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Press release

Munich Re estimates claims burden from earthquake in Japan at around €1.5bn

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Munich Re provisionally estimates that its claims payments for the devastating earthquake and tsunami in Japan will total some €1.5bn (after retrocession and before tax). As a result, its profit target of around €2.4bn for the financial year 2011 can no longer be maintained.

This initial loss estimate is based solely on modelling. Owing to the extent of the destruction, further possible aftershocks and difficult clearing-up operations, it will be many weeks before the losses are assessed and all the claims notifications from Japanese primary insurers have come in. As many reinsurance covers do not attach until very high losses have been sustained by individual cedants, it will only become apparent at a later stage whether and to what extent reinsurers are affected by losses under particular treaties. Further uncertainties result from the impact on international flows of goods and supply chains from business interruptions suffered by Japanese industrial producers.

The magnitude 9.0 earthquake on 11 March struck the northeast coast of the main island of Honshu. Following the quake, whole towns on the northeast coast were devastated by a massive tsunami. "The earthquake was not only the strongest ever recorded in Japan: it was also the fourth most severe ever measured anywhere in the world", said Torsten Jeworrek, Munich Re's Reinsurance CEO. "That makes clear the extent of the losses and the suffering. Our full sympathies are with the Japanese people and our clients there." Munich Re's business relations with Japanese insurance companies date back to 1912. "We will naturally continue to make our capacity available to our clients in Japan and support them in dealing with the losses. We can be counted on, particularly at moments like this, and are in close contact with our clients", stressed Jeworrek.

The losses for Munich Re result mainly from covers in commercial business. With the exception of covers placed with mutual insurers, earthquake insurance for residential buildings in Japan is provided solely by the Japanese earthquake pool, which is insured by the Japanese state together with private Japanese insurance companies. Due to supervisory regulations, risks from the earthquake pool may not be transferred to the international reinsurance market. The private insurance industry will not be significantly affected by the accidents at the Fukushima nuclear power plant.

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For Munich Re, the first quarter of 2011 had already been marked by high losses from the earthquake in New Zealand, the floods in Brisbane and Cyclone Yasi in Australia. Now including the projected losses from the earthquake and tsunami in Japan, the major-loss burden from natural catastrophes amounts to over €2.5bn (after retrocession and before tax), thus far exceeding the volume to be expected for this period. That means the profit target for 2011 of around €2.4bn is no longer achievable.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. Munich Re creates value for clients, shareholders and staff alike. In the financial year 2010, the Group – which pursues an integrated business model consisting of insurance and reinsurance – achieved a profit of €2.4bn on premium income of around €46bn. It operates in all lines of insurance, with around 47,000 employees throughout the world. With premium income of around €24bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Our primary insurance operations are concentrated mainly in the ERGO Insurance Group. With premium income of over €20bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal protection insurance. More than 40 million clients in over 30 countries place their trust in the services and security it provides. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €193bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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