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Check against delivery



## Munich – a world insurance capital

Allianz, Siemens, BMW, and let's not forget Bayern Munich.  
Four big names that have two things in common:  
They are among the best in their category - and they are all in Munich!

Ladies and gentlemen,

Innovation and the ability to produce outstanding performance have a long tradition in Munich. Munich has succeeded in attracting companies of world repute, while gradually establishing itself as Germany's unofficial capital. Indeed, it has always been the case that quality attracts quality.

The same applies to the company I am representing today: the reinsurance company Swiss Re. Despite its Swiss origins, it has felt very much at home in Munich for near on 100 years, and has always thrived on the motivation generated by its proximity to other well-known reinsurers in the neighbourhood.

The order of the speeches you will hear today is not without significance, that is to say, banks followed by insurers. And Munich is an excellent example of just such a development: In the 19th century, Munich Re and Allianz grew out of the banking house Merck and Fink. And at the start of the 20th century, Bayerische Versicherungsbank and Bayerische Rück — which has been operating as Swiss Re Germany since 2001 — developed from the Hypo bank. For the financial industry, therefore, Munich has always been fertile soil for successful growth, and the same applies today.

But what is it that makes Munich so attractive to the insurance industry? Without doubt, Liberalitas Bavariae (or the „live-and-let-live“ approach) has always provided a healthy climate in which to live and work. And that applies not only to companies but also to high-performing, highly qualified workers. Munich now has a population with above-average know-how, a high standard of living, and considerable purchasing power – in short, essential attributes for potential employees and clients of the insurance industry.

Aside from this, Munich's highly developed and diversified economic structure with its industrial, handicraft, commercial and service sectors not only creates the necessary jobs, it guarantees a healthy flow of business to the city's insurance companies.

One final thing I should mention is Munich's geographical position! And I'm not just talking about the proximity of the Alpine winter-sport centres. Recent EU enlargement only served to reinforce Munich's position in the very centre of Europe, at the same time opening the door to business from the Eastern European states. The rapidly emerging nations of Eastern Europe are creating new and dynamic growth markets for insurance companies.



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This is an opportunity that has been recognised and is being exploited by many of Munich's insurance companies: in addition to several Austrian insurers, Allianz is now the leading insurance company in Central and Eastern Europe. On the reinsurance side, Munich Re and Swiss Re have assumed the leading role. Incidentally, along with other markets, Swiss Re services its entire Central and Eastern European business from Munich, and when I say that, I do not just mean the new EU members, but virtually all the states of Eastern Europe.

All these factors come together to make Munich one of the world's major insurance centres. State Secretary Spitzner has already given you some figures which underline this position emphatically. Today, around 80 primary insurance companies are located in Munich, and they include names such as D.A.S., ARAG, Bayerische Versicherungskammer and WWK, not forgetting, of course, Europe's leading insurance company Allianz - a Munich global player!

Together, these companies generate annual premium income of around 95 billion Euros from their German and international business.

This places Munich firmly in the No. 1 spot in the league table of German insurance locations. In Munich alone, the insurance sector employs around 25,000 workers, more than any other German city.

What is more – Munich is the centre of the reinsurance industry, hosting the very biggest representatives of the sector. Munich Re has its headquarters in the city, and Swiss Re Group's biggest European subsidiary (apart from the Zurich headquarters itself) can be found on the outskirts of Munich. If we include Allianz's reinsurance operations, Munich is home to three leading reinsurers. Of the 168 billion dollars of premium income ceded to reinsurers around the world in 2004, around 40 billion dollars found their way to Munich, that is, 22% of global premium income. Around 4,500 people currently work in the reinsurance sector in Munich.

Ladies and gentlemen,

It is an undisputed fact that Munich is not only Germany's No. 1 insurance location, but is a city of world repute in terms of international business, too. In order to ensure that this position is maintained and further developed in the future, a political, social and economic framework is required that is capable of meeting the challenges facing the insurance industry at the start of the 21st century.

Deregulation of the German insurance market in the mid-nineties, globalisation and increasing competition from banks and financial-service providers, not to mention increasing price sensitivity on the part of clients, have changed the competitive conditions in the marketplace.



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This has forced the sector to improve the performance and efficiency of its existing processes and structures. The catch-phrase currently doing the rounds is „the industrialisation of insurance“, and this demonstrates clearly that the insurance sector is faced with a fundamental, strategic reorganisation of its business model, that is, concentration on core competences, and outsourcing of data processing and/or technical-accounting tasks.

Insurance companies must also observe the latest political regulations and directives. More than almost any other sector, the insurance industry is bound by the terms of reference for business laid down by politicians at both national and - increasingly – European level, and I am referring here, in particular, to the new Solvency II regime.

Let me say straight away that the insurance industry supports the European Commission’s Solvency II project. We should not lose sight of the fact, however, that excessive demands on the part of future supervisory bodies in terms of capital coverage — I am referring here to mandatory contingency loadings in addition to the standard risk-based solvency capital — will represent an additional financial burden on insurance companies.

A burden that will be reflected in the price of risk, and one that will certainly be passed on: from the reinsurer to the insurer, and from the insurer to the consumer (the insured). Solvency II’s aim should really be to produce benefits for the consumer, for example, by increasing

transparency and by improving consumer protection. Unreasonable demands would merely serve to increase the price of insurance to the detriment of the consumer.

European supervisory authorities are called upon to create a general climate that will allow Solvency II to promote healthy competition. At the same time, the authorities should — as proposed by the insurance industry — place greater emphasis on transparency as a tool for enhancing market discipline.

Comparability of solvency requirements beyond national borders will help to increase long-term confidence in the financial health of the insurance industry and also to establish a solid foundation for further successful growth. Successful growth, too, for the insurance location Munich!

Thank you for your attention.