

Natural perils, geopolitical tensions, and global loss trends: Reinsurance demand strong in Europe – Munich Re offers consistent support

- Munich Re predicts continued high reinsurance demand and continues to show unwavering commitment in challenging market environments
- Risk sharing between insurers and reinsurers to remain balanced
- Increasing threats and awareness in cyber expected to unlock insurance market potential



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Clarisse Kopff, Munich Re Board of Management

Munich Re – a stabilising force in times of rising uncertainties

In a world which is constantly heating up, literally and in a geopolitical sense, Europe is affected in its own special ways. With the last eleven years being the warmest on record so far, the risk of droughts is increasing just as much as the danger of flash floods and hailstorms. This, and the ever increasing value concentration as well as continued elevated inflation pushes the demand for reinsurance up. The variety of market and client situations call for a differentiated approach. Munich Re will continue to support clients in growing the insurable market and help them navigate new complexities in international exposures.

Clarisse Kopff, member of Munich Re's Board of Management responsible for Europe and Latin America: "In an increasingly uncertain environment, Munich Re will continue to play its stabilising role. Be it on climate-related perils, or effects of the geopolitical and macroeconomic instability, we will stand by our clients and provide them with the strong and sustainable support they need."

How exposed Europe actually is from a Nat Cat perspective is demonstrated almost year by year. For example, the 2021 Ahrtal flood in Germany caused insured losses of €10.9 bn, while the major Kahramanmaraş earthquake in Turkey in 2023 caused €5.5 bn in insured losses. Both have been the biggest loss-events so far for both countries. Since 2020 Munich Re has continuously raised its NatCat net exposure by an annual 27% for the loss scenario Flood Germany and by an annual 10% for the loss scenario Earthquake Turkey.

Claudia Strametz, who leads Munich Re's business for Germany and who is responsible for cyber business in Europe, says: "Even in challenging market environments following significant loss events, Munich Re continues to show unwavering commitment to its clients, helping them manage their results and deploying or even increasing capacity for the affected markets. This is possible thanks to our strong capital position and the best geographical diversification in the industry."

Heterogeneous European markets and client demands call for a differentiated approach

Lines of business and markets vary in their inherent characteristics. They obey to different supply and demand dynamics. And clients themselves each have their own buying motivations and behaviour. This all prompts differentiated answers and solutions.

"At Munich Re we listen, understand and come up with bespoke solutions to appropriately address the individual reinsurance requirements of clients in their specific markets. Our strong historical local presence and deep market-specific underwriting knowledge help us do that", Kopff says.

Munich Re's business is underpinned by long-lasting client relationships which provide not only mutual performance stability for both parties. They have been and will remain the backbone for growth, be it in traditional, still developing or emerging lines of business. "We believe that by working together with our clients we can be more effective in narrowing the protection gap", Kopff says.

The vast majority of cyber risks is currently not insured

Cybercrime is estimated to cause economic damage amounting to roughly US\$10 tn worldwide. Small and medium sized enterprises still underestimate the existential threats of a hacker attack. The sizeable cyber insurance protection gap can directly impact individuals

and businesses. Closing this protection gap and strengthening cyber resilience is therefore not just a strategic imperative for the insurance industry – it is a critical societal responsibility.

Claudia Strametz: “Over the past 10 to 15 years, cyber insurance has experienced remarkable growth, evolving from a virtually non-existent product to a global market with approximately €15 bn in premiums today. Munich Re has been at the forefront of this development. Despite this progress, less than 5% and possibly as little as 1% of cyber risks are currently insured, and cyber insurance still only accounts for less than 1% of the total property and casualty (P&C) insurance market.”

Munich Re continuously enhances its expertise by investing in advanced modelling capabilities and specialised cyber teams. The commitment to building cyber resilience is demonstrated through active collaboration across the industry. These efforts are designed to lay the groundwork for sustainable market growth and for a robust and future-ready cyber insurance market.

Navigating new complexities in international exposures of European programmes

Munich Re sees a risk that some exposures are underestimated in international liability programmes. For example, European companies can be subject to US litigation even if they have no big subsidiary in the US. Transparency and specialization to underwrite US exposures paired with in-depth experience of handling US claims will be key for navigating this landscape successfully.

Clarisse Kopff: “In ever more complex and riskier times, we provide large and reliable capacity, and we bring our expertise to the clients to enable mutual profitable growth and avoid surprises. We will adapt to the variety of markets and client situations, and we will differentiate our approaches, whilst continuing to look for a good balance of risks between our clients and us.”

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Munich Re

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