

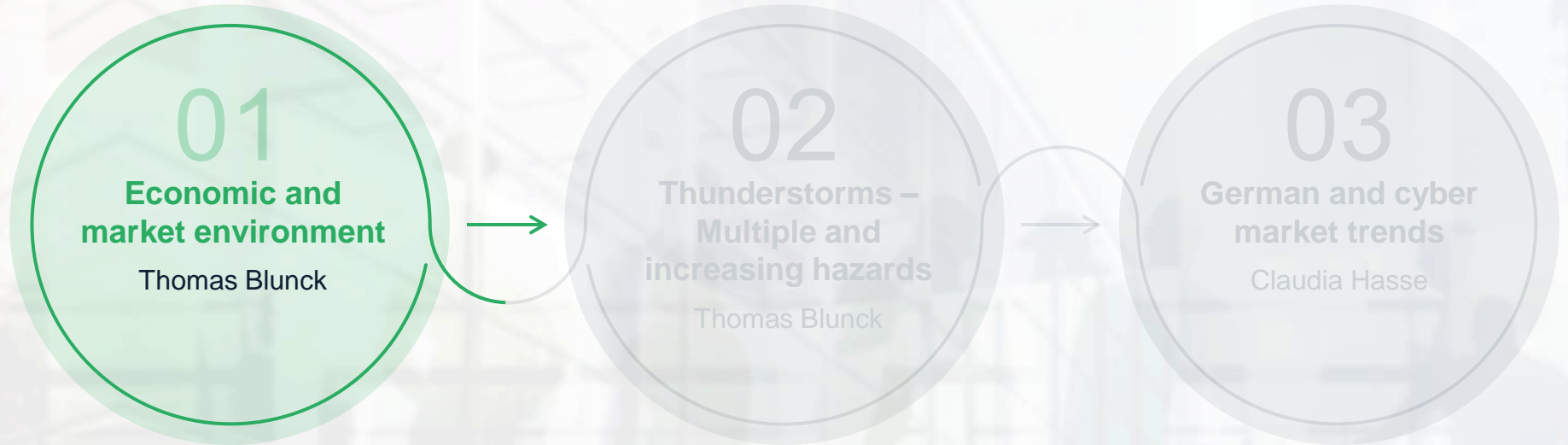
Virtual Baden-Baden 2022

Media breakfast

20 October 2022
Thomas Blunck
Claudia Hasse

Munich RE 





Difficult mixture for insurers, especially in Europe – Financial strength and risk know-how are paying off



Recession in eurozone imminent, inflation will stay high

- Economic outlook highly uncertain, downside risks dominate
- Inflation is significantly impacting many lines of business
- Increasing risks from cyber attacks and natural catastrophes add to macro challenges

Risk know-how and financial strength are crucial

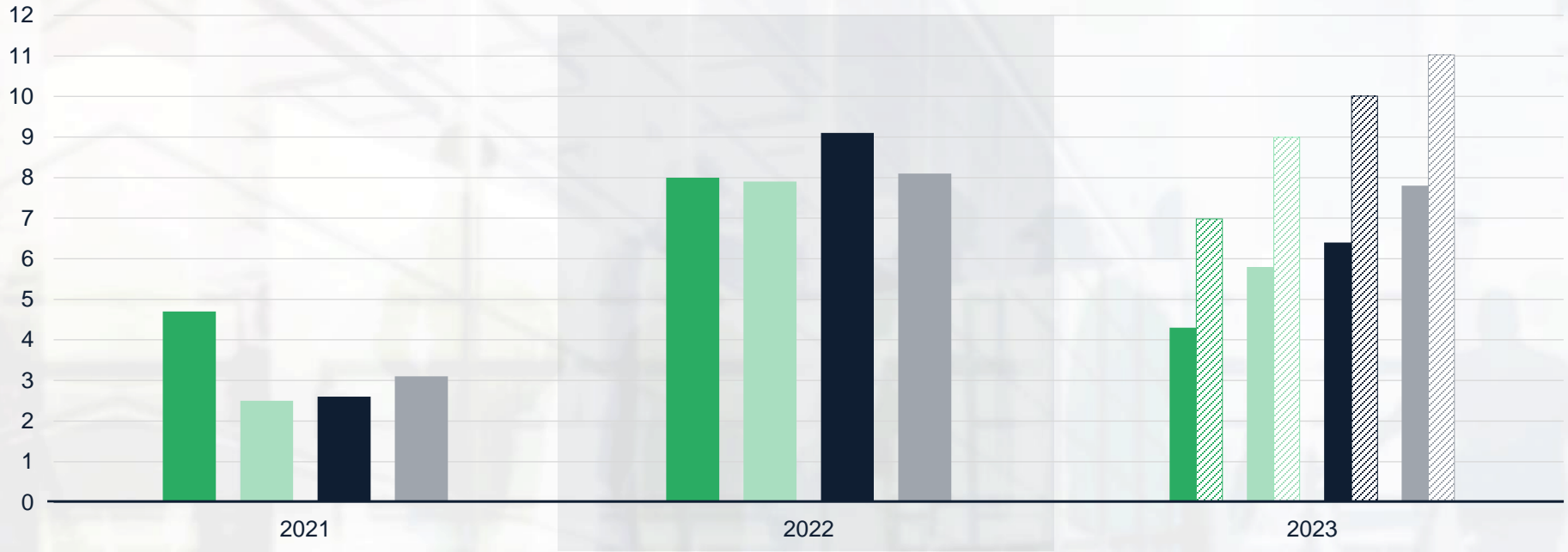
- Demand for reinsurance is rising
- Inflation and changing risks have to be priced in thoroughly, sufficient underwriting margins are essential
- We remain strong partners to our clients (subject to appropriate conditions)

Inflation has reached record levels in advanced economies

Inflation retreat may prove painfully slow in Europe

CPI inflation, baseline and risk scenario

Annual average, in %



■ US ■ Eurozone ■ UK ■ Germany ▨ Risk scenario

Following years of strong growth in major regions, reinsurance market expected to grow at least in line with primary business

Global premium development 2019–2021/2022e–2024e

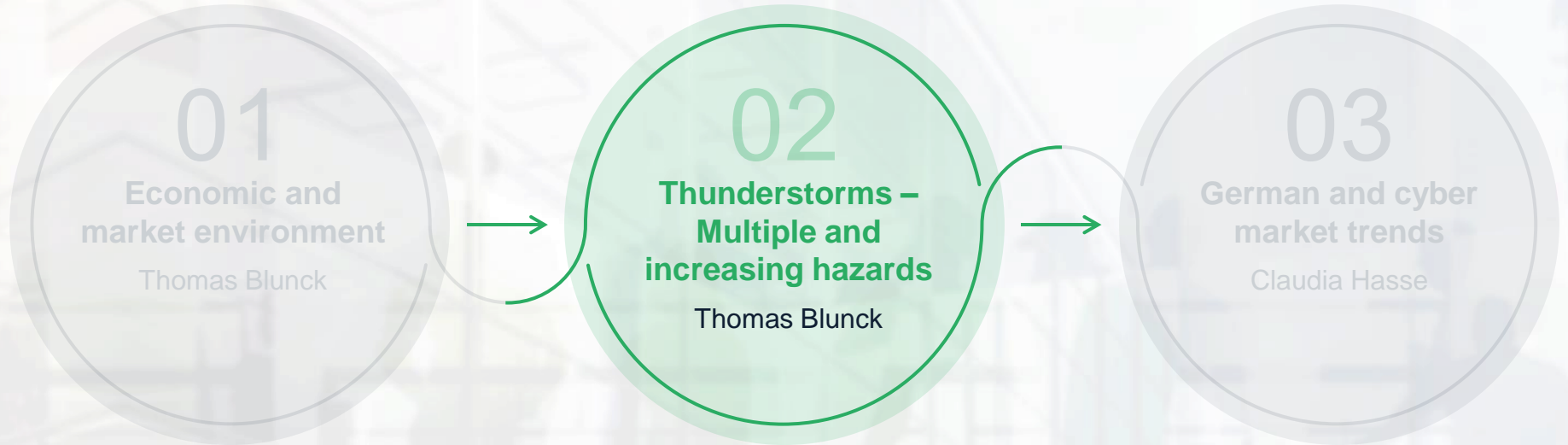
P-C RI: Ceded premiums 2021



Europe	€92bn	30%
North America	€110bn	36%
Asia Pacific	€75bn	24%
Latin America	€17bn	5%
Africa/Middle East	€15bn	5%
Total	~€309bn	100%

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

RI	PI		
	19–21	22–24	
19–21	22–24	19–21	22–24
3%	1–2%	1%	1%
10%	2–3%	3%	2%
5%	3–4%	2%	4%
5%	4–5%	1%	3%
1%	3–4%	0%	4%
6%	2–3%	2%	2%



Insurance industry counters climate change

Our approach: Understand – Measure – Manage – Enable – Invest



Heatwaves/droughts and thunderstorms

Impacted by climate change – Properly assessing changing risks is key



Image: Westend61 / Getty Images

2022: Heatwave with record temperatures and droughts ...

- One of the hottest summers in Europe: Record temperatures in many countries (UK: >40°C)
- Study describes climate impact: “High temperatures exacerbated by climate change made 2022 northern-hemisphere droughts more likely”¹
- As of August 2022, EU yield forecasts for grain maize, soybean, and sunflowers were 12–16% below the five-year average²
- Germany: Several drought years since 2018, rainfall in 2022 40% below average, summer temperatures 3°C above 1961–1990 average



Image: AlesVeluscek / Getty Images

... followed by thunderstorms and hail

- Losses from thunderstorms in Europe likely to break the 2013 record³
- Highest losses in mainland France from severe hailstorms in June and July: >€4bn in insured losses
- Corsica (France): A “derecho” (long-lived thunderstorm/severe convective windstorm) with hail and strong gusts (~220 km/h) caused huge damage
- Studies show that probability of severe hailstorms has increased in many regions in Europe – and may further increase in future⁴

¹ <https://www.worldweatherattribution.org/high-temperatures-exacerbated-by-climate-change-made-2022-northern-hemisphere-droughts-more-likely/>

² https://edo.jrc.ec.europa.eu/documents/news/GDO-EDODroughtNews202208_Europe.pdf ³ Source: Munich Re NatCatSERVICE

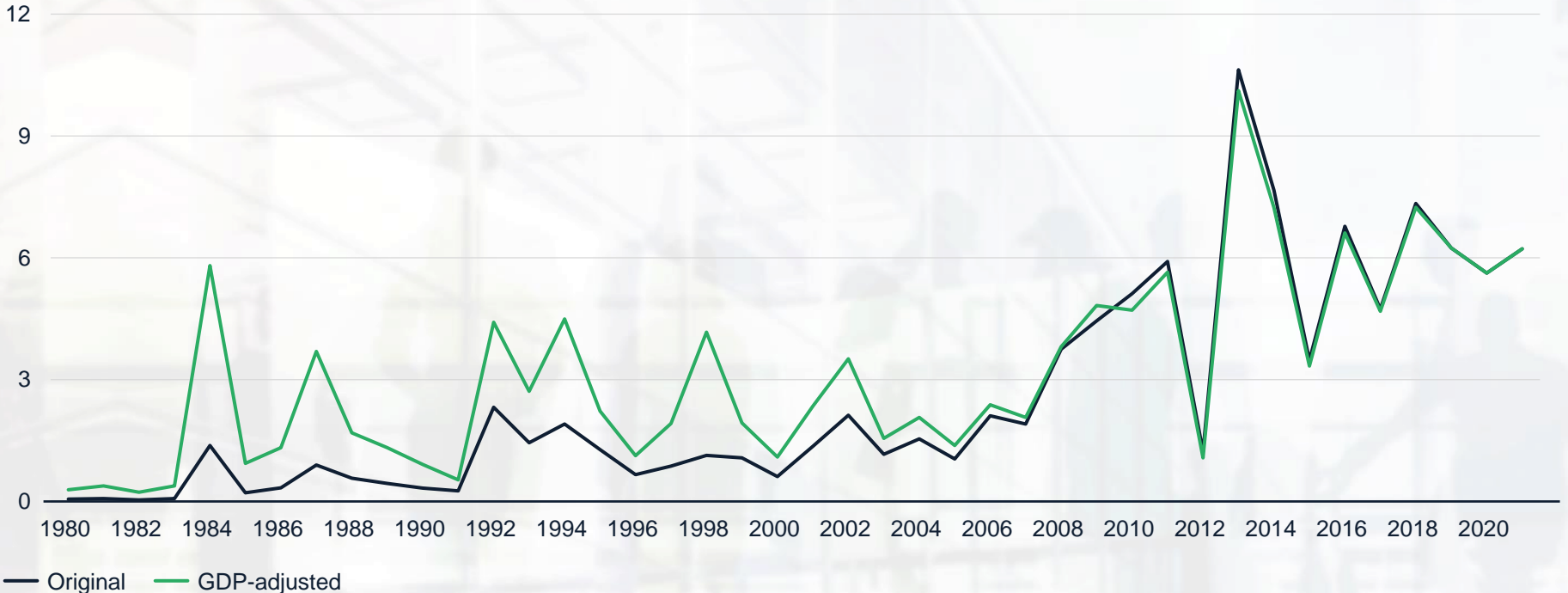
⁴ <https://journals.ametsoc.org/view/journals/apme/57/3/jamc-d-17-0132.1.xml>; <https://www.nature.com/articles/s41612-019-0083-7>

Severe thunderstorms – An underestimated hazard

Socioeconomic factors and changing weather patterns drive loss experience

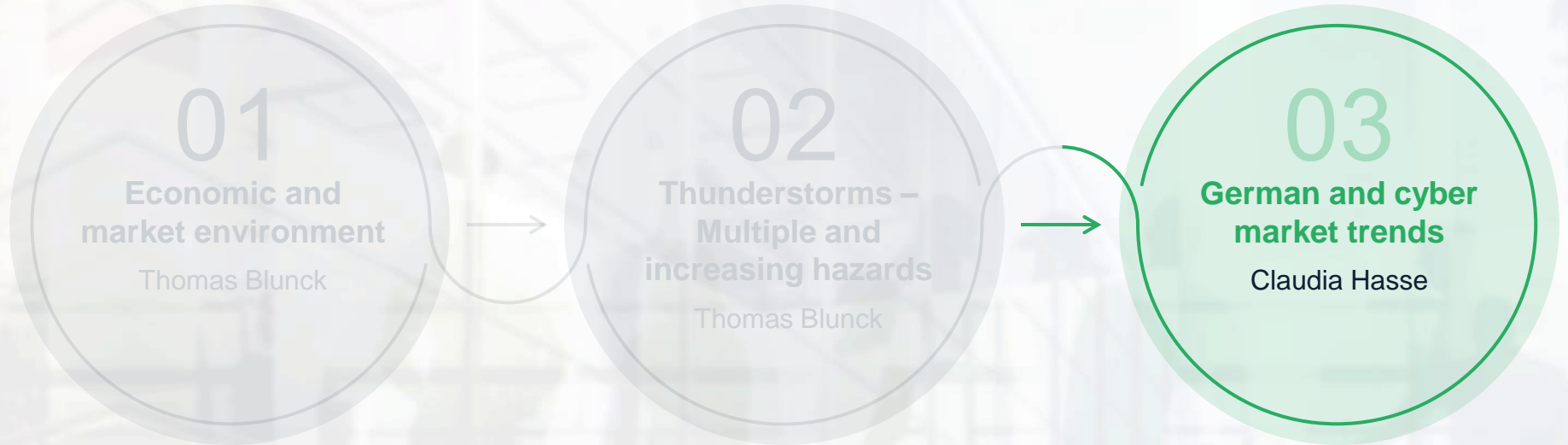
Losses caused by thunderstorms¹ in Europe (hail, tornadoes, extreme rainfall/flash floods)

1980–2021, in €bn (original and GDP-adjusted values)



¹ (Severe) Convective storms

Source: Munich Re NatCatSERVICE 2022. Losses include severe storms, tornadoes, hail, lightning, flash floods.



Growing profitably in the competitive German market

Leveraging a three-pillar strategy for sustainable success



Since 2020, we have been growing our book by implementing a strategy based on:



Staying in close contact with cedants to understand their challenges and their strategies



Offering suitable solutions with the full force of Munich Re's expertise



Offering reliable capacity even in times of crisis, provided adequate prices are paid

Implementing a successful strategy in our home market, Germany

Understand clients' challenges, offer expertise and solutions at adequate prices



Our clients' current challenges



Inflation: High uncertainty, effects vary by line of business



NatCat: Insurance gap is to be reduced – need for modelling expertise and for capacity



Fire in commercial/industrial business: 2021 will again be an unprofitable year



Motor: Impacted by mobility trends and claims inflation



Munich Re remains the partner of choice as we:

Analyse inflation effects by line of business and even those specific to clients



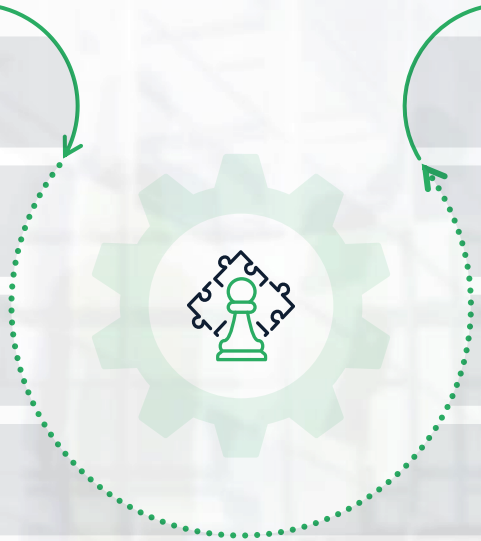
Offer our nat cat expertise and capacity at risk-adequate prices



Offer our industry and portfolio-management expertise to tackle rising fire losses



Provide clients with our in-depth knowledge



Develop strong and innovative solutions

Partnering with clients for 2023 and beyond



Our clients' mid-term challenges



Capital relief and volatility: Increase in retentions causing more demand for capital relief and for instruments to smoothen volatility



Digitalisation: More and more clients have successfully implemented new systems – now they need to harvest the fruits of a coherent data base



ESG: Insurers do not only want to fulfil reporting requirements but want to support their clients in their transformation



Our aim: Support our clients in implementing their strategies

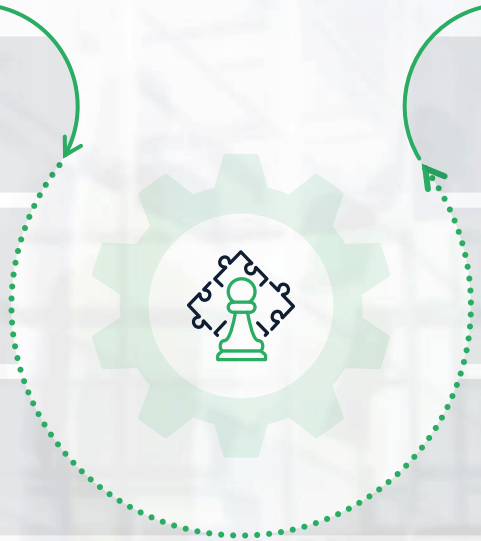
Offer structured reinsurance solutions



Offer ready-to-use solutions to foster profitability and growth of cedants



Guarantee technical performance of batteries for example, as part of a motor policy



European cyber market has grown substantially

Our approach: Market-leading know-how and strict focus on profitability

Current market size: ~€2bn
Munich Re market share varies per country between 5% and over 20%
Active in all segments with a focus on SME and private lines business

Our profitability is good, though a bit lower than that of the global cyber book – increasing risks and accumulation potential have to be factored into pricing



Sustainable market: Most cyber risks can be insured, systemic risks have to be clearly excluded

Munich Re fosters transparency to make cyber risks an attractive draw for additional capital



LMA¹ war exclusion clauses for the London market are currently being adapted for selected European markets

¹ Lloyd's Market Association

Thank you for your attention.

20 October 2022
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