



# SOLVENCY II – RISK PARTNERSHIP WITH MUNICH RE

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# Modest prospects at best for the German insurance sector

## Development of premiums in the German insurance sector (% change on previous year)



<sup>1</sup> including pension funds

Source: German Insurance Association – Konjunktur und Märkte 1/2009

# Insurance industry: no lasting changes so far as a result of the financial crisis, but less certainty for forecasts

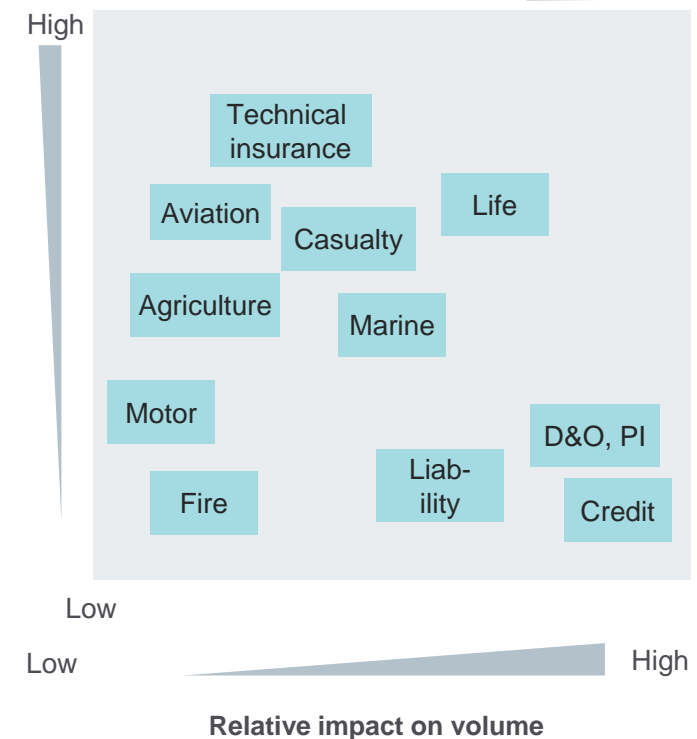
## Effects of the financial crisis

- **Currently no lasting changes expected due to financial crisis**
- **but:**
  - **pressure on technical profitability has increased significantly**
  - **forecasts remain very uncertain**
    - the continuing economic crisis could have lasting effects on the environment (see matrix on right)
    - risk of higher inflation in medium term
    - realisation of book value losses in the event of large property-casualty claims
- **Lessons learned from the crisis**
  - Reinsurance can be an effective solution for financial and balance sheet management
  - Sound risk management and asset-liability management are crucial
  - Stronger focus on qualitative aspects under Solvency II

## Effect of a clear recession on insured risks

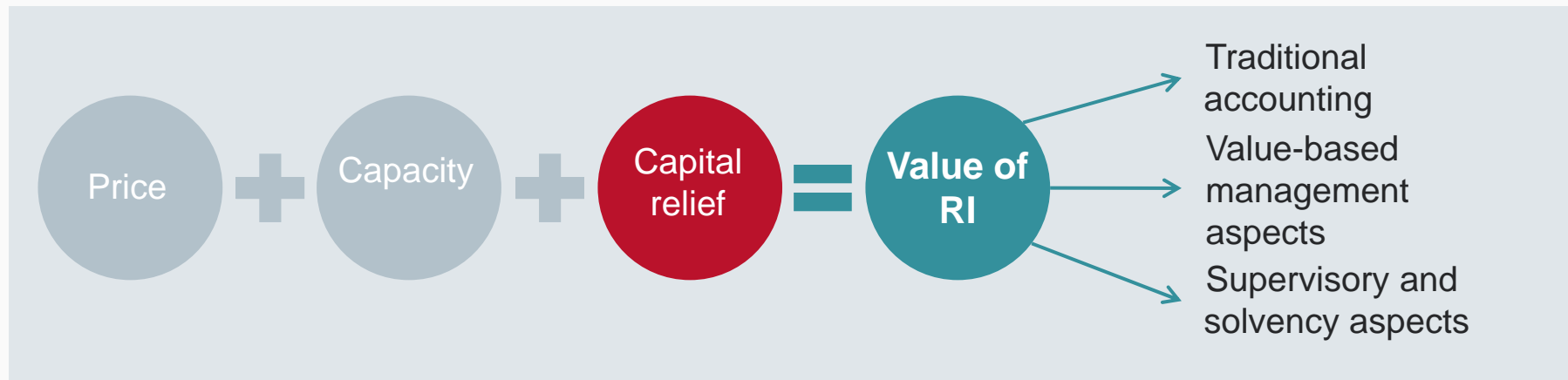
### Relative impact on volume

### Illustration



**Lasting change is primarily driven by long-term trends**

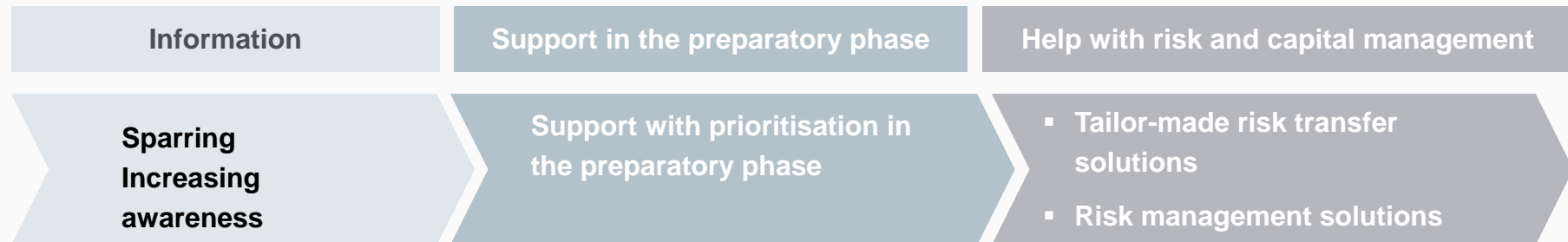
## Reinsurance and other ways of achieving capital relief are gaining in importance



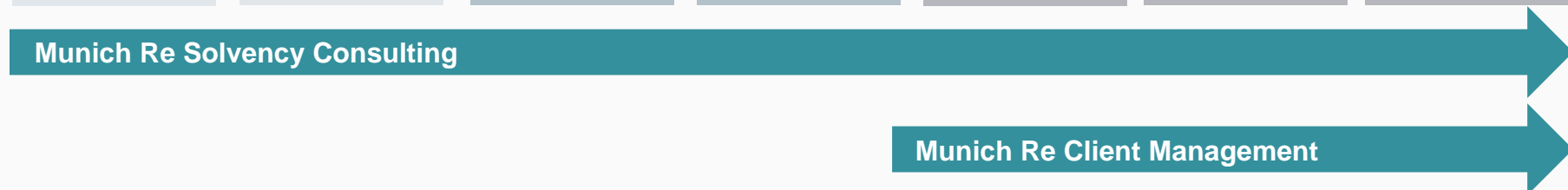
### A renaissance for reinsurance

- Recognition of reinsurance no longer limited to 50% as under Solvency I – full recognition of capital-relief effect under Solvency II
- Improved return on the required risk-adjusted capital
- Reinsurance supports strategic goals such as sustainability, growth, diversification and lower volatility
- Reinsurance promotes consistency between the business and risk strategies (e.g. avoidance of additional capital requirements)

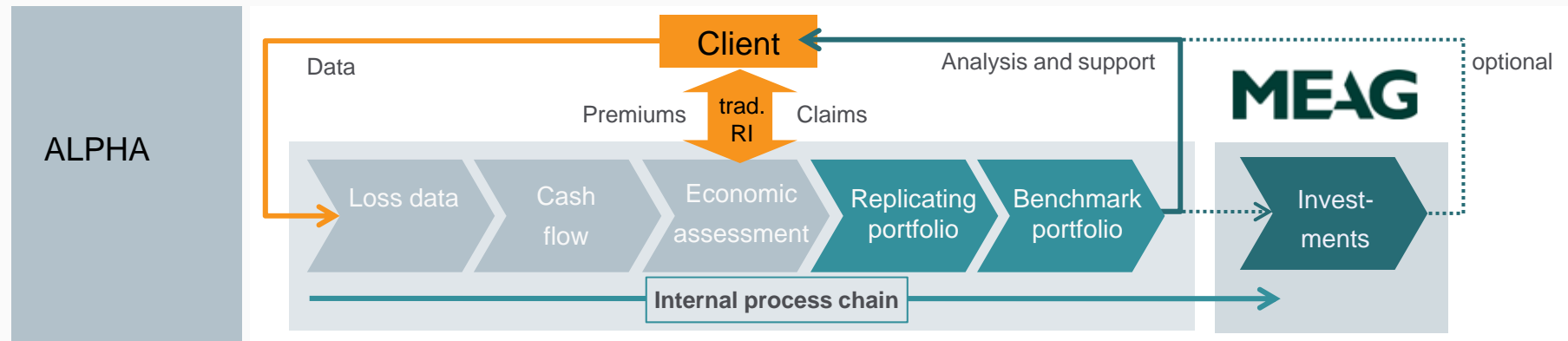
**Transparency and measurability of risk and the worth of reinsurance are guaranteed**



Knowledge series	Market events Conferences	Sample companies	MISS Life/ MISS Non-Life	GoST	PillarOne	PODRA
Information on Solvency II	Discussions with clients initiated	Effect of reinsurance evaluated	Interactive workshops	Interactive workshops for Pillar II	Software platform for stochastic modelling	Joint analysis of client's portfolio



# Alpha\* provides the option of releasing risk capital or increasing income on investments



## Client requirements

- Considerably more stringent risk management and asset-liability management (ALM) requirements under Solvency II
- Property-casualty insurers in particular prepared to outsource parts of the ALM process

## Client benefits

Results for a pilot client with mid eight-figure (euro) premium income:

- Increase in investment income for the year of just under €1m
- or alternatively a risk capital saving of €3m

# Munich Re well positioned for future challenges

New global brand



## Munich Re's three cornerstones

1

A high level of security and individual solutions

- Efficient reinsurance of standard risks
- Customised solutions for risk and balance-sheet management
- Consulting on Solvency II/ ALM, enterprise risk management
- Risk transfer to capital markets

2

(Re)insurance of complex and new risks

- Expanding the limits of insurability by developing new coverage concepts
- First-class modelling
- High investment in actuarial and underwriting skills

3

Tapping into new client groups

- Highly specialised primary insurance niche business; cooperation with MGAs
- Public-private partnerships
- Insurance pools

**Clear positioning as a comprehensive service reinsurer**



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