hannover re®

Corporate news

Hannover Re delivers double-digit earnings and premium growth and increases dividend

- **Group net income rises by 21.2% to EUR 1.28 billion**
- **Gross premium grows by 15.2% adjusted for exchange rate effects**
- **Proposed dividend of EUR 5.50 (previous year: EUR 5.25) per share**
- **Book value per share increases to EUR 87.30**
- **Return on equity climbs to 13.3% (12.2%)**
- **Major loss expenditure higher than anticipated**
- **Guidance for 2020 confirmed – Group net income of around EUR 1.2 billion**

Hannover, 11 March 2020: Hannover Re boosted its Group net income by 21.2% in the 2019 financial year and is proposing another dividend increase. In addition, a special dividend is to be paid for the sixth year in succession.

"We have achieved a record result and thereby once again demonstrated our profitability, even though 2019 was another year of relatively high losses," Hannover Re Chief Executive Officer Jean-Jacques Henchoz said. "We are again able to offer our shareholders the prospect of an attractive dividend including a special distribution, but we are also retaining the necessary flexibility to invest further in our profitable growth."

In view of the good business development, the Executive Board and Supervisory Board will propose to the Annual General Meeting an increase of the dividend for 2019 to EUR 5.50 per share (EUR 5.25 per share). This consists of an increased ordinary dividend of EUR 4.00 (EUR 3.75) per share and an unchanged special dividend of EUR 1.50 per share.

Profit growth outpaces increase in premium

Thanks to its positioning as one of the largest and financially strongest reinsurers in the world, Hannover Re was again able to act on attractive business opportunities despite a continued challenging market climate. Against this backdrop, the gross premium volume increased sharply by 17.8% to EUR 22.6 billion (EUR 19.2 billion); it would have grown by 15.2% adjusted for exchange rate effects. The level of retained premium decreased slightly to 90.0% (90.7%). Net premium earned grew by 14.1% to EUR 19.7 billion (EUR 17.3 billion). Growth of 11.8% would have been booked at unchanged exchange rates.

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

The operating profit (EBIT) improved by 16.1% to EUR 1,853.2 million (EUR 1,596.6 million). This was supported by further improvement in the investment income as well as the good underlying quality of the portfolio in both property & casualty and life & health reinsurance. Group net income increased by 21.2% year-on-year to reach EUR 1,284.2 million (EUR 1,059.5 million). Hannover Re thus once again slightly outperformed its guided Group net income, which it had raised in the third quarter from the originally anticipated level of around EUR 1.1 billion to more than EUR 1.25 billion. Earnings per share amounted to EUR 10.65 (EUR 8.79).

Property and casualty reinsurance: Result reduced by large losses

Worldwide property and casualty reinsurance remained intensely competitive in the financial year just ended. Sufficient capacity for the coverage of insurance risks was available from both traditional reinsurers and alternative capital providers.

In the various rounds of treaty renewals held during the year Hannover Re was able to discern a more broad-based improvement in prices and conditions for reinsurance protection and the company acted on profitable business opportunities.

The gross premium volume in property and casualty reinsurance rose by 23.4% to EUR 14.8 billion (EUR 12.0 billion). At constant exchange rates the increase would have been 20.4%. This growth was significantly above expectations. Net premium earned climbed by 18.5% to EUR 12.8 billion (EUR 10.8 billion); growth would have reached 15.8% adjusted for exchange rate effects.

Following the heavy losses of 2017 and 2018, Hannover Re incurred further significant major losses in the 2019 financial year. The largest loss was hurricane "Dorian" at a net cost of EUR 194.7 million. Typhoons "Hagibis" and "Faxai" caused further expenditure of EUR 183.8 million and EUR 83.8 million respectively. An amount of EUR 85.7 million was set aside for the insolvency of UK travel operator Thomas Cook. Total net major loss expenditure in 2019 came to EUR 956.1 million (EUR 849.8 million) and hence exceeded the large loss budget of EUR 875 million for the full year. The underwriting result including interest on funds withheld and contract deposits fell to EUR 235.4 million (EUR 372.8 million).

The combined ratio deteriorated to 98.2% (96.5%) and was thus higher than the targeted level of no more than 97%. The primary factors here were the high losses incurred in the financial year and delayed claim notifications for prior-year losses, especially for Typhoon "Jebi". The operating profit (EBIT) declined by 2.8% to EUR 1,285.8 million (EUR 1,322.6 million). The net profit in property and casualty reinsurance contracted by 6.2% to EUR 871.7 million (EUR 929.1 million).

Life and health reinsurance: Very pleasing profit increase
"We can look back on an excellent development in our life and health reinsurance portfolio. As announced, we generated a significantly improved result," Henchoz said. "At the same time we are benefiting from additional business opportunities available to financially strong reinsurers – including in the area of financial solutions, where we offer our clients tailor-made reinsurance solutions designed to improve their solvency, liquidity and capital position."

The gross premium volume in life and health reinsurance was 8.6% higher than in the previous year at EUR 7.8 billion (EUR 7.2 billion). The increase would have been 6.7% at constant exchange rates. Net premium earned rose by 6.9% to EUR 6.9 billion (EUR 6.5 billion); growth would have reached 5.1% at constant exchange rates.

Boosted by non-recurring income from investments and the elimination of one-time charges in the in-force US mortality portfolio, the operating result (EBIT) improved to EUR 569.9 million (EUR 275.9 million). The net profit in life and health reinsurance more than doubled to reach EUR 471.6 million (EUR 185.9 million).

Investments: Return targets outperformed
In 2019 interest rates fell sharply again in numerous currency areas, resulting in a sizeable increase in the hidden reserves on fixed-income securities. Combined with a positive operating cash flow and issuance of a subordinated bond, this caused Hannover Re's portfolio of assets under own management to grow by 12.9% to EUR 47.6 billion (EUR 42.2 billion).

Supported by the release of hidden reserves in connection with the restructuring of a participating interest and the sale of two individual properties, income from investments under own management grew by 17.3% to EUR 1,550.6 million (EUR 1,322.0 million). The resulting average return (excluding effects from ModCo derivatives) was 3.4%. This exceeded the target return on investment, which had been raised in November from the original level of at least 2.8% to at least 3.2%. Investment income including interest on funds withheld and contract deposits improved by 14.8% to EUR 1,757.1 million (EUR 1,530.0 million).

Shareholders' equity: Return climbs to 13.3 %
Hannover Re further expanded its very robust equity position in the financial year just ended. The shareholders' equity of Hannover Rück SE increased by 20.0% as at 31 December 2019 to EUR 10.5 billion (EUR 8.8 billion). The book value per share reached EUR 87.30 (EUR 72.78). Given that the increase in Group net income was stronger than the appreciable rise in shareholders' equity, the return on equity improved to 13.3% (12.2%) and thus comfortably surpassed the minimum target of 9.3%. For the eleventh consecutive year Hannover Re thus recorded a return on equity in the double digits. The total policyholders' surplus (including non-controlling interests and hybrid capital) amounted to EUR 13.6 billion (EUR 11.0 billion).

Guidance 2020: Group net income of around EUR 1.2 billion
"The positive momentum from the 1 January treaty renewals should accelerate over the course of the year," Henchoz said. "This will be reflected in further improvement in prices and conditions for strongly capitalised reinsurers, which gives me confidence that we shall achieve our goals for the current financial year."

For 2020 Hannover Re expects to grow its gross premium in total business by around 5% based on constant exchange rates. Group net income should reach a level of around EUR 1.2 billion. This is conditional on major loss expenditure not significantly exceeding the budgeted level of EUR 975 million and assumes that there are no exceptional distortions on capital markets.

The asset portfolios should grow – assuming constant exchange rates – in view of the anticipated positive cash flow and the return on investment should reach around 2.7%.

In terms of the ordinary dividend for the current financial year, Hannover Re envisages an unchanged payout ratio 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.