



50
years

somewhat
different

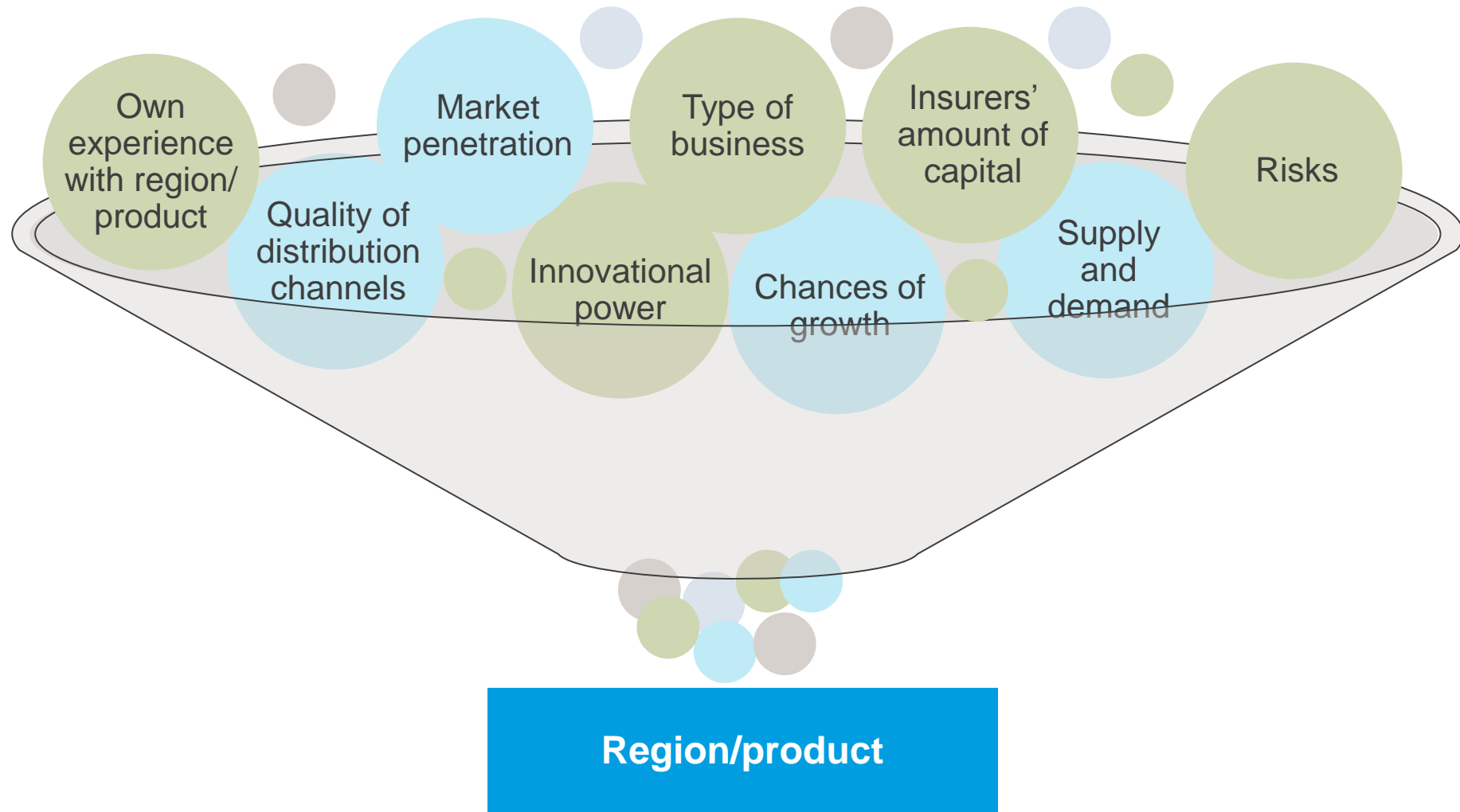
Managing our P&C book of business

Growth opportunities and retrocession

Jürgen Gräber, Member of the Executive Board

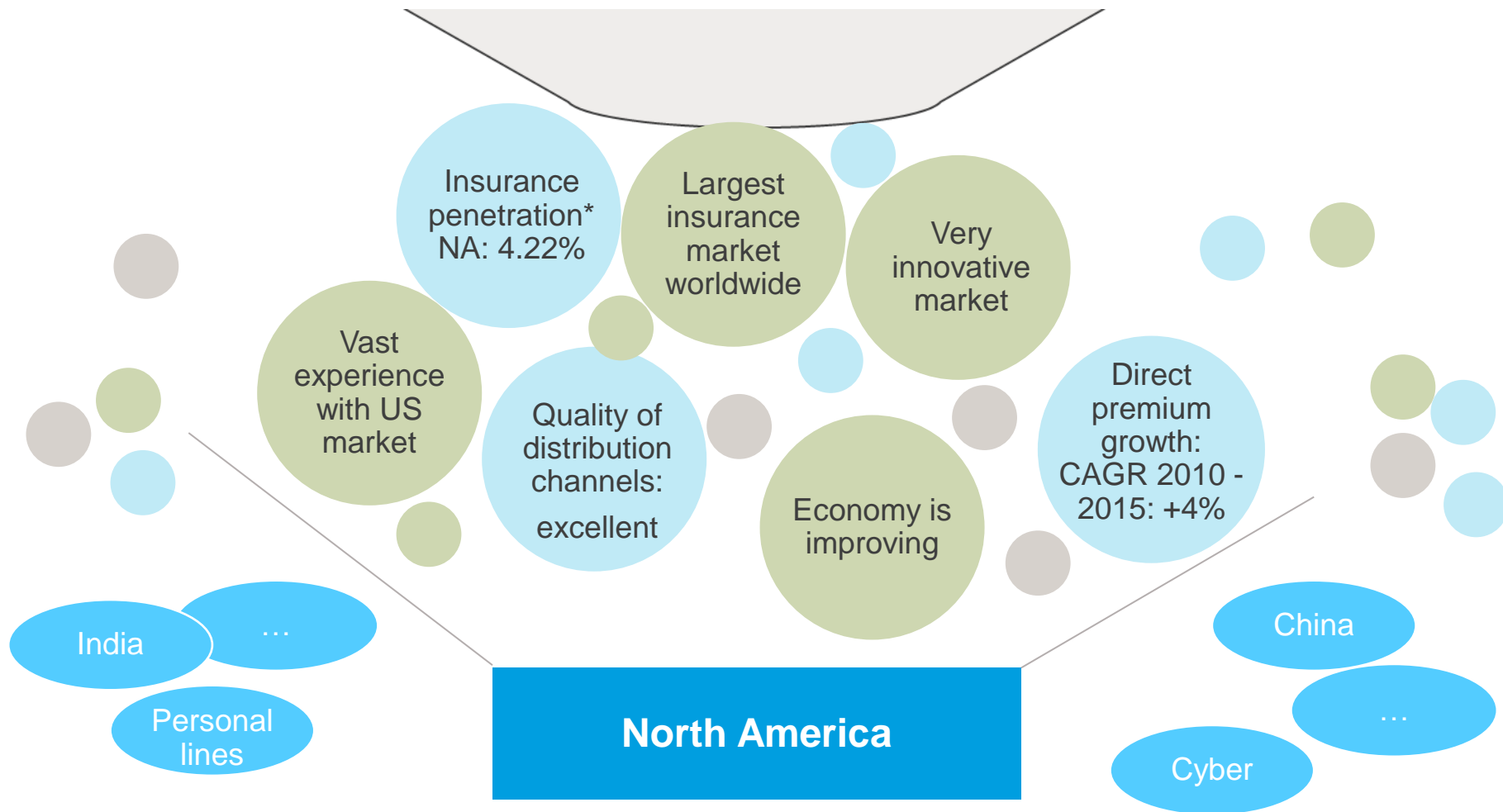
Concentrate on key parameters for selecting opportunities ...

... to ensure a positive business development and innovation



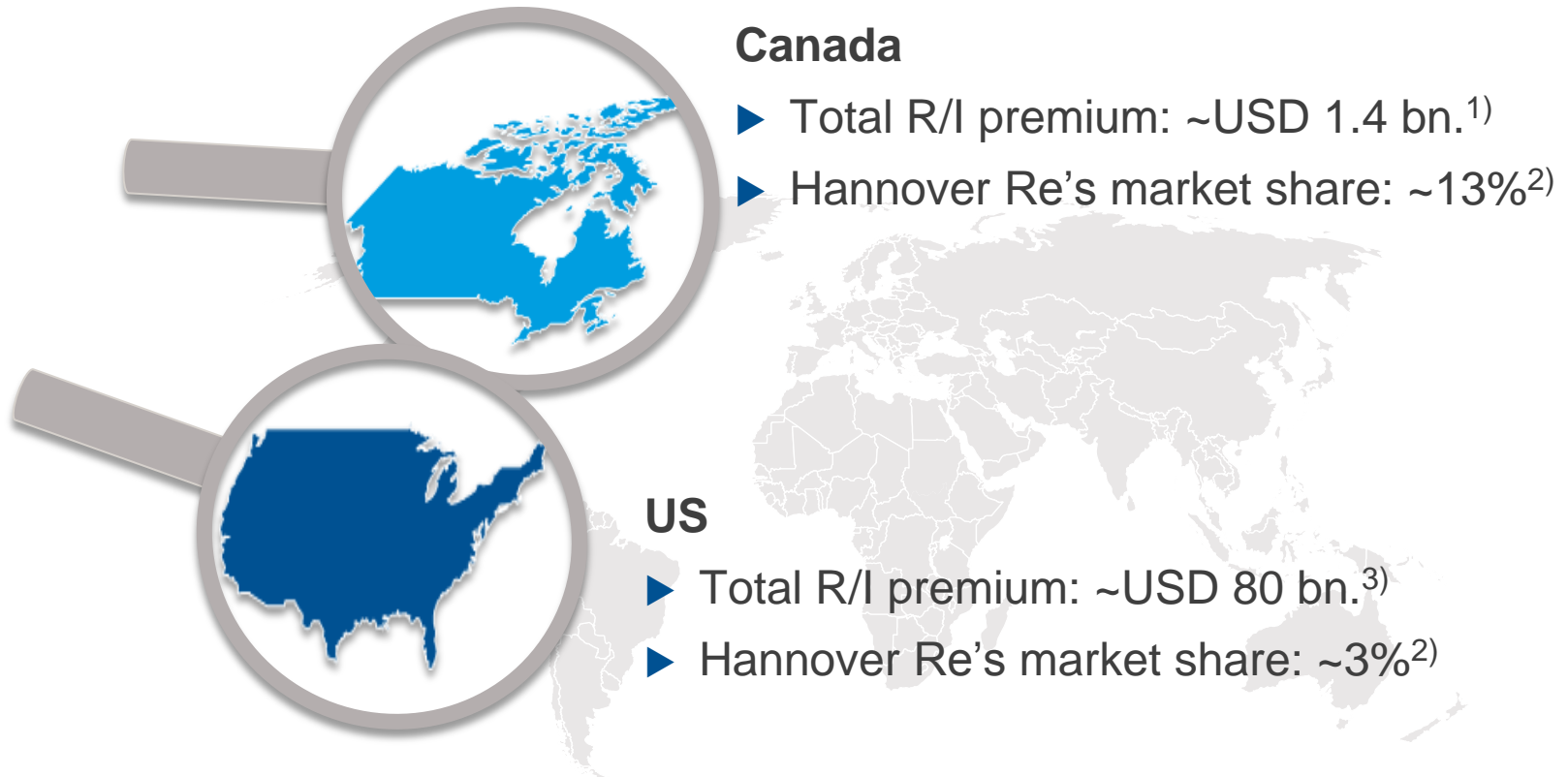
In the past, we spoke about other opportunities ...

... today we want to focus on North American markets



* Source: SR Sigma world insurance in 2015 (No. 3/2016); figures count for North America

We have a strong presence in the North American markets ...



1) CAD 1.84 bn. net reinsurance premium written (Source: Canadian Underwriter 2016) and using exchange rate USD = CAD 1.28

2) Own estimation

3) Source: A.M. Best for 2015 (non-affiliated ceded premium)

... with a higher upward potential in the US

Challenges and opportunities in the US market

- Strong capitalisation/excess capacity
- Intense competition (even via alternative capital - ILS)
- Further pressure on investment income due to ongoing low interest levels

- + GDP growth
- + Increase in weather extremes
- + Demographic change
- + New and developing products (e.g. cyber)
- + New risks (e.g. autonomous cars)
- + Four “home-grown” rating agencies monitoring financial performance
- + Broker market share increasing

Carefully selected opportunities outweigh the general threats

What makes us different in the US market?

Hannover Re: best reinsurer in the broker market over the last decade*



Centralised underwriting expertise in Hannover (low-cost environment)



~70 travelling underwriters with ~670 clients and ~1,800 client meetings per year



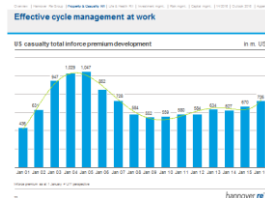
Extremely high staff retention with an average expertise of 17 years



Hannover Re is a **trusteed R/I** in 51 US jurisdictions and provides US collateral via multi-beneficiary trust funds; a **certified R/I** in 25 US states and thus eligible to offer reduced collateral (10%)

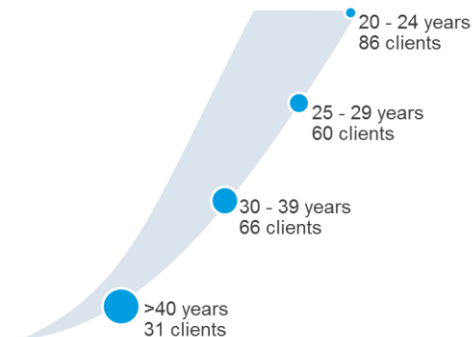


We are a dedicated broker market



Active cycle management in casualty

Customer relationships Treaty US



* Flaspöhler US P&C Survey

We mainly see opportunities in six areas

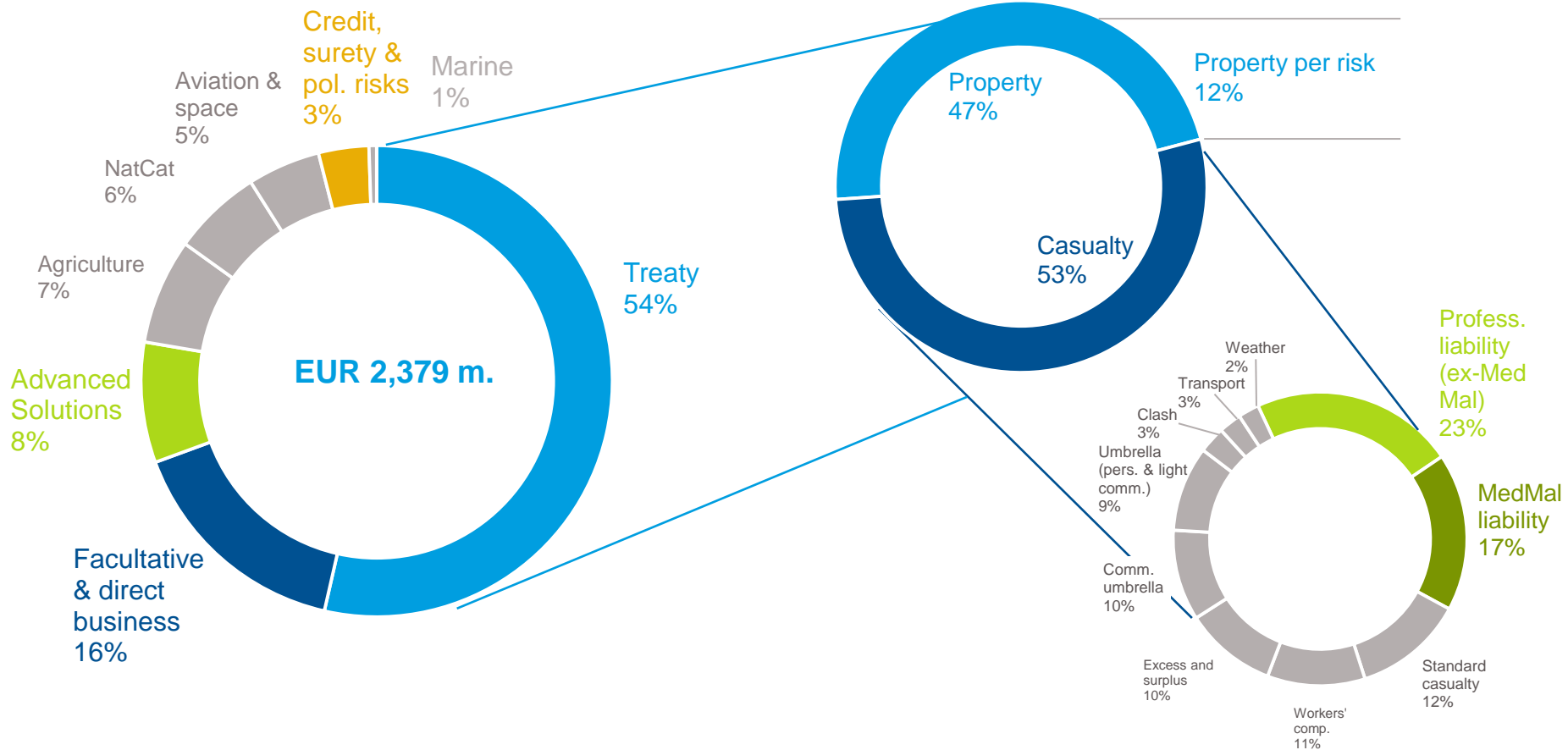
Hannover Re's US business split: dominated by treaty business

GWP US business segment split

FY 2015

GWP US treaty lines of business split

FY 2015

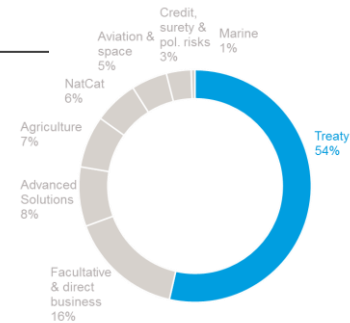


As the economy improves property values increase

Treaty property: US property per risk

Market opportunities

- ▶ Robust and expanding primary market for both private and commercial property insurance offers solid growth potential
- ▶ Weather extremes and higher property values are further drivers for market growth



Hannover Re

- ▶ We are a leading reinsurance provider in the US in this line of business

Our strengths when handling opportunities

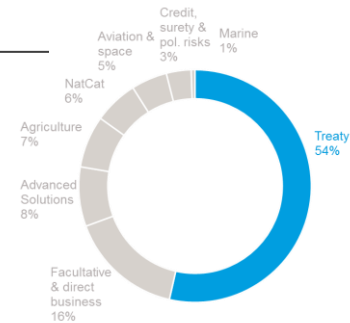
- ▶ We are a preferred, loyal reinsurance partner offering meaningful line-size capacity
- ▶ Dedicated broker reinsurance market
- ▶ We can write all lines and offer lead terms
- ▶ Ability and willingness to pay claims, known in the market

More cover needed in a more complex world

Treaty casualty: US professional liability business (ex-MedMal)

Market opportunities

- ▶ Increased demand for D&O, E&O and ancillary lines
 - E.g. cyber, representations + warranties, M&A



Hannover Re

- ▶ Long-term and broad support of professional indemnification business with meaningful capacity from both treaty and facultative reinsurance

Our strengths when handling opportunities

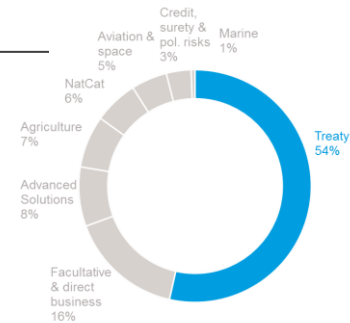
- ▶ We are in a position to design tailor-made reinsurance solutions for the specific needs of professions for large and small clients
- ▶ Broad capacity for D&O exposures
- ▶ Willing to work on specific solutions for new/unique exposures (i.e. tech. risks, etc.)

We are in an excellent position to design tailor-made solutions

Treaty casualty: US Medical Malpractice (MedMal) liability

Market opportunities

- ▶ Demographic trends imply an increase in healthcare needs and infrastructure
- ▶ Specialisation and integration of healthcare providers



Hannover Re

- ▶ We have accumulated know-how about the US healthcare industry
 - Including expertise for physicians and facility exposures

Our strengths when handling opportunities

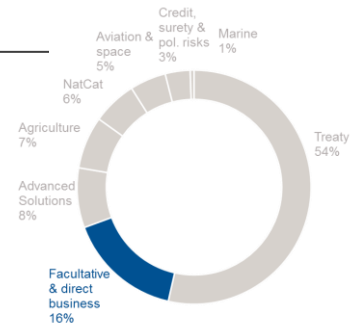
- ▶ 40 years of consecutive commitment to US medical professional liability
- ▶ Ability to blend MedMal liability with other insurance lines of business
- ▶ We can provide full risk transfer as well as structured reinsurance solutions

US: an important strategic territory now and in the future

Facultative business

Market opportunities

- ▶ Casualty and specialty market still offers good opportunities
- ▶ Biggest builders risk market worldwide
- ▶ Growing middle-market segment



Hannover Re

- ▶ We cultivate long-term partnerships with a strong local presence

Our strengths when handling opportunities

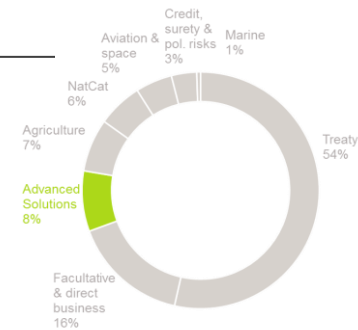
- ▶ Combine local and Home Office forces to offer best service to our clients
- ▶ Investment in know-how, resources and tools to cover the reinsurance demand of our clients
- ▶ We offer automatic reinsurance solutions (e-business) to increase efficiency for our clients
- ▶ We actively participate in new developed product & innovative coverage concepts

Capital optimisation: currently the most challenging task

Advanced Solutions

Market opportunities

- ▶ Increasing demand for aggregate excess of loss protections
- ▶ Capital relief quota shares



Hannover Re

- ▶ We are one of the leading providers worldwide for tailor-made solutions

Our strengths when handling opportunities

- ▶ We complement our traditional business with structured and tailor-made reinsurance solutions as well as aggregate covers
 - Multi-year multi-line excess of loss
 - Aggregate excess of loss (single line, multi-year multi-line)
 - Aggregate covers (multi-line, single year)
 - Tailor-made quota-share contracts

Expected growth in the US economy leads to opportunities

Credit, surety and political risks

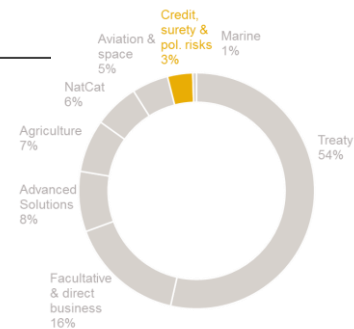
Market opportunities

▶ Surety

- Organic growth from existing clients
- New opportunities from established and new surety players

▶ Trade credit & political risks

- Increasing demand due to new market entrants



Hannover Re

- ▶ We are a long-term and reliable partner in good times and bad

Our strengths when handling opportunities

- ▶ We focus on reinsurance and don't compete with our clients
- ▶ We write new accounts selectively
- ▶ We focus on our core products

somewhat
different

Retrocession

What we said in 2010 - why retrocession?

What we said still counts today

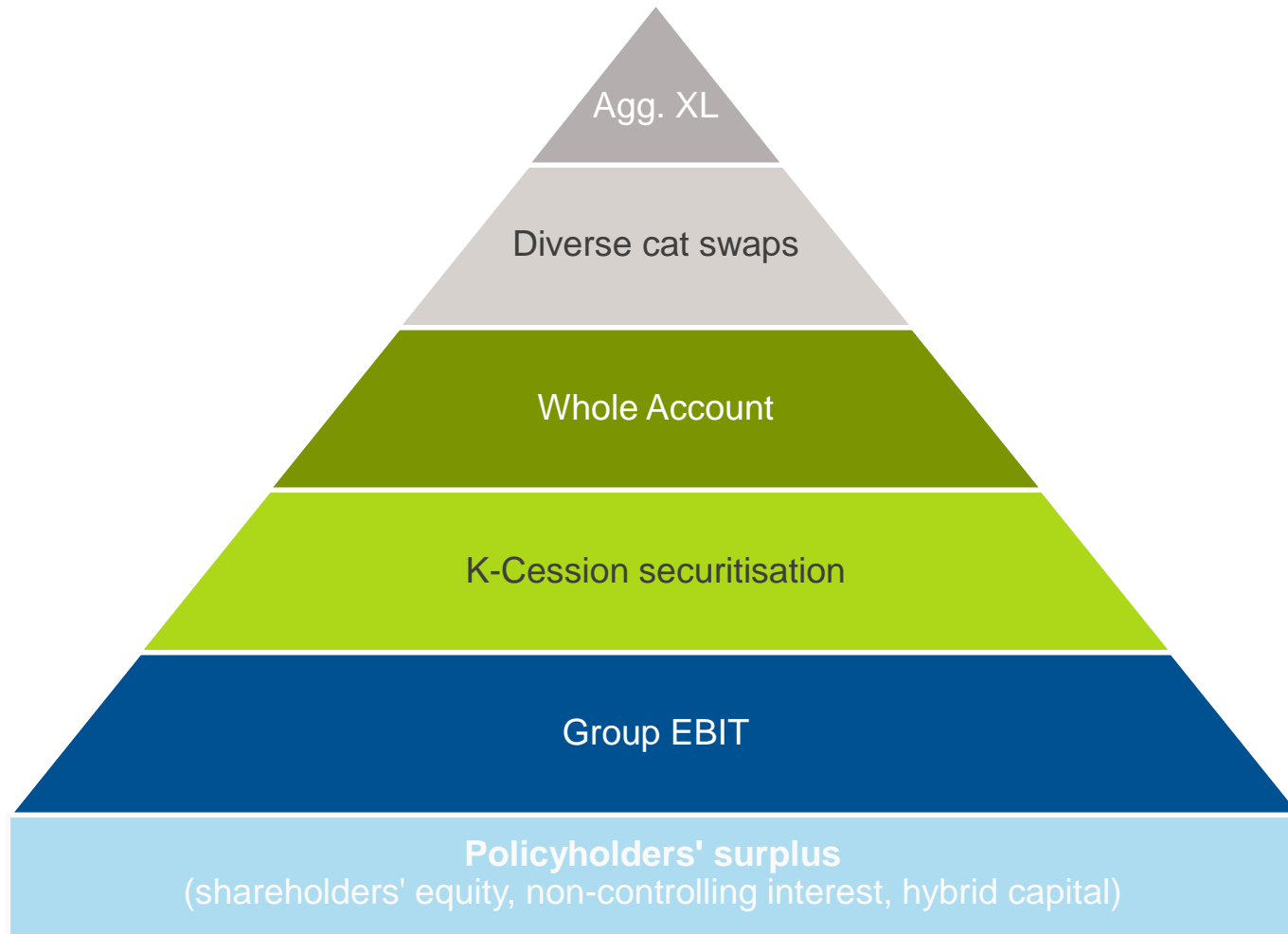
▶ Retrocessions ...

- increase Hannover Re's capacity for catastrophe business
- increase Hannover Re's EBIT
- enhance our ERM (Enterprise Risk Management)
- are a flexible source of capital, whilst expensive at times
- allow us to exactly deploy capacity according to our risk mandate
- allow for accurate steering of our cat. budget
- allow us to steer our exceedance probability curves
- function somewhat like a back-stop with limited credit counterparty risk
- support our cycle management
- allow for a flexible retention policy

▶ ... and are part of our capital cascading and capital costs optimisation process

Several levels of protection provide more NatCat capacity ...

... and thus create additional earnings at a defined risk appetite

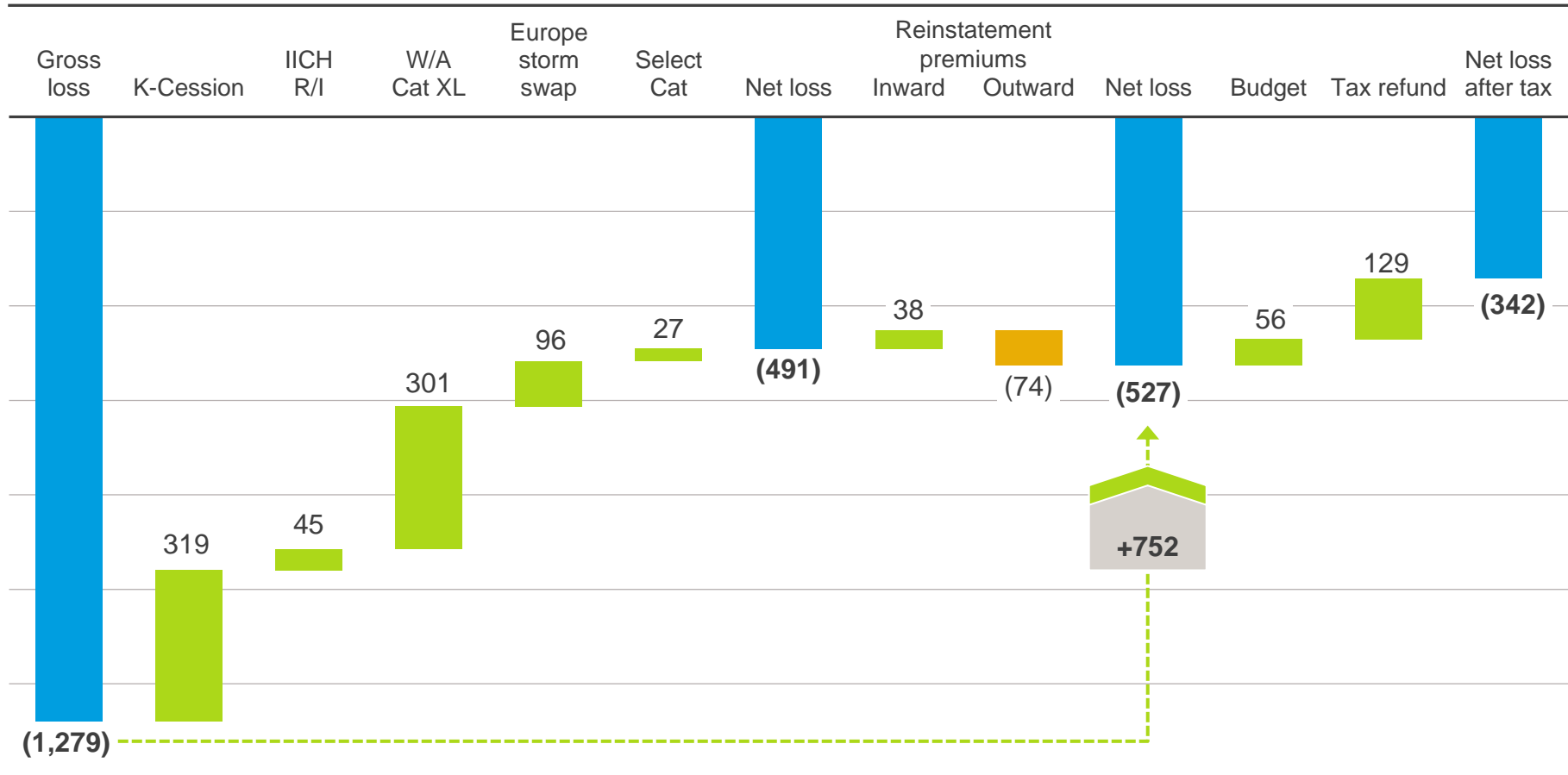


As at May 2016

Retrocessions greatly reduce NatCat exposures

200-year Europe winter storm

in m. EUR



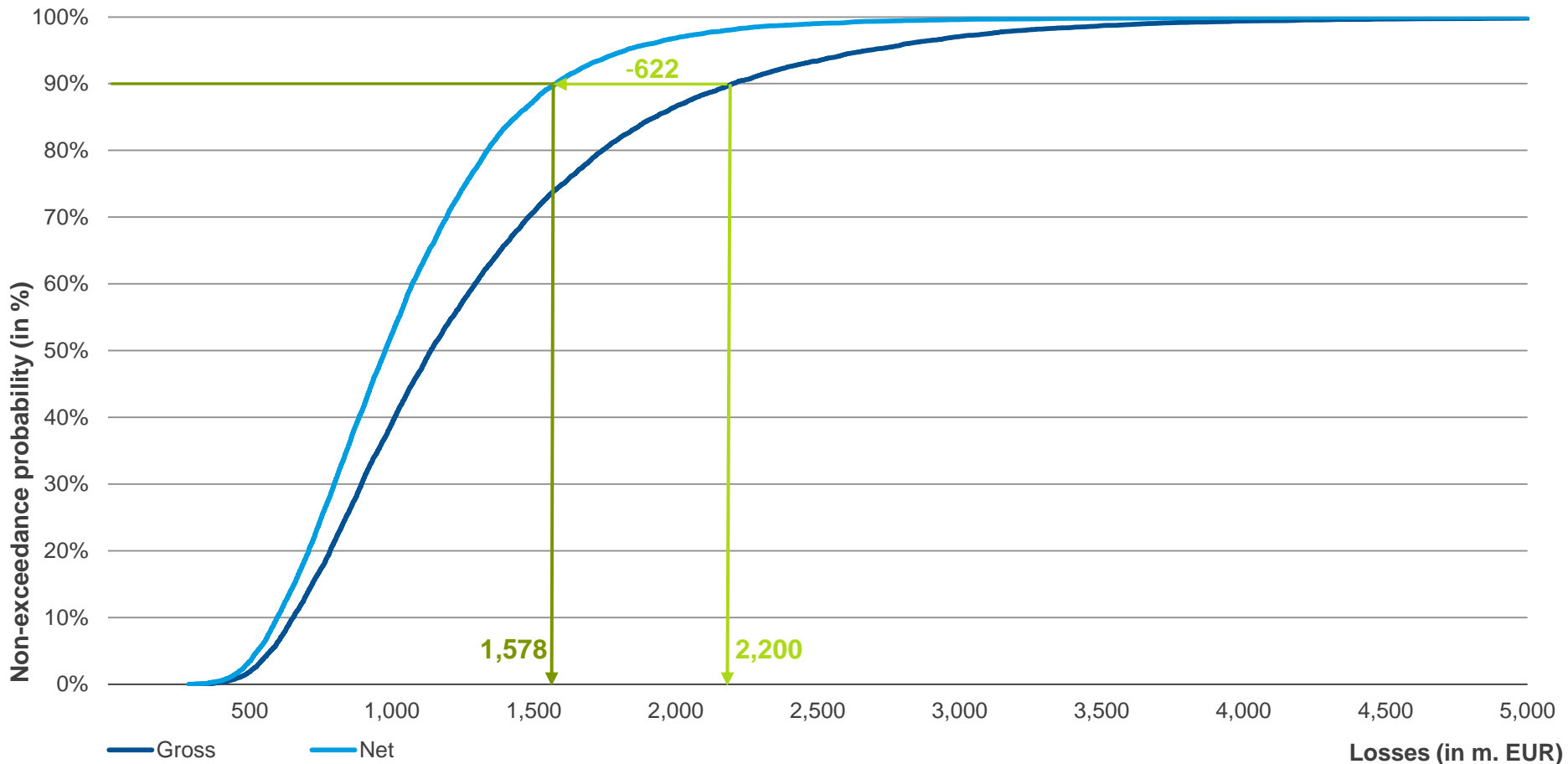
Figures based on Hannover Re's portfolio and retrocessions as of 1 April 2016

Group gross to net

Total Hannover Re NatCat exposure

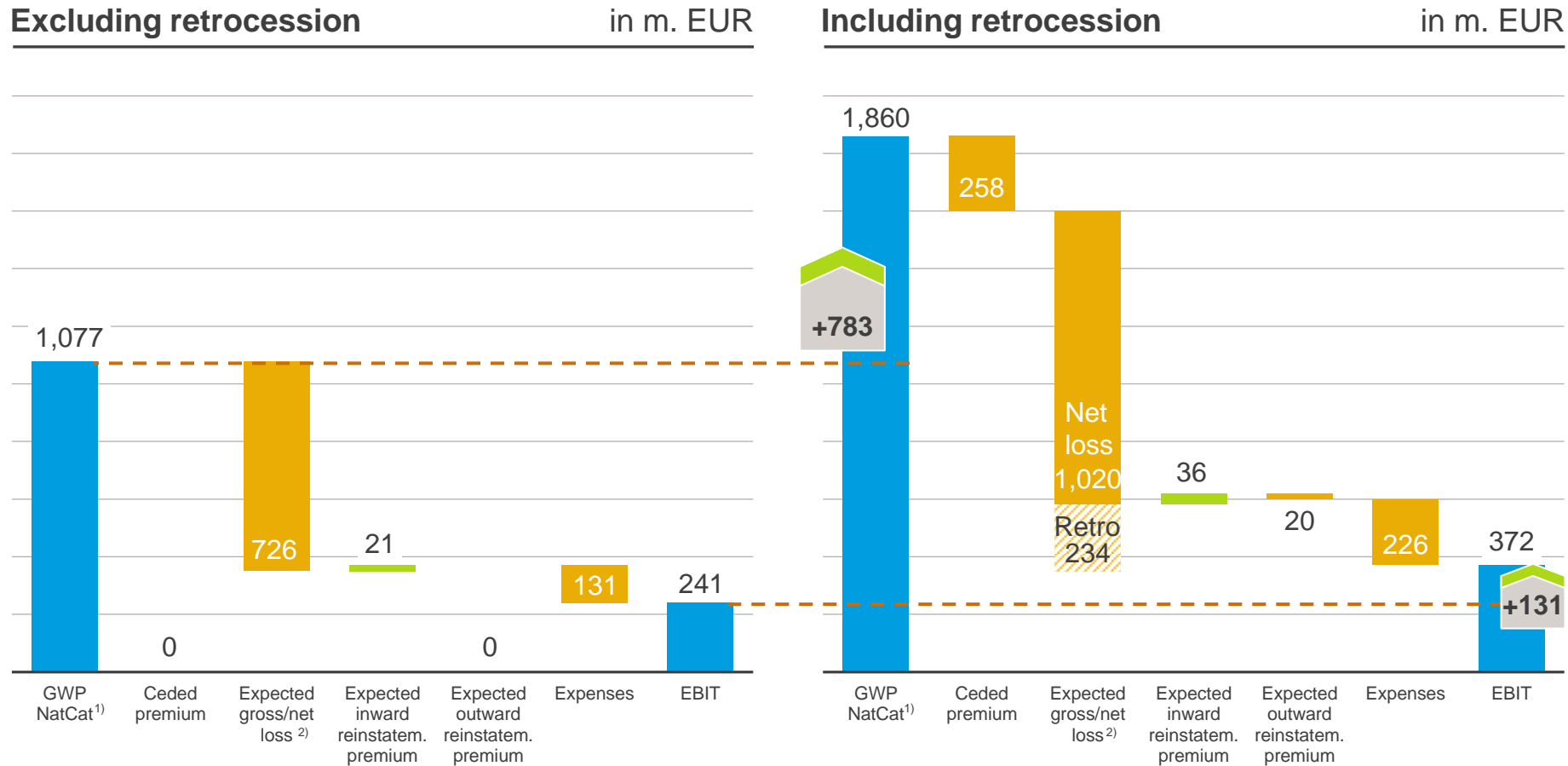
Annual Exceedance Probability (EP) curve as at 1 April 2016

in m. EUR



Higher GWP and EBIT due to retrocessions

Based on expected loss at same level of risk appetite











Calculated figures based on Hannover Re's total NatCat portfolio and retrocessions as if 1 April 2016

1) Premium allocated to NatCat, including Cat XL premium

2) Expected gross/net loss including all losses below EUR 10 m.

Our capital is further protected by our diversified underwriting ...

... and strong investment income

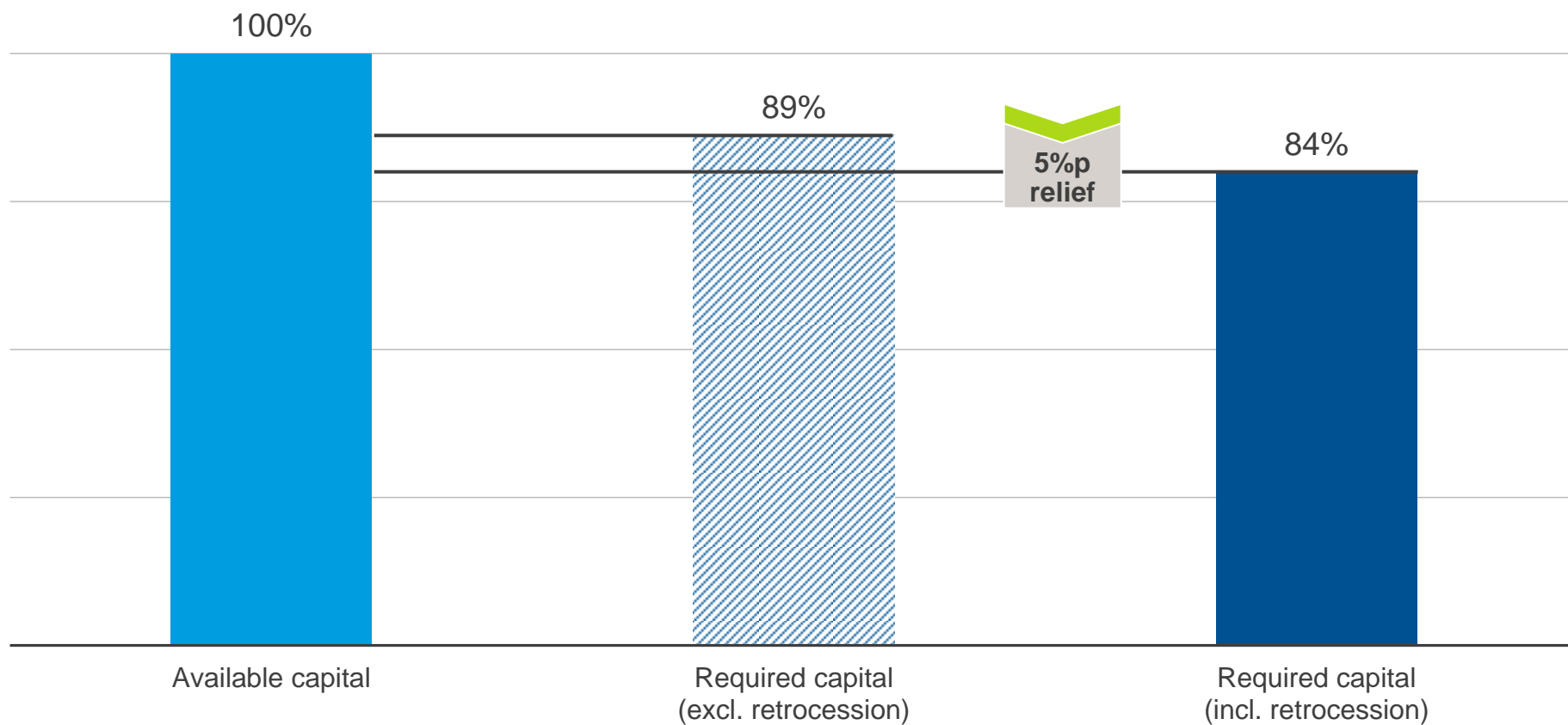
in m. EUR	2001		2011
Net premium earned	6,496		10,752
Gross loss (major losses > EUR 5 m. gross)	1,775		1,730
Retrocession recovery	1,110		749
Net loss	665		981
Underwriting result	(878)		(536)
Net investment income	946		1,384
EBIT	109		841
Net income	11		606

2001 US GAAP figures, 2011 IFRS figures

NatCat retrocession provides capital relief in rating models ...

... to the extent of a high three-digit million amount of capital

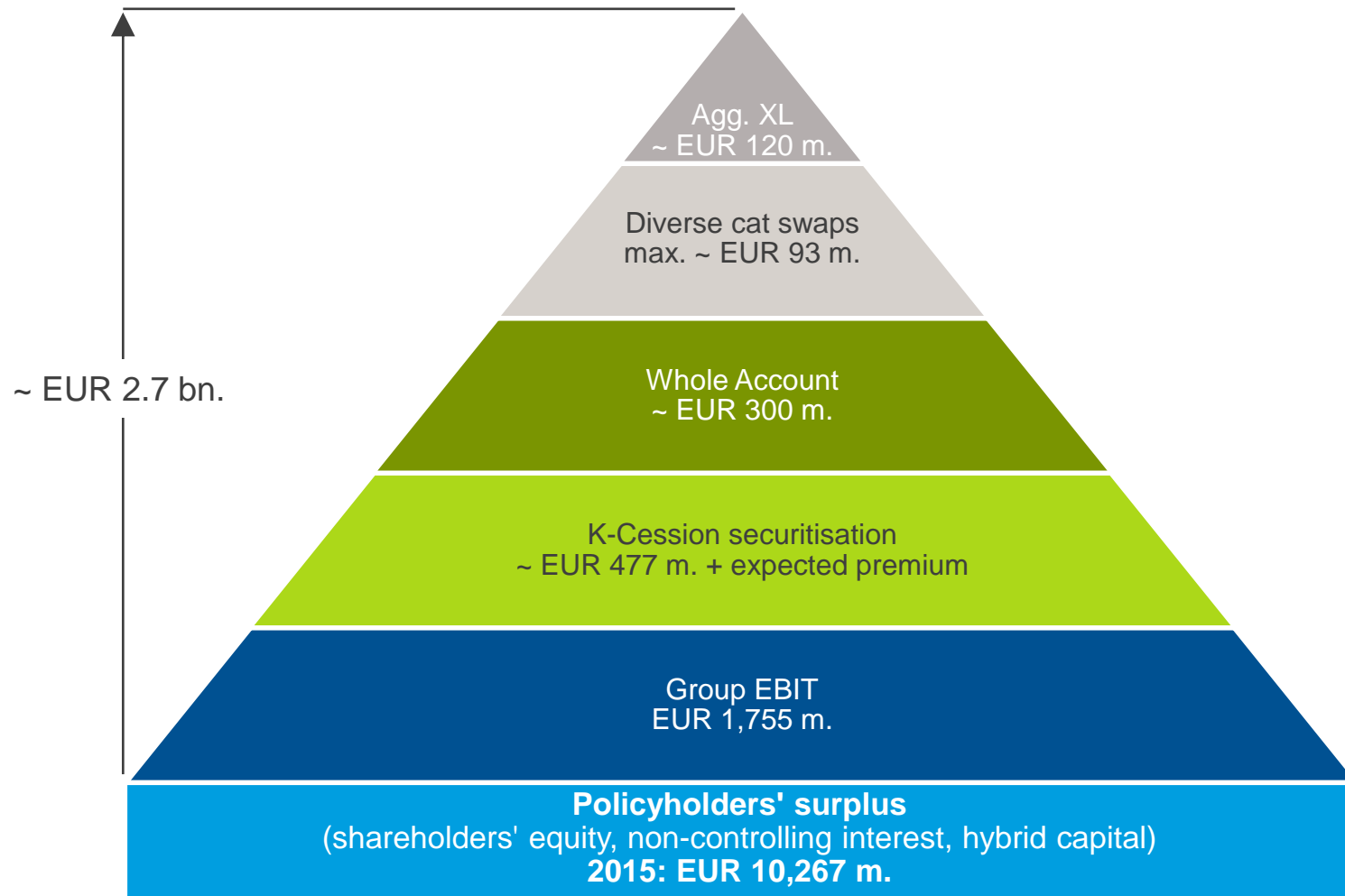
Rating capital



Required capital incl. 5% internal safety margin on top and excluding consideration of M factor

Several levels of protection provide more NatCat capacity ...









... and thus create additional earnings at a defined risk appetite



As at May 2016

Which targets were met for 2016?

Strategic objectives and measures

Strategic objective	Measures	Achieved
Capital protection	Ensure that the Hannover Re Group is in a position to fully profit from hard markets, i.e. that there is sufficient capital available after a market-changing event	
Risk tolerance	Risk appetite based on a 200-year underwriting result	
Financial measures	The net loss from a NatCat event shall not exceed 50% of NatCat large loss budget	Non-peak 
		Peak 
Requirements	Measures	Achieved
Balance of gross earnings with ceded margins	Placements at adequate pricing level	
Risk transfer	>40% for non-proportional protections	
Independence from reinsurers	Overall retro involvement per reinsurer shall be limited to a max. of EUR 200 m.	
Independence from retrocession	Access various sources of retro capacity by making use of both traditional R/I and capital market	

Disclaimer

This presentation does not address the investment objectives or financial situation of any particular person or legal entity. Investors should seek independent professional advice and perform their own analysis regarding the appropriateness of investing in any of our securities.

While Hannover Re has endeavoured to include in this presentation information it believes to be reliable, complete and up-to-date, the company does not make any representation or warranty, express or implied, as to the accuracy, completeness or updated status of such information.

Some of the statements in this presentation may be forward-looking statements or statements of future expectations based on currently available information. Such statements naturally are subject to risks and uncertainties. Factors such as the development of general economic conditions, future market conditions, unusual catastrophic loss events, changes in the capital markets and other circumstances may cause the actual events or results to be materially different from those anticipated by such statements.

This presentation serves information purposes only and does not constitute or form part of an offer or solicitation to acquire, subscribe to or dispose of, any of the securities of Hannover Re.

© Hannover Rück SE. All rights reserved.

Hannover Re is the registered service mark of Hannover Rück SE.