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# 1 January 2021 Property & Casualty Treaty Renewals

4 February 2021

Jean-Jacques Henchoz, Chief Executive Officer  
Sven Althoff, Member of the Executive Board – Property & Casualty

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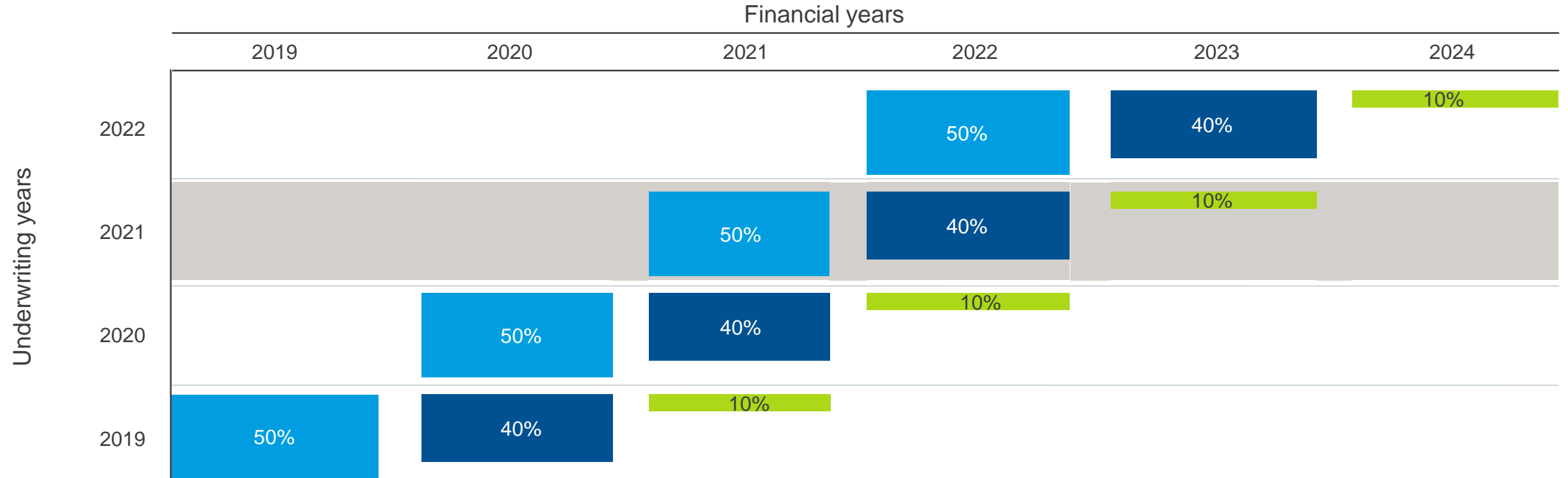
## Important note (1)

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- Unless otherwise stated, the renewals part of the presentation is based on Underwriting-Year (U/Y) figures  
This basis is only remotely comparable with Financial-Year (FY) figures, which are the basis of quarterly and annual accounts
- The situation shown in this presentation mainly reflects the developments in Hannover Re's Property & Casualty reinsurance portfolio, which may not be indicative of the market development
- Pricing includes changes in risk-adjusted exposure, claims inflation and interest rates, based on internal pricing models
- Portfolio developments are measured at constant foreign exchange rates as at 31 December 2020

## Important note (2)

### Time lag in premium distribution between underwriting year and financial year



2021 underwriting year results will contribute to FY 2021 results and following years

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Reinsurance markets

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# Fourth consecutive year of improving reinsurance markets

## Key market highlights of 1 January 2021 renewals

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- Positive primary insurance pricing momentum
- Positive trend from previous renewals continued in the reinsurance market and complements pricing effect from the primary side
  - Drivers for price increases: challenging interest rate environment, loss experience in previous years and Covid-19 losses
  - General tightening of market conditions, in particular through introduction of pandemic and silent cyber exclusions
  - Level of pricing effects as well as tightening of terms and conditions vary notably by region and line of business
- Overall stable to slightly increased demand for well-capitalised reinsurance groups (flight to quality)
- Disciplined behaviour of most market participants

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**Reinsurance market has proven to be resilient, demonstrating its efficiency and relevance**

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Our results

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# Favourable renewal season outcome

## 1 January 2021 renewal: increased premium at improved pricing

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- Successful renewal supported by our superior financial strength, favourable market positioning and long-standing customer relationships
- We expanded our portfolio while maintaining our disciplined underwriting
- Flight to quality allowed us to manage portfolios according to our risk appetite and with clear focus on profitability
- Several factors contributed to overall improved portfolio quality:
  - Rate increases in primary business, particularly beneficial for proportional and facultative business
  - Increasing reinsurance rates
  - Overall reduced commission levels
  - Improved terms and conditions (e.g. exclusion of pandemic and silent cyber risks)
- Successful renewal of retro programmes supported by long-term relationships; risk-adjusted pricing changes well in line with R/I pricing
- Our low admin expense ratio remains a key competitive advantage, supporting the continued growth of our P&C book

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Our portfolio

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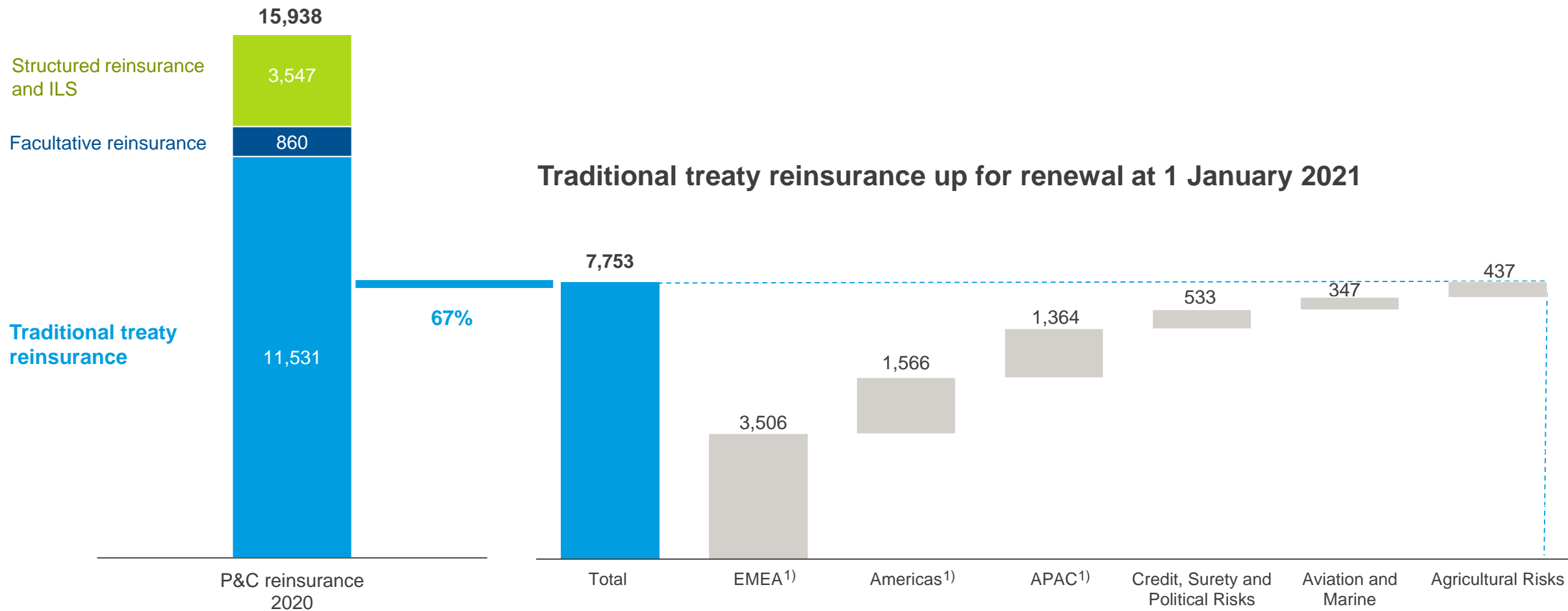
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# 67% of traditional treaty reinsurance up for renewal at 1 January 2021

## Equates to 49% of the total P&C inforce premium

### Estimated premium income U/Y by reporting lines



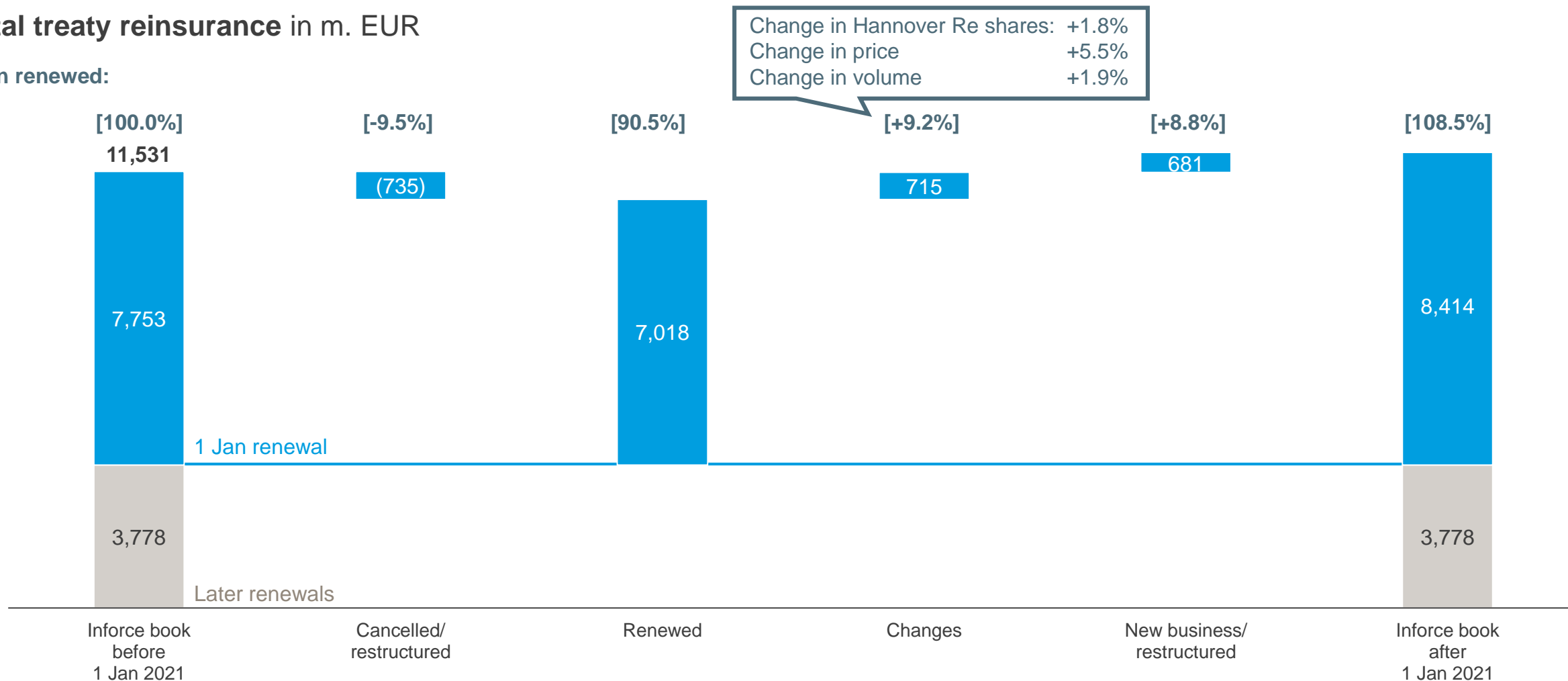
All figures in m. EUR

1) All lines of business except those stated separately

# We grew our book by 8.5% on the back of improved pricing development in the insurance and reinsurance markets

**Total treaty reinsurance** in m. EUR

% on renewed:



# Price increases across all lines and regions, with most dynamic development in US, UK and Specialty lines

Reporting lines	Traditional treaty reinsurance			
	Premium 1/1/2020	Premium 1/1/2021	Premium changes	Price changes
EMEA <sup>1)</sup>	3,506	3,878	+10.6%	+3.0%
Americas <sup>1)</sup>	1,566	1,806	+15.3%	+8.3%
APAC <sup>1)</sup>	1,364	1,420	+4.1%	+6.1%
Credit, Surety and Political risks	533	561	+5.3%	+9.9%
Aviation and Marine	347	375	+8.2%	+11.1%
Agricultural Risks	437	374	-14.5%	+3.4%
<b>Total 1 January renewals</b>	<b>7,753</b>	<b>8,414</b>	<b>+8.5%</b>	<b>+5.5%</b>

Premium estimates in m. EUR

1) All lines of business except those stated separately (excl. Structured R/I and ILS as well as Facultative R/I); EMEA incl. CIS

# Proportional business benefited from improved primary insurance markets

## 8.8% rate increase in non-proportional business

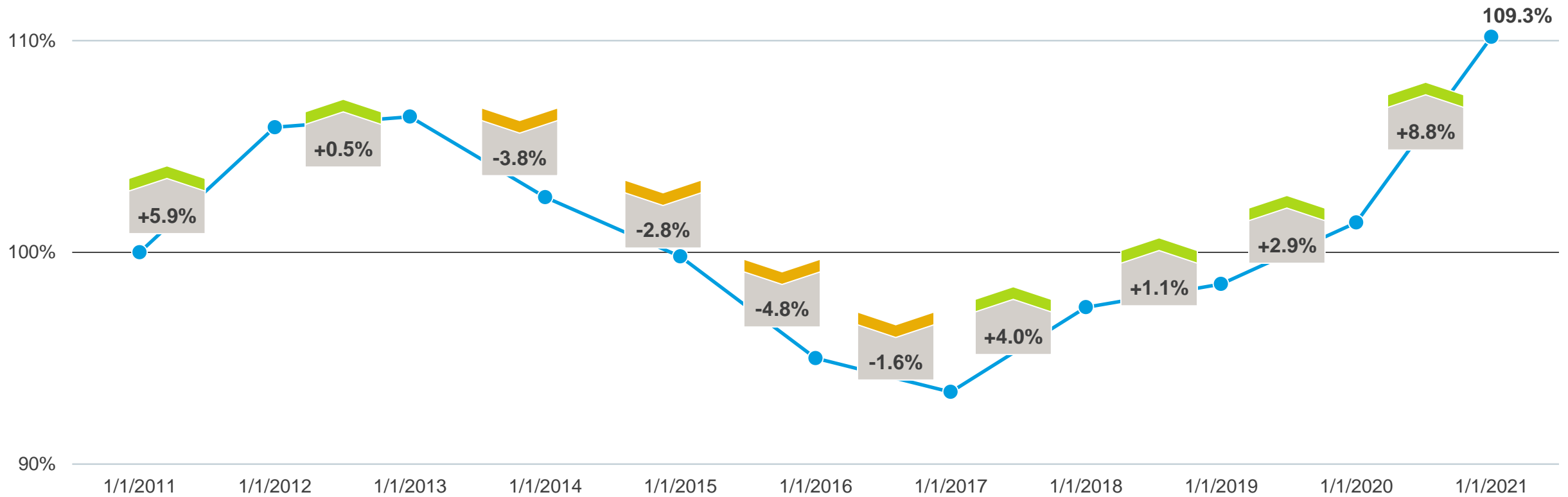
Reporting lines	Proportional			Non-proportional		
	Premium 1/1/2021	Premium changes	Price changes	Premium 1/1/2021	Premium changes	Price changes
EMEA <sup>1)</sup>	3,072	+12.1%	+2.0%	806	+5.3%	+6.4%
Americas <sup>1)</sup>	874	+19.6%	+6.5%	932	+11.6%	+9.9%
APAC <sup>1)</sup>	1,338	+3.5%	+6.3%	82	+16.1%	+2.9%
Credit, Surety and Political risks	456	+2.2%	+9.0%	105	+20.8%	+14.7%
Aviation and Marine	245	+7.4%	+8.9%	130	+9.8%	+15.2%
Agricultural Risks	344	-15.5%	+2.9%	29	-1.9%	+9.8%
<b>Total 1 January renewals</b>	<b>6,329</b>	<b>+8.3%</b>	<b>+4.4%</b>	<b>2,085</b>	<b>+9.3%</b>	<b>+8.8%</b>

Premium estimates in m. EUR

1) All lines of business except those stated separately (excl. Structured R/I and ILS as well as Facultative R/I); EMEA incl. CIS

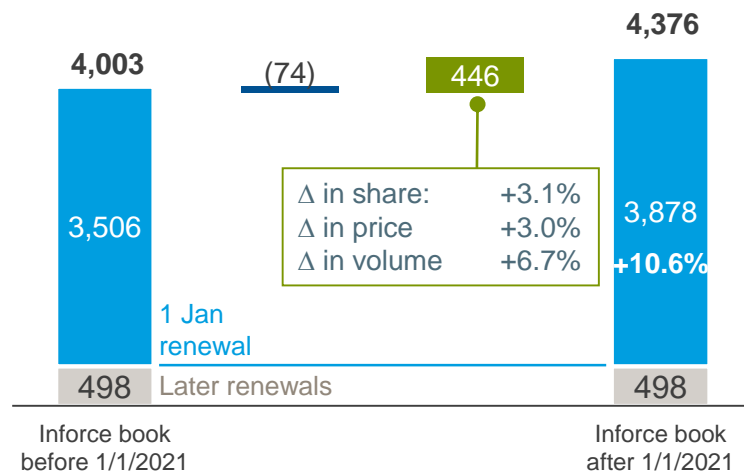
# Fourth consecutive year with price increases in non-proportional (XL) business

## XL price changes at 1 January renewals



# Strong growth in regional markets mainly from North America and UK

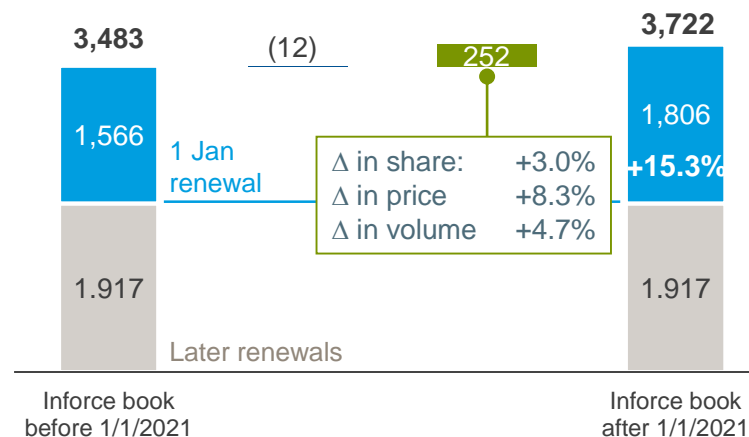
## EMEA



- Firming primary rates both in property and casualty (increases most prominent in UK)
- Notable growth and improving reinsurance rates across all geographies
- Lloyd's: increased shares in hardening market environment
- Germany: further strengthening of market position with overall improved profitability

■ New/cancelled/restructured   ■ Changes

## Americas



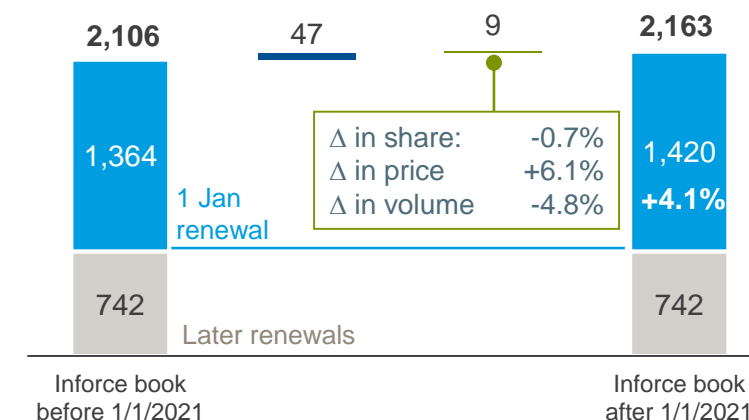
### North America:

- Trend of improving primary rates accelerated in both property and casualty
- Improving profitability driven by increased rates and improved terms and conditions
- Premium growth characterised by balanced expansion of property and casualty business

### Latin/South America:

- Increased shares and new business at improved terms and conditions

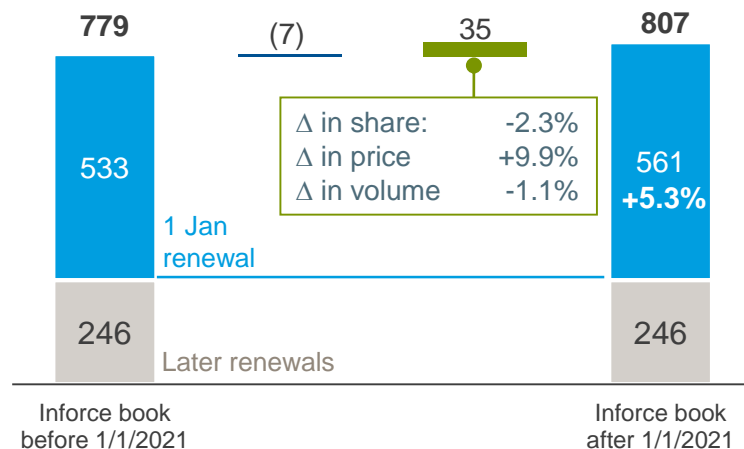
## APAC



- Increased profitability in a heterogeneous market environment
- Mainland China: in contrast to strong growth in previous years active portfolio management resulted in stable premium development
- Attractive growth opportunities in South East Asia and Korea supported by strategic initiative

# Worldwide markets: significant price development across most Specialty lines

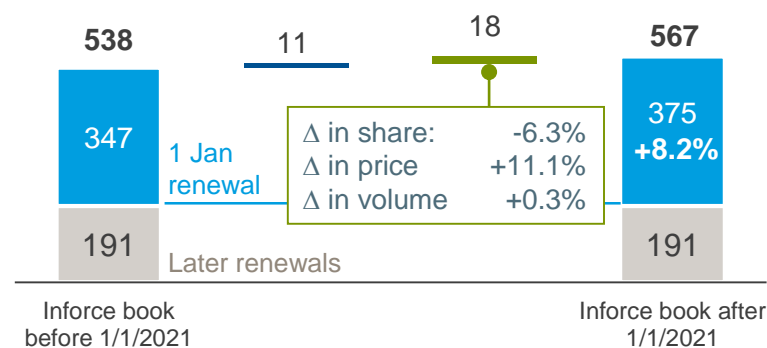
## Credit, Surety and Political Risks



- First steps of hardening as a result of uncertainties linked to Covid-19
- Selective premium growth in Credit, Surety and Political Risk on the base of a slightly reduced inforce book
- Share increase or new business only on clearly improved pricing
- Share reductions on a few relationships partly compensated by increases in other accounts

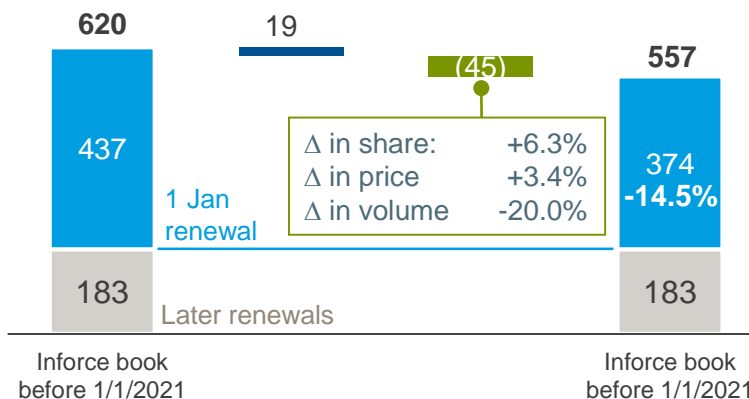
■ New/cancelled/restructured   ■ Changes

## Aviation and Marine



- Both lines of business: improvements on reinsurance structures as well as terms and conditions
- Aviation: significant increases on prices for non-proportional treaties and satisfactory improvements on commission structure of proportional reinsurances
- Marine: satisfactory price increases throughout the book with an emphasis on London Market non-proportional; active portfolio management

## Agricultural Risks



- Premium growth and increased shares in a number of regions
- Entry of state-owned reinsurer in China masked premium growth in other regions
- Favourable business development in the Americas, CEE and Turkey

# Exceptional reporting on Structured R/I, Facultative R/I and cat business<sup>2)</sup>

## Structured R/I <sup>1)</sup>

- High demand for solvency-relief transactions worldwide (driven by Solvency II and BCAR), commercial short-tail lines and UK motor
- High number of new transactions closed against a very small number of cancelled contracts
- Successful contribution to APAC growth initiative
- Increased volume in Latin America / Caribbean, UK and US

Expected premium development for U/Y 2021: +10%

## Facultative R/I <sup>1)</sup>

- Positive market dynamics seen in the primary insurance market favourably affected our portfolio
- Positive effect from flight to quality
- Successful renewal: almost all major accounts renewed, new business written and line sizes increased
- Rate increases and improvements in terms and conditions in almost all regions and all lines of business
- Average rate increases of 8% and up to 20% in North American business and energy

Expected premium development for U/Y 2020 and 1 Jan 2021: +13.5%

## Cat business <sup>2)</sup>

- Overall quality of the portfolio improved markedly, particularly tighter terms and conditions
- Most regions have seen rate increases but levels varied appreciably
- Positive non-proportional price effects: US most pronounced with about 10% risk-adjusted increase, Europe and Rest of World range from 2.5% to 5%
- Premium growth rate in APAC and EMEA more pronounced than in US
- Loss-affected programmes have experienced significant corrections

Diversified premium growth of almost 10%

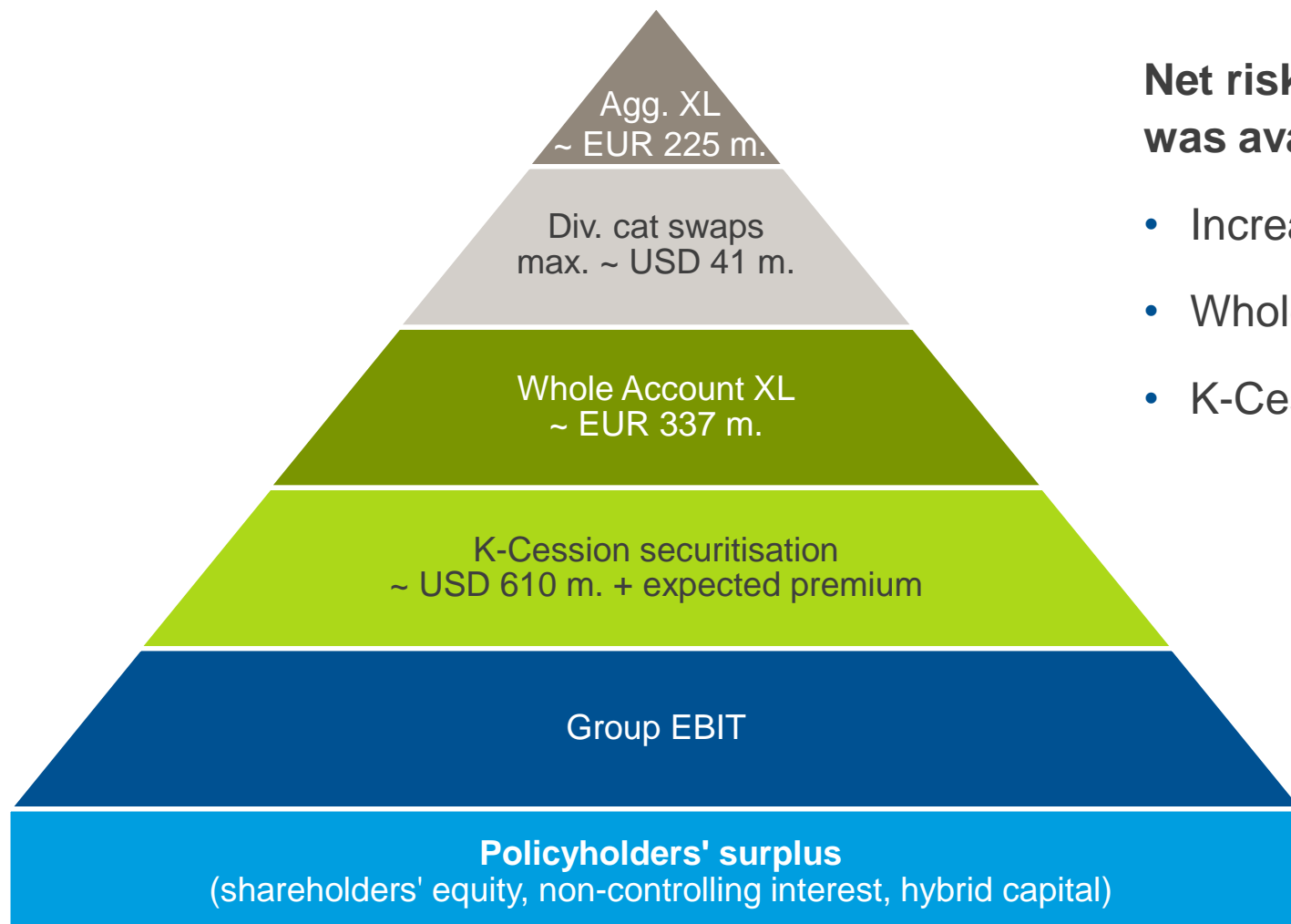
1) Renewal activity in Structured R/I and Facultative R/I is not characterised by peak renewal dates such as 1/1 or 1/7 but rather year-round renewal activity

2) Additional reporting on cat-exposed business which is incrementally included in regional and worldwide markets



# Successful renewal of retro programmes supported by long-term relationships

## Risk-adjusted pricing changes well in line with R/I pricing



**Net risk appetite at targeted level as retro capacity was available at reasonable prices**

- Increase in Agg. XL coverage from EUR 200 m.
- Whole Account: limit increased from EUR 325 m.
- K-Cession: paid-in capital reduced from USD 680 m.

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**Guidance 2021**

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# Overall profitability above margin requirements in Property & Casualty

## Financial year 2021

	Reporting categories	Volume <sup>1)</sup>	Profitability <sup>2)</sup>
<b>Regional markets</b>	EMEA <sup>3)</sup>		+
	Americas <sup>3)</sup>		+
	APAC <sup>3)</sup>		+/-
<b>Worldwide markets</b>	Structured Reinsurance and ILS		++
	Credit, Surety and Political Risks		+/-
	Facultative Reinsurance		+
	Aviation and Marine		+
	Agricultural Risks		+

1) In EUR, development in original currencies can be different

2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)

3) All lines of business except those stated separately; EMEA incl. CIS

# Guidance for 2021

## Hannover Re Group

- Gross written premium<sup>1)</sup> \_\_\_\_\_ ~ 5% growth
- Return on investment<sup>2) 3)</sup> \_\_\_\_\_ ~ 2.4%
- Group net income<sup>2)</sup> \_\_\_\_\_ EUR 1.15 - 1.25 bn.
- Ordinary dividend pay-out ratio<sup>4)</sup> \_\_\_\_\_ 35% - 45%
- Special dividend \_\_\_\_\_ additional pay-out if profit target is reached and capitalisation is comfortable

1) At unchanged f/x rates

2) Subject to no major distortions in capital markets and/or major losses in 2021 not exceeding the large loss budget of EUR 1.1 bn. and no material Covid-19 impact in L&H

3) Excluding effects from ModCo derivatives

4) Relative to group net income according to IFRS

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**Preliminary figures**

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# Strong net income fully meets expectations

## Preliminary key figures for 2020

### Hannover Re Group

### Previous guidance

### Preliminary figures

Hannover Re Group	Previous guidance	Preliminary figures
Gross written premium	growth in the upper single-digit percentage range <sup>1)</sup>	EUR 24.8 bn. (~ +12% <sup>1)</sup> )
Return on investment from AuM	~ 2.7%	3.0%
Group net income	> EUR 800 m.	~ EUR 883 m.
Combined ratio P&C	-	101.6%

### Covid-19 net loss estimates as at 31 Dec 2020

Property & Casualty reinsurance	EUR 950 m.
Life & Health reinsurance	EUR 261 m.

1) At unchanged f/x rates

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Appendix

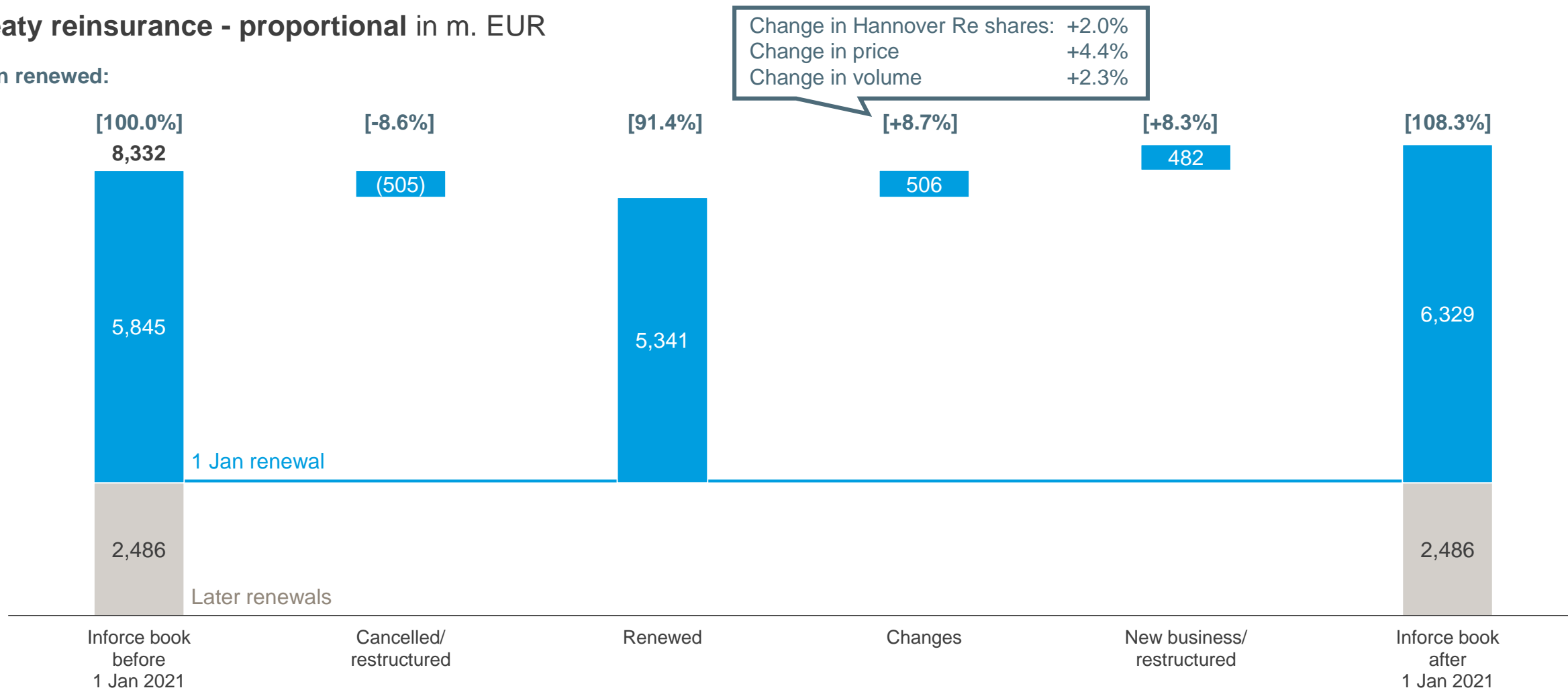


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# Above-average growth in proportional business stemming from solid underlying primary markets and new business acquired

## Treaty reinsurance - proportional in m. EUR

% on renewed:

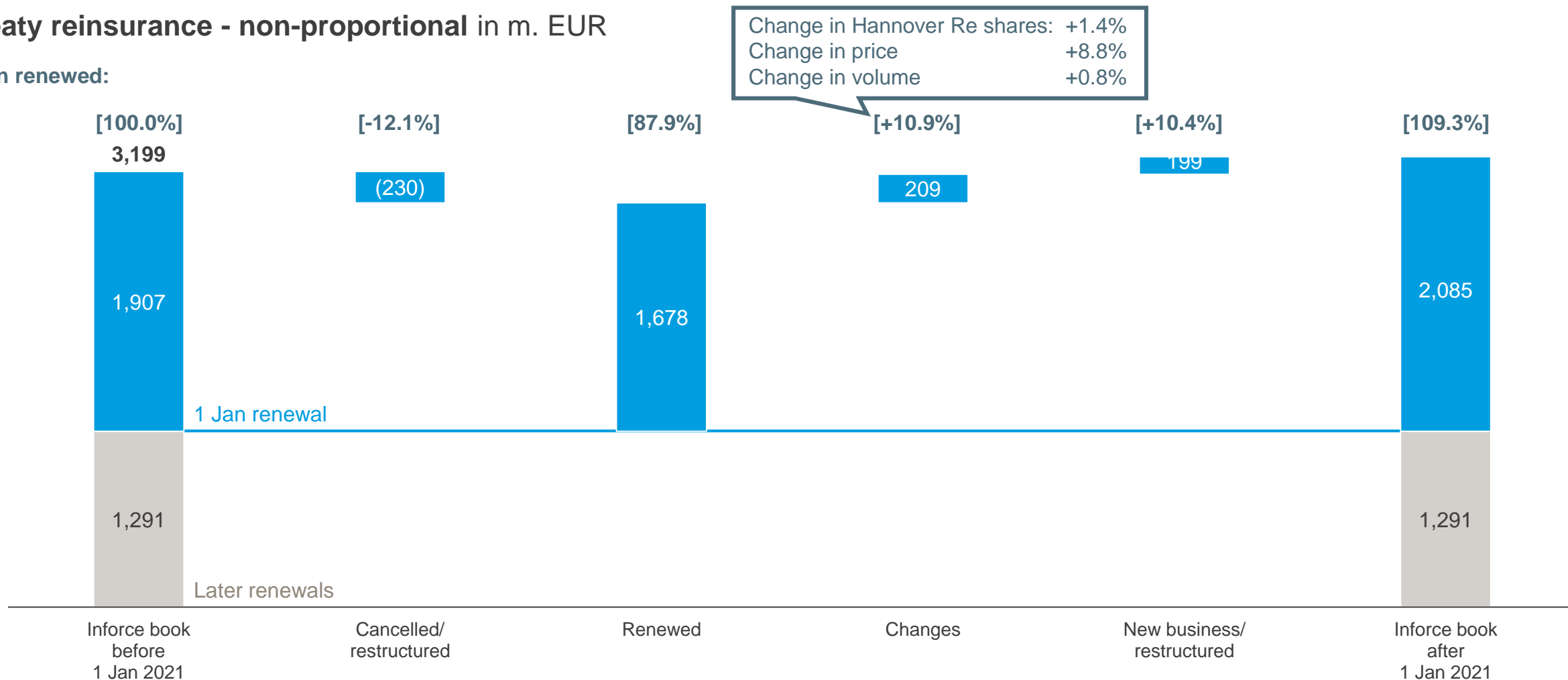




# Strong rate movement (+8.8%) in non-proportional business leading to a pleasing growth of 9.3%

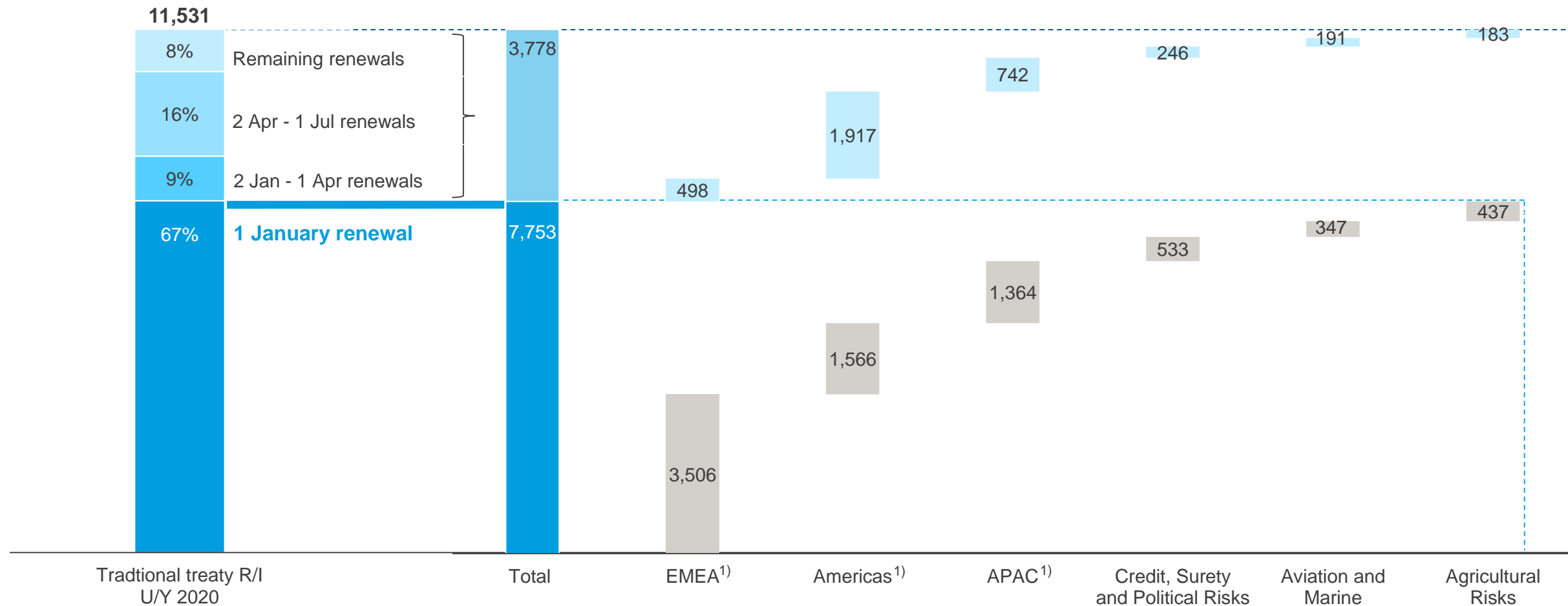
## Treaty reinsurance - non-proportional in m. EUR

% on renewed:



# 33% of traditional treaty reinsurance comes up for renewal later in a favourable market environment

## Estimated premium income U/Y by regions



All figures in m. EUR

1) All lines of business except those stated separately; EMEA incl. CIS

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# Financial calendar and our Investor Relations contacts

- 11 March 2021**  
Press Conference and Analysts' Conference
- 5 May 2021**  
Annual General Meeting  
Quarterly Statement as at 31 March 2021
- 5 August 2021**  
Half-yearly report as at 30 June 2021
- 14 October 2021**  
Investor's Day 2021
- 4 November 2021**  
Quarterly Statement as at 30 September 2021



**Karl Steinle**  
General Manager

Phone: +49 511 5604 - 1500  
karl.steinle@hannover-re.com



**Axel Bock**  
Investor Relations Manager

Phone: +49 511 5604 - 1736  
axel.bock@hannover-re.com