

Corporate news

Hannover Re posts solid result in the first quarter

- **Gross premium rises by 8.5% adjusted for exchange rate effects**
- **Quarterly profit 2.5% higher than in the previous year**
- **Around EUR 220 million reserved for anticipated coronavirus related losses**
- **Life and health reinsurance increases net profit by 24.5%**
- **Return on equity stands at 11.5%**
- **Impacts of coronavirus crisis on Hannover Re over the course of the year still difficult to quantify**
- **Guidance for 2020 withdrawn**

Hannover, 6 May 2020: Hannover Re boosted its result by 2.5% in the first quarter. Key drivers here were double-digit increases in earnings from life and health reinsurance as well as from the investment portfolio.

"In the first quarter we achieved a result that on the whole lived up to our expectations," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "Nevertheless, we too will not escape the effects of the coronavirus crisis unscathed. Even though it is currently impossible to quantify the concrete impacts on reinsurance and financial markets, our capital resources are geared to managing such extreme events."

Hannover Re models pandemic risks as part of its risk management, which focuses on sustained preservation of the company's robust financial strength and is continuously reviewed using stress tests. According to preliminary estimates, the capital adequacy ratio at the end of March remained between 220% and 230% and thereby comfortably above the limit of 180% and the threshold of 200%. The considerable volatility in interest rates and credit spreads is included here. As at year-end 2019 the ratio had stood at 251%.

Solid result in the first quarter

The gross written premium for the Hannover Re Group increased by 9.4% as at 31 March 2020 to EUR 7.0 billion (EUR 6.4 billion). Adjusted for exchange rate effects, growth would have amounted to 8.5%. Net premium earned climbed by 10.4% to EUR 5.1 billion (EUR 4.6 billion). The increase would have been 9.7% at constant exchange rates.

The operating profit (EBIT) contracted by 5.2% to EUR 426.6 million (EUR 450.0 million). Group net income reached EUR 300.9 million

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(EUR 293.7 million), an increase of 2.5% compared to the previous year's level. Earnings per share amounted to EUR 2.49 (EUR 2.43).

Property and casualty reinsurance generates growth

Hannover Re grew its portfolio in property and casualty reinsurance in the treaty renewals as at 1 January 2020, despite the unchanged intense competition prevailing in numerous markets and lines of business. On balance, growth was generated at slightly improved prices and conditions overall. Rates for catastrophe covers nevertheless remained on a low level, especially in Japan, Latin America and the Caribbean, and there is therefore still a need for improvements.

Gross written premium grew by 13.5% to EUR 5.0 billion (EUR 4.4 billion); the increase would have been 12.2% adjusted for exchange rate effects. Net premium earned was up 13.9% at EUR 3.3 billion (EUR 2.9 billion); it would have risen by 12.9% at constant exchange rates.

Net expenditure on major losses was considerably higher than in the previous year at EUR 283.6 million (EUR 59.0 million). This was due to an amount of roughly EUR 220 million reserved for anticipated losses related to the coronavirus. Other than this, the largest individual losses were – amongst others – the bushfires in Australia at EUR 22.4 million, storm Sabine (also known as Ciara) in Europe at EUR 17.6 million and a hailstorm in Australia costing EUR 15.1 million. The combined ratio consequently deteriorated to 99.8% (95.7%), exceeding the anticipated maximum level of 97%.

The underwriting result for property and casualty reinsurance including interest on funds withheld and contract deposits came in sharply lower than the previous year at EUR 7.2 million (EUR 124.8 million). The operating profit (EBIT) retreated to EUR 304.7 million (EUR 334.4 million). Net income in property and casualty reinsurance amounted to EUR 207.3 million (EUR 219.0 million).

Improved result in life and health reinsurance

In life and health reinsurance, particularly in the area of financial solutions, strong demand at good conditions could be observed worldwide especially in Asia. Solutions for the coverage of longevity risks also enjoyed increased demand, most notably in the United Kingdom and Canada.

Gross written premium was stable at EUR 2.0 billion (EUR 2.0 billion). Adjusted for exchange rate effects, it would have increased by 0.4%. Net premium earned rose by 4.3% to EUR 1.8 billion (EUR 1.7 billion); growth would have reached 4.2% at constant exchange rates.

The operating result (EBIT) for life and health reinsurance improved by 6.8% to EUR 124.2 million (EUR 116.3 million). Net income in life and health reinsurance grew by 24.5% to EUR 110.2 million (EUR

88.5 million). Negative effects such as excess mortality due to the coronavirus have not been observed in the first quarter.

Good income from investments

The portfolio of assets under own management grew slightly in the first quarter to EUR 47.9 billion (31 December 2019: EUR 47.6 billion). Ordinary investment income excluding interest on funds withheld and contract deposits was very much on a par with the previous year at EUR 326.3 million (EUR 323.2 million). Net gains on disposals were higher at EUR 101.9 million (EUR 22.3 million). This was due to regrouping moves as part of routine portfolio maintenance as well as the successful sale of a real estate investment.

Impairments totalled EUR 28.6 million (EUR 17.4 million). Altogether, income of EUR 386.1 million (EUR 328.3 million) was generated from assets under own management. The annualised return (including effects from ModCo) stood at 3.2%. In view of the volatile state of the market at the current point in time, however, the return generated at the end of March is not particularly meaningful for the remainder of the year.

Interest on funds withheld and contract deposits increased to EUR 85.6 million (EUR 70.6 million), boosting the net investment income including interest on funds withheld and contract deposits to EUR 471.7 million (EUR 398.9 million).

Shareholders' equity remains stable

The shareholders' equity of Hannover Re as at 31 March 2020 was stable at EUR 10.5 billion (31 December 2019: EUR 10.5 billion). The annualised return on equity reached 11.5% (31 December 2019: 13.3%) and continues to exceed the target of 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 86.77 (31 December 2019: EUR 87.30).

Outlook for 2020

"Even though we are unable to provide specific guidance for our full-year net income in the present situation, we are well placed to stand by our customers' side in these difficult times," Henchoz said. "Among other things, as a financially robust partner, we are in a position to deliver reinsurance solutions that support the solvency, liquidity and capital position of our clients."

Building on the 1 January treaty renewals, the round of renewals as at 1 April 2020 passed off favourably for Hannover Re. Business in Japan is traditionally renegotiated at this time of year and treaties also come up for renewal – albeit on a lesser scale – in the markets of Australia, New Zealand, Asia and North America. The total premium volume booked from this round of treaty renewals increased by 25.1%.

The net major loss budget for 2020 is set at EUR 975 million (EUR 875 million). This adjustment is primarily a reflection of the growth in the underlying business.

Hannover Re anticipates an unchanged 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 subject to a continued comfortable level of capitalisation and Group net income within the expected bounds.

The virtual Annual General Meeting of Hannover Rück SE will also be held today. The Executive Board and Supervisory Board have submitted a dividend proposal of EUR 5.50 per share for the past 2019 financial year.

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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