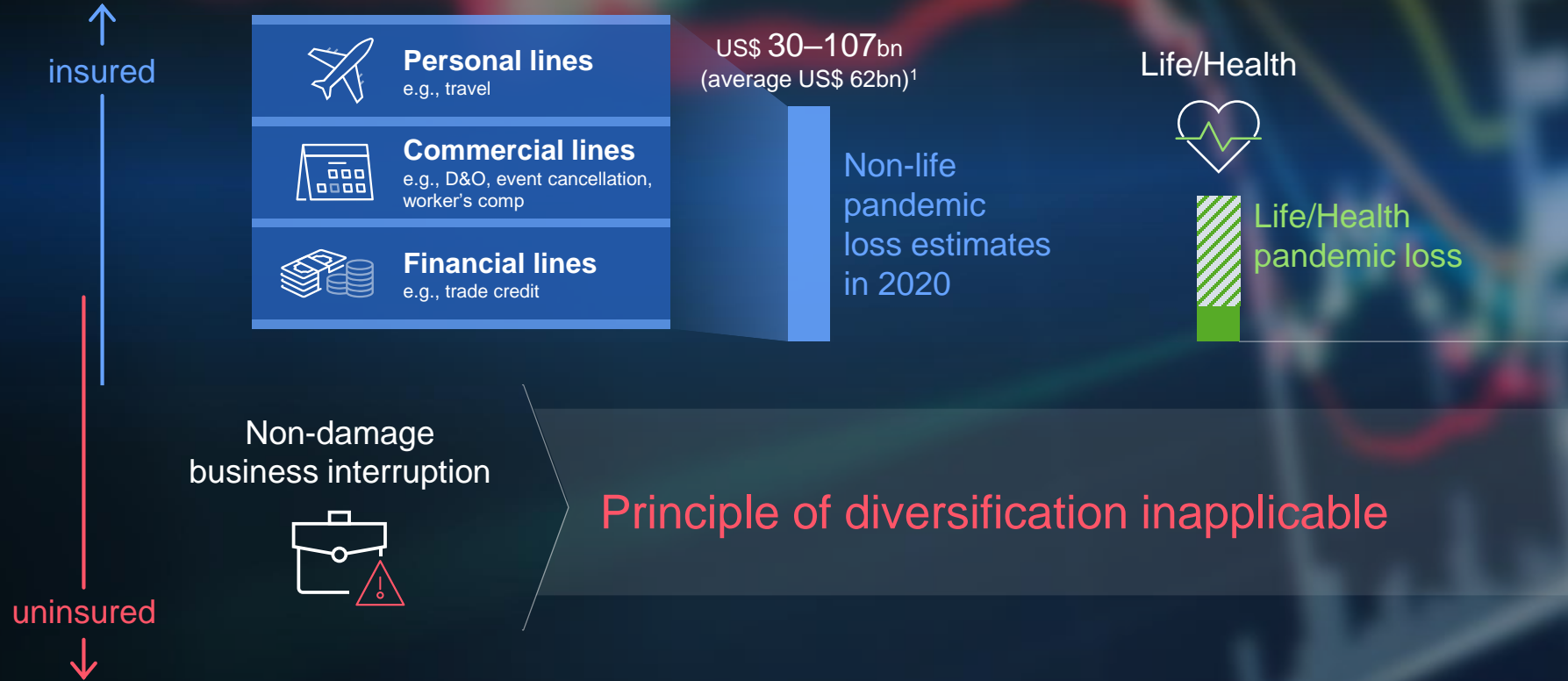
## Pandemics

Global COVID-19 economic losses  
up to US\$12 trillion<sup>1</sup>



# Insurance industry bears significant COVID-19 losses

## But there is a huge uninsured portion



1 Source: Dowling, Artemis, Barclays, BofA, KBW, USB, Lloyd's, Wells Fargo, Goldman Sachs, Berenberg

# Systemic risks on the rise



Image: Andrew Brookes / Getty Images

## Cyber

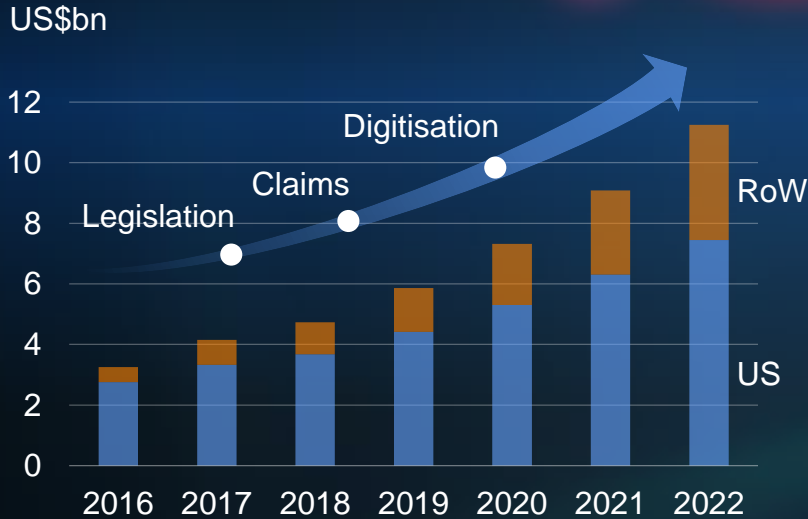
Ransomware attacks increased by 148%  
in March 2020<sup>2</sup>



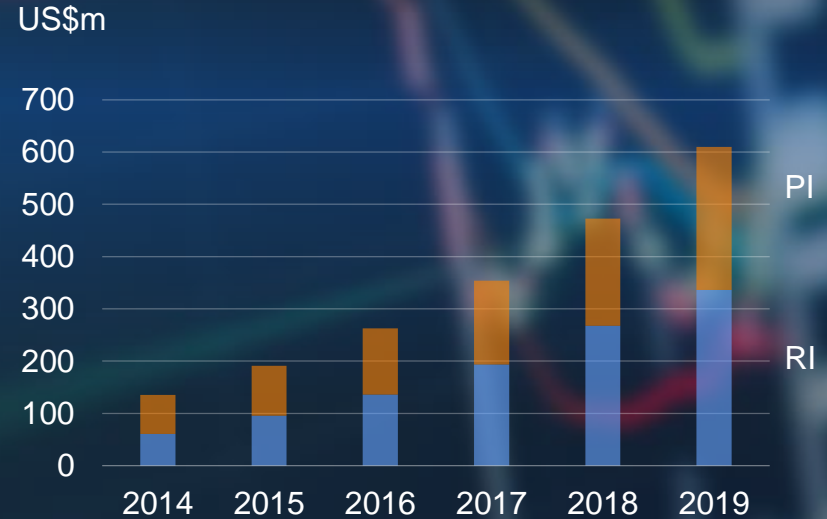
# Strong growth expected in cyber insurance market

Cyber is one of Munich Re's main strategic areas

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



GWP Munich Re cyber portfolio



Cyber reinsurer of the year 2017, 2018, 2019 and 2020



# Systemic risks on the rise



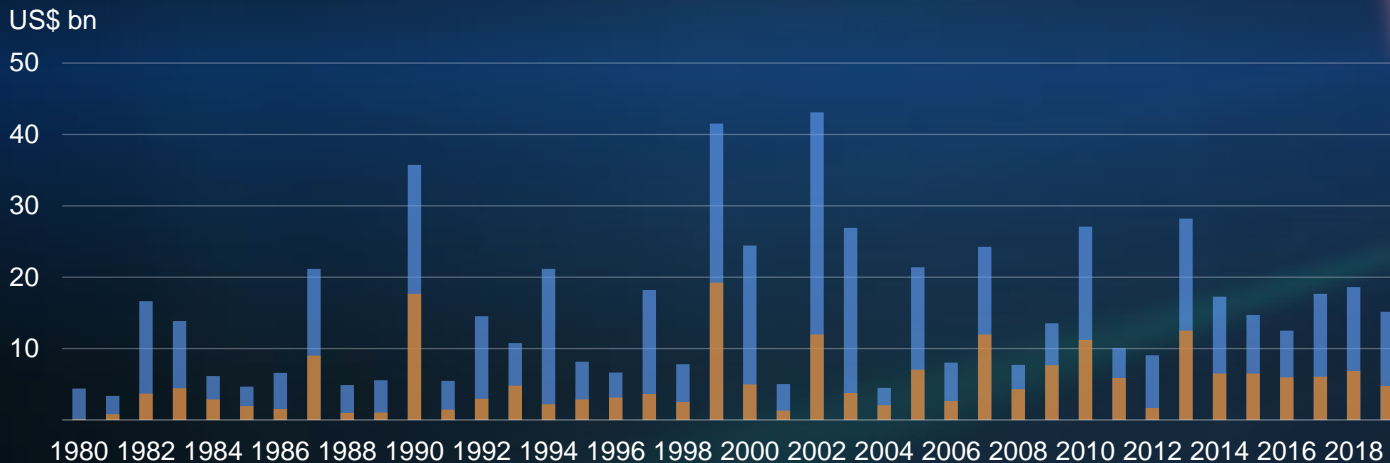
## Climate change

~800 million people live in cities that will be affected by sea-level rise if no action is taken<sup>3</sup>



# Insurance gap still very high in Europe

## Losses from weather-related natural disasters 1980–2019



Insured losses  
US\$212bn

Overall losses  
US\$606bn

Europe: Only 35% of losses were insured



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Thank you for your attention.

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