

# Baden-Baden 2024 Media Breakfast

21 October 2024  
9.30 – 11.00 CEST

Clarisse Kopff  
Claudia Strametz

Munich RE 



## European Markets

- Executive Leadership Team
- Sector Profitability
- Supply & Demand Dynamics
- NatCat & Casualty

Clarisse Kopff



## Focus: Cyber & Germany

- European Cyber
- German Market Topics

Claudia Strametz



## Munich Re's Proposition

- Financial Strength
- Client-focused Approach

Clarisse Kopff



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# Our Executive Leadership Team



**Clarisse Kopff**

Member of the Board of Management of Munich Re  
Non-Life Reinsurance Europe & Latin America



**Dr. Carsten Prussog**

UK, NL and Nordics



New

**Patrice Michellon**

FR, BE, IT, CH,  
AT & CEE



New

**Dr. Claudia Strametz**

Germany,  
Cyber EU/LA,  
New Re



Retiring

**Dr. Matthias Marwege**

Spain, Portugal,  
Latin America,  
Caribbean



Joining

**Maura Freiwald**



**Thomas Lallinger**

Global Credit



# Market continues to face considerable uncertainty



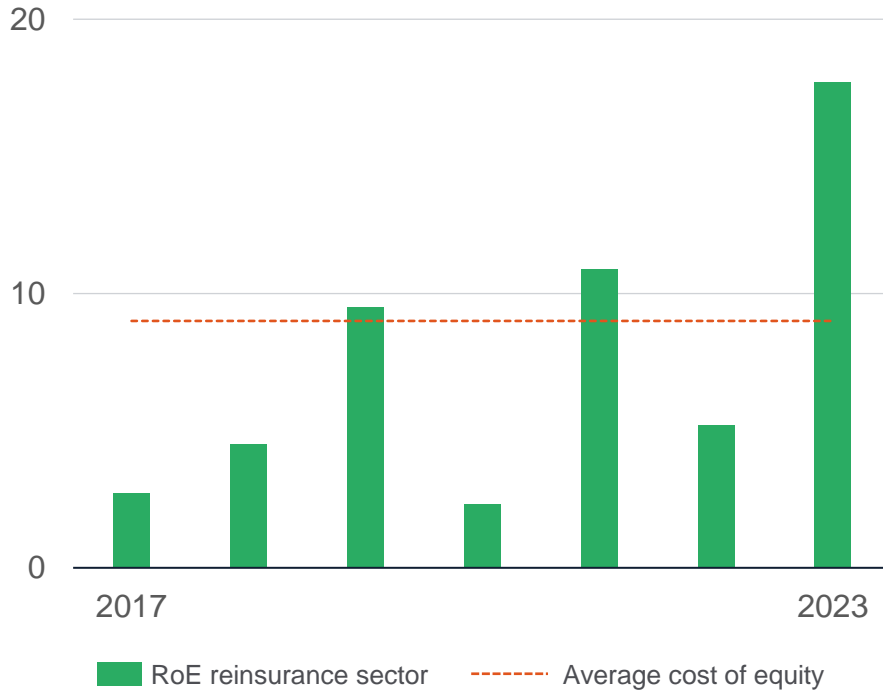
Financial strength and underwriting excellence are key to navigating this complexity



# Average 7-year return has been below cost of capital

## Reinsurance sector RoE

in %



- **More balanced risk-sharing** with primary insurance achieved across 2022 and 2023
- This, plus a quiet US hurricane season and higher interest rates, drove earnings above cost of capital in 2023
- Average **returns** over 7 years are **still low**
- High **hurricane activity** again in 2024
  
- **European markets** have been **continuously challenging** in recent years: heavy NatCat activity and major inflation shock



**Volatility** is not abating: Consistent **underwriting results** will be needed over a **longer period**



# Moderate overall increase in supply meets stronger demand

## Supply

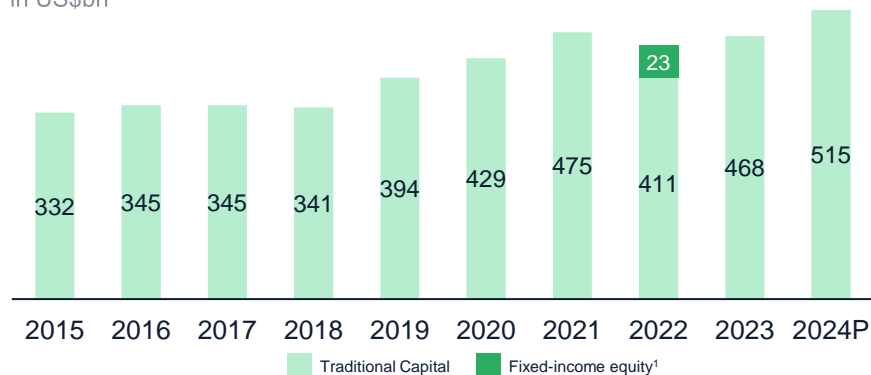
- Traditional reinsurance **capital has recovered** since 2022
- Supply driven by **incumbent markets** that made better returns in 2023 but **high hurricane activity** in 2024 will offset moderately improved supply
- Alternative Risk Transfer **less relevant** for Europe

## Demand

- Higher **frequency and severity** of natural catastrophes is leading to increased awareness
- NatCat exposure growth from **inflation** and **concentration of values** in exposed areas
- In Motor, growth from **original market rates** and **increasing demand** for capital relief solutions
- Increasing awareness of **cyber risks**

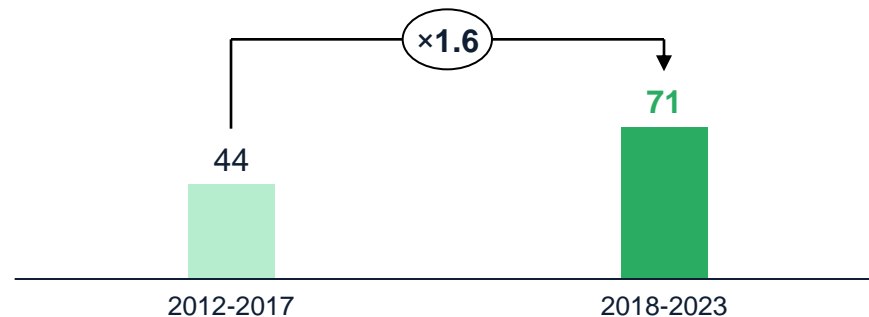
## Dedicated reinsurance capital

in US\$bn



## European NatCat losses<sup>2</sup>

in US\$bn, inflation-adjusted, aggregated total



Note 1: Includes fixed-income equity adjustment, capturing anticipated recovered capital as bonds mature over time

Note 2: Aggregated total of insured NatCat losses in Europe; inflation adjusted

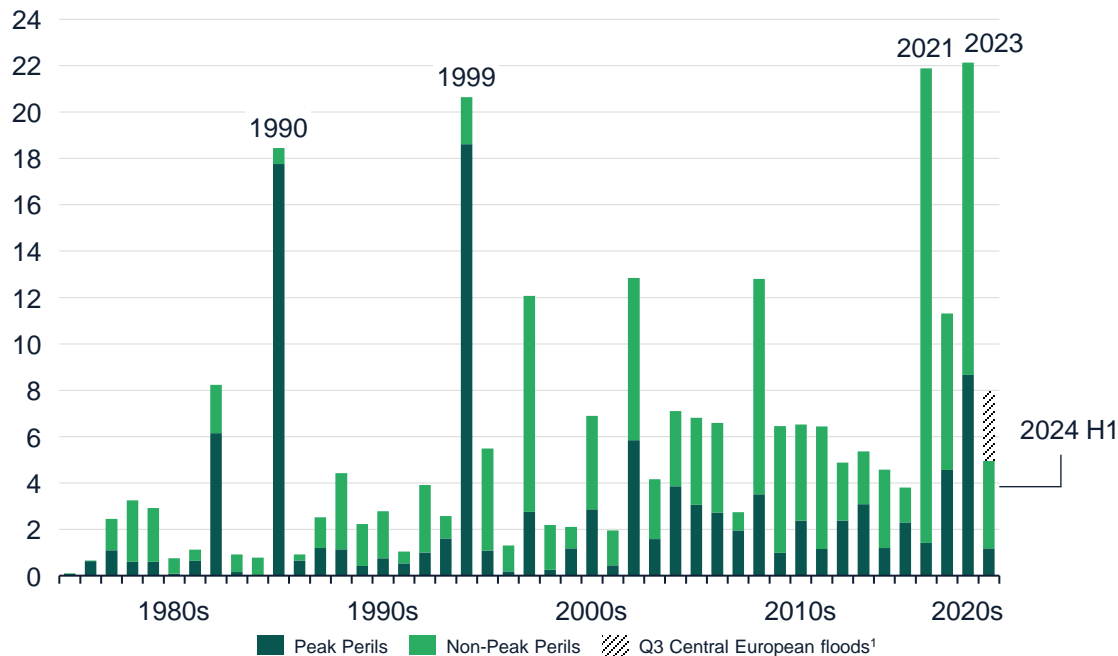
Source: AM Best, Guy Carpenter, Munich Re, NatCatSERVICE



# NatCat: Non-peak perils drive losses in Europe and are on the rise

## Insured market losses in Europe

in €bn, inflation-adjusted



Note 1: initial estimate  
Source: Munich Re, NatCatSERVICE

## Clear upward trend

- Non-peak peril **losses prevalent** in Europe
- In 2024 losses to date are **driven by floods**, with the worst ones in Germany and Central Europe
- Winter storm season is **still ahead**

» **Trend** must be appropriately addressed **at all levels** of the insurance value chain

» Reinsurance is the **best tool** for our clients **to manage** severe NatCat **events** and corresponding capital **requirements**



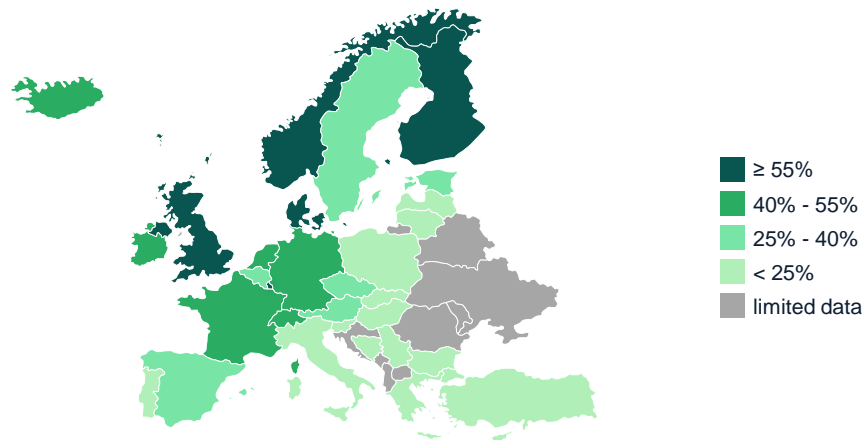


# NatCat protection gap is still significant in Europe

Munich Re has shown its ability to increase capacity when terms and conditions are met

## Insured NatCat losses

in % of economic losses, average since 1994<sup>1</sup>

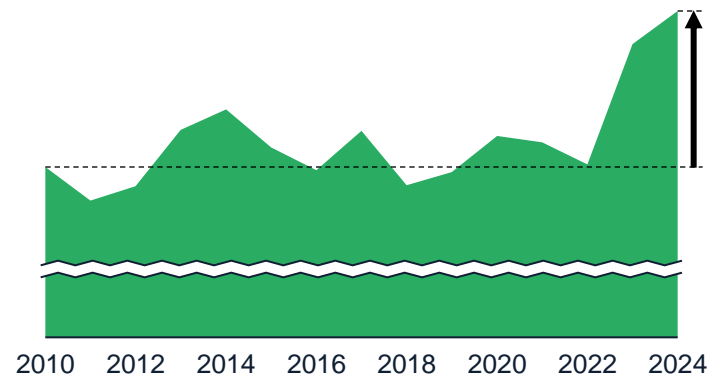


- **Europe** as a continent **trails behind** North America in closing the NatCat protection gap
- Gap is greater in **southern and eastern** European countries
- Recent events **raise awareness** on the need for insurance
- **Preventive measures** will be key to overall insurability levels

Note 1: Average share of insured losses divided by economic losses since 1994 (NatCat: excluding famine, heatwave, drought)  
Source: Munich Re, NatCatSERVICE

## European CatXL capacity

Illustrative for Munich Re's European cedents



Munich Re is ready to contribute  
➤ **reducing that gap**, but we remain insistent that **appropriate terms and conditions** are built into the original covers



# Casualty: Selective approach in Motor and Liability lines

## Motor: Market environment



- In all large European markets, Motor insurance was severely **hit by inflation**:
  - car parts for **physical damage**
  - wages and healthcare costs for **bodily injury**
- Most markets in Europe **still recovering**, with the UK ahead
- Some players reacted more promptly than others
- Munich Re is **very selective** in general and especially in longer-tail lines

## Liability: Watch points



### Social inflation

- US exposures in **international programmes** of European insurers
- **Increase** in class actions and third-party litigation **observable in Europe**, though to a much lesser extent than in the US
- Munich Re maintains a **cautious approach**

Munich Re supports clients who demonstrate agility in original repricing, transparency on reserving, and sound exposure management

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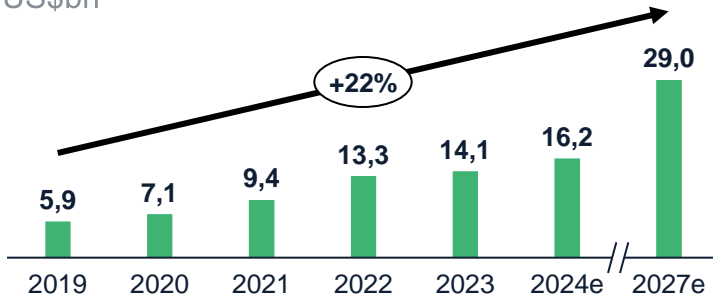




# Cyber: Growth potential, particularly in Europe, where cyber insurance density is still low

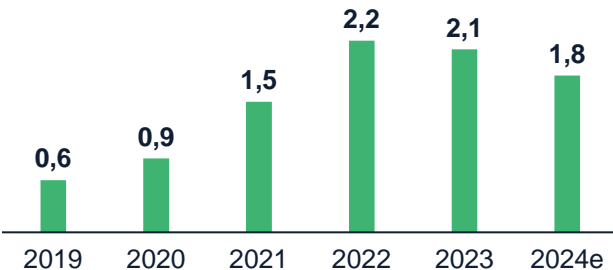
## Worldwide cyber premium<sup>1</sup>

US\$bn



## Worldwide Munich Re GWP

US\$bn

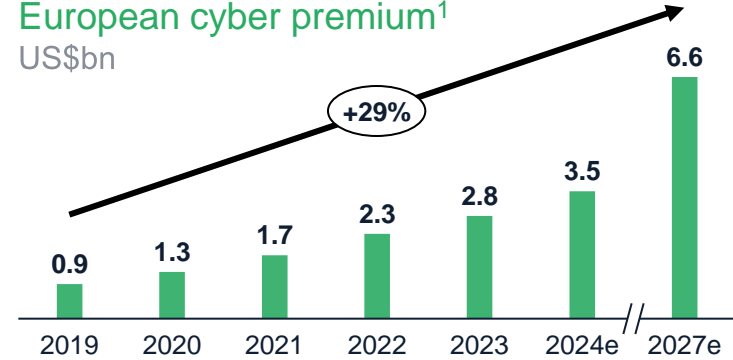


<sup>1</sup> Source: Munich Re estimates



## European cyber premium<sup>1</sup>

US\$bn



## European cyber market set to grow further

- Still concerning low cyber insurance penetration in Europe

## Munich Re prepared to grow with focus on disciplined underwriting and clearly defined risk appetite

- Cyber war consistently excluded; wordings adjusted
- Investing in accumulation modelling
- Advocating for governmental Cyber Catastrophic Response Plans



# Cyber: Fit-for-purpose accumulation risk management is key

Clearly defined risks and limits of insurability

## Accumulation risk

The core challenge with respect to (systemic) accumulation risk is the potential for a **cyber event to have severe effects on the entire cyber portfolio**, affecting more than one insured.

### Manageable accumulation risk

#### Virus/malware

Outbreak of widespread, untargeted and self-reproducing malware



#### Cloud outage

Large-scale outage of cloud service provider causing widespread business impacts



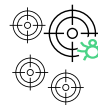
#### IT service provider compromise

Large-scale outage of service provider (except cloud) causing data breach and/or BI



#### Multi-client targeted attack

Targeted attacks of threat actor(s) on multiple insureds causing data breach and/or BI



### To be excluded/not insurable

#### Failure of (critical) infrastructure

Losses from infrastructure failure (e.g. power supply, telecommunications, internet)



#### Cyber war

State-sponsored cyber operations causing significant disruptions





# Germany: We continue to work with our partners on the challenges of our home market

## NatCat



- 2024 is another year with **high NatCat losses** in Germany
- Relying on experience data is **not sufficient** to predict future losses
- **Strong technical approach** is needed when underwriting portfolios or single risks

## Fire



- **Persistent loss trends** in the industrial and commercial fire sector
- More **complex supply chains** driving business interruption losses on the industrial side
- **Fierce competition** in commercial business

## Motor



- **Improving trend** but still a long way from positive technical results
- Tariff adjustments are **lagging behind** surging repair costs
- **Continued cautious underwriting approach** is needed to reach sustainable results

We at Munich Re remain strongly committed to our home market and support our German clients with technical expertise

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# Striving to be the quality leader and strategic partner

Our **strong diversification** and **financial strength** afford us high and reliable capacities

Our broad and **in-depth risk expertise** in most categories is our foundation



We provide long-term **consistency** and prefer **strategic partnerships**

We offer **client-centric** and tailor-made **solutions**



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