hannover re®

Corporate news

Hannover Re increases premium volume in 1 January renewals and confirms guidance for 2020

- **Renewals as at 1 January 2020 deliver premium increase of 14.0% adjusted for exchange rate effects**
- **Business in North America, the United Kingdom and agricultural risk posts particularly significant growth**
- **Prices and conditions slightly improved overall**
- **Price increase of 2.3% in renewed business**
- **Guidance for 2020 confirmed – Group net income of around EUR 1.2 billion**
- **Group net income for 2019 rises to around EUR 1.28 billion based on preliminary key figures**

Hannover, 5 February 2020: Hannover Re grew its premium volume in traditional property and casualty reinsurance by 14.0% adjusted for exchange rate effects in the treaty renewals as at 1 January 2020. The price increase for the renewed business amounted to 2.3%.

"We can look back on a solid main renewal season that largely lived up to our expectations", Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re, commented. "Thanks to our very good position as one of the world's leading reinsurers, we generated pleasing growth in our renewed portfolio at generally slightly improved prices and conditions. Nevertheless, it remains the case that the rate level for natural catastrophe covers in particular, and here above all in Japan, Latin America and the Caribbean, is too low and there is a need for further improvement."

Of the total premium volume booked in the previous year on an underwriting-year basis in traditional property and casualty reinsurance amounting to EUR 10,555 million, treaties with a volume of altogether EUR 7,049 million – or 67% of the business – were up for renewal as at 1 January 2020. Of this, a premium volume of EUR 6,305 million was renewed, while treaties worth EUR 1,663 million were either cancelled or renewed in modified form. Including increases of EUR 810 million from new treaties and from changes in prices and treaty shares, the total renewed premium volume came in at EUR 11,541 million.

The strongest growth in the renewals – at 15.5% – derived from proportional reinsurance, which generated a renewed premium volume

Contact

Corporate Communications:
Karl Steinle
tel. +49 511 5604-1500
karl.steinle@hannover-re.com

Media Relations:
Oliver Suess
tel. +49 511 5604-1502
oliver.suess@hannover-re.com

Investor Relations:
Julia Hartmann
tel. +49 511 5604-1529
julia.hartmann@hannover-re.com

www.hannover-re.com

of EUR 6,027 million. Prices here were up by 2.1%. The renewed premium volume in non-proportional reinsurance grew by 9.7% to EUR 2,007 million. The price increase amounted to 2.9%.

Regions and lines: North America, agricultural risks and UK business deliver particularly appreciable growth rates

In **North America** the premium volume grew by 19.5% in the 1 January renewals. This was achieved both by further expanding the existing portfolio and by acquiring new customer relationships at broadly improved conditions. Although losses from natural disasters – such as the fresh outbreak of California wildfires and hurricane Dorian – were lower than in the two previous years, considerable price increases were nevertheless obtained across large parts of the property portfolio. Under loss-impacted programmes the price increases in non-proportional reinsurance reached double-digit percentages. In US casualty business prices improved against a backdrop of reduced capacities in the market.

The premium volume in **Latin America, the Iberian Peninsula and in agricultural risks** surged by 35.1%, driven above all by growth in worldwide agricultural business. Loss-affected programmes, in particular, saw appreciable price increases. It should, however, be borne in mind that large parts of Hannover Re's portfolio in Latin America are not renewed until later in the year.

Business in **Germany, Switzerland, Austria and Italy** grew by 5.9%. E+S Rückversicherung AG, the Hannover Re subsidiary responsible for the German market, was able to further strengthen its leading position and wrote numerous increased treaty shares at largely stable prices and conditions. In motor reinsurance prices remained stable. After years of challenging market conditions in German industrial lines, the remedial actions taken by primary insurers are having a positive effect.

The premium volume from business in the **United Kingdom, Ireland and the London Market** grew by 22.1%. After the adjustment to the Ogden rate – which is used to measure liability expenditures for personal injury claims – proved to be lower than anticipated, prices for non-proportional motor business recorded double-digit increases. Premiums for natural catastrophe risks written through the London Market similarly showed double-digit improvements. Rate increases were also obtained in liability business, although these were not as appreciable as in motor business.

Premium growth in **Continental Europe** amounted to 10.6%. Particularly under loss-impacted programmes the pricing level was better than in prior years, and here most notably in Northern Europe. At the same time generally stronger demand for reinsurance could be discerned across the entire region.

In the region **Asia, Australia and the Middle East** Hannover Re boosted its premium volume by 8.6% and substantially expanded its position with a number of clients at largely stable prices and conditions in various markets, especially China.

The premium volume in the **credit, surety and political risks** line was up by 8.6%, in part thanks to the acquisition of new customers. Market conditions were modestly improved.

In **aviation and marine reinsurance** the premium volume grew by 13.7%. The significant losses incurred in 2018 and 2019 further reinforced the trend towards rising prices and improved conditions in aviation reinsurance. The marine reinsurance market was again shaped by intense competition and an oversupply of capacity. Even though the renewals fell short of expectations in some cases, it was evident that long-term customers are increasingly concerned more about stability than mere pricing considerations. All in all, Hannover Re obtained adequate prices.

The premium volume in **natural catastrophe business** grew by 7.8%, with price increases for the most part coming in lower than expected. Competition remained fierce even though the available capacities from the ILS market contracted slightly. Despite higher additional reserves set aside for prior-year losses such as hurricane Irma in 2017 and typhoon Jebi in 2018 and further heavy loss expenditure incurred in the 2019 financial year from typhoons Hagibis and Faxai as well as hurricane Dorian, it was only possible to obtain stable prices and conditions overall as at 1 January. In US natural catastrophe business we achieved stable or modestly improved prices. More appreciable impetus on the pricing side can be anticipated in the various rounds of renewals held later in the year which are more focused on the loss-impacted regions.

Guidance for 2020 confirmed

"The positive trend that emerged from the 1 January renewals should become more pronounced in the subsequent rounds of renewals during the year, not least because these also concentrate more on the loss-affected programmes", Mr. Henchoz noted. "With this in mind, we are confident of achieving all the goals that we have set ourselves for the 2020 financial year."

As already announced in November, Hannover Re expects Group net income of around EUR 1.2 billion for the 2020 financial year. Based on constant exchange rates, gross premium should grow by around 5% and the return on investment should be around 2.7%.

As usual, all statements regarding future targets are subject to the premise that large loss expenditure remains within the envisaged budget of EUR 975 million and that there are no unforeseen distortions on capital markets. The dividend policy will also continue unchanged as in previous years.

Preliminary key figures for 2019

The Group net income generated by Hannover Re improved in the 2019 financial year to around EUR 1.28 billion (EUR 1.05 billion) based on preliminary key figures. Gross premium increased to roughly EUR 22.6 billion (EUR 19.2 billion). The return on investment booked from assets under own management amounted to 3.5% for the financial year just ended. The combined ratio deteriorated to 98.2% and is thus above the targeted level of no more than 97% for the full year.

Hannover Re will publish its audited annual financial statement on 11 March 2020.

Hannover Re, with gross premium of more than EUR 22 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 3,200 staff. Established in 1966, the Hannover Re Group today has a network of more than 100 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior". Please note the disclaimer: https://www.hannover-re.com/535917