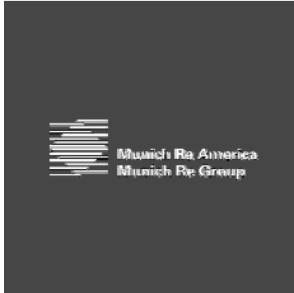


Market Cycle Integrity of Current Year Income

October 2009



Agenda



Calendar Year View

Accident Year View

Overview of Reinsurance Pricing



Basic Types of Treaty Reinsurance:

- Proportional: Reinsurer takes a proportional share of premium and loss.

$$E(\text{Reinsurer Loss}) = \text{Subject Premium} \cdot \text{ELR} \cdot \text{Share}\%$$

- Excess: Reinsurer takes a portion of each loss in excess of a given attachment point.

$$E(\text{Reinsurer Loss}) = \text{Subject Premium} \cdot \text{ELR} \cdot \left(\frac{\text{XS Loss}}{\text{Total Loss}} \right)$$

3

Source for the Expected Loss Ratio



The Expected Loss Ratio (ELR) on the subject business is based on historical experience adjusted for trend and rate changes to the prospective period.

The historical experience must be at the estimated ultimate value.

- Calendar Year Experience

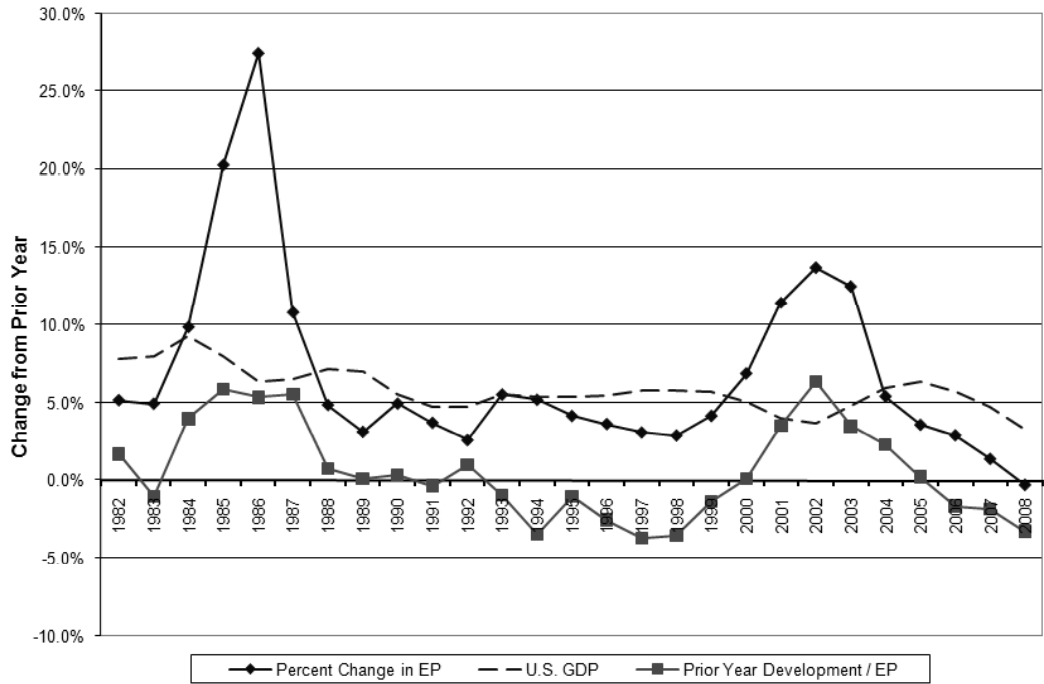
$$\text{CY LR} = \text{AY LR} + \Delta \text{ in Prior Years}$$

- Accident Year Experience

4

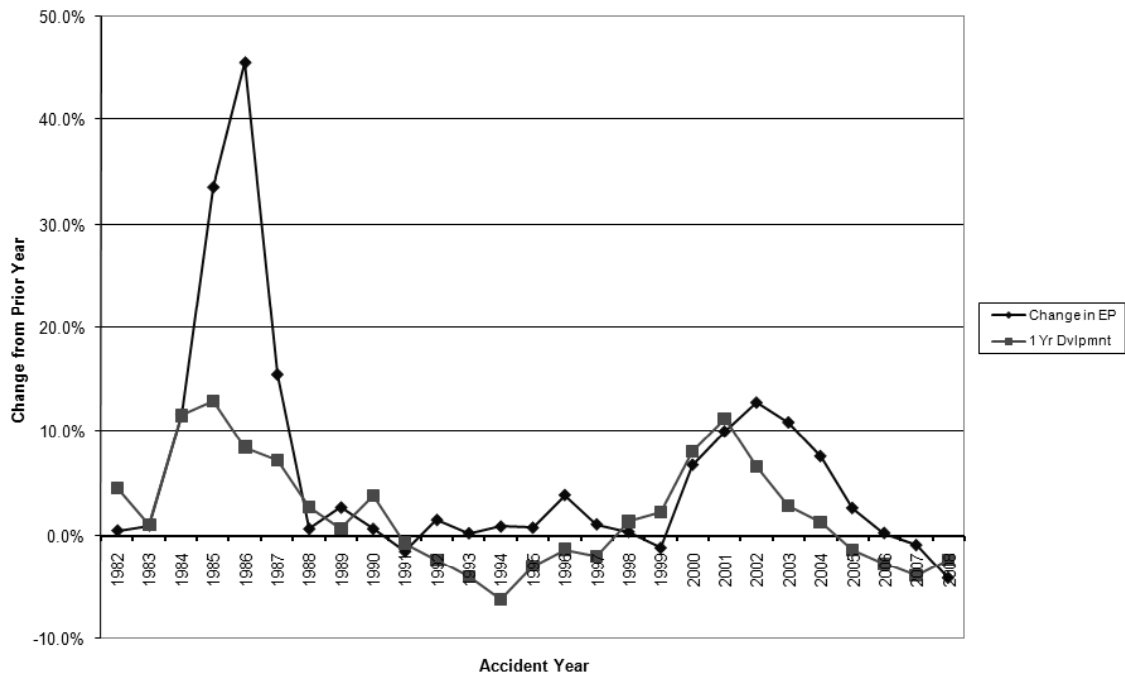
Calendar Year View

U.S. Industry Schedule P - All Lines



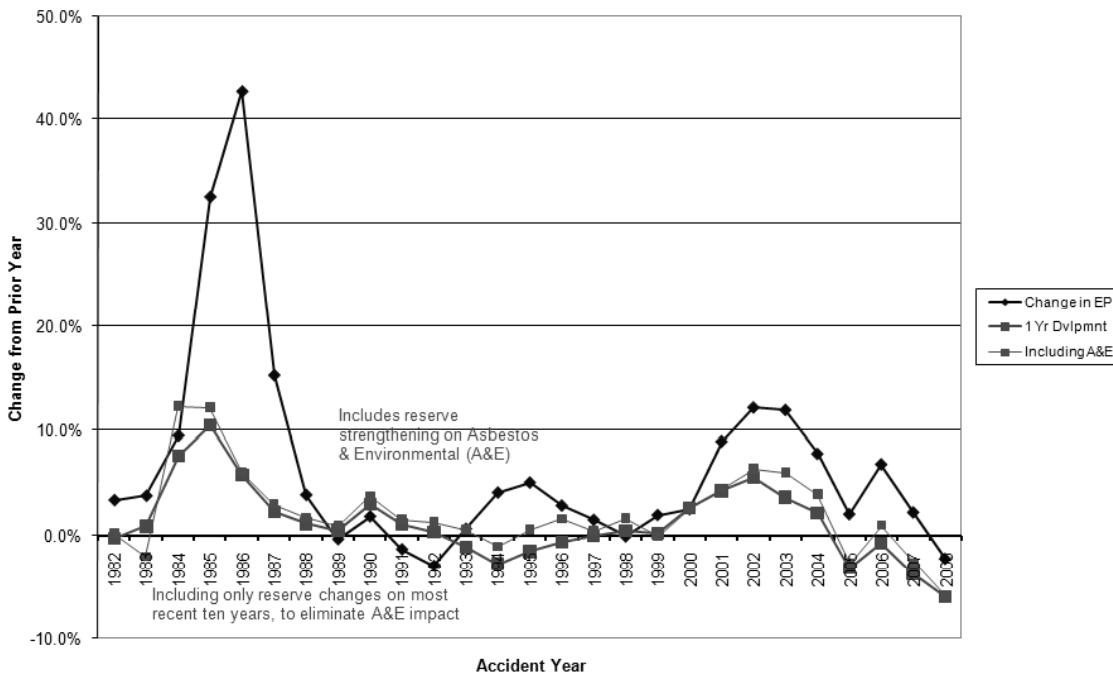
Calendar Year View

Industry Schedule P - Commercial Auto Liability



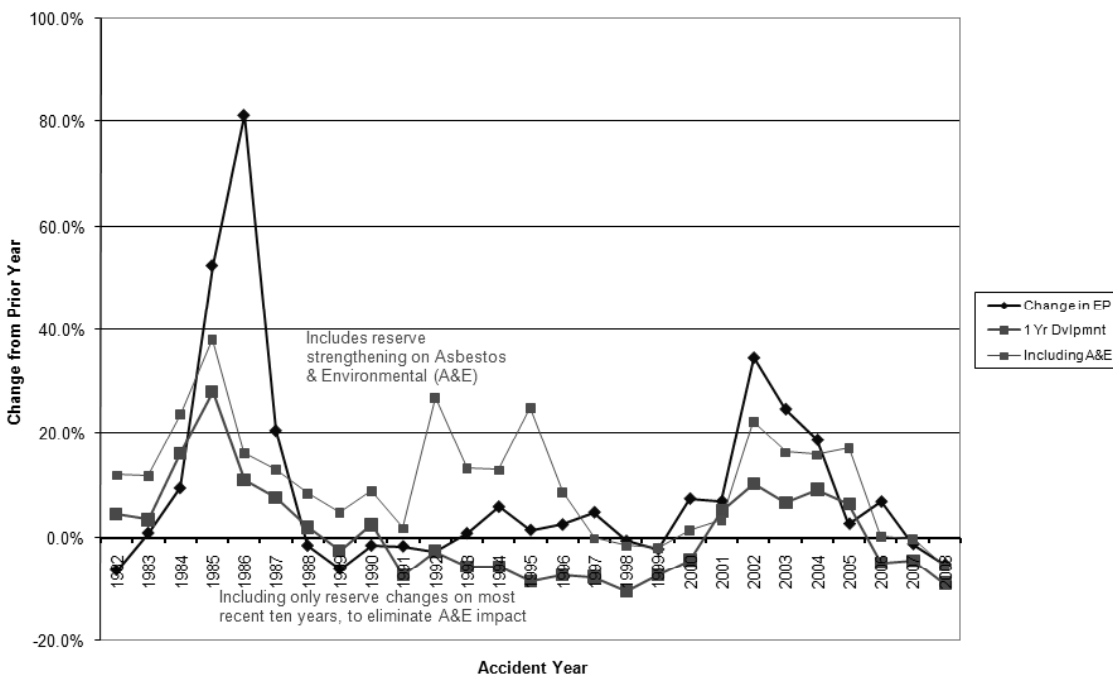
Calendar Year View

Industry Schedule P - Commercial Multiple Peril (CMP)



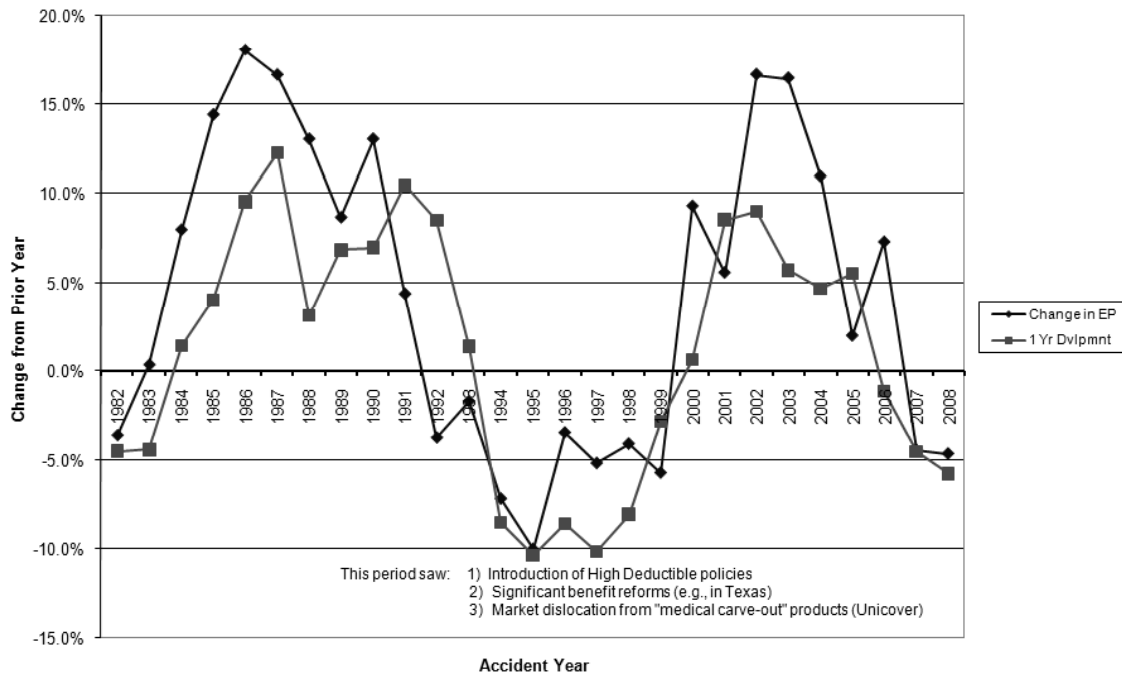
Calendar Year View

Industry Schedule P - General Liability (Occurrence + C-M)



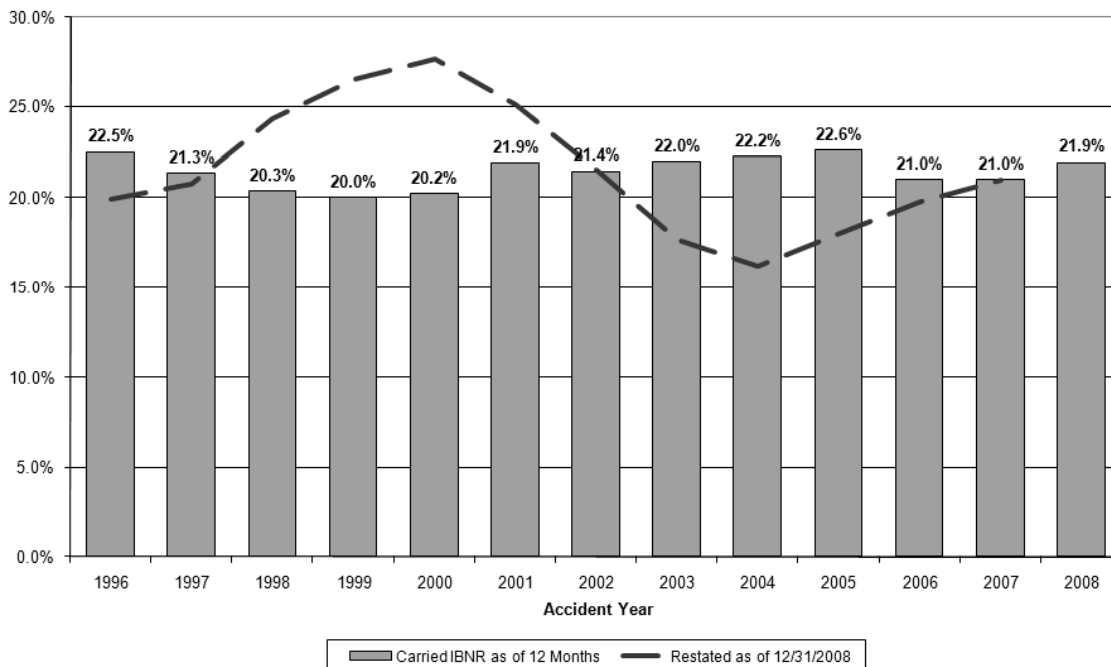
Calendar Year View

Industry Schedule P - Workers Compensation



Accident Year View

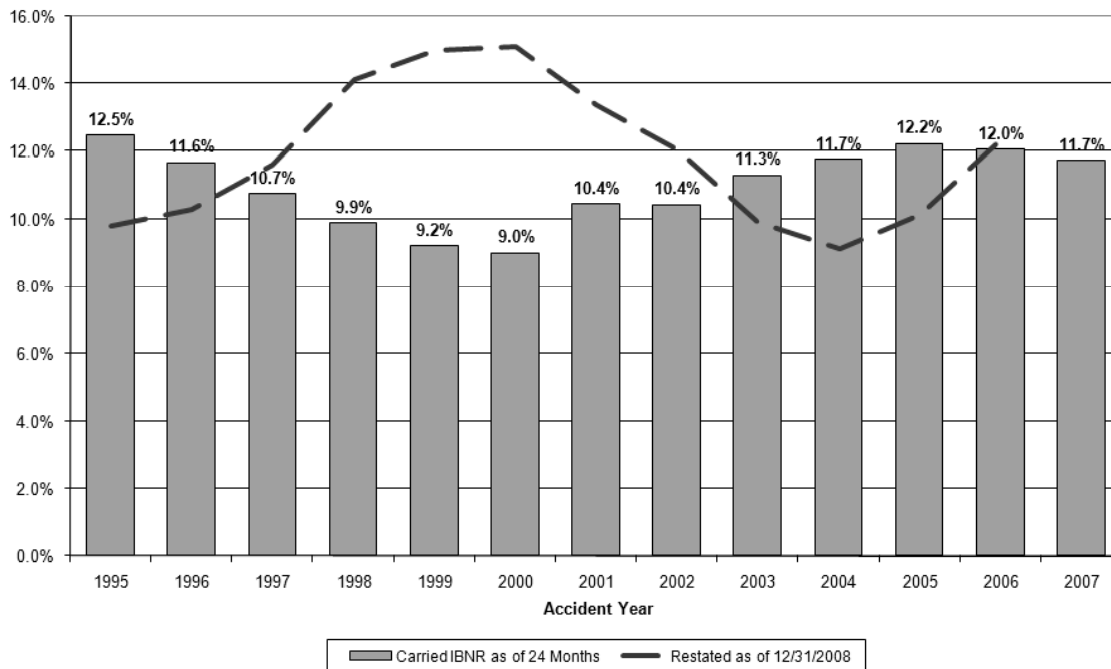
Carried IBNR as of 12 Months Relative to Earned Premium Industrywide All Lines of Business



Accident Year View



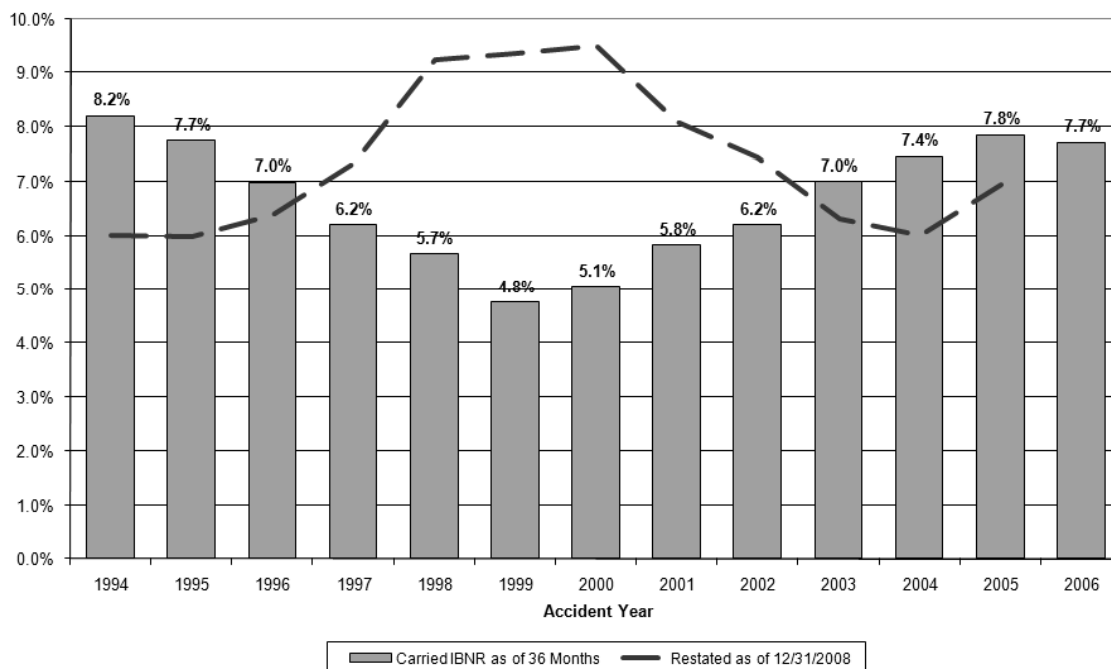
Carried IBNR as of 24 Months Relative to Earned Premium
Industrywide All Lines of Business



Accident Year View

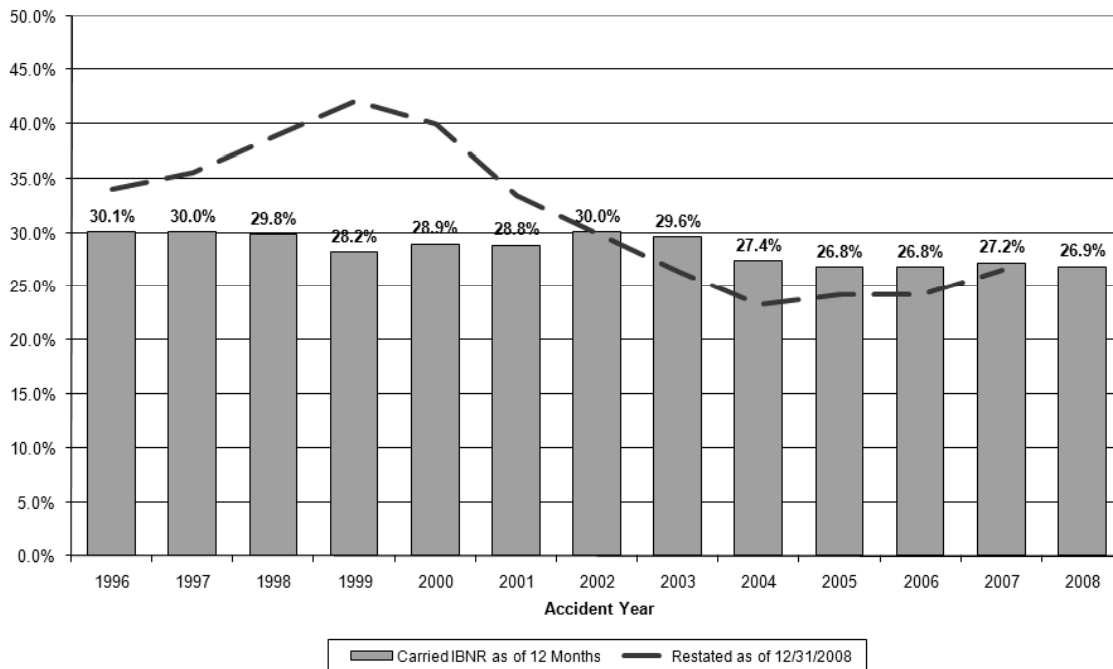


Carried IBNR as of 36 Months Relative to Earned Premium
Industrywide All Lines of Business



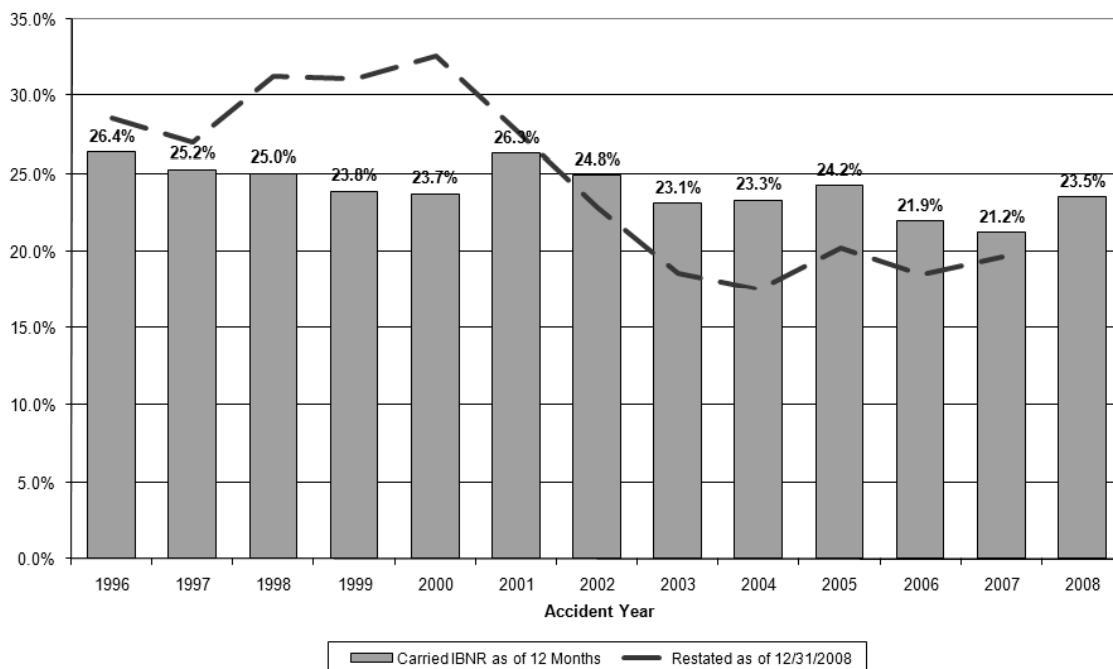
Accident Year View

Carried IBNR as of 12 Months Relative to Earned Premium
Industrywide Commercial Auto Liability



Accident Year View

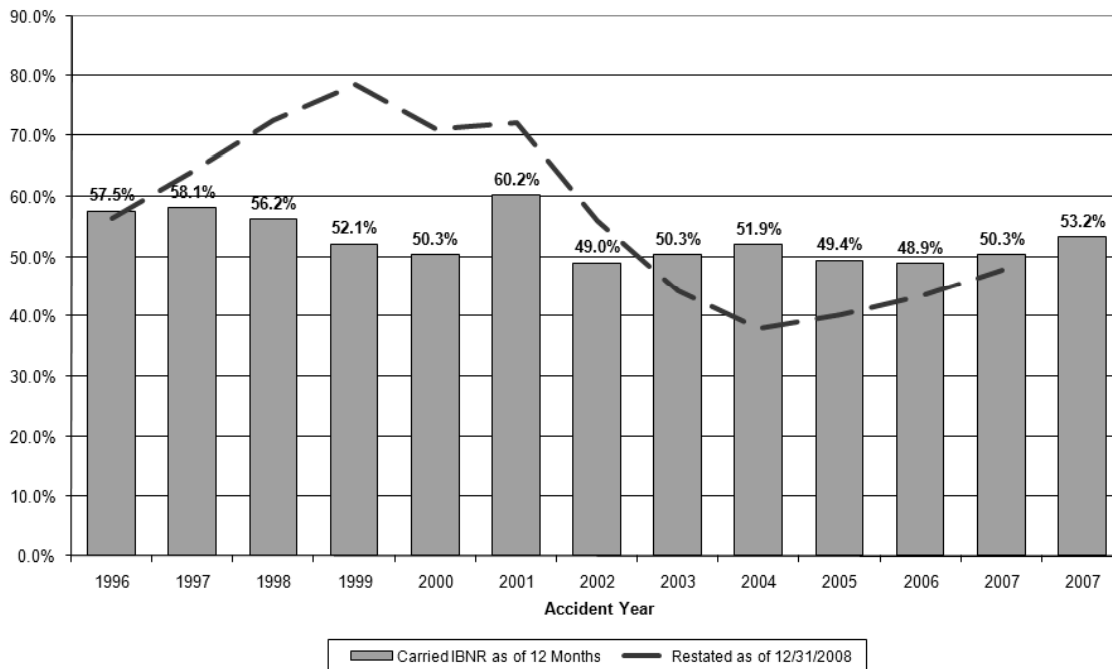
Carried IBNR as of 12 Months Relative to Earned Premium
Industrywide Commercial Multi-Peril (CMP)



Accident Year View



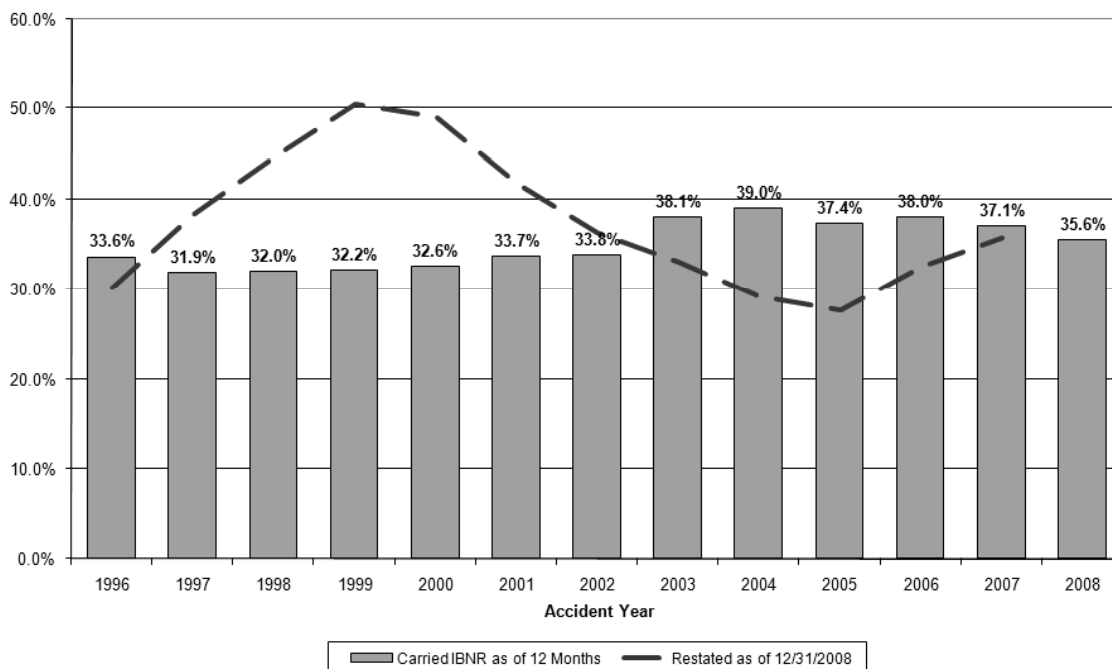
Carried IBNR as of 12 Months Relative to Earned Premium
Industrywide Other Liability (occurrence)



Accident Year View

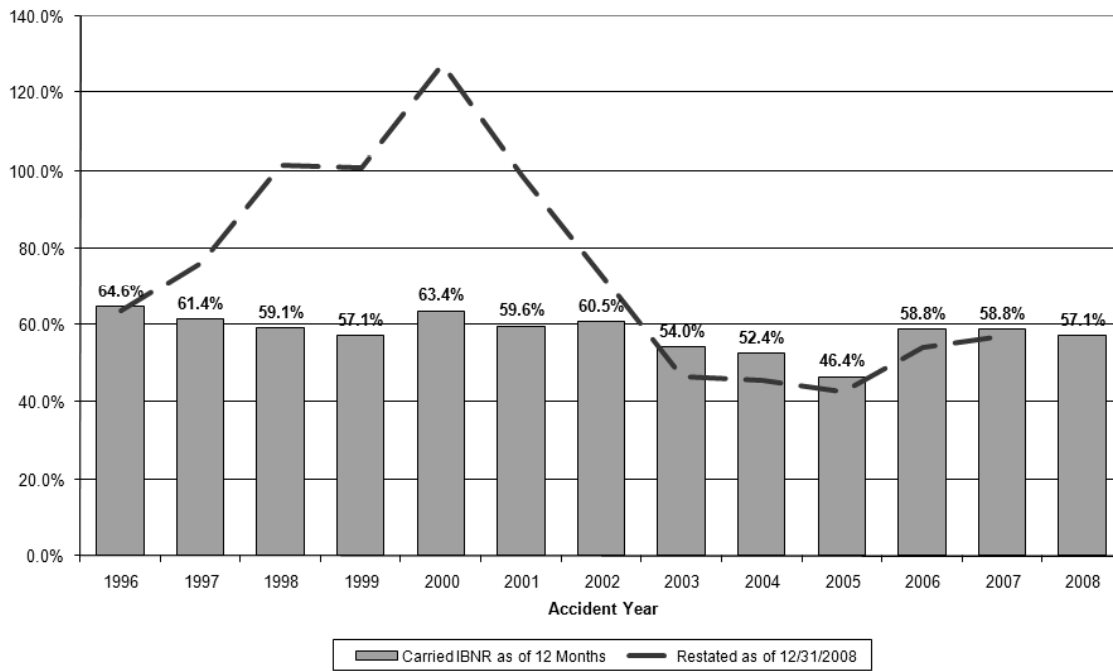


Carried IBNR as of 12 Months Relative to Earned Premium
Industrywide Workers Compensation



Accident Year View

Carried IBNR as of 12 Months Relative to Earned Premium
Industrywide Reinsurance Nonproportional Assumed Liability



Thank you very much for your attention.

Dave Clark

© Copyright 2009 Munich Reinsurance America, Inc. All rights reserved. The Munich Re America name is a mark owned by Munich Reinsurance America, Inc.

The material in this presentation is provided for your information only, and is not permitted to be further distributed without the express written permission of Munich Reinsurance America. This material is not intended to be legal, underwriting, financial, or any other type of professional advice. Examples given are for illustrative purposes only.

