

How the National Insurance Market works – Germany

Dr. Markus Hofmann,
Chairman of the GDV Engineering Insurance Commission,
Member of the Board of AXA Versicherungs AG

Welcome to Berlin on behalf of 465 GDV member companies including 100 Engineering insurers hosting the 43rd Annual IMIA Conference 2010

- My today's presentation:

How does the German Insurance Market work?

- Tomorrow's presentations of German delegates :
 - Dr. Gause, GDV: How does the German Insurance Association work?
 - Hertenberger/Manderfeld, HDI-Gerling: Germany's largest claim 2009 – Cologne's tube tunnel disaster
 - Schäfer, HSB Germany: Renewable Energy

Agenda

- The Highlights
- Economic overview – Germany
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

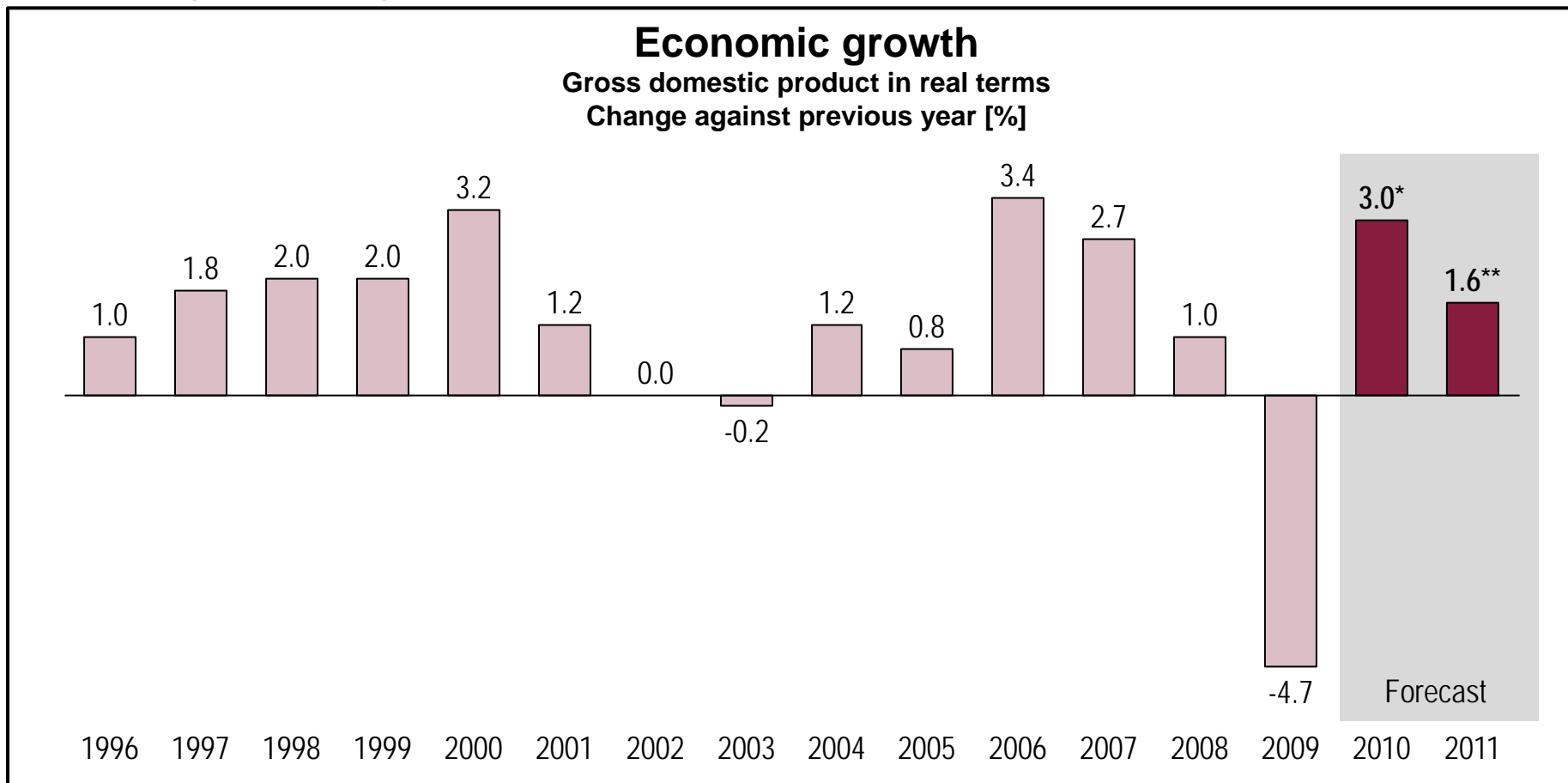
Good news!

- Quickly recovering economy in Germany is backing Engineering Insurance Market
 - **GDP 2010: + 3%** (previous year: - 4.7%)
- Once more above-average growth in the number of contracts and in premium income 2009
 - **Written premium Engineering (all lines) 2009: + 7.4%** (previous year: + 5.5%)
- Booming Renewable Energy Industry
(national offshore wind has started!)
- Stable legal framework situation
(EU anti trust legislation, Law concerning the Insurance Contract etc.)

Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Quickly recovering economy in Germany is backing engineering insurance market!



* Forecast, Deutsche Bundesbank, August 2010

** Forecast, International Monetary Fund (IMF), July 2010

Sources: German Federal Statistical Office, Deutsche Bundesbank, IMF



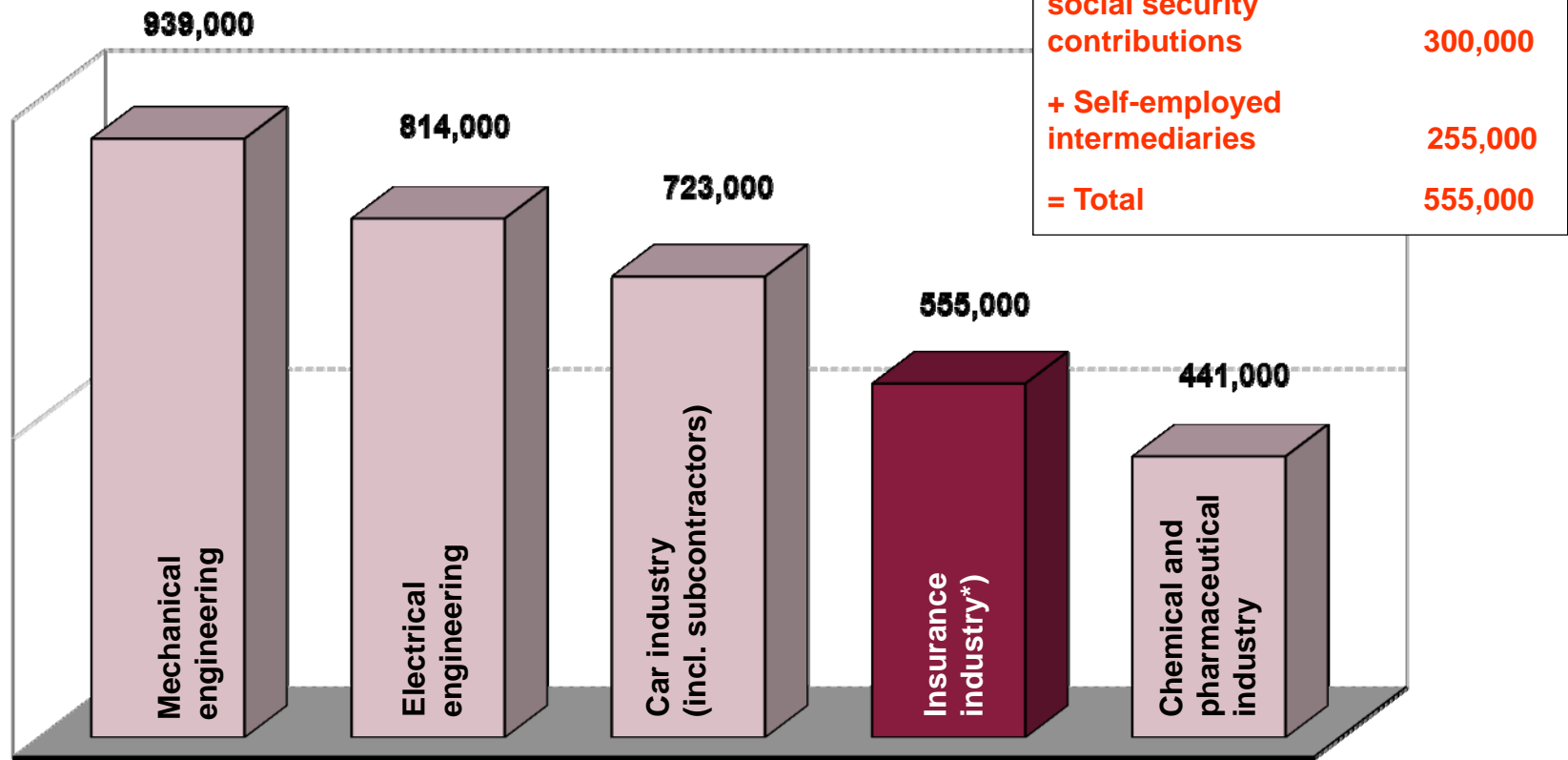
Comparison to illustrate total German capital investments:

New savings of private households (2008)	€ 181 bn
Federal Budget (2009)	€ 298 bn
Total capital investments of German insurers (2009)	€ 1 200 bn
Public debt in 2009	€ 1 762 bn

Sources: German Stock Exchange (*Deutsche Börse*),
Federal Ministry of Finance, GDV, German Federal Bank
(*Deutsche Bundesbank*) as of 20 November 2009
Photo: German Stock Exchange

Insurance industry – one of the most important employer

Employed persons



Sources: VDMA, ZVEI, VDA, agv, DIHK, VCI



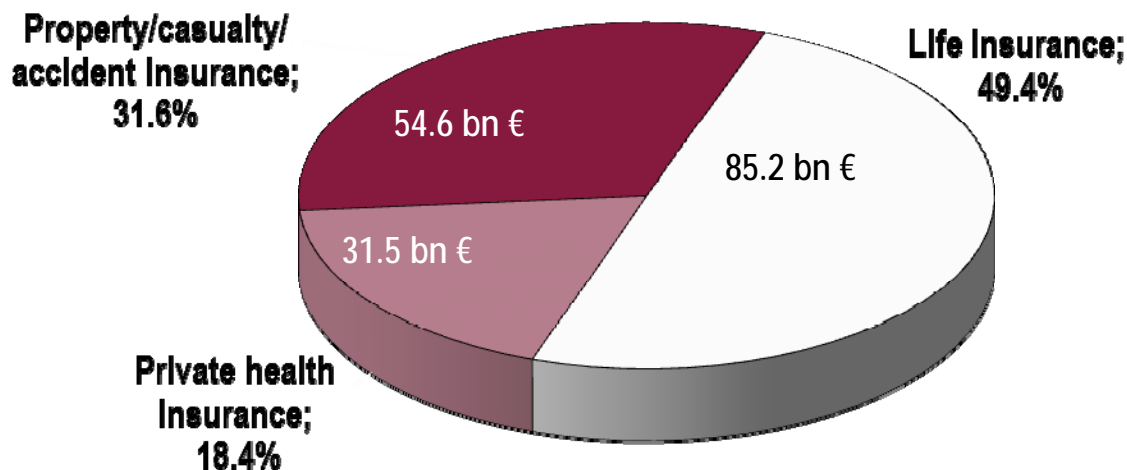
Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Premium income of all German insurance classes in 2009 - approx. 1/3 is due to P&C

Shares in %, in bn €

Total of direct insurers: 171.3 bn €



(Furthermore, Germans Reinsurance Global Turnover 2008*: 40.3 bn €)

Source: GDV; Standard&Poor's

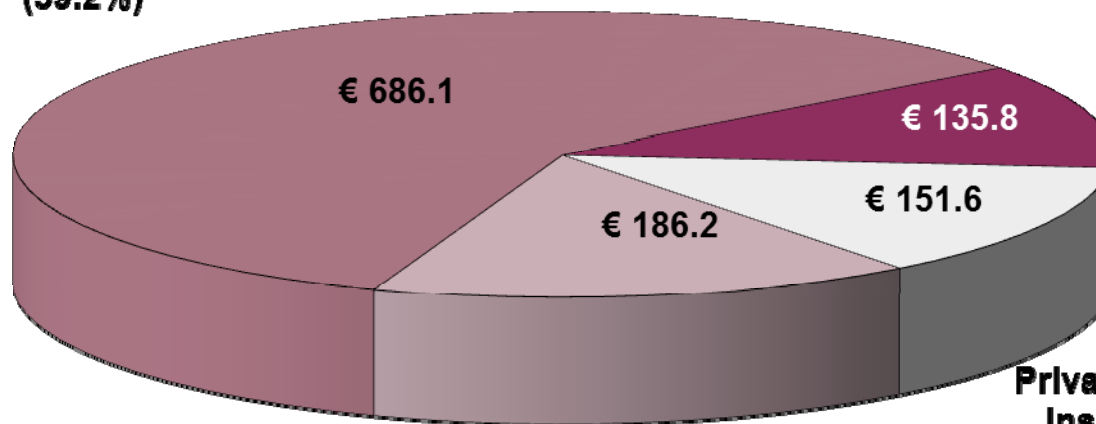
(* Earned premiums net of reinsurance incl. additional charges)

10% of invested capital is based on P&C, whereas over 50% due to Life

Capital investments shares in %, in bn €

Total: 1 200 bn €

Life Insurance in the narrow sense (59.2%)



Property, casualty and accident Insurance (11.7%)

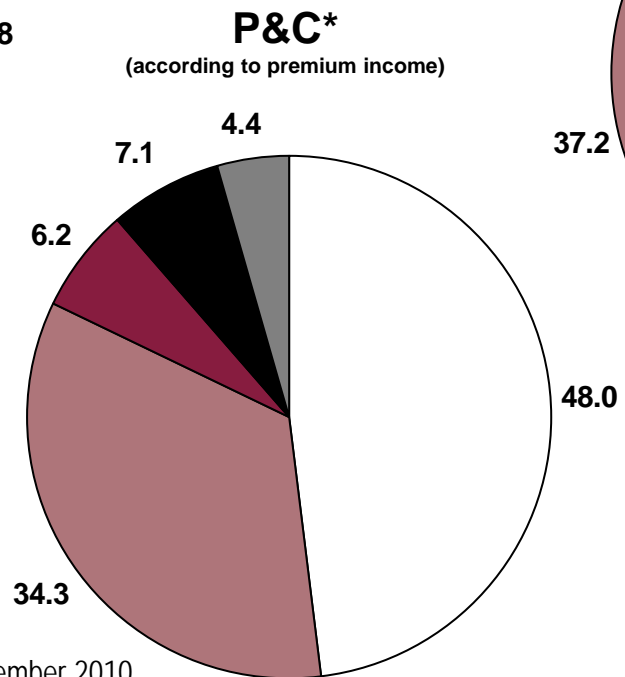
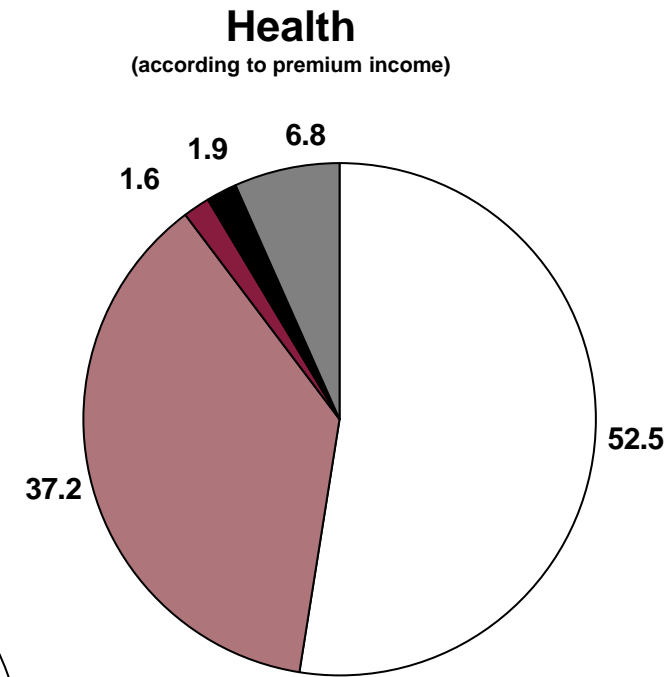
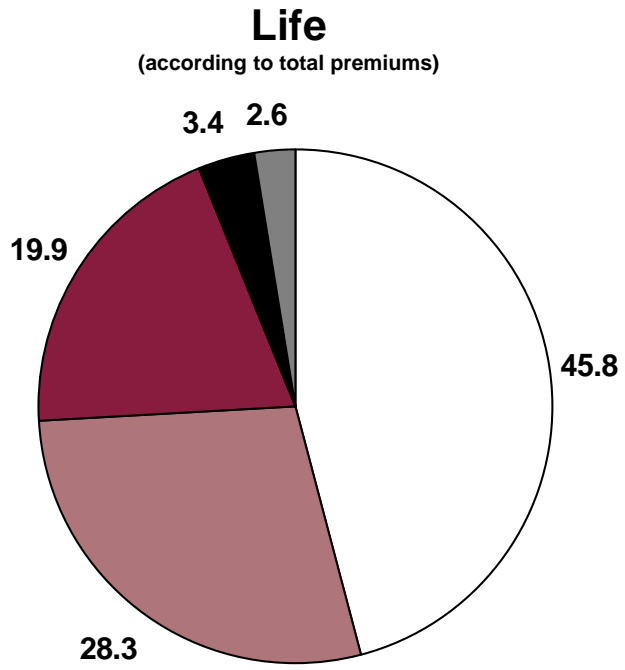
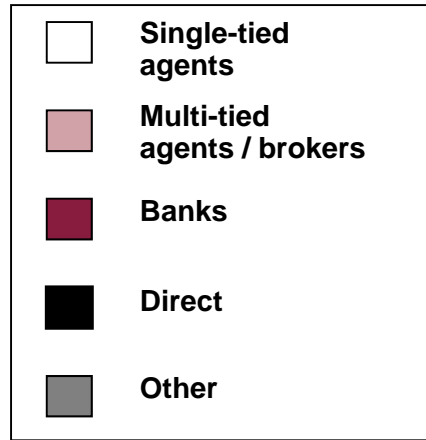
Private health Insurance (13.1%)

Reinsurance (16.1%)

Source: GDV, as of 2008, * the difference from 100% results from roundings

Single tied agents is the most important distribution channel over all classes

Shares of distribution channels in new business [%]



* Property/accident/third party liability +motor+legal expenses

Source: GDV 2008

Dr. M. Hofmann, 43rd IMIA Conference, 13th September 2010



Different levels of consolidation in the German market – highest level in reinsurance

Market shares of the	5 largest insurance companies	10 largest insurance companies
Property/casualty/accident*	31.1%	44.3%
among them as of 2009		
Engineering	42.2%	72.0%
Life*	36.9%	52.5%
Health*	50.1%	71.4%
Reinsurance*	80.2%	93.2%

* Based on results in 2008

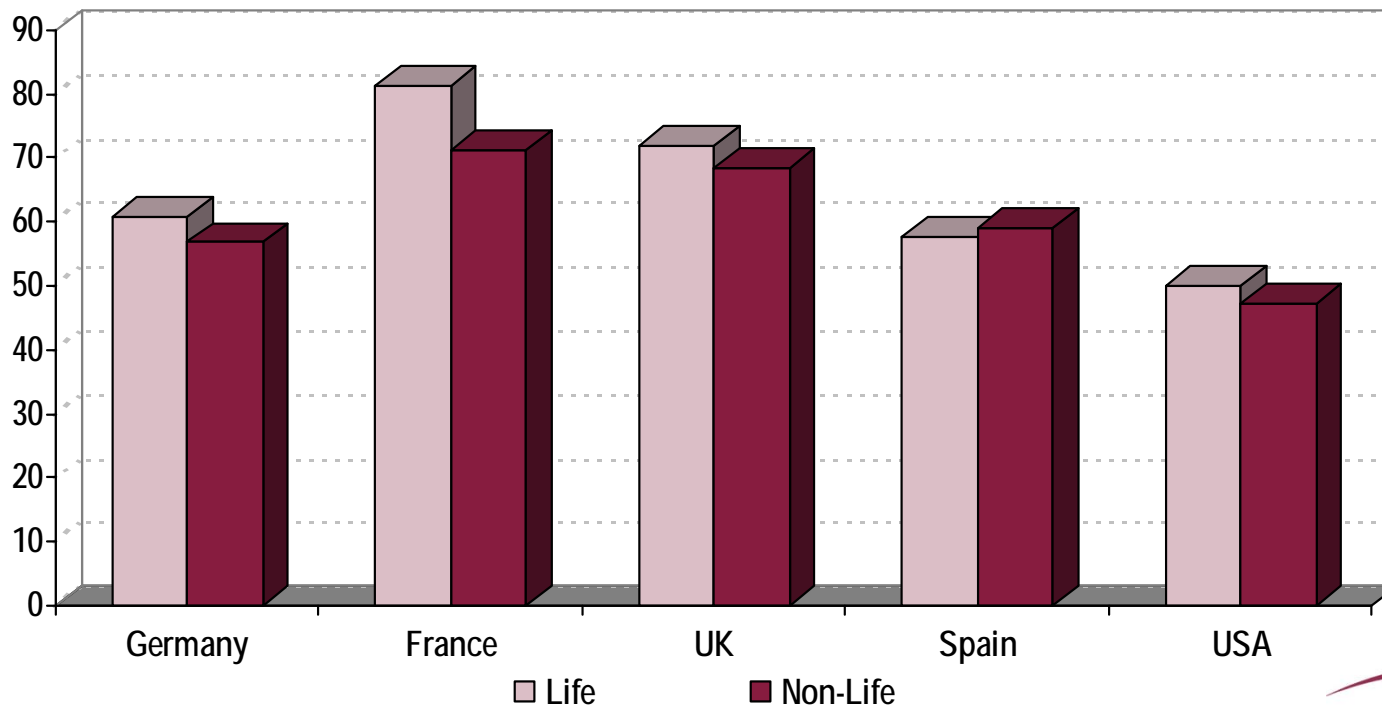
Source: BaFin 2008, GDV 2009

Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Consolidation in the German insurance market is middle-ranking on an international comparison.

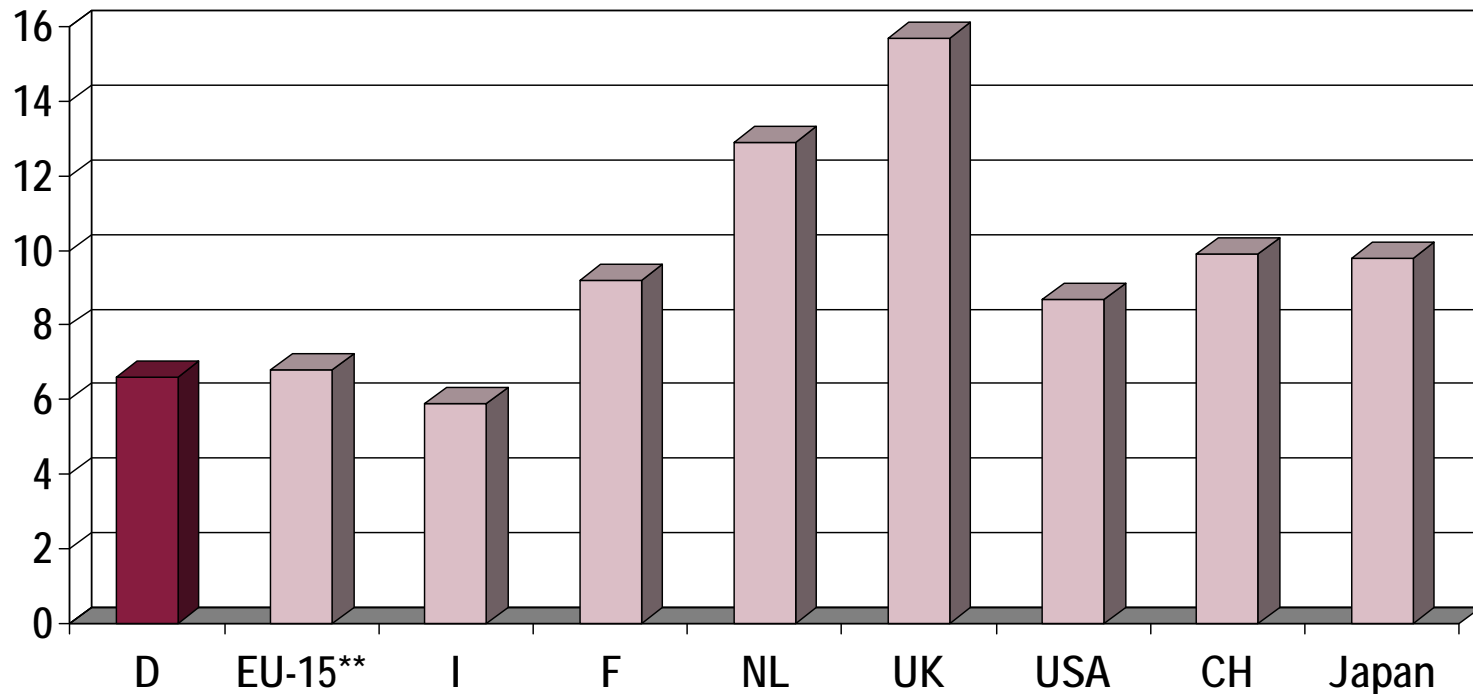
Market shares of the 10 largest insurance groups in 2007 [%]



Source: CEA, GDV

Low level of penetration of insurance in Germany

Premiums* in % of GDP (= penetration of insurance)



* Gross premium written in the calendar year including additional charges, but without insurance premium tax.

** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom

Source: Swiss Re

Fifth place for Germany in world market share

World market share in premium income (total) in 2008 [%]

Ranking	Countries	Total
1	USA	29.06
2	Japan	11.08
3	UK	10.54
4	France	6.39
5	Germany	5.69
6	Italy	3.30
7	China	3.30
8	Netherlands	2.64
9	Canada	2.46
10	South Korea	2.27
11	Spain	2.04

Source: Swiss Re, Sigma

Second place in Non-life

World market share in premium income Non-life in 2008 [%]

Ranking	Countries	Non-life
1	USA	37.23
2	Germany	7.41
3	UK	6.04
4	Japan	5.96
5	France	5.16
6	Netherlands	4.14
7	Italy	3.26
8	Canada	3.22
9	Spain	2.69
10	China	2.53
11	Russia	2.14

Source: Swiss Re, Sigma

Fifth place in Life

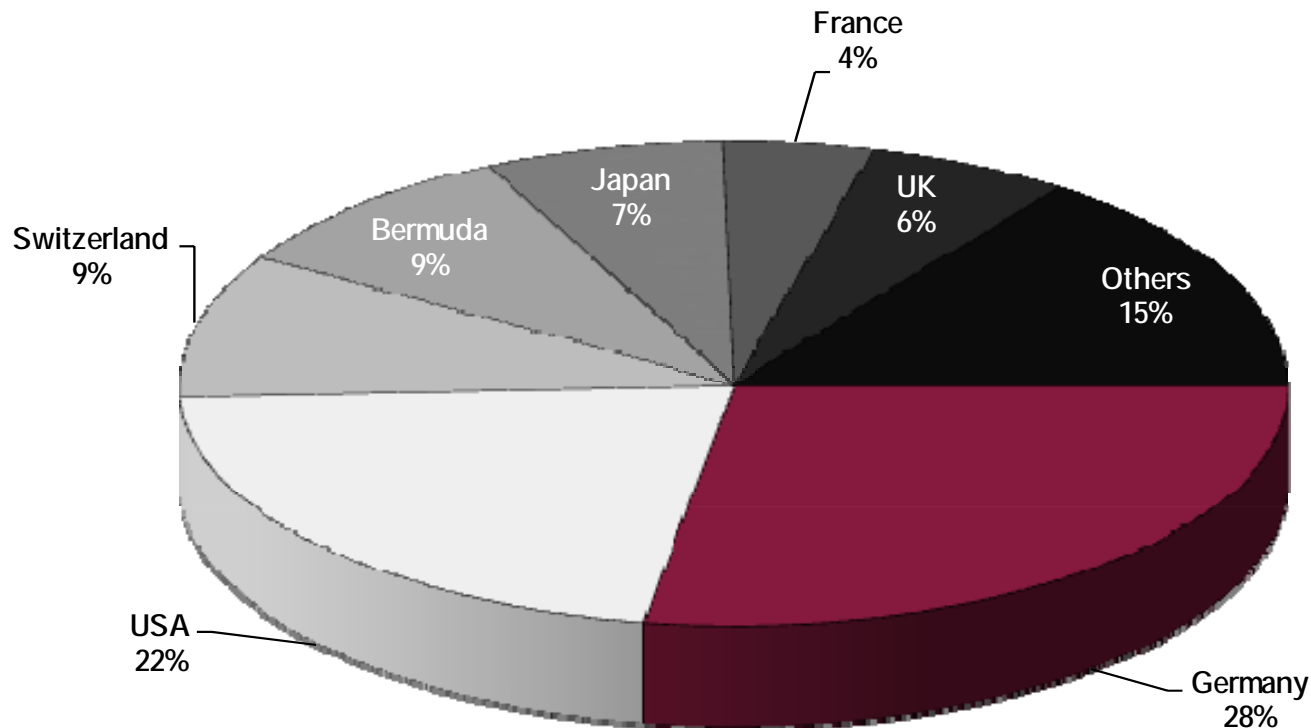
World market share in premium income Life in 2008 [%]

Ranking	Countries	Life
1	USA	23.22
2	Japan	14.74
3	UK	13.76
4	France	7.27
5	Germany	4.47
6	China	3.85
7	Italy	3.32
8	South Korea	2.67
9	Taiwan	2.12
10	India	1.96
11	Australia	1.71

Source: Swiss Re, Sigma

The most important reinsurance location worldwide according to premium income* 2008 [%]

Total of world market: 146 bn USD

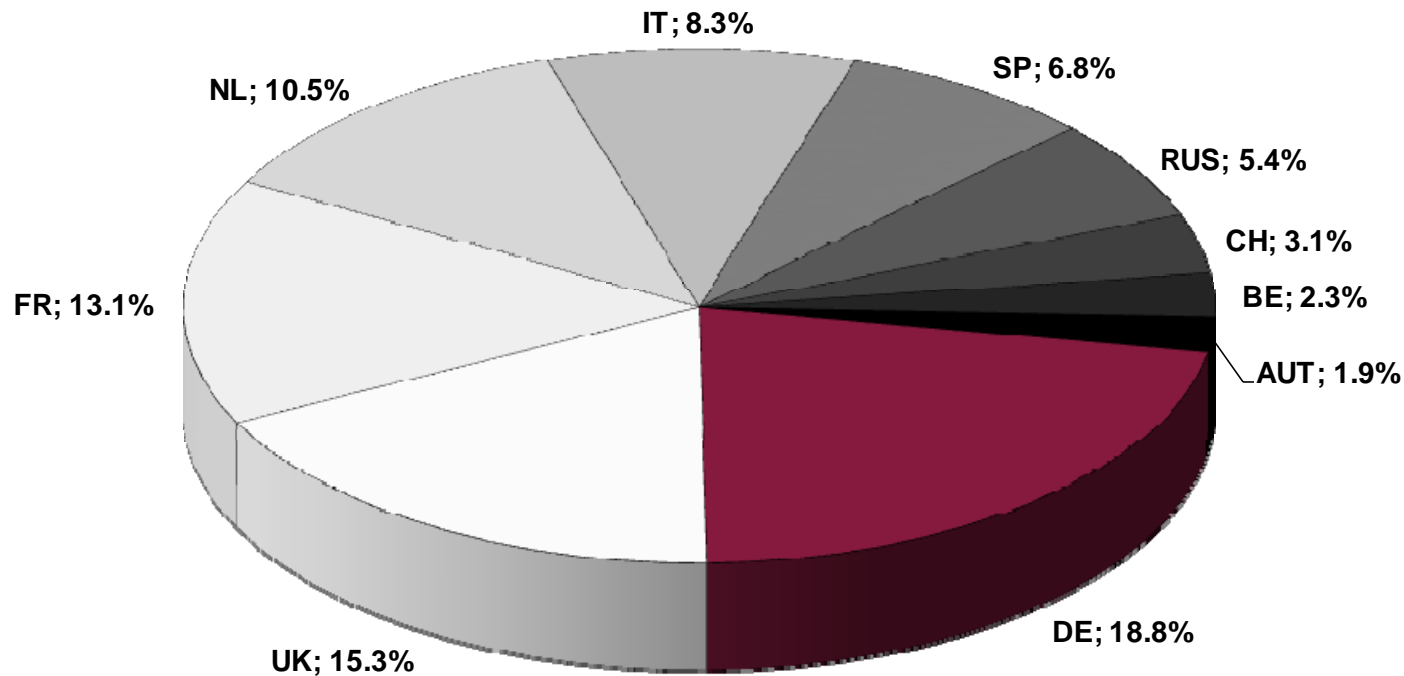


* Gross premium written in the calendar year including additional charges, but without insurance premium tax.
 Source: Standard & Poor's Global Reinsurance Highlights 2009

European champion in the Non-life insurance market

Share in premium income* in 2008 [%]

Total: 702.3 bn USD



* Gross premium written in the calendar year including additional charges, but without insurance premium tax.

Source: Swiss Re, Sigma, 3/2009

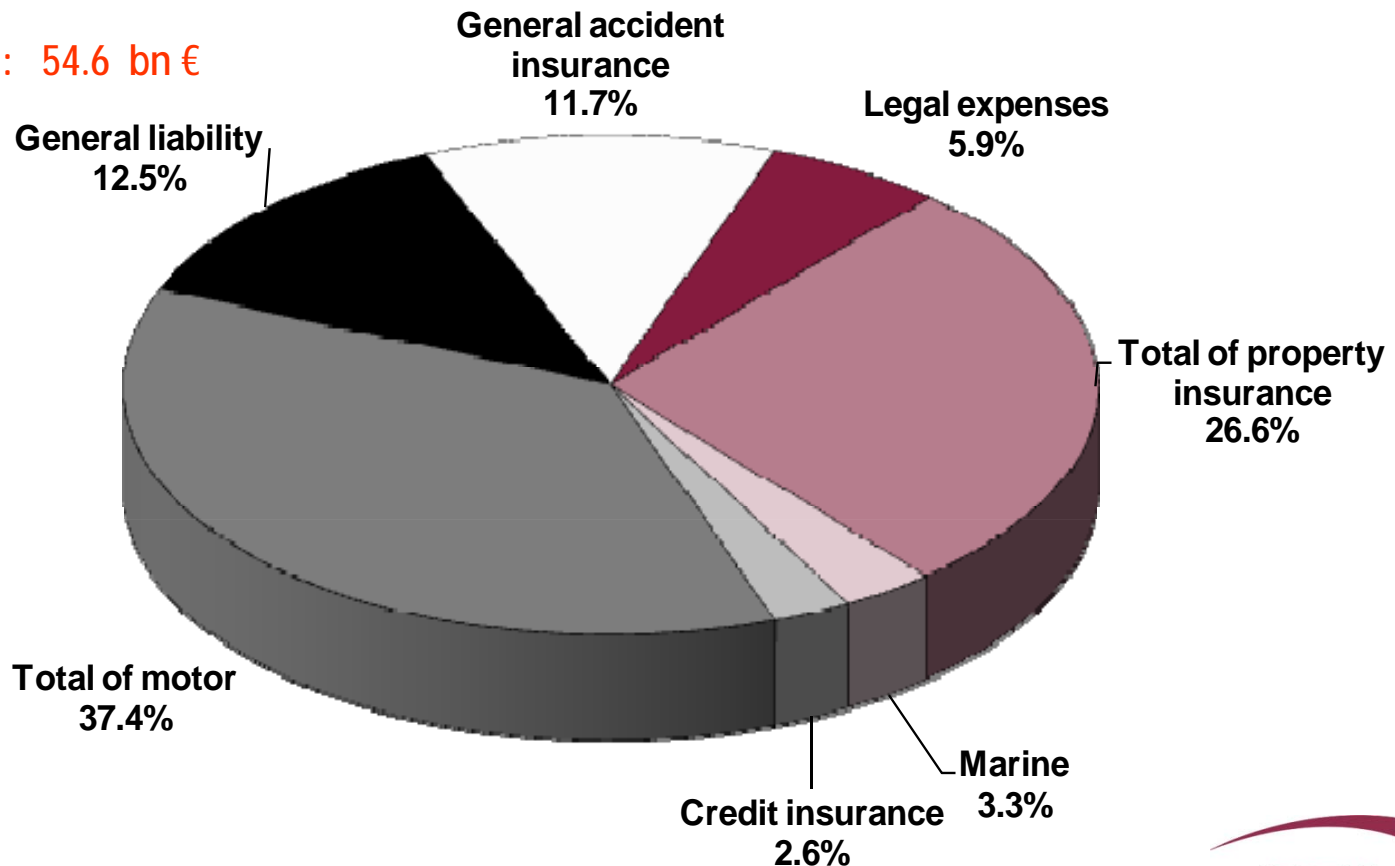
Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Property/casualty/accident insurance: Gross shares in 2009

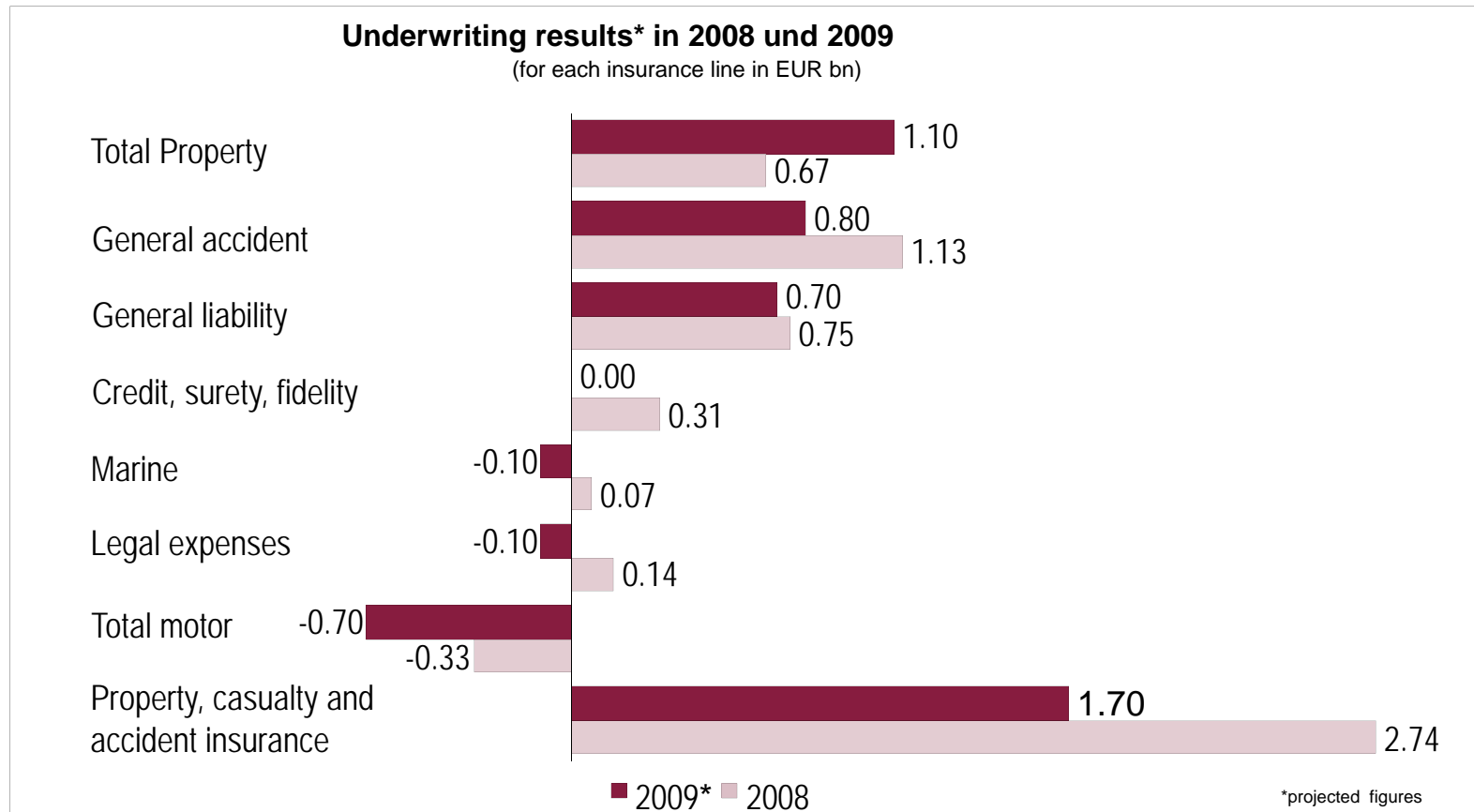
Share in premium income* in 2008 [%]

Total: 54.6 bn €



Diverse development of underwriting results by line - esp. property is further increasing

Property, Casualty and Accident Insurance: Development of results by line



* After deducting incurred claims and claims expenses and operating expenses from premiums earned, before reinsurance results

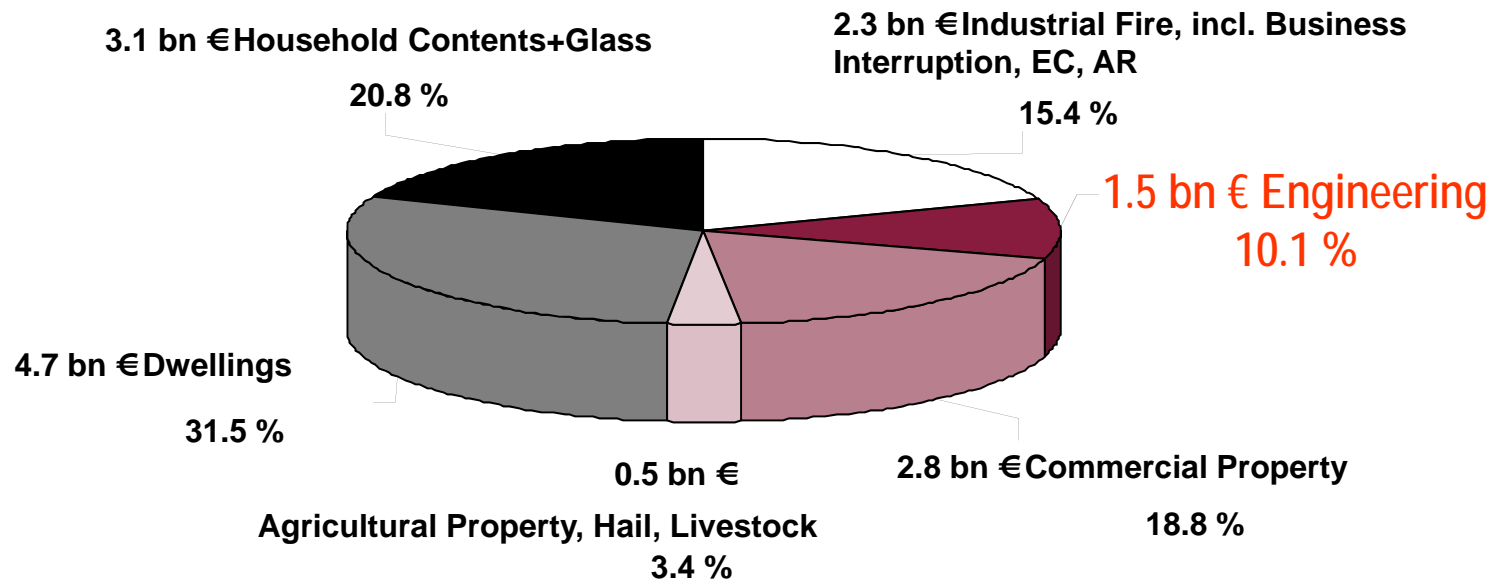
Source: GDV

Dr. M. Hofmann, 43rd IMIA Conference, 13th September 2010

Agenda

- The Highlights
- Economic overview
- Economic data on the German Insurance Industry
- German insurers in global comparison
- Key figures on Property/Casualty/Accident insurance
- Key figures on Engineering Insurance

Engineering Insurance as a part of Property*: Written premium in 2009



All Property premium income 2009: 14.9 bn € *

*GDV statistics 2009 final



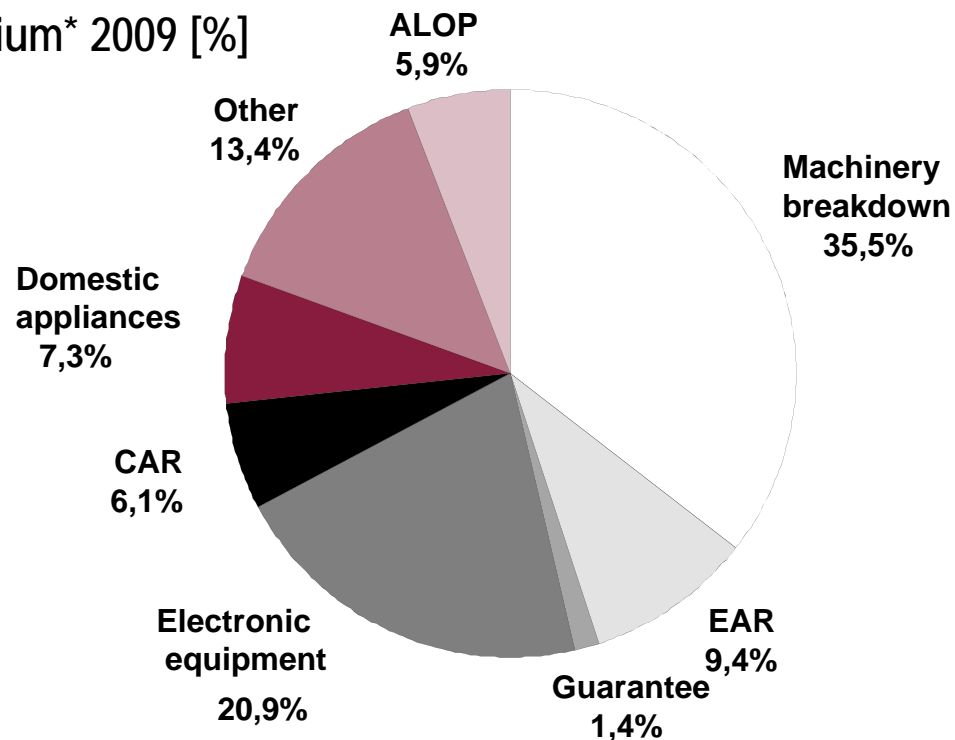
Differences in GDV's statistics in comparison with published German Engineering figures within IMIA's statistics

- GDV's Engineering statistics do not include IDI Insurance* because the national market does not have this line
- GDV's Engineering statistics include "Domestic Appliances Insurance" (written premium 2009: 113 million €) and "Other Engineering Insurance" (written premium 2009: 207 million €) which content a lot of small or unspecific engineering covers from all of the 100 German Engineering Insurers
- GDV's definition of Engineering large claims is up from 500 000 €
- In comparison – IMIA's German Engineering written premium figures in 2009: 1 222 million €

* Inherent defects insurance, covers physical damage or imminent collapse of newly constructed property caused by faulty design, engineering, workmanship, or materials in load bearing elements such as foundations, columns, walls, floors, beams, roofs, and land improvements

Over 1/3 of Total premiums in machinery breakdown insurance

Written Premium* 2009 [%]



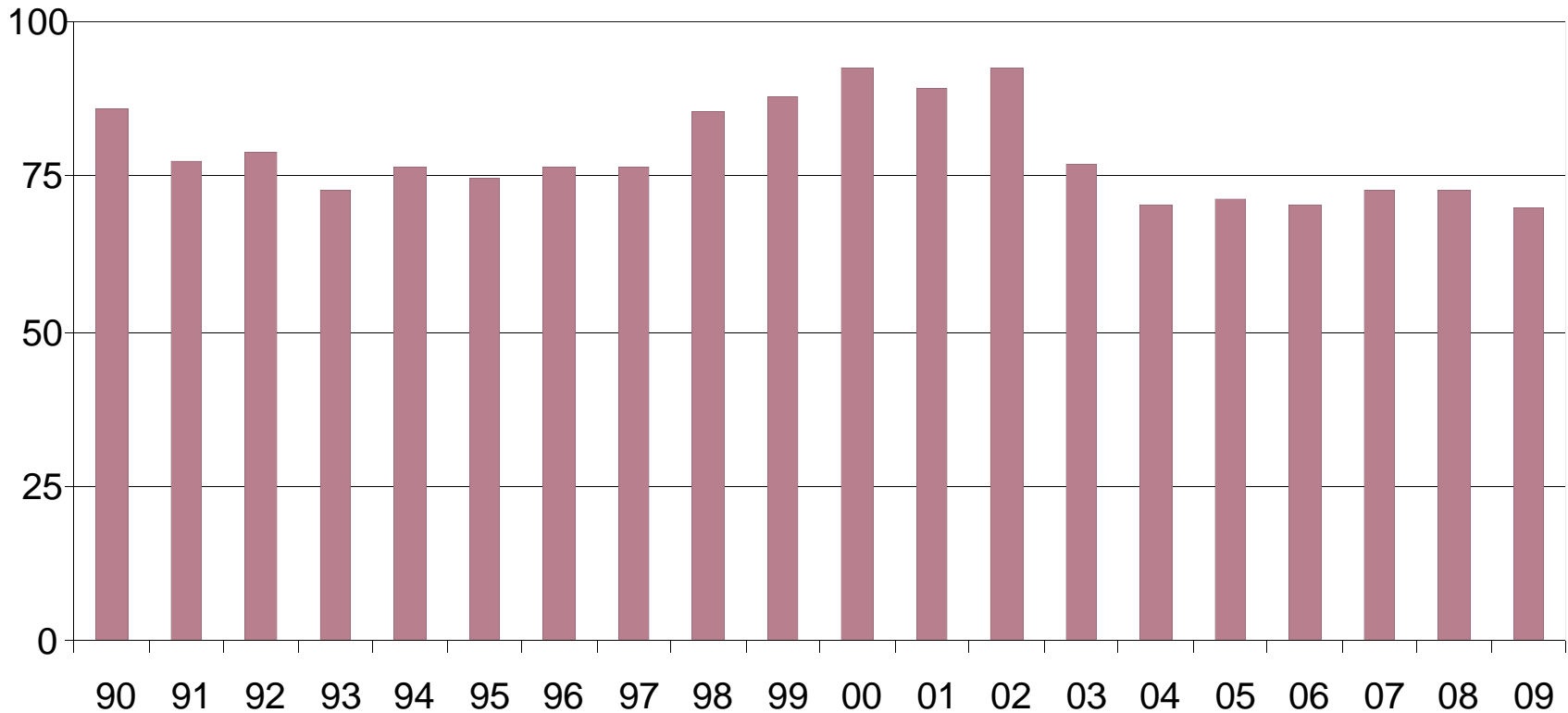
Engineering premium income (all lines) 2009: 1.5 bn € *

* Gross premium written in the calendar year including additional charges, but without insurance premium tax.

Source: GDV statistics 2009 final

Stabilized loss ratio below 75%

Loss Ratio [%]

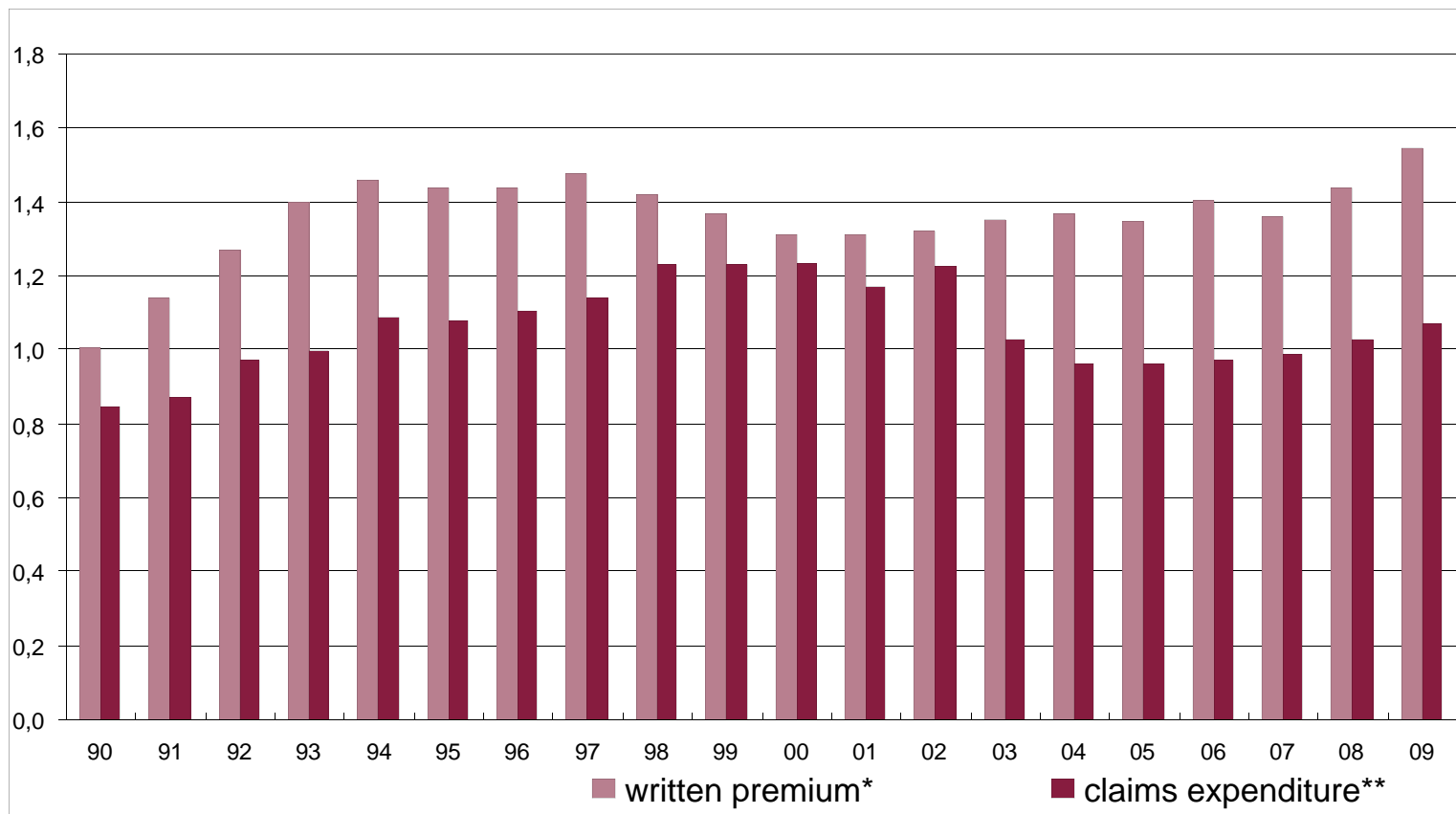


* Ratio between claims expenditure and earned premiums, not allowing for settlement results.

Source: GDV statistics 2009 final

Increasing profit opportunities according to premium and claims development

Engineering Insurance (all lines) [EUR billion]



* Gross premium written in the calendar year including additional charges, but without insurance premium tax.

** Payments and provisions for claims that have occurred during the financial year, including all expenditure on the claim settlement and including estimate on IBNR claims.

Source: GDV statistics 2009 final

**Thank you. Have a pleasant stay in Berlin
and a successful IMIA Conference 2010**

Gesamtverband der Deutschen Versicherungswirtschaft e. V.
German Insurance Association
Wilhelmstraße 43 / 43 G, D-10117 Berlin
PO Box 08 02 64, D-10002 Berlin
Phone: +49 30 2020-5000
Fax: +49 30 2020-6000
www.gdv.de