





A Berkshire Hathaway Company

New Developments and Challenges in the Reinsurance Market

*12th APRIA conference
7th - 9th July 2008, Sydney
Ines Hellmayr, General Re Australia
Treaty Chief Underwriter Australia/New Zealand*

Gen Re

- Reinsurance Company
- Owned 100% by Berkshire Hathaway
- S&P rating AAA
- Net premium as per 31st December 2007 USD6.0 bn
- Capital as at 31st December 2007 USD12.5 bn
- 45 locations worldwide
- ... specifically in Asia Pacific:
Peking, Shanghai, Hong Kong, Seoul, Tokyo, Taipei, Singapore,
Melbourne, Sydney, Auckland

Challenges in the reinsurance market

AGENDA

- a) Macro trends (primary insurers &) reinsurers
- b) Dynamics of underwriting risks / exposures
- c) Soft market
- d) Regulatory framework
- e) Capital markets

a) Trends

b) Dynamics

c) Soft
Market

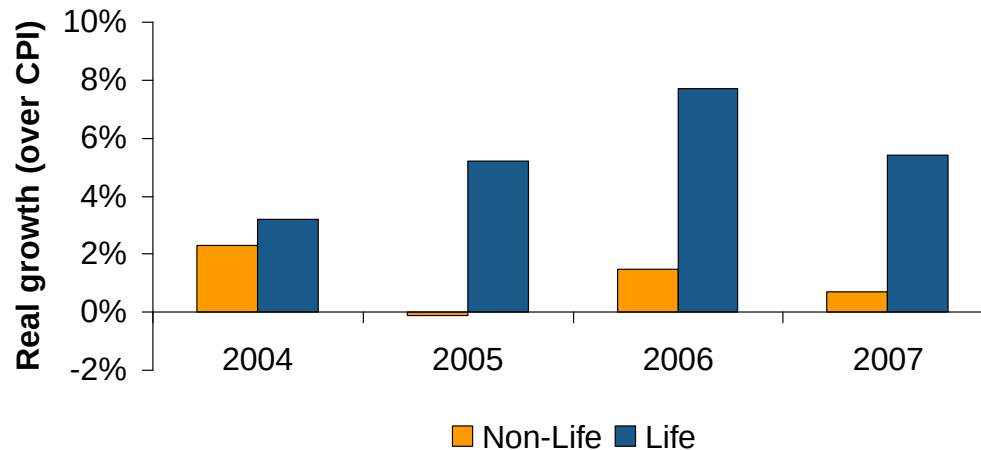
d) Regulatory

e) Capital
markets

Marginal growth in non-life primary market

a) Trends

Worldwide insurance premium growth

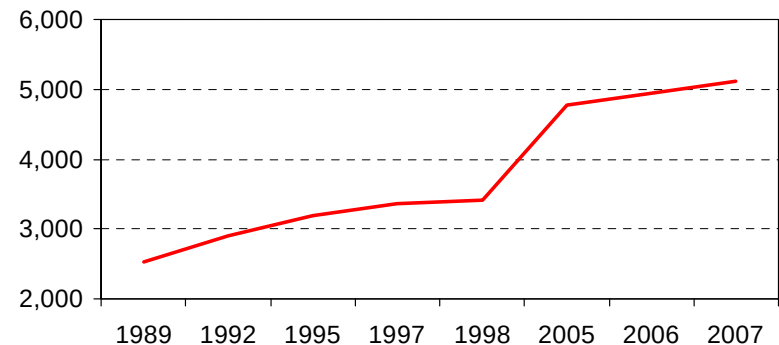


Average growth 0.7% from 2004 - 2007

Reasons

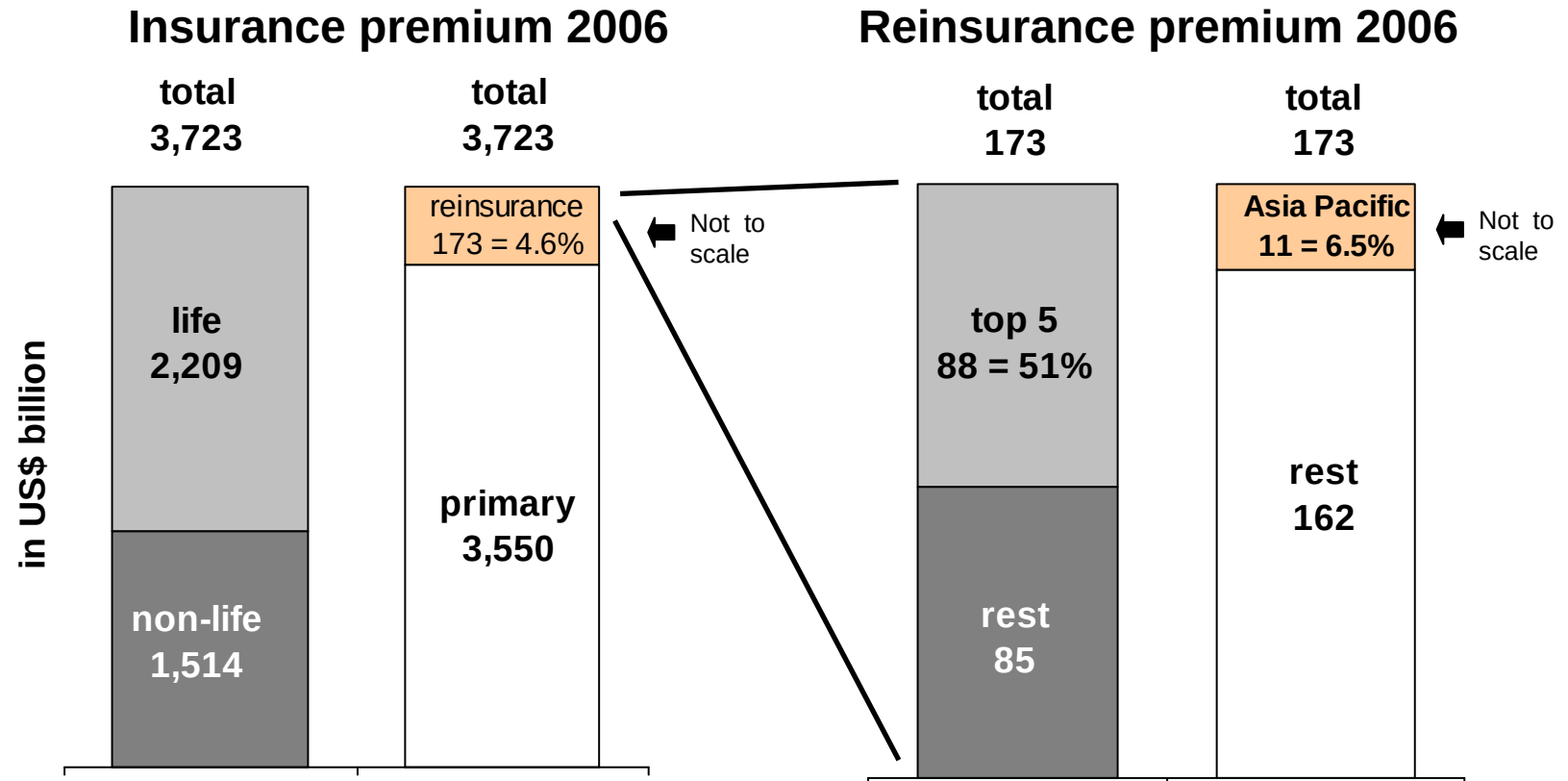
- Soft market
- Not many new products
- Captives

Number of captives worldwide 1989 - 2007 doubled



Low reinsurance cession (<5%), concentrated reinsurance market

a) Trends



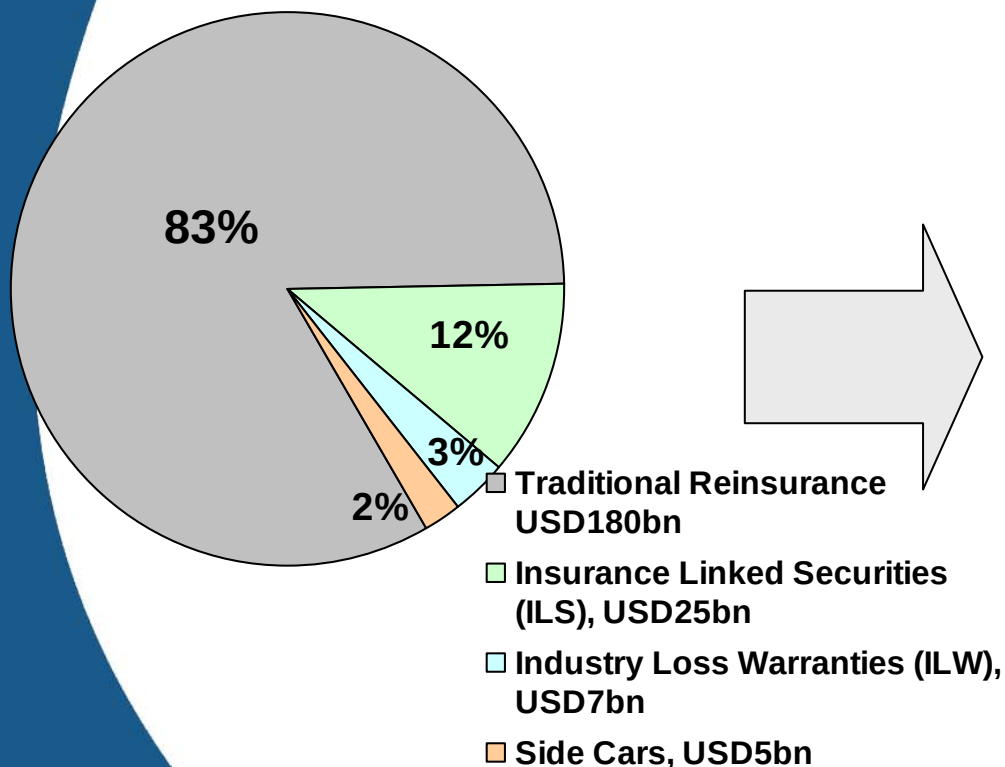
**Reinsurance net premium
growth forecast
2008e: -5.0%
(AM Best)**

Sources:
IAIS: Global Reinsurance 2007,
S&P: Global Reinsurance Highlights 2007

Alternative reinsurance forms

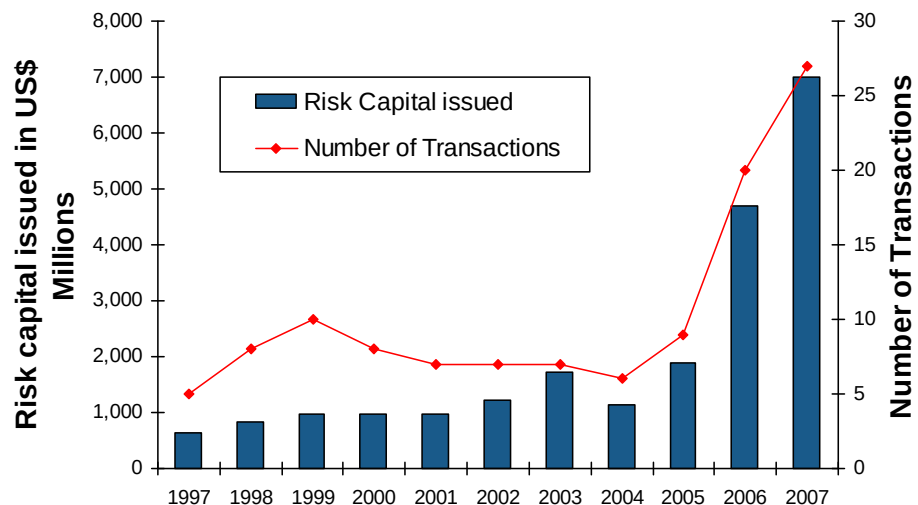
a) Trends

Reinsurance capacity 2006



Source: Moody's Global Reinsurance Industry Outlook, September 2007

Cat Bonds



Source: MMC Securities The Catastrophe Bond Market at Year-End 2007

But ... growth potential in Asia

Reinsurance premium per region in. USD m

	2003	2004	2005	2006
Europe	50.2	59.7	59.4	64.7
North America	86.3	96.1	98.7	90.3
Asia Pacific*	9.1	9.4	9.6	11.2
Africa, ME	1.5	1.3	2.1	2.6
Latin America	2.4	2.5	3.2	4.1
Total	149.5	168.9	172.9	172.9

Growth
2003 –
2007 23%

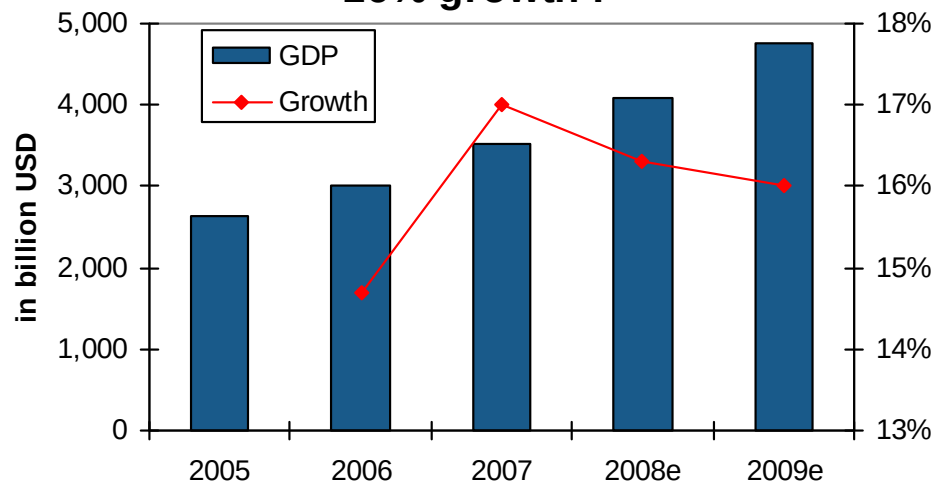
Source: IAIS Global Reinsurance Market Reports 2004-2007

*includes Australia/New Zealand with little growth
so real growth Asia even higher

But ... growth potential in Asia (contd.)

a) Trends

China Gross Domestic product 16% growth !



Country	Primary premium per Capita US\$
Japan	760
S. Korea	591
Taiwan	450
Singapore	341
Hong Kong	332
China	19
All Asia	50
Australia	1,192
New Zealand	1,156
United States	2,134
World	224

Moving targets

- Increased frequency of windstorm events
- Increasing exposure to floods
- Rising concentration of values
- Growing exposure from industrial risks
- Increase in the cost of insurance claims uncoupled from the general development of consumer prices
- Climate Change

CLIMATE IS



CHANGING

Example: Mining and metal losses Q1/2008

b) Dynamics

Date	Loss (insured)	Location	USD m
Jan-Feb	Mine flood (BHP Billiton)	Australia	1,600
Jan	Battery BI loss (Nokia)	Finland	700
Jan	Coal mine collapse (BHP Billiton)	South Africa	500
Feb	Mining machinery breakdown	Peru	500
Jan	Steel plant explosion	US	500
Feb	Texas oil refinery explosion / fire (Alon)	US	400
Feb	Factory fire / explosion (Imperial Sugar)	US	380
March	Warehouse fire	Dubai	200
Jan	Mine flood / fire (Anglo American)	South Africa	250
Jan	Coal mine explosion (Arcelor Mittal)	Kazakhstan	140
Feb	Camden fire, London	UK	140
Jan	Ersham mine flooding (JV)	Australia	160
Feb	Natural gas pumping plan explosion (tornado)	US	125
Feb	Gold mine seismic events (Harmony)	South Africa	120
March	Arkansas meat packing plant fire / explosion (Cargill)	US	100
Jan	Mote Carlo Las Vegas fire (MGM)	US	100
Feb	Mine flood (Govt)	Tanzania	100
			6,015

Source: Insurance Insider, May 2008

Five year high/low price inflation

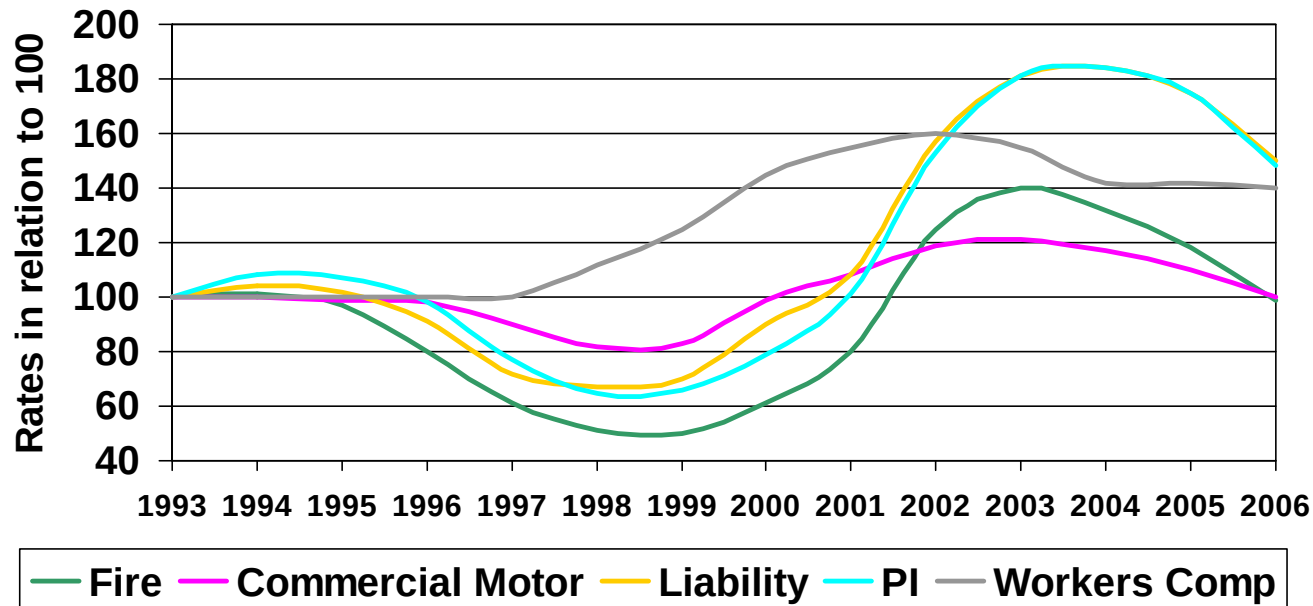
Gold: 150%
Copper: 500%
Aluminium: 130%

Mining and metal 64% of total losses

Soft market - Stagnating demand and rising capacity

c) Soft Market

Australian P/C rates (1993 = 100)



Source: JP Morgan 2006 and 2007 General Insurance Industry Survey

Where are we in the cycle?



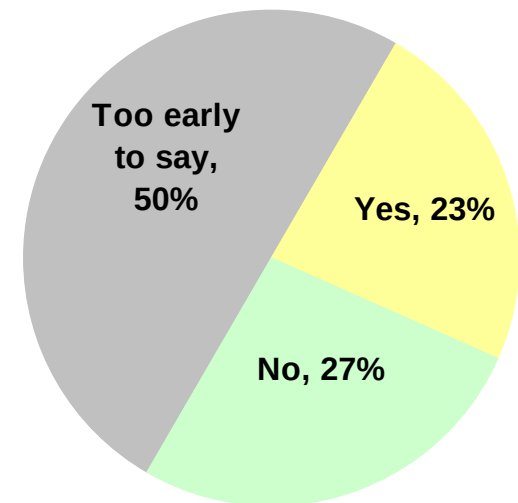
Regulatory - Australia

d) Regulatory

Substantial higher risk charges for non-current * reinsurance recoverables with offshore reinsurers from 1st January 2009

Grade	S&P	Investment Capital Factor
1	AAA	20%
2	AA+ AA AA-	40%
3	A+ A A-	60%
4	BBB+ BBB BBB-	80%
5	BB+ or below	100%

Will the APRA changes alter your selection of reinsurance partners? (Insurer n = 30)

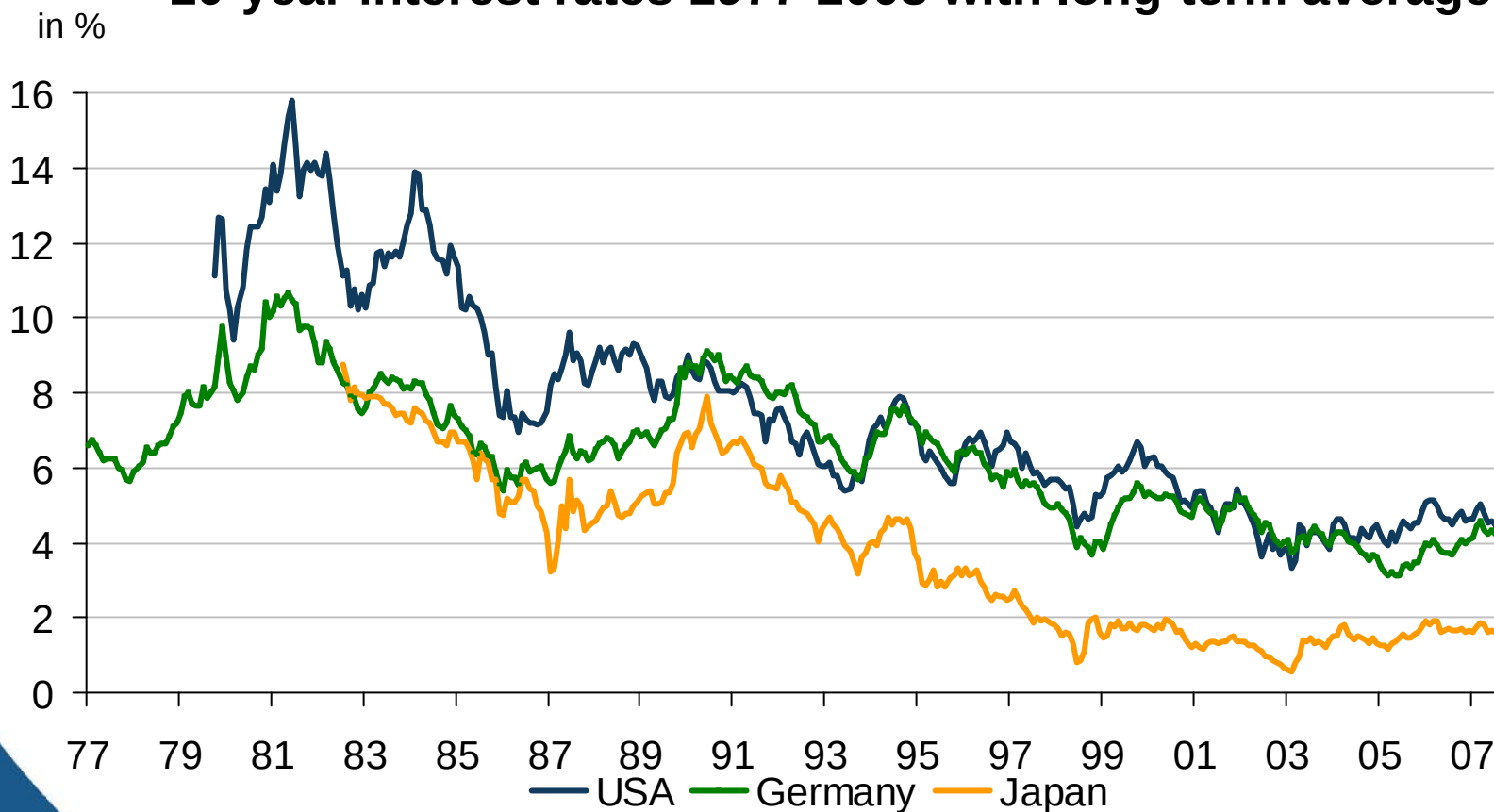


*reinsurance recoverables on and from the second balance date after the end of the financial year in which the event giving rise to each recoverable occurred

Source: Aon Re Australia / New Zealand 2008 Market Survey

Underwriting profit essential

10-year interest rates 1977-2008 with long-term average



Source: Thomson Financial Datastream

Underperforming insurance sector

Performance of the European insurance sector versus the whole industry



Source: Thomson Financial Datastream

Thank you