# Press Release

## Hannover Re grows at stable conditions in treaty renewals as at 1 January 2019

- **Renewals as at 1 January 2019 deliver currency-adjusted premium growth of 15.4%**
- **Business in Asia and North America sees particularly substantial growth**
- **Price level slightly improved overall**
- **Guidance for 2018 confirmed – Group net income of around EUR 1.05 billion**
- **Guidance for 2019 confirmed**

Hannover, 5 February 2019: Against a backdrop of modestly improved conditions from an overall perspective, Hannover Re increased its premium volume in traditional property and casualty reinsurance by 15.4% on a currency-adjusted basis to EUR 6.4 billion (EUR 5.6 billion) in the 1 January 2019 treaty renewals.

In 2018, as in the previous year, reinsurers incurred considerable large losses. Reinsurance programmes or regions that had been spared losses saw pricing pressures increase again slightly in the recent renewals compared to the situation in 2018. Programmes that suffered additional losses, on the other hand, recorded rate increases that once more reached double-digit percentages in some instances.

"In the face of another burden of heavy losses, demand from both existing and new clients was solid ," Ulrich Wallin, Chief Executive Officer of Hannover Re, noted. "Thanks to our good market positioning we were thus able to generate pleasing growth in the renewed portfolio at adequate conditions."

Roughly 66% of Hannover Re's book of traditional property and casualty reinsurance (excluding facultative reinsurance, insurance-linked securities (ILS) business and structured reinsurance) was up for renewal on 1 January 2019.

In contrast to the situation just one year ago, alternative capital providers in ILS business took a more restrained approach to the renewals. The capacity originating from the ILS markets nevertheless still accounts for a significant part of the reinsurance market.

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On the whole, prices as at 1 January 2019 were commensurate with the risk or slightly improved. As one of the world's leading reinsurers, Hannover Re continued to benefit from its long-standing stable customer relationships, its very robust financial strength and the sustained trend among primary insurers towards consolidation of their reinsurance partners.

Hannover Re maintains its emphasis on a selective underwriting policy under which minimum margin requirements take precedence over premium growth.

Of the total premium volume booked in the previous year in traditional property and casualty reinsurance amounting to EUR 8,391 million, treaties with a volume of altogether EUR 5,551 million were up for renewal as at 1 January 2019. Of this, a premium volume of EUR 4,912 million was renewed, while treaties worth EUR 1,304 million were either cancelled or renewed in modified form. Including increases of EUR 829 million from new treaties and from changes in prices and treaty shares, the total renewed premium volume thus came in at EUR 6,406 million. At constant exchange rates this is equivalent to an increase of 15.4%.

**Asia and North America deliver substantial growth**

Attractive opportunities to grow the portfolio opened up in particular in Asia, North America and Germany.

The treaty renewals for *North American business* passed off satisfactorily for Hannover Re with an increase of 21.5% in premium volume. For the second year in succession, however, significant major losses were recorded: the forest fires in California as well as hurricanes Florence and Michael caused considerable losses, hence prompting rate increases under loss-impacted programmes. Programmes that had been spared losses, on the other hand, saw modest price erosion. In US property business Hannover Re enlarged its portfolio with existing clients at improved conditions overall. The customer base was also expanded. Prices and conditions in US casualty business were for the most part on a satisfactory level.

In *Continental Europe* premium volume increased by 15.1%. In *Germany,* the largest single market within this segment, Hannover Re maintained the leading position of its subsidiary E+S Rückversicherung AG and extended it on the basis of specific treaties. After the challenging market conditions seen in industrial fire and property insurance in Germany for quite a number of years, some moves by primary insurers to remediate the business can now be discerned in the market. The associated improved earnings prospects for reinsurers with certain clients made selective expansion of the portfolio possible. In motor insurance, on the other hand, increasing price pressure is evident on the primary insurance side, which will likely lead to a deterioration in profitability in this line in 2019. Demand for cyber reinsurance solutions benefited from the more extensive product range offered by insurers and rising risk awareness among their customers. Cedants in Italy also made a pleasing contribution to growth.

In *marine reinsurance* renewals were fiercely competitive. Initiatives taken to boost profitability, most notably by the London Market, prompted a more disciplined underwriting approach. Customers here were urged in some cases to discontinue or significantly limit their marine acceptances. The premium volume contracted by 7.7%. The renewals in *aviation* business were largely satisfactory. Reinsurance terms and conditions have fallen to a low level after years of intense competition. However, scarcely any further rate erosion was observed in the renewals of non-proportional business. Rather, improving conditions in the original market should cause premiums in proportional business to rise. The premium volume grew by a modest 0.9%.

Treaty renewals in *credit and surety reinsurance* and in *political risks* as at 1 January 2019 were also pleasing. As in previous years existing client relationships were expanded and new clients acquired. Prices and conditions were stable to slightly improved in all three lines. The premium volume for this portfolio grew by 6.5%.

Hannover Re was generally satisfied with business renewed in the *United Kingdom* and on the *London Market*. The anticipated adjustment of the Ogden rate, which is used to measure motor liability expenditures for personal injury claims, led to a slight reduction in reinsurance rates. Property business, by contrast, saw rate increases insofar as the treaties had incurred losses. On the liability side, too, modest rate improvements were obtained in some instances. The premium volume grew by 1.9%.

In the *Asia-Pacific* region Hannover Re was able to significantly expand its market position with selected clients and booked impressive growth in premium income. China, in particular, remains the focus of the company's operations in Asia. The strongest portfolio growth in the renewals was recorded here. In Australia and New Zealand the anticipated rate improvements materialised on the back of increased demand for natural catastrophe covers. Overall, the premium volume in *worldwide treaty reinsurance* grew by 28.8% in the renewals at the beginning of 2019.

In *natural catastrophe business* the price impetus stemming from the large losses of 2017 faded somewhat as expected, although this was not the case in regions that were again impacted by natural disasters. Moves made by certain clients to enlarge the scope of their coverage as well as improvements in prices were reflected in selective profitable growth. The subsequent rounds of renewals in 2019 should allow for more significant rate increases, given that a clearer picture of the results achieved by reinsurers is expected to emerge in the course of the year and the pressure on capital market investors will likely grow in light of market and interest rate factors. Hannover Re expanded the premium volume for its non-proportional natural catastrophe business by 32.3%. The strong premium growth during the renewals is also attributable to the fact that some renewals were brought forward to 1 January 2019.

**Guidance for 2018 and 2019 confirmed**

Group net income improved in the 2018 financial year to roughly EUR 1.05 billion (EUR 958.6 million) based on preliminary key figures. Of this total result, roughly 83% was attributable to Hannover Re's property and casualty reinsurance business and 17% to life and health reinsurance. Gross premium was in the order of EUR 19 billion (EUR 17.8 billion), equivalent to an increase of some 11% adjusted for exchange rate effects. The return on investments from assets under own management amounted to 3.2% for the past financial year. The audited annual financial statement will be published on 7 March 2019.

"In view of the favourable outcome of our main renewal season, we take an optimistic view of movements in prices and conditions in the current year and see good prospects for profitable growth in our property and casualty reinsurance portfolio," Mr. Wallin commented. "We have put in place a solid foundation for achieving the targets for the 2019 financial year."

As already announced in November, Hannover Re is expecting Group net income in the order of EUR 1.1 billion for the 2019 financial year. Based on constant exchange rates, growth in gross premium income should be in the single-digit percentage range and the return on investment should reach at least 2.8%.

Hannover Re continues to envisage a payout ratio for the ordinary dividend in the range of 35% to 45% of its IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend in light of capital management considerations if the company's comfortable level of capitalisation remains unchanged.

Furthermore, Hannover Re has raised its net large loss budget for the first time in three years; it now stands at EUR 875 million for 2019 compared to EUR 825 million in previous years. This adjustment reflects the growth in the underlying business. The risk appetite remains unchanged. All statements regarding future targets are subject to the premise that large loss expenditure remains within the expected bounds and that there are no unforeseen distortions on capital markets.