

# Munich Re and CarbonRe set up alliance

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Munich Re Group and CarbonRe Switzerland intent to work in a strategic partnership to provide additional direct insurance capacity to the carbon markets. Under the deal Munich Re will be the preferred partner and reinsurer of CarbonRe in order to offer additional insurance capacity, joint underwriting and risk evaluation. The cooperation leads to the most competent global risk control and risk transfer partnership for supporting insurance solutions for the carbon markets today.

"Project portfolio underperformance and counterparty risks have dramatically increased in the last 6 months and buyers, lenders and investors in emission reduction projects are concerned about their money – compliance buyers about their license to produce!" Dirk P. Kohler, CEO of CarbonRe said. "At project level in developing countries and emerging markets there is a lack of risk management and insurance coverage to protect the investments needed to fight global climate change".

Richard Wulff, Head of Divisional Unit Financial Risks at Munich Re is convinced that this strategic partnership will serve effectively the carbon markets protecting buyers of carbon credits against credit risks of the sellers and protecting the owner of renewable (clean) energy projects and emission reduction technologies against physical damage and performance risks. "We will join force in commercial action and promote as well Munich Re's Kyoto Multi Risk Policy, a special and financial risk coverage for so called CDM-projects", he said. "Our teams will cooperate in the development of Carbon Delivery Guarantee indemnifying (compliance) buyers of carbon credits in carbon credits".

Chairman Richard Vögeli of CarbonRe Securities AG announced the decision to establish a direct insurance company as a next step of the company's development and evolution from insurance intermediary to a primary risk taker. "We have a clear schedule to bring this strategic partnership to market and invite market participants to Carbon Expo 2008 in Cologne to meet our teams".

## **About Munich Re**

The Munich Re Group operates worldwide, turning risk into value. In the financial year 2007, it achieved a profit of €3,937m, the highest since the company was founded in 1880, on premium income of approximately €37bn. The Group operates in all lines of business, with more than 38,000 employees at over 50 locations throughout the world and is characterized by particularly pronounced diversification, client focus and earnings stability. With premium income of around €21.5bn from reinsurance alone, it is one of the world's leading reinsurers. Its primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance, and 34 million clients in 26 countries place their trust in the services and security it provides. The global investments of the Munich Re Group amounting to €176bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Munich Re has concerned itself with climate change and its implications for decades: it first drew attention to the potential consequences back in 1973 and, one year later, created a separate department to analyse natural hazards and their effects on loss development. Today, the Geo Risks Research Department employs 30 staff from a whole range of scientific disciplines and contributes significantly to Munich Re's leading expertise in assessing risks from natural hazards.

#### **About CarbonRe**

CarbonRe is the first insurance service provider launched with the sole objective to identify, assess and transfer risks out of the carbon community into capital markets and is the global leader in insurance based risk management mechanisms; services are provided for risk managers facing the challenges of the global carbon markets .

CarbonRe assists the insurance industry in product development and underwriting this new dimension of risk such as: country investment and counter-party risk, carbon regulatory risk, technology performance risk and various project risks. CarbonRe's core competence is risk management for renewable (clean) energy, emission reduction technologies, clean technologies, weather and climate change related risks. The company is a rapidly growing provider of specialty lines of insurance, reinsurance and structured finance risk solutions in greenhouse gas markets. The specialty lines of insurance and re-insurance are defined as those that are often unusual or difficult to place and do not fit the underwriting criteria of standard commercial insurance product providers. CarbonRe is positioned to react to niche underwriting opportunities in Greenhouse Gas Markets that are in very high demand yet are currently underserved by the financial services industry.

#### **About CarbonRe Securities**

CarbonRe Securities is the first primary risk taker indemnifying insured clients in carbon credits, based on Carbon Delivery Guarantee Insurance.