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Press Release

Hannover Re raises guidance for 2017 following treaty renewals

- **Continuing competition in property and casualty reinsurance**
- **Rate decline in non-proportional business less marked than in the past three 1/1 treaty renewals**
- **Pleasing outcome of renewals in North America**
- **Guidance for Group net income 2017 raised to more than EUR 1 billion**

Hannover, 2 February 2017: Hannover Re is satisfied overall with the outcome of the treaty renewals as at 1 January 2017. Markets continue to see significant competition, however, as a result of which the anticipated stabilisation in rates has not as yet set in across the board. Although the treaty renewals were challenging, the company benefited from its customer intimacy and its ability to offer reinsurance solutions tailored to clients' requirements. "Thanks to gross premium that came in above expectations, we were able to raise our premium target for 2017 and now expect an increase in the low single-digit percentage range. Furthermore, bearing in mind the successful closing of several financial solutions contracts in life and health reinsurance as well, we are raising our guidance for Group net income in 2017 from more than EUR 950 million to more than EUR 1 billion", Ulrich Wallin, Chief Executive Officer of Hannover Re, explained.

All in all, the situation on the worldwide property and casualty reinsurance market shows little change and remains challenging. The broadly good financial results still being reported by many companies combined with the excess supply of capacity were not conducive to a fundamental trend reversal on the rates side. The increased claims expenditure in 2016 had favourable effects on prices only on a local level.

Sharply high demand was observed among customers in relation to reinsurance solutions offering solvency relief. Attractive opportunities to grow the portfolio also opened up in North America, above all in Canada, as well as in credit and surety business and in the area of cyber covers. With an eye to its own profitability requirements,

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however, the company again did not renew all treaties in this round of renewals.

Of the total premium volume booked in the previous year in traditional property and casualty reinsurance (excluding facultative business and structured reinsurance) amounting to EUR 7,326 million, roughly two-thirds of the treaties with a volume of altogether EUR 4,685 million were up for renewal as at 1 January 2017. Of this, a premium volume of EUR 4,006 million was renewed, while treaties worth EUR 679 million were either cancelled or renewed in modified form. Including increases of EUR 459 million from new treaties and – to a more limited extent – from changes in prices and treaty shares, the total renewed premium volume came in at EUR 4,621 million; at constant exchange rates this is equivalent to a decrease of 1.4% in traditional reinsurance. Making allowance for structured reinsurance business, however, growth of around 7% was booked as at 1 January 2017.

Target markets

Hannover Re is highly satisfied with the treaty renewals for *North American business*. The economic recovery in the United States led to an increase in insurance premiums and hence to solid demand for reinsurance protection. The pressure on rates has eased appreciably; signs that they have bottomed out can now be seen across the various lines of business. On the property side the company was able to renew its treaties at largely stable rates and conditions thanks to its long-standing customer relationships – in the case of smaller and mid-sized accounts it was even possible to obtain modest rate increases. In casualty business, too, prices remained largely stable; the company was able to slightly increase its premium volume here through new business. The treaty renewals in Canada passed off very favourably: significant rate increases were secured under virtually all programmes in property business, driven crucially by the heavy losses caused by devastating wildfires in the province of Alberta. The total premium volume for North America rose by a substantial 6.5%.

In *Germany,* the largest single market within the segment of *Continental Europe*, Hannover Re maintained its leading position through its subsidiary E+S Rück. The rate trend in motor business was especially pleasing: significant improvements in the original market led to additional premium income. The increased prevalence of regional loss events in the previous year prompted stronger demand for natural hazards covers. The premium volume for the total portfolio in the German market remained essentially stable. The treaty renewals in the *Netherlands* and *Northern European markets*, where the company enlarged its portfolio, passed off thoroughly successfully. In *France,* too, Hannover Re was able to successfully expand its existing customer relationships. Business in *Central and Eastern Europe* was intensely competitive, with rates coming under sustained pressure. Yet the company also noted rising prices in some cases, for example in Poland. The premium volume for the Continental Europe segment contracted by 1.2%.

Specialty lines

Rates in *marine reinsurance* continued to deteriorate, albeit at a slower pace. Part of the business in this segment was relinquished on grounds of inadequate pricing. In the important London Market further rate reductions were recorded for marine and energy covers. Rate increases, on the other hand, were obtained under loss-impacted treaties. Hannover Re scaled back its premium volume in marine business by 3.2%.

The *aviation line* was once again extremely competitive*.* Given the unchanged abundant supply of insurance capacity, rates in the market fell by up to 10%. While Hannover Re reduced its involvement particularly on the proportional side, non-proportional business – which witnessed more moderate price erosion – remained stable. The premium volume retreated by a substantial 15.8%.

The outcome of the treaty renewals in *credit and surety reinsurance* was pleasing. Especially in credit reinsurance, it proved possible to enlarge sizeable existing accounts and build new customer relationships, thereby boosting the premium volume in this line. On the surety side the premium volume contracted slightly. In the area of political risks Hannover Re was restrained in its acceptances and maintained a stable portfolio in view of the prevailing very intense competition. The premium income for the portfolio that was up for renegotiation in these three specialty lines increased by 7.7%.

Hannover Re is satisfied with the renewal of its business written in the *United Kingdom* and in the *London Market*. Premiums in non-proportional motor insurance were maintained on a stable level. The company benefited in this connection from its long-standing customer relationships. Increasing demand for cyber covers opened up new business opportunities. Hannover Re generated premium growth of altogether 7.9% for this market.

Global reinsurance

Competition varied in intensity across the markets of the *Asia-Pacific region*. It proved impossible to avoid making share reductions in unprofitable business – above all in China –, which consequently led to lower premium income in this market. The picture in the rest of Asia was a mixed one, with modest premium declines for the company throughout the region.

Natural catastrophe business saw further rate decreases in some areas owing to the absence of market-changing large losses. Hurricane Matthew provided necessary price impetus on a localised basis. In the United States price reductions were offset by increased shares in profitable programmes. The pressure on prices in Latin America prompted the company to scale back its involvement. In Europe modest rate increases were booked in some countries. Overall, Hannover Re boosted its premium volume in total natural catastrophe business by 2.9% while maintaining prices on a stable level.

In structured reinsurance business the company enjoyed very pleasing demand for reinsurance solutions offering solvency relief. Hannover Re booked strong premium growth here from Europe and North and Latin America.

Guidance raised for 2017

Despite challenging treaty renewals in property and casualty reinsurance, Hannover Re has raised its profit targets for the current financial year: adjusted for exchange rate effects, the company now anticipates a low single-digit percentage increase in gross premium for property & casualty and life & health reinsurance. The expected return on investment continues to be 2.7%. The guidance for Group net income in 2017 is raised from more than EUR 950 million to more than EUR 1 billion. All statements remain subject to the proviso that large loss expenditure does not exceed the budgeted level of EUR 825 million and that there are no unforeseen distortions on capital markets. Hannover Re continues to target a combined ratio of less than 96%.

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