

Corporate news

E+S Rück expects rising prices and improved conditions in 2021 for property and casualty reinsurance in Germany

- **Covid-19-related losses and intensification of the low interest rate environment are supporting trend reversal towards higher prices in primary insurance and reinsurance**
- **Contraction in worldwide reinsurance capacities also making itself felt on the German market**
- **Demand for high-quality protection from financially robust reinsurers continues to grow**

Hannover, 19 October 2020: E+S Rückversicherung AG – the Hannover Re subsidiary responsible for the Group's German business – expects rising prices and improved conditions overall for the coming year in property and casualty reinsurance on the German market. Demand for reinsurance coverage from financially robust providers will continue to grow against the backdrop of the Covid-19 pandemic.

"Along with the direct impacts of the pandemic, the renewed decline in interest rates is taking a toll on insurance industry profits. Price increases at primary insurers are therefore absolutely essential and adjustments are also needed on the reinsurance side," noted Dr. Michael Pickel, Chief Executive Officer of E+S Rück. "During the Covid-19 pandemic, as always, we are a reliable partner at our customers' side and we help them to shoulder the associated challenges. This includes not only providing traditional reinsurance but also assisting with claims management, offering tailored solutions for solvency relief and jointly developing new coverage concepts."

With an eye to future pandemic covers, it has become evident that the enormous costs associated with the global spread of diseases such as Covid-19 can only be borne by the insurance industry to a very limited extent overall. E+S Rück supports partnership-based solutions with the participation of public and private actors for the coverage of systemic risks such as pandemics.

It can therefore be anticipated that primary insurers and reinsurers alike will define the coverage of pandemics more clearly in their new contracts. In this regard E+S Rück assists its customers with the necessary adjustments and the future handling of pandemic exposures such as those under business closure insurance.

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The impacts of the Covid-19 pandemic are especially burdensome for small and mid-sized enterprises. Business closure insurance, in particular, has recorded numerous claim notifications. The picture is similar in event cancellation insurance, albeit to a less marked extent so far.

Claim numbers in **motor insurance** have been lower in the current year to date owing to the fact that traffic volumes were down for a while. This is, however, likely to remain a one-time effect. A reduction in insured risks has also been observed in fleet business. Claims expenditure is expected to normalise for 2021. The rising cost of spare parts and repairs continues unchanged.

In response to growing demand in the market for **telematics tariffs**, E+S Rück offers its customers a telematics solution – es|Tmatik – with its own rating basis. This solution is now undergoing a second test phase. Interest in this tool among insurers is brisk and three companies are currently working to roll out their own telematics tariff based on es|Tmatik.

In the German market for **natural catastrophe risks** it is to be anticipated that reinsurance prices will improve overall on account of catastrophe losses around the world and reduced reinsurance capacity against the backdrop of what has so far tended to be an average regional loss burden. This is especially true of loss-affected programmes.

In **industrial and commercial business** the line of industrial fire insurance has for the most part been loss-making in recent years. While the remediation efforts undertaken by primary insurers are starting to make themselves felt, the economic downturn triggered by the Covid-19 pandemic is nevertheless having a clearly negative impact.

Taken together with the effects of business closures and slumps in demand, the need for remediation in commercial and industrial property lines therefore continues to grow more pressing.

Business closure insurance plays a major role as supplementary coverage, for example in the case of hospitals, care homes, medical practices, hotels or restaurants.

For the coming year E+S Rück anticipates improved conditions on the whole in the reinsurance market for commercial and industrial risks, especially under loss-affected programmes.

The Covid-19 pandemic and legal disputes arising in this connection are again leading to substantial claims expenditures under **legal protection insurance**. The trend towards an uptick in demand for reinsurance covers – which could already be discerned in the previous year – is therefore likely to be sustained.

All in all, E+S Rück anticipates further attractive business opportunities in Germany for 2021. Direct contact with the customer and close, partnership-based cooperation are absolutely indispensable for E+S Rück – even bearing in mind the pandemic and the associated restrictions on physical interaction needed to contain it.

"Particularly in times of crisis, we attach special priority to personal exchanges and we welcome every opportunity to meet, insofar as this is currently possible and justifiable while respecting all safety precautions," explained Dr. Michael Pickel. "Through a wide range of virtual formats we are able to maintain intensive contact with the customer and always stay close at hand despite physical distancing."

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 more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 150 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".

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