The German P/C Insurance Market

Current Situation

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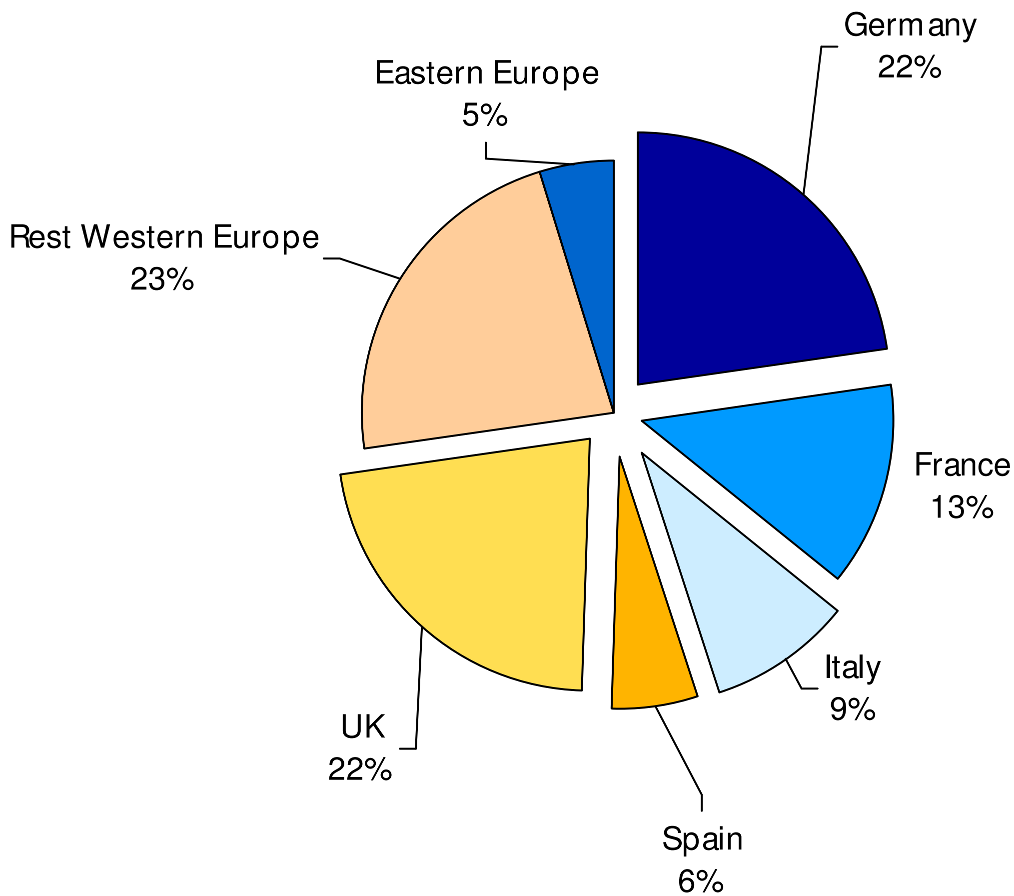
Berlin, 29. April 2005

The German P/C Insurance market is still the largest in Europe ....

Distribution of P/C Premiums across Europe 2001

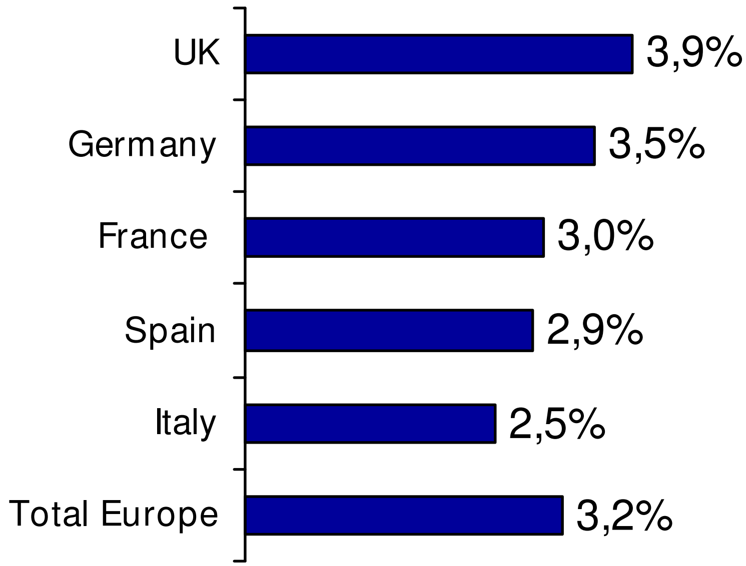


Source: CEA, Sigma, Tillinghast calculations.

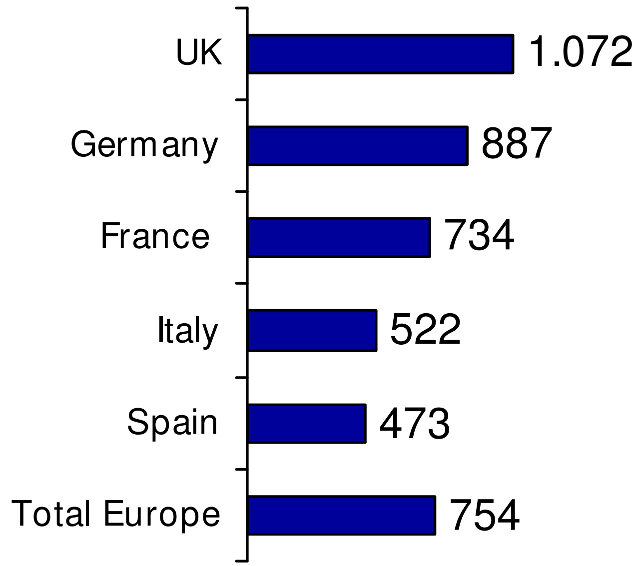
Total EU: € 297,3 bn

… but UK has higher non-life insurance penetration and density

Insurance Penetration
(Non-life premiums as % of GDP)



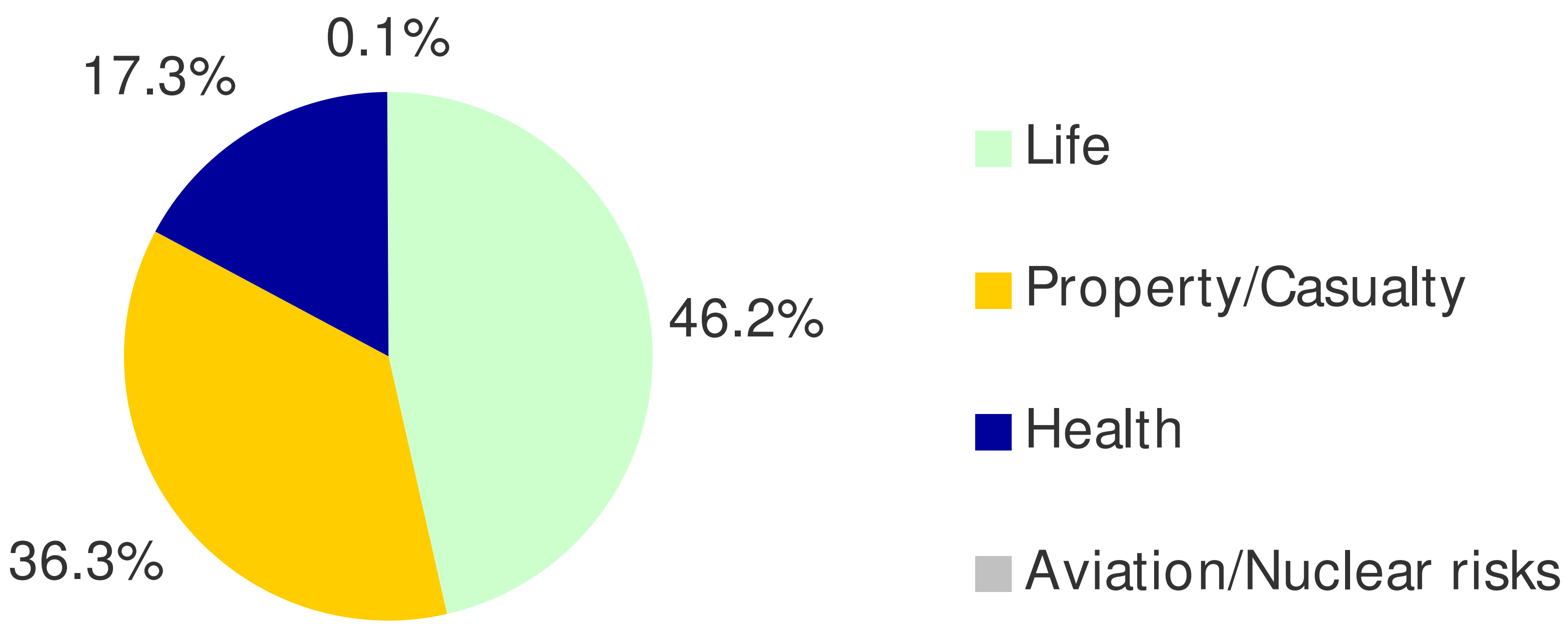
Insurance Density
(Non-life premiums per capita in €)



Source: CEA, 2001(?)

Property/Casualty premium volume is between Life and Health

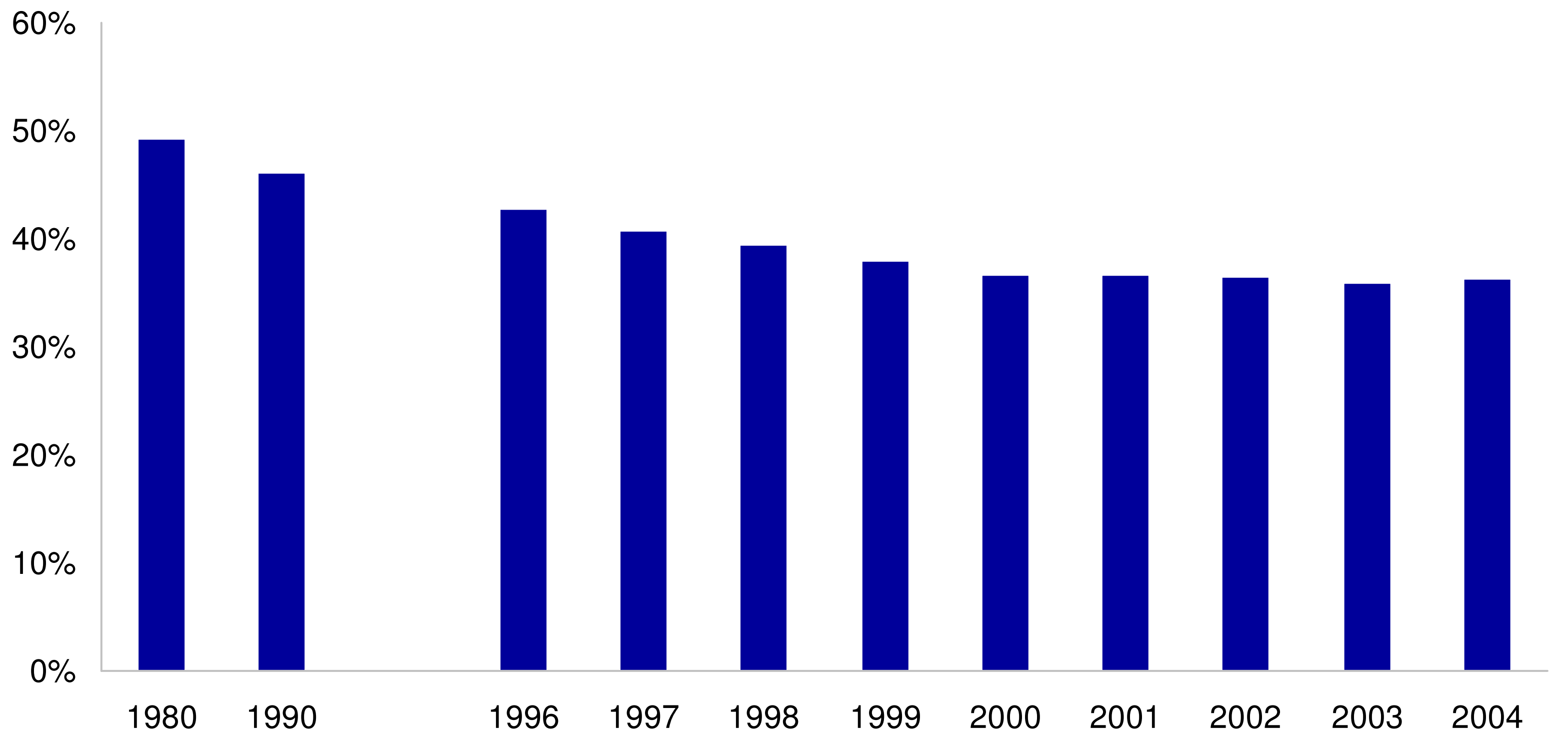
Gross premiums 2004 Germany*
€ 153.3 bn (GDV)



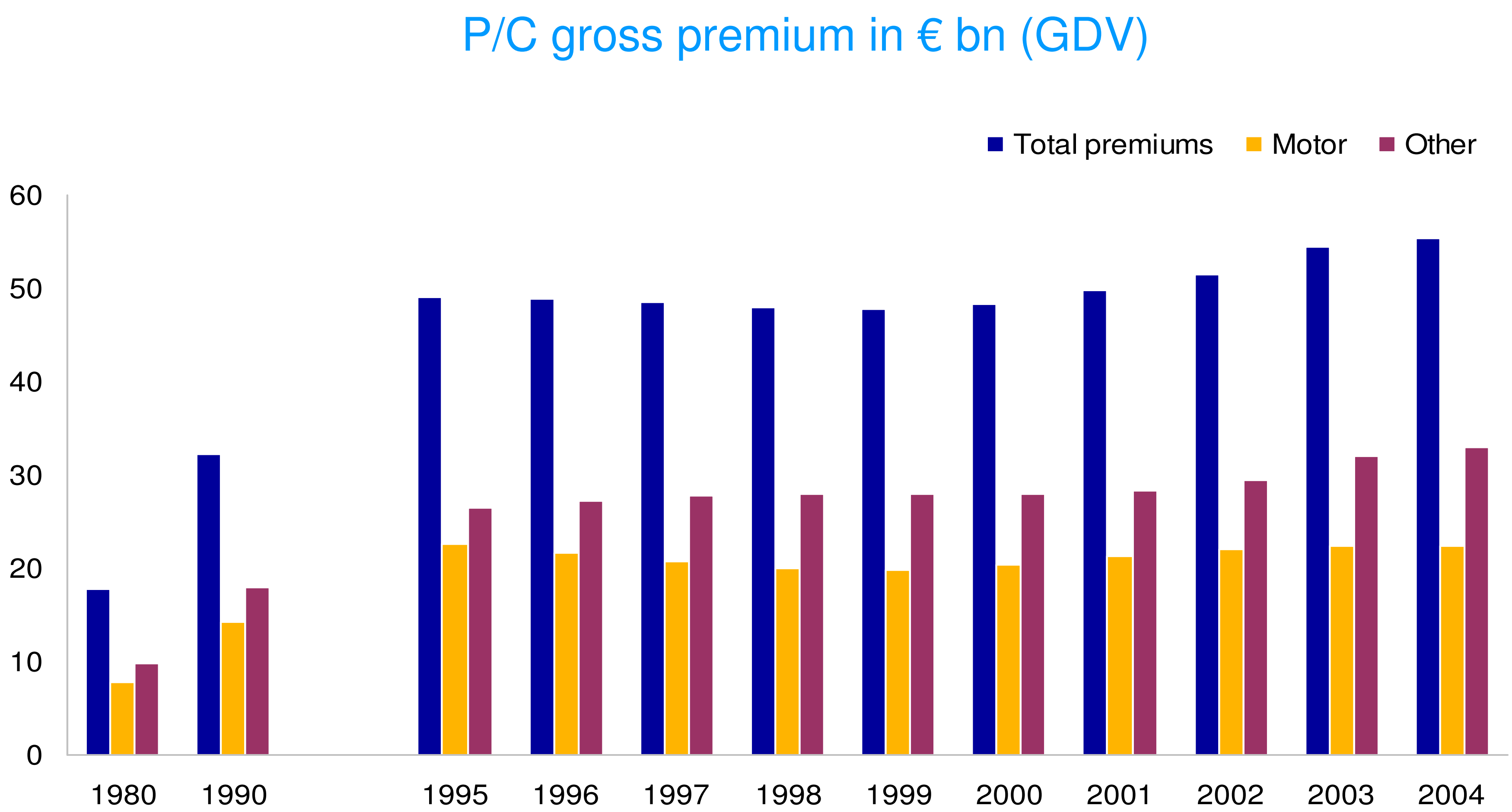
*excludes assumed business
(Reinsurance/Coinsurance)

Decrease of P/C business has stopped now ...

P/C premiums in % of total market

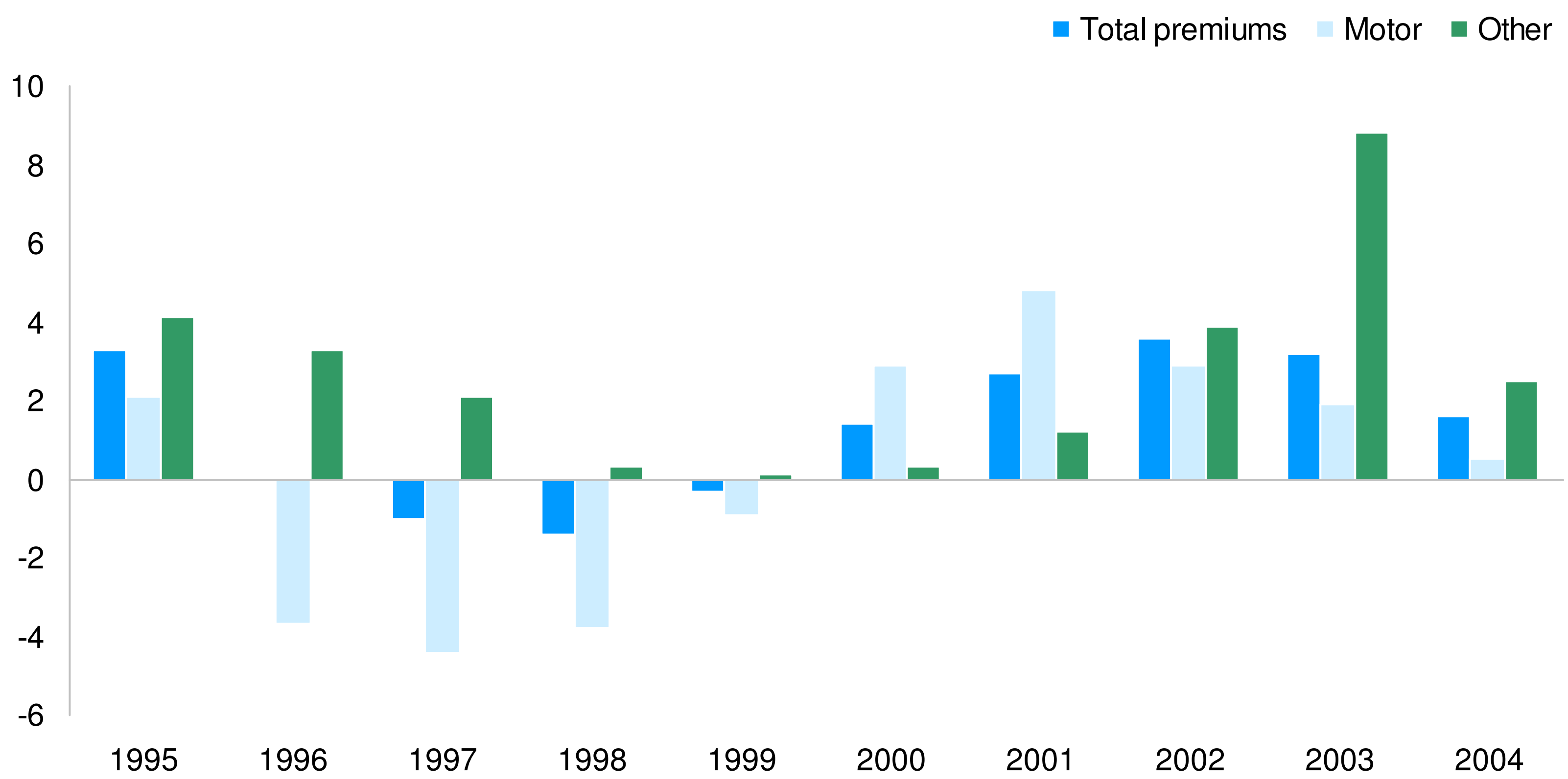


After the deregulation of tariffs (1995) there was no premium growth for a long period....



The German P/C buisness shows the usual premium cycle ....

Annual growth rates of gross premiums



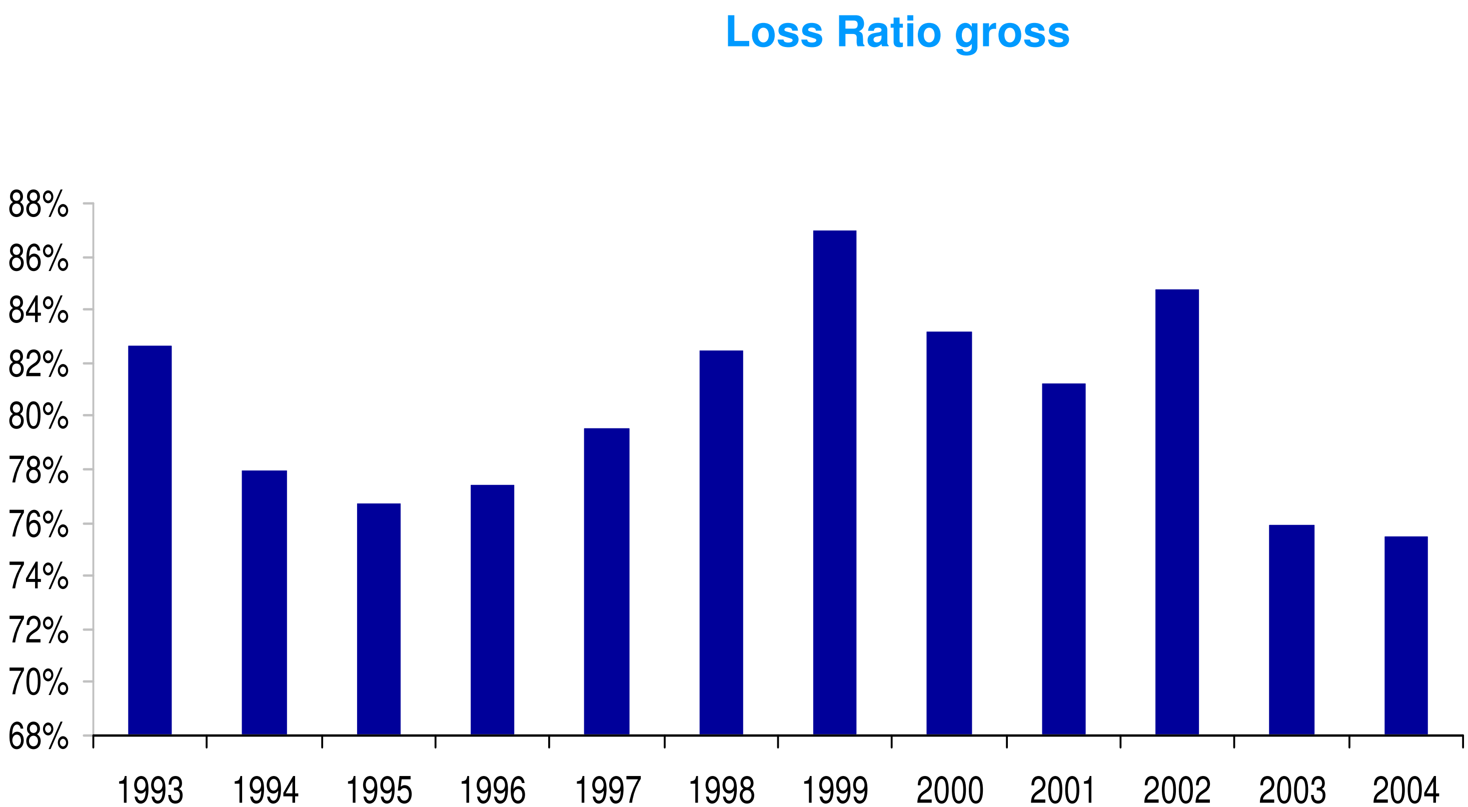
Commercial lines and Motor: The end of growth?

LOB	Premiums 04 in bn EUR	04/03	03/02
Motor	22.4	0.5 %	1.6 %
Industrial Property	4.2	0.2 %	15.7 %
Property small enterprises	2.5	2.0 %	3.1 %
Property agricultural	0.5	-1.0 %	-2.3 %
Marine	1.9	1.0 %	4.8 %

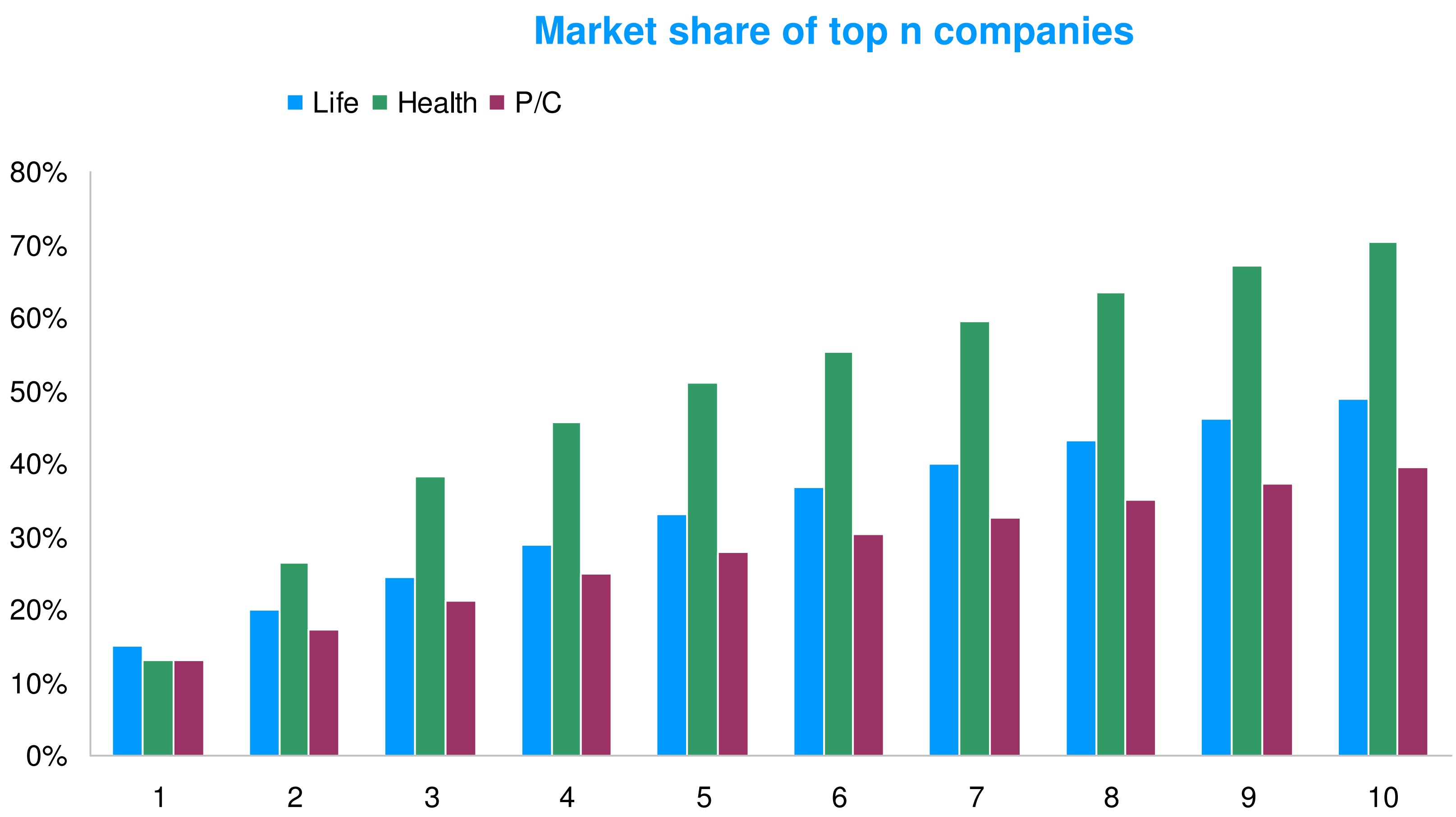
There is still growth in Private lines ...

LOB	Premiums 04 in bn EUR	04/03	03/02
General Liability	6.5	3.5 %	2.6 %
Accident	6.0	3.0 %	3.6 %
Legal Protection	2.9	3.5 %	3.7 %
Homeowners- building	3.8	3.5 %	2.5 %
Homeowners - content	2.5	1.0 %	1.1 %

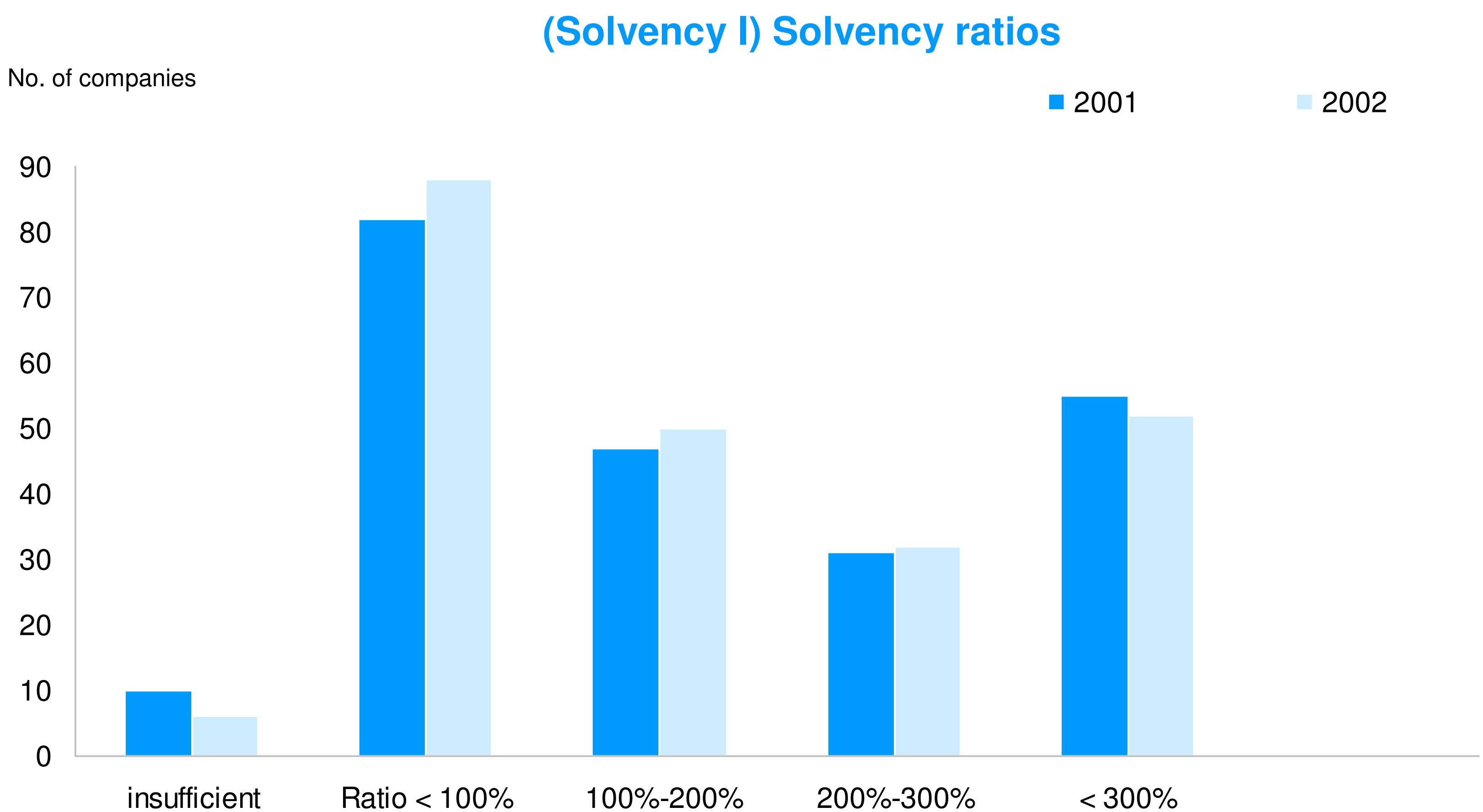
... and the German market is again profitable now.



Market concentration in Germany is still low ...



Solvency of German P/C insurers

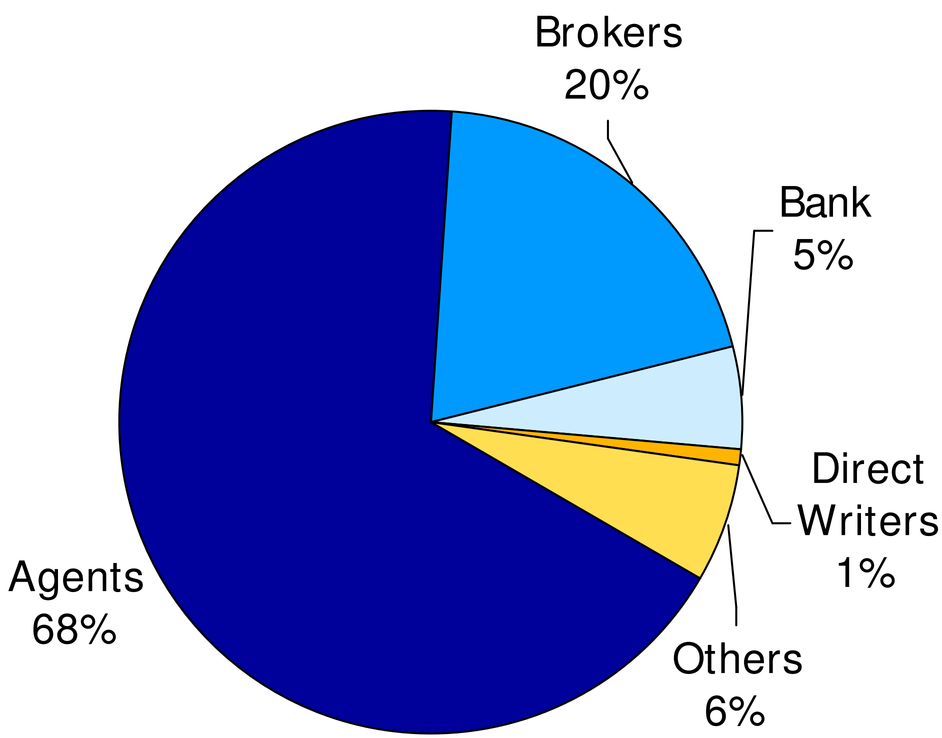


Amount of insufficient Solvency capital has increased from € 4.3 millions in 2001 to € 136.5 million in 2002.

Competitive Situation

- Concentration within insurance groups (Mergers, clear customer/product focus)
  - ERGO / Munich Re Group
  - Generali/AM
  - Public law insurers
  - Signal/Iduna / Nova
  - ….
- Strong competition in Motor relaunched in 2005 (premiums Jan/Feb 05 -2.0%/MTPL coverage € 100 millions (50)
- Market share changes seen more often now.

Distribution of Motor Insurance in Germany (2001)



Distribution

- New channels show up
  - Partnering Co-Branding“, Banks, Credit card issuer, Car manufacturers,...
  - Internet (offered by traditional insurers, like HUK, Öffentliche)
- and gain market share
- Direct distribution by phone far less successful than expected -> Concentration

Outlook?

- Economic environment will continue to be unfavourable
- Low or no growth of premiums
- Legal and regulatory changes ahead
- Strong competition, especially in private lines will reduce profitability
- High pressure to expenses -> staff counts will further be reduced
- Increasing volatility of results

Contact

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