

Corporate news

Hannover Re grows premium on improved prices in 1 January treaty renewals and confirms guidance for 2021

- **Renewals as at 1 January 2021 deliver premium increase of 8.5% adjusted for exchange rate effects**
- **North America, the United Kingdom and specialty lines show particularly marked price gains**
- **Reinsurers benefit from significantly higher prices in primary insurance under proportional covers**
- **Average price increase of 5.5% on renewed business**
- **Further improvements in prices and conditions expected over the course of the year**
- **Guidance for 2021 confirmed – Group net income of EUR 1.15 billion to EUR 1.25 billion**
- **Group net income for 2020 reaches EUR 883 million based on preliminary key figures**

Hannover, 4 February 2021: Hannover Re booked premium growth in traditional property and casualty reinsurance of 8.5% adjusted for exchange rate effects in the treaty renewals as at 1 January 2021. A price increase of 5.5% was achieved for the renewed business. Along with another substantial burden of large and frequency losses in various regions, this price trend was driven chiefly by lower interest rates and uncertainties surrounding the further course of the Covid-19 pandemic.

"All in all, we can look back on a thoroughly satisfactory round of treaty renewals. The pricing momentum of the past year held up in the 1 January renewals. The sustained trend reversal in prices continues," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "We secured further improvements in prices and conditions to a varying extent across all lines and regions. Particularly in times of crisis, robustly capitalised reinsurers such as ourselves are highly sought-after."

Of the total premium volume booked in the previous year on an underwriting-year basis in traditional property and casualty reinsurance amounting to EUR 11,531 million, treaties with a volume of altogether EUR 7,753 million – or 67% of the business – were up for renewal as

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:

Axel Bock
tel. +49 511 5604-1736
axel.bock@hannover-re.com

www.hannover-re.com

at 1 January 2021. Of this, a premium volume of EUR 7,018 million was renewed, while treaties worth EUR 735 million were either cancelled or renewed in modified form. Including increases of EUR 1,396 million from new treaties and from changes in prices and treaty shares, the total renewed premium volume came in at EUR 8,414 million.

Proportional reinsurance posted growth of 8.3% in the renewals, generating a renewed premium volume of EUR 6,329 million. Prices here were up by 4.4%. The renewed premium volume in non-proportional reinsurance grew by 9.3% to EUR 2,085 million. The price increase amounted to 8.8%.

Regional markets: Particularly appreciable increases in North America and the United Kingdom

In the **Americas** reporting category, which encompasses North and Latin America, the premium volume surged by 15.3%. *North America* again recorded significant premium growth driven by expanded customer relationships and hardening market conditions. Rate increases in primary insurance across virtually all lines as well as improved reinsurance conditions will have positive implications for profitability in the 2021 calendar year. Hannover Re anticipates additional business opportunities for the remaining upcoming renewals during the year because primary insurers are increasingly looking for high-quality reinsurance capacity. Particularly in property insurance providing business interruption protection, but also in other lines, specific covers and exclusions for pandemic and cyber risks were defined.

Despite the ongoing pandemic, markets in *Latin America* continue to deliver strong growth in the original currencies. Reinsurance conditions showed further hardening, especially in Brazil and Chile. For 2021 Hannover Re expects the trend towards improvements to be sustained.

In the **Asia-Pacific** region Hannover Re slightly increased its premium volume with growth of 4.1% while at the same time boosting profitability. The markets presented a very mixed picture during the renewal negotiations, with appreciable improvements in conditions not achievable on a consistent basis. In China the focus was on profitable expansion of the already existing portfolio after years of very vigorous growth. In Southeast Asia the premium volume increased again by more than 20%. In Korea, too, significant growth in premium income was booked on the back of a sustained improvement in terms and conditions.

The premium volume for the reporting category **Europe, Middle East and Africa** grew by 10.6%. In *Continental Europe* Hannover Re scaled back its premium volume by focusing heavily on profitable business. Demand for reinsurance remained high across the entire region. The price level again rose sharply, above all in loss-impacted programmes.

Business in *Germany, Switzerland, Austria and Italy* was successfully expanded. E+S Rückversicherung AG, the Hannover Re subsidiary responsible for the German market, was able to further strengthen its leading position and secured improved prices and conditions overall. Appreciable improvements were achieved in the property line, particularly under loss-affected programmes with concentrations in commercial and industrial business. Prices in motor reinsurance held stable despite the reduced traffic volumes associated with the pandemic and correspondingly lower claims. The rate level in this segment remains adequate.

Markedly better prices and conditions were obtained for business in the *United Kingdom, Ireland and the London Market*. This was true of both non-proportional motor business and natural catastrophe risks. Prices in the liability lines similarly rose sharply against the backdrop of changes in the original business. Along with the aforementioned improvements in conditions, exclusions for cyber and pandemic risks were included in the terms and conditions for various lines of business. As a further factor, the higher retentions carried by customers helped to improve the quality of the portfolio.

Global markets: Significant increases, especially in aviation and marine

The premium volume in **aviation and marine reinsurance** grew by 8.2%. The market environment in aviation reinsurance continued to improve for reinsurers, in part due to the more unfavourable development of a large loss. This encouraging trajectory limited the negative impact on premium volume associated with reduced activities – sometimes markedly so – in the aviation sector owing to Covid-19. Supported by a clearly hardening primary insurance climate, the market for marine reinsurance echoed this trend. Despite sustained intense competition and existing capacities, improvements in the pricing and risk structure were achieved in both the marine and offshore energy segments.

The **credit, surety and political risks** line has not been affected by pandemic-related insolvencies so far on account of government support measures. The premium volume rose by 5.3%, thanks both to

the expansion of existing accounts and the acquisition of new customers. Conditions showed visible improvement.

Modestly improved prices and conditions were obtained in **natural catastrophe business**. In US natural catastrophe business price increases of around 10% were possible, especially under loss-affected programmes. In Europe substantial price increases were for the most part only achievable under programmes that had suffered losses. Prices for programmes that had remained loss-free held stable or nudged slightly higher. Overall, though, the rate level here was also better in comparison with the previous year's renewals.

In **structured reinsurance**, which is renewed throughout the year, stronger demand was observed worldwide for reinsurance solutions providing solvency relief.

In **facultative reinsurance** greater emphasis is similarly being placed on higher-quality insurance protection. The premium volume here was increased against a backdrop of improved prices and conditions in almost all regions and lines.

Guidance for 2021 confirmed

"The positive trend coming out of the 1 January renewals should be sustained in the subsequent rounds of renewals," Henchoz said. "The significant price increases that we are seeing in many lines on the primary insurance side will also gradually support rates in reinsurance business. We benefit from this directly through proportional covers."

As already announced in November, Hannover Re anticipates Group net income of EUR 1.15 billion to EUR 1.25 billion for the 2021 financial year. Based on constant exchange rates, growth in Group gross premium should be around 5% and the return on investment should reach around 2.4%.

As usual, all statements regarding future targets are subject to the premise that large loss expenditure remains within the envisaged budget of EUR 1.1 billion 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 the 2020 financial year

The Group net income generated by Hannover Re reached a level of EUR 883 million (EUR 1.28 billion) in the 2020 financial year based on preliminary key figures. Gross premium increased by about 12% adjusted for exchange rate effects to EUR 24.8 billion (EUR 22.6

billion). The return on investment booked from assets under own management amounted to 3.0% for the financial year just ended. The combined ratio deteriorated to 101.6% (98.2%) and is thus higher than the full-year target of no more than 97%.

"Our extremely robust result in the 2020 pandemic year shows that we can deal well with such extreme situations thanks to our diversified business model, our risk management and our capital strength," Henchoz said. "We are well placed to achieve our targets for the 2021 financial year."

Hannover Re will publish its audited annual financial statement on 11 March 2021.

Hannover Re, with gross premium of more than EUR 24 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".

Please note the disclaimer:

<https://www.hannover-re.com/535917>