



Partnering for progress

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Starting shortly.

Baden-Baden media conference

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Nikhil da Victoria Lobo, Head P&C Reinsurance Western & Southern Europe

Jens Mehlhorn, Head Property Underwriting EMEA

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Partnering for progress

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Swiss Re Media conference

Baden-Baden, 18 October 2023

Your speakers today



Thorsten Steinmann

Head Property & Casualty Reinsurance
Northern, Central & Eastern Europe



Nikhil da Victoria Lobo

Head Property & Casualty Reinsurance
Western & Southern Europe



Thorsten Steinmann

Head Property & Casualty Reinsurance
Northern, Central & Eastern Europe

The current environment creates **opportunities and challenges** for the re/insurance industry in Europe

Economic indicators



Elevated inflation levels



Higher interest rates



Elevated uncertainty and volatility



Growing reinsurance market

Relevance for the industry

Underlying inflation persists and may put pressure on claims costs across various business lines. In the Eurozone, 5.5% in 2023, 2.6% expected for 2024.

Higher interest rates benefit the investment income of the re/insurance industry. Negative nominal yield era is over; ECB¹ likely at their interest rate peak, but will keep interest rates tight for a while: 4.5% in September 2023.

Increased demand for reinsurance in the current geopolitical and macroeconomic environment.

Growth is driven by new risk pools catalysed by digitalisation, higher risk awareness and increasing insurance penetration in emerging markets. The P&C reinsurance market in Europe is expected to grow by 3.5%² annually until 2033.

Casualty: Economic and social inflation continue to impact the re/insurance industry

Inflation impact on motor insurance

Economic inflation impact on motor insurance claims¹

Line of business	Current inflation	Persistent inflation	Reason
Motor, physical damage	●	●	High car (part) prices
Motor, bodily injury	●	●	Wage and medical cost inflation below CPI so far

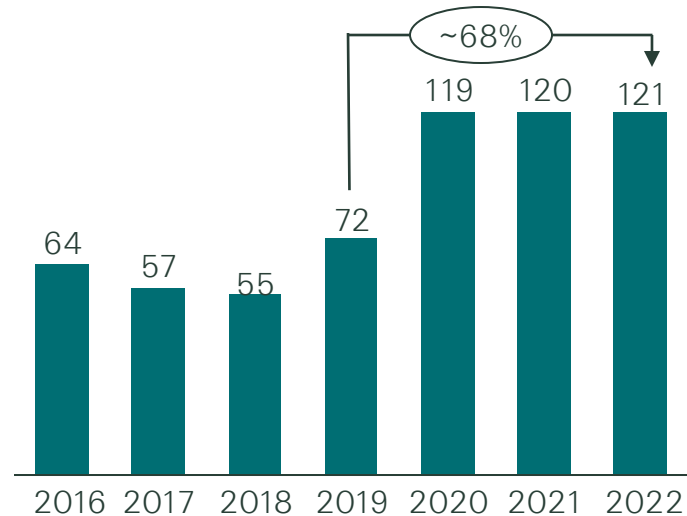
Legend: ● significantly impacted ● impacted ● not impacted

Inflation surge is increasing claims severity for European P&C insurers in motor insurance.

The longer the inflation surge lasts, the more it will drive up bodily injury claims, as it broadens out to wages and higher healthcare costs.

Social inflation is not a US-specific issue anymore

Number of filed European class actions²



Increase in class actions filed is expected to accelerate due to the EU Representative Action Directive.

Most class actions are filed in the **UK (54%)** and the **Netherlands (13%)**.

PFAS³ as emerging social inflation trend

- **Class of over 7000 man-made chemicals known as "forever chemicals"** that don't degrade over time.
- **Subject to increasing litigation across the US** due to alleged health effects.
- **Newer defendants include cosmetics, clothing and food packaging companies** as PFAS continue to be identified in everyday products.
- **Growing impact/awareness in EMEA.**
- **EU is now considering various bans** on these chemicals.

1. Source: Swiss Re Institute

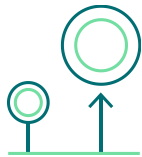
2. Source: CMS European Class Actions Report 2022

3. PFAS = Per- and polyfluoroalkyl substances

Property: Insured losses from natural catastrophes are increasing; demand for natural catastrophe reinsurance is expected to remain high

100

Global insured losses in excess of USD 100 billion per annum are expected to recur. Until end July 2023, global insured losses from natural catastrophes were already at USD 50 billion.



We project that insured losses will continue to grow at 5–7% per year, irrespective of year-on-year volatility and even when real-time amplifying factors such as high inflation subdue.



We expect demand for additional natural catastrophe reinsurance cover of EUR 4–5 billion in EMEA this year; of which EUR 1 billion in Germany alone.

Examples of major natural catastrophe events in 2023

Storms & floods

Scandinavia, Germany

Hailstorms

Italy, Germany

Floods

Italy, Slovenia, Austria, Croatia

Earthquake

Morocco

Earthquake

Turkey, Syria

Floods

Libya

Storms, floods & wildfires

Greece

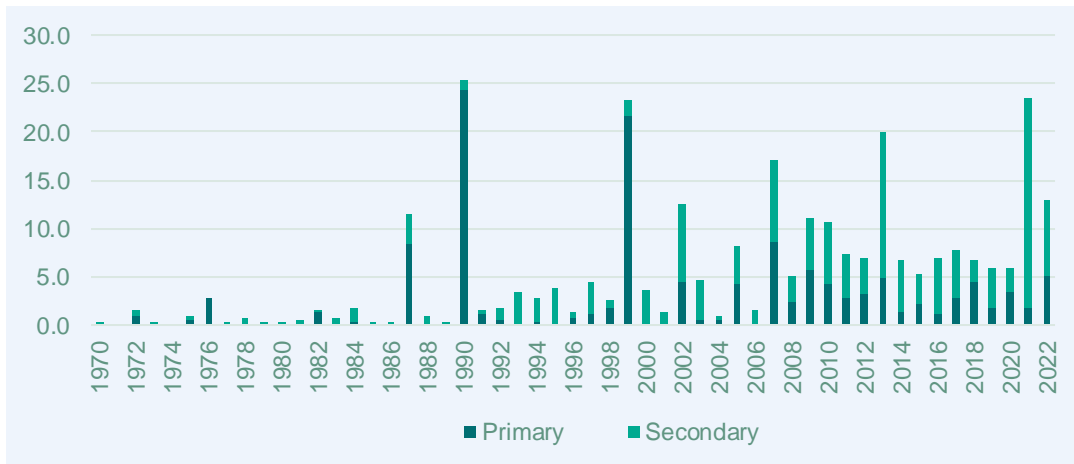


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Natural catastrophes: Secondary perils pose a growing threat, while the protection gap is widening

Insured losses from primary and secondary perils in EMEA, in USD billions at 2022 prices



High severity secondary peril events of the magnitude of the floods in Germany (2021), hailstorms in France, wildfires in Southern Europe.

These natural disasters have occurred more frequently in the last decade, which is indicative of the growing threat they present.

Better monitoring and sharing of granular exposure and claims data for secondary perils is required.

Natural catastrophe protection gap, USD billions

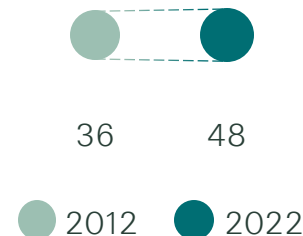
EMEA Developed

+26%



EMEA Emerging

+33%



The natural catastrophe protection gap continues to widen. Since 2012, the gap in the overall EMEA region has grown by 30%, from USD 55 billion to USD 72 billion.

There were more uninsured catastrophe losses than insured ones, with only 36% of total losses insured from 2012 to 2022.

It is estimated that **94% of the losses** caused by the **Emilia-Romagna (Italy) floods were uninsured.**

This **underscores the need for public-private partnerships.**

Exposure to SRCC (strikes, riots and civil commotion) is on the rise and further exacerbated in the aftermath of the pandemic and the Ukraine crisis

SRCC drivers



Social tension, eg unemployment, inequalities, income and wealth disruption



Political systems, eg corruption, poor public services, lack of access to basic health care



Economic hardship, eg food and energy supply disruptions, inflation

Recent examples in EMEA¹

Event	Year	Industry loss
Riots in France	2023	USD 0.7 billion
Riots in South Africa	2021	>USD 2 billion
"Yellow vest" protests (France)	2018–2020	USD 0.2 billion

SRCC potential is at a historical high within an ongoing upward trend:

- **Increasing likelihood of SRCC-related events** with costlier losses
- Industry concerns due to **large potential accumulation of SRCC events**

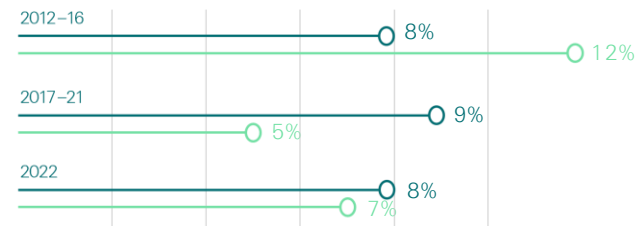
How do we keep **property risks insurable** in times of rising loss burdens?

Demand for natural catastrophe reinsurance continues to exceed supply, as the risk drivers of climate change, demographic change and inflation remain unchanged. **A sustainable re/insurance market** is the prerequisite for future insurability of property risks.



We need a **reinsurance and insurance sector that are at equilibrium.**

Profitability (return on equity) of primary insurers vs. reinsurers 2012–2022

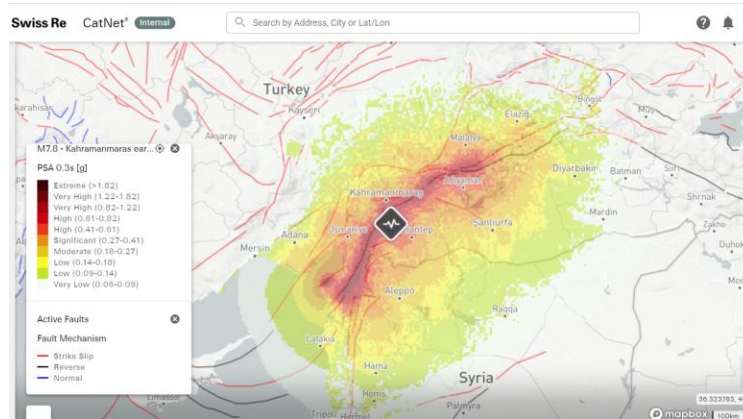


○ Primary Insurers ○ Reinsurers



Using data and tech to improve our understanding of future risks and opportunities.

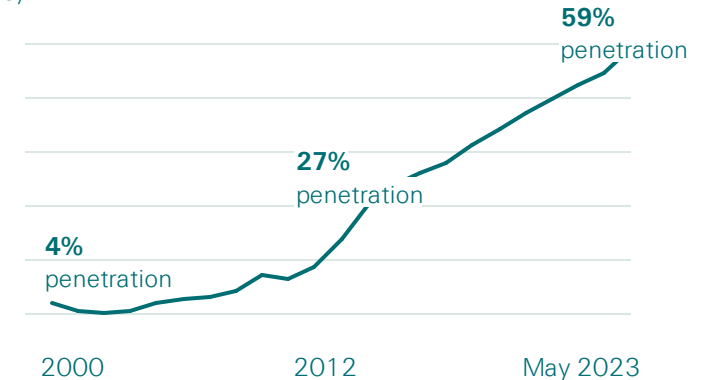
CatNet® visualisation of the Turkey earthquake¹



Increasing insurance penetration through public-private partnerships and industry cooperations.

Turkish Catastrophe Insurance Pool (TCIP): Following the establishment of the TCIP, the insurance penetration for basic residential earthquake cover in Turkey has increased from 4% in 2000 to 59% in 2023.²

Insurance penetration for basic residential earthquake cover in Turkey



Q&A

Please raise your hand
to ask a question.

Thank you for your attention.

For any further questions, please contact the Media Relations team at

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