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# 24<sup>th</sup> International Investors' Day

Hannover, 14 October 2021

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# Teaming up to create opportunities

Update on Group strategy

Jean-Jacques Henchoz, Chief Executive Officer  
24<sup>th</sup> International Investors' Day 2021  
Hannover, 14 October 2021

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# Agenda

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- 1 Our position in the reinsurance market
  - 2 Update on strategy cycle 2021 - 2023
  - 3 ESG strategy
  - 4 Outlook 2022
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**1**

**Our position in the reinsurance market**

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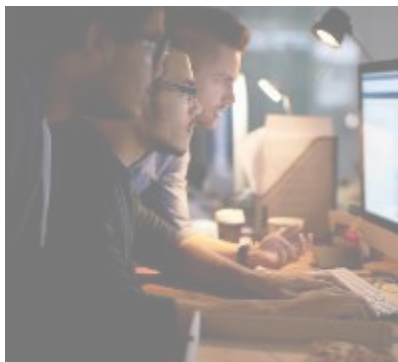
# Successful execution of our Group strategy in a challenging environment

## Review of strategy cycle 2018 - 2020

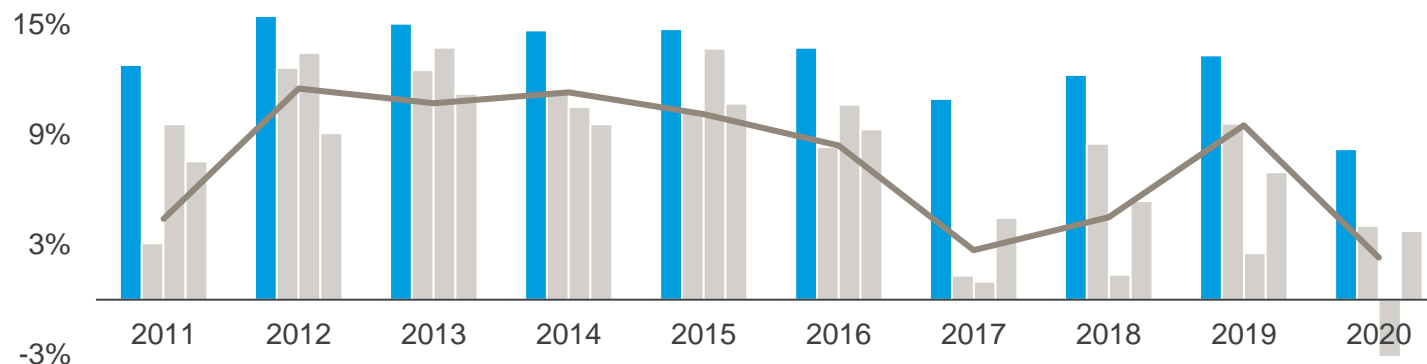
		Target attainment						
Metrics		Targets	2020	2019	2018	Ø 2018 - 2020		
	Group	Investment return	≥ 2.7%	3.0%	3.4%	3.2%	3.2%	✓
		Return on equity	900 bps above risk-free	8.2%	13.3%	12.2%	11.1%	✓
		Solvency ratio	≥ 200%	235.2%	250.7%	246.0%	243.6%	✓
	Property & Casualty R/I	Gross premium growth	3 - 5%	15.8%	20.4%	16.2%	17.5%	✓
		Combined ratio	≤ 97%	101.6%	98.2%	96.5%	99.0%	
		EBIT margin	≥ 10%	5.9%	10.0%	12.2%	9.1%	
	Life & Health R/I	Gross premium growth	3 - 5%	4.7%	6.7%	4.6%	5.3%	✓
		Value of New Business	≥ EUR 220 m.	EUR 778 m.	EUR 663 m.	EUR 290 m.	EUR 557 m.	✓
		EBIT growth	≥ 5%	-32.5%	106.6%	12.5%	16.2%	✓

# Consistent outperformance – independent of market cycles

## 10-year average RoE of 13.1%; 5.6%p above sector average



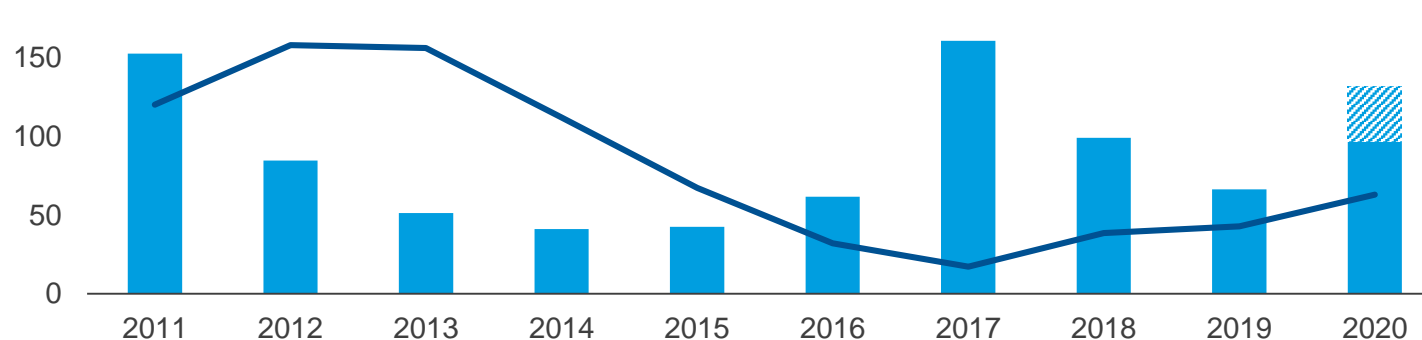
### Return on equity (RoE)



### 10-year average

Hannover Re	13.1 %
Peer 1	8.1 %
Peer 2	7.8 %
Peer 3	7.3 %
Sector average <sup>1)</sup>	7.5 %

### Insured losses and pricing development

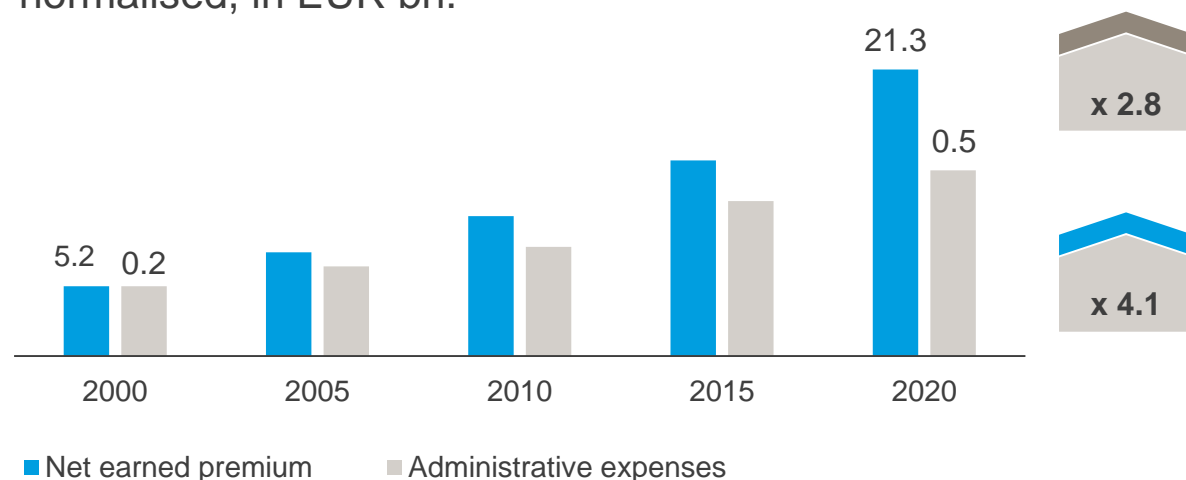


Covid-19 losses in bn. USD <sup>2)</sup>
Insured losses from catastrophes in bn. USD <sup>3)</sup>
Guy Carpenter Global Property Catastrophe Rate-On-Line Index

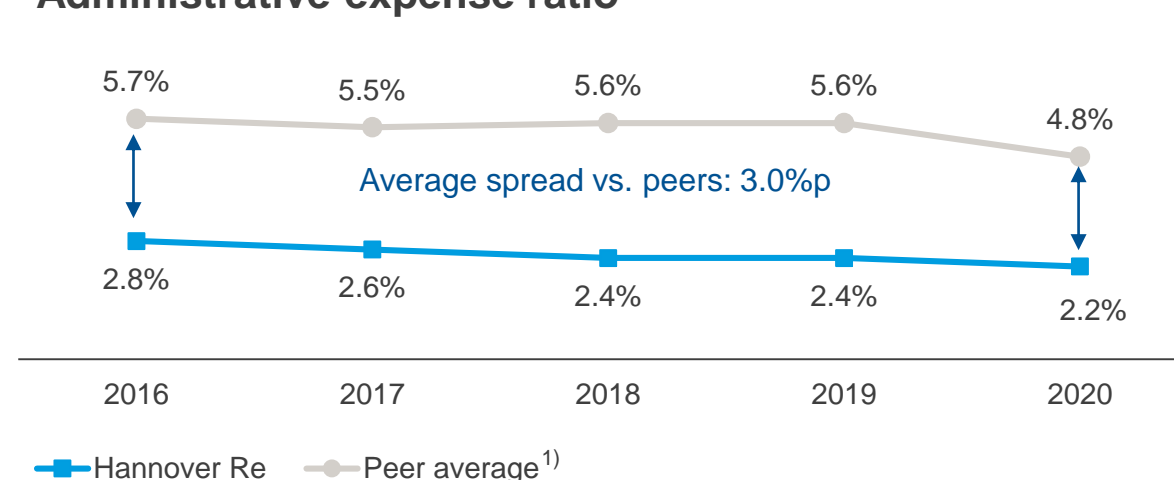
1) Aon Reinsurance Aggregate 2) HSBC claims tracker 3) Swiss Re Sigma Explorer  
RoE: on own calculation based on company reports

# Lean operating model remains a key competitive advantage

normalised, in EUR bn.



## Administrative expense ratio



- Business model is highly scalable
- Investments and services are connected to future profits
- Cost leadership is based on mix of cultural and organisational factors that are hard to replicate
- Continued focus on organisational simplicity and efficient decision-making

1) Peers: Munich Re, Swiss Re, SCOR; own calculation

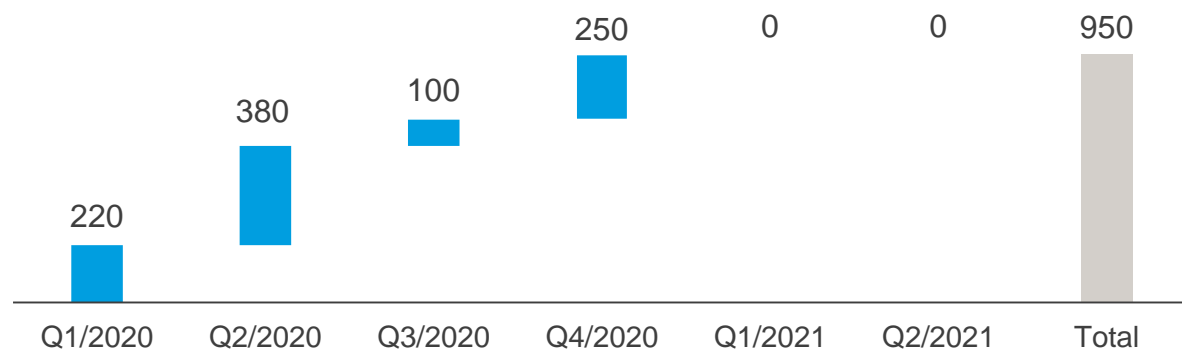
# P&C Covid-19 net loss estimate unchanged since December 2020

## L&H losses expected to decline with vaccination progress



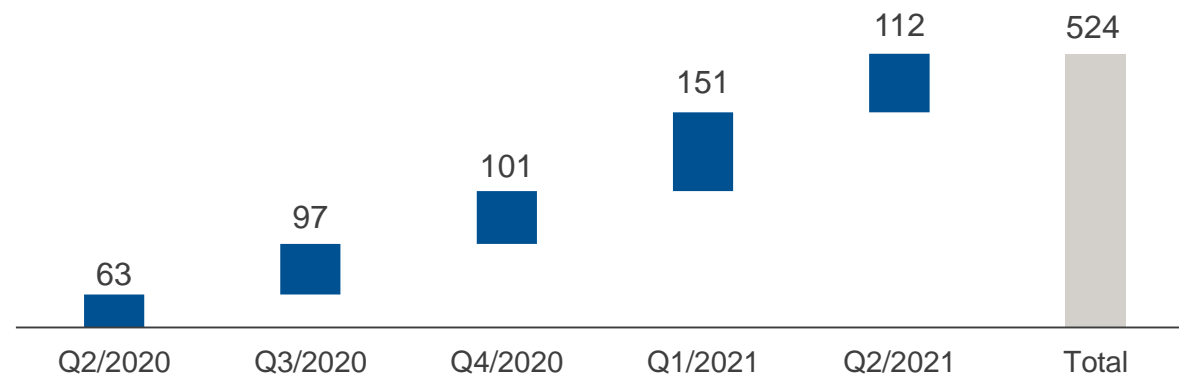
P&C Covid-19 net claims estimate

in m. EUR



L&H Covid-19 net claims estimate

in m. EUR



- Main impact in business interruption, event cancellation and Credit & Surety
- Retrocession relief mainly in property / business interruption
- IBNR 54% as at Q2/2021

- Main impact from excess mortality in the US, Latin America and South Africa
- Loss development expected to decline as vaccination programs continue to progress
- Retro protection via extreme mortality cover



# The global reinsurance market continues to grow

## Opportunities ahead

### Global reinsurance market (2020)<sup>1)</sup>



~ 280 EUR bn.  
Gross written premium



7.3%  
5-year CAGR  
(2016 - 2020)

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24.7 EUR bn.  
Gross written premium



9.7%  
5-year CAGR  
(2016 - 2020)

### Global NatCat protection gap (2020)<sup>2)</sup>



~ 84 EUR bn.  
Insured losses



~ 150 EUR bn.  
Uninsured losses

GWP of Top 50 World's Largest Reinsurance Groups according to A.M. Best. All figures converted from USD to EUR with annual average FX-rates. Market share based on A.M. Best.

1) Source: ©A.M. Best Europe – Information Service Ltd. – used by permission 2) Source: Aon – Weather, Climate & Catastrophe Insight Annual Report 2020

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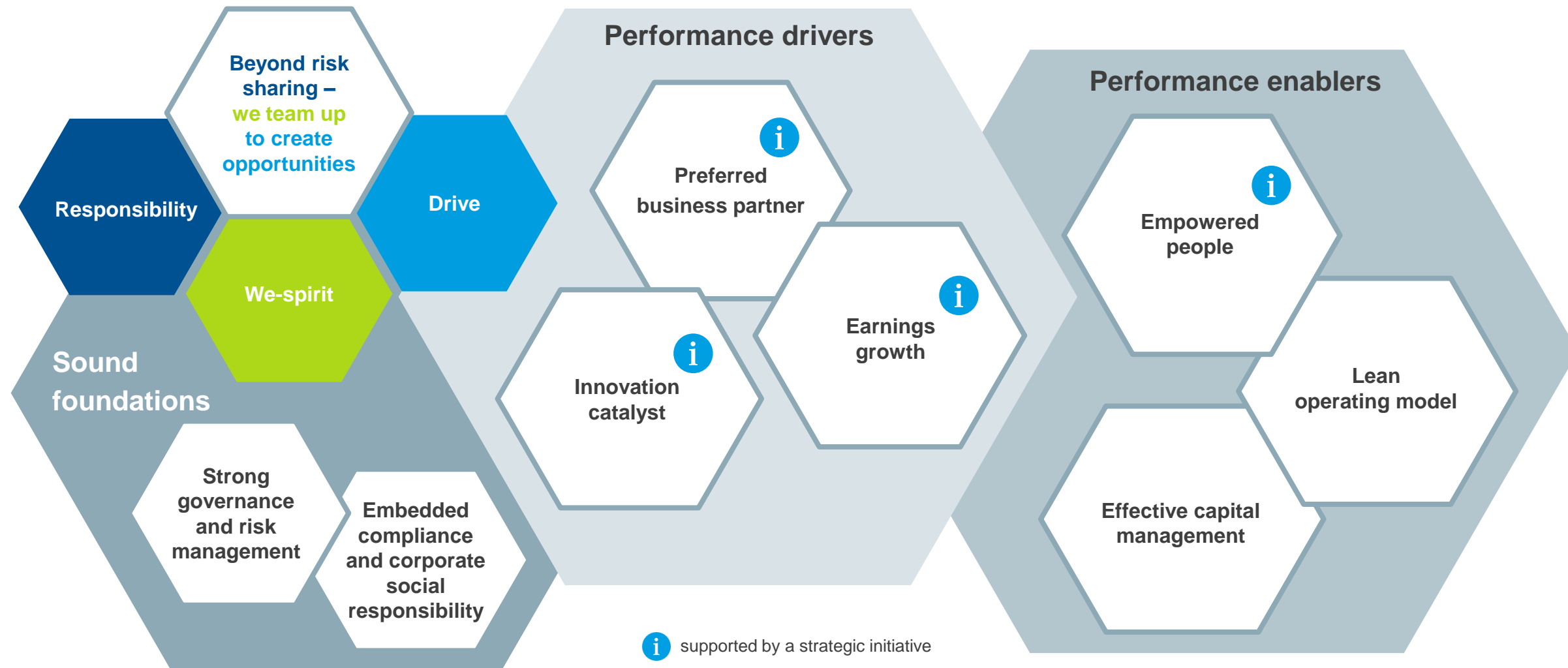
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**Update on strategy cycle 2021 - 2023**

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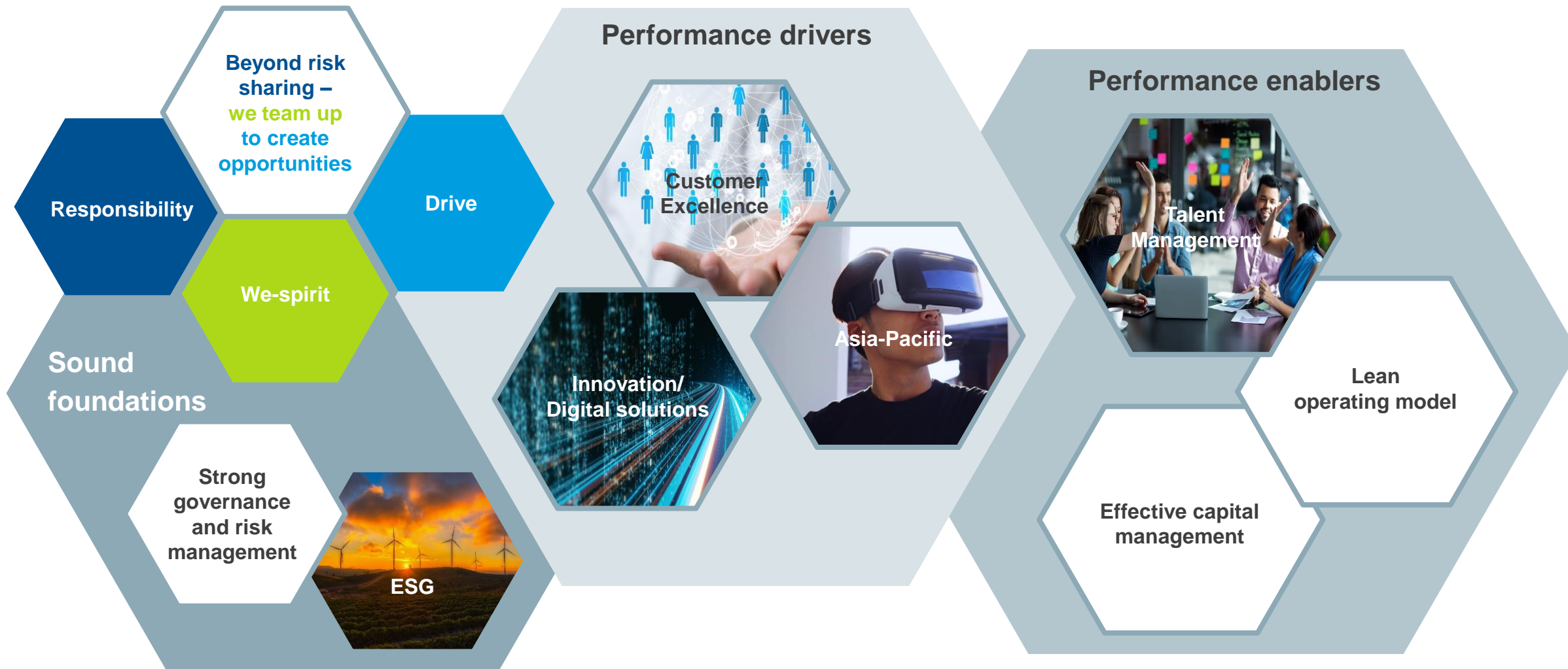
# Group strategy 2021 - 2023

## Building on strong business model to pursue outperformance journey



# Group strategy 2021 - 2023

## Building on strong business model to pursue outperformance journey

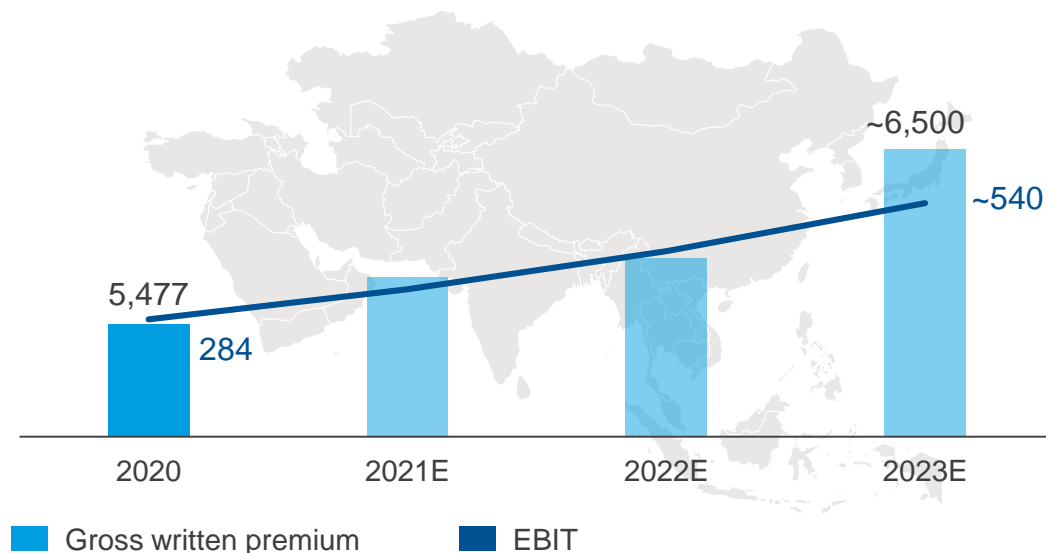


# Asia-Pacific

We are successfully expanding our footprint in the region

## Expected business development

in m. EUR



**Ambition:** EUR +140 m. additional EBIT by 2023

Well-defined growth initiatives with flexible responses to market and regulatory changes

- ✓ EBIT growth on-track to hit 2023 ambition

Life & Health

- ✓ Financial Solutions outperforming targets
- ✓ Selective U/W in Short-Term Health & Critical Illness

Property & Casualty

- ✓ Increased proximity to clients opens up new opportunities and strengthens partnerships
- ✓ Rising primary market penetration benefits growth in reinsurance



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- EBIT growth ambition and underwriting focus
- Focus on the business in which we have particular expertise
- Strong market knowledge – Delegated responsibility to empower our regional hubs

# Innovation & Digital Strategy

We have defined two main themes to enable future growth

## Digital health data

Provide cedents with leading digital health technology solutions



- Connected devices create new pools of data whose implications are barely considered
- (Re)insurers use this data to build deeper insights into behavior and risk
- Example: **VeoSens**

## Direct digital distribution

Support cedents in acquiring digitally distributed business



- Rapid shift in product distribution from physical to virtual environment
- (Re)insurers provide capacity for digital companies
- Example: **parametrix**  
insurance



**Ambition:** EUR +60 m. additional EBIT by 2023



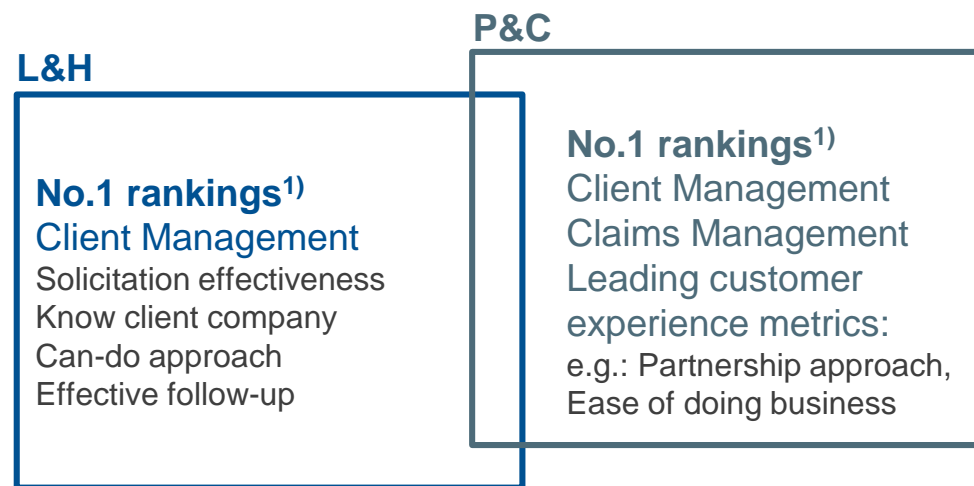
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- Committed to reinsurance – Focus on supporting digital ventures through our core business
- Selective investments – Clearly geared towards improving our core competencies

# Client Excellence

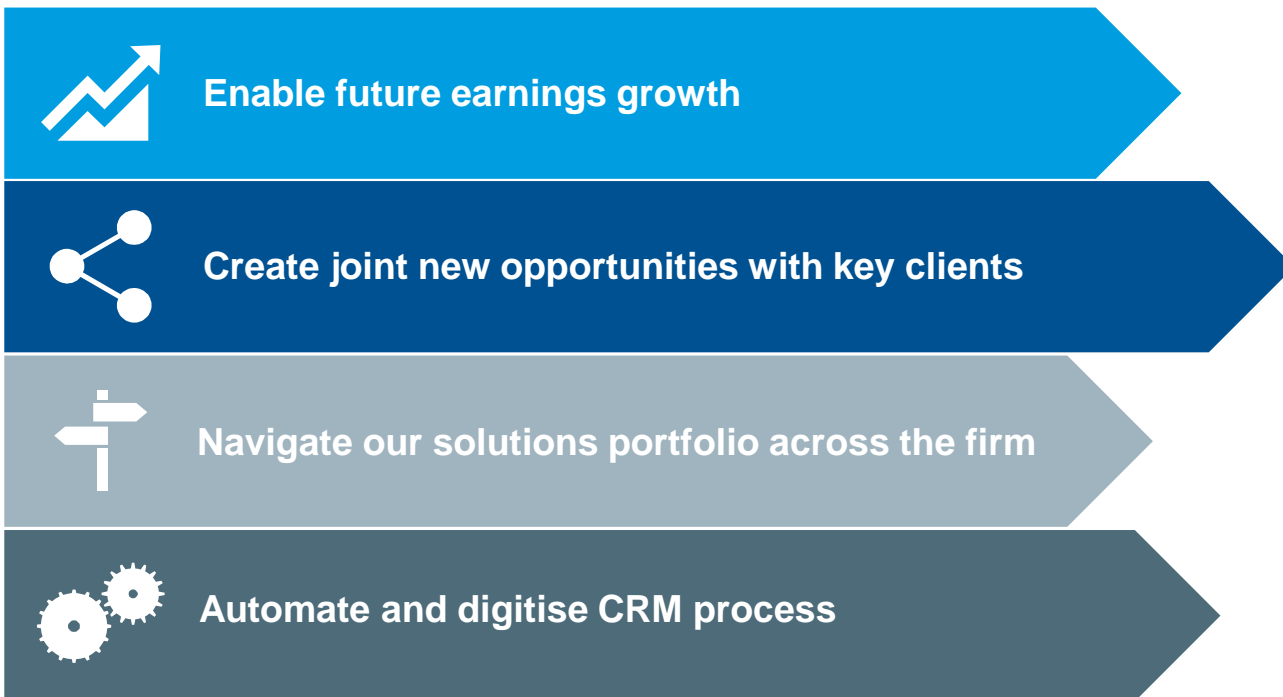
## Creating today the infrastructure to manage growing client relationships tomorrow

Today ...



 **Ambition:** EUR +100 m. additional EBIT by 2023

... we master tomorrow's excellence for our clients



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- Driven by our underwriting expertise and client-centric culture
- Individualised rather than 'one-size-fits-all' approach
- Staying true to our lean operating model

<sup>1)</sup> NMG Global L&H Reinsurance Study 2020 (Target Markets) and NMG P&C Reinsurance Study 2021





# Talent Management

## Purpose and value-driven leadership nurtures highly-skilled talent base



### Ambition

Attract, develop and retain a skilled and dedicated workforce across the globe



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- Foster healthy performance culture
- Facilitate career moves across locations and functions
- Build strong succession plans at all levels

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ESG strategy

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# ESG topics have gained unprecedented global awareness... ...and reflect the need to act decisively



# Our ESG strategy

## How we evolved in the past 18 months

### Initiatives and commitments



- Participant in UN Global Compact
- Recognition of ILO core labour standards
- Human rights policy



- Signatory to UN Principles for Sustainable Insurance (PSI)
- Signatory to UN Principles for Responsible Investment (PRI)

### ESG governance structure



- Strengthened ESG governance structure
- Regular Executive Board reviews



- Completion of ESG manual for facultative business

### Climate action



- Execution of phased exit strategy for thermal coal



- Execution of climate strategy for asset management

2H/2021

**Set net zero targets and participation in Net-Zero Insurance Alliance**

# Net zero targets

## Comprehensive goal setting in core business and own business operations



### Asset Management

- Climate strategy:
  - Decarbonisation: -30% of CO<sub>2</sub> footprint by 2025<sup>1)</sup>
  - Active investment in sustainable assets
  - Engagement; via proxy voting
- Application of specific exclusion criteria – e.g. thermal coal, oil sands
- Negative screening / active divestment since 2012



### Underwriting

- Exit from all risks connected with thermal coal and related infrastructure by 2038 in the entire P&C portfolio
- Participation in Net-Zero Insurance Alliance
- Application of specific exclusion criteria



### Own business operations


- Carbon neutral at Head Office since 2016
- Certified according to ISO 14001 and publication of annual EMAS-III statements
- Extension of measures to further locations currently developed (e.g. expansion of data recording to at least 75% of the global workforce; compensation of all CO<sub>2</sub> emissions recorded by 2023)

<sup>1)</sup> Corporates, covered bonds and equities; compared to base year 2019

# We have strengthened our ESG approach and visibility


## Steady improvements confirm progress

### ESG ratings 2021



Scale: 1 (best) – 10 (worst)

Rating: **1**




Scale: A+(best) – D- (worst)

Rating: **C+**




Index name: FTSE4Good

Listed since: **2015**



Scale: 1 (best) – 10 (worst)

Rating: **1**



Scale: AAA – CCC

Rating: **A**



Index name: DAX 50 ESG

Listed since: **2020**

Ratings as at published on Investors' Day 2021  
MSCI [disclaimer statement](#)

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**Outlook 2022**

# Target Matrix

## Strategy cycle 2021 - 2023

Business group	Key figures	Strategic targets
Group	Return on equity <sup>1)</sup>	900 bps above risk-free
	Solvency ratio <sup>2)</sup>	≥ 200%
Property & Casualty reinsurance	Gross premium growth <sup>3)</sup>	≥ 5%
	EBIT growth <sup>4)</sup>	≥ 5%
	Combined ratio	≤ 96%
	xRoCA <sup>5)</sup>	≥ 2%
Life & Health reinsurance	Gross premium growth <sup>3)</sup>	≥ 3%
	EBIT growth <sup>4)</sup>	≥ 5%
	Value of New Business (VNB) <sup>6)</sup>	≥ EUR 250 m.
	xRoCA <sup>5)</sup>	≥ 2%

1) After tax; risk-free: 5-year average return of 10-year German government bonds

3) Average annual growth at constant f/x rates

5) Excess return (one-year economic profit in excess of the cost of capital) on allocated economic capital

2) According to our internal capital model and Solvency II requirements

4) Average annual growth; based on normalised EBIT 2020

6) Based on Solvency II principles; pre-tax reporting

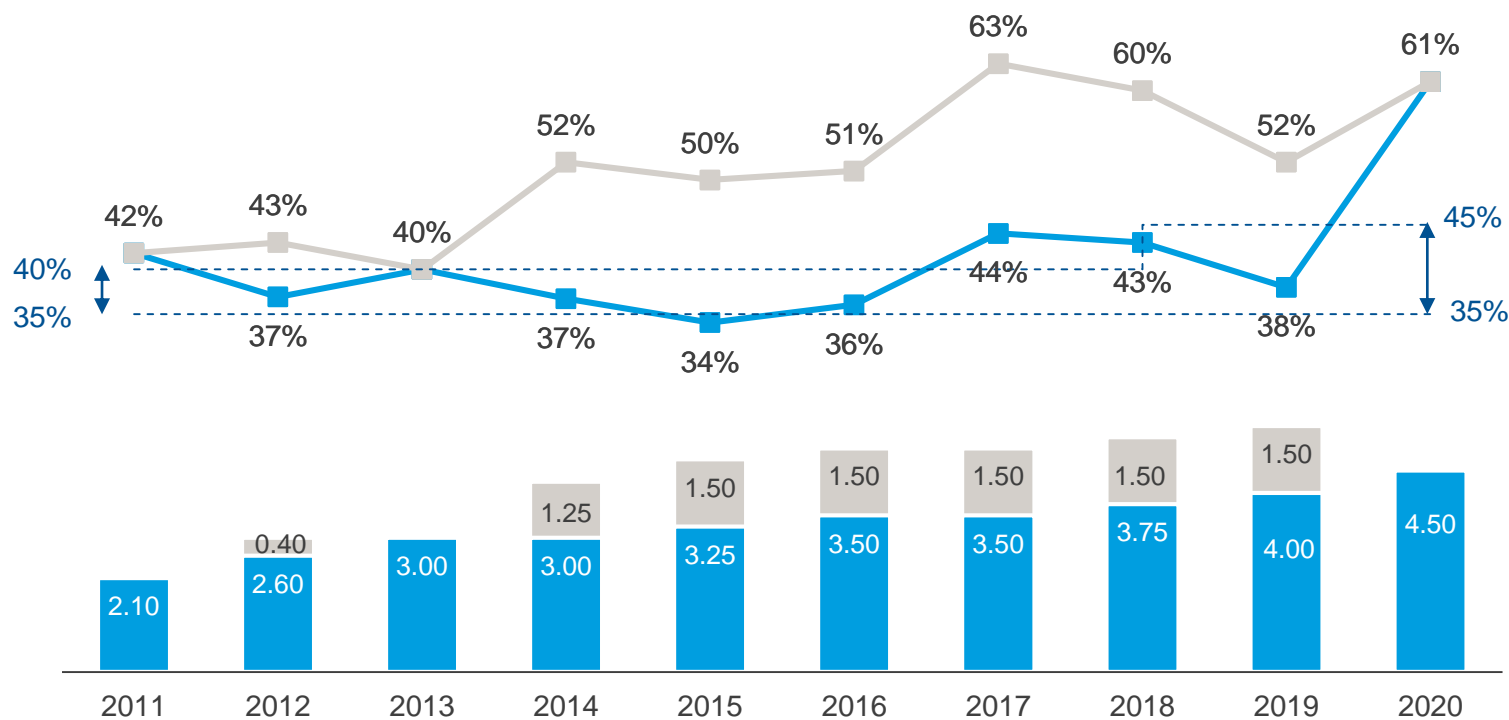


# Stronger emphasis on continuity of ordinary dividend distribution

## Continued use of special dividend for efficient and flexible capital management

### Dividend per share

in EUR



■ Ordinary dividend per share  
■ Special dividend per share  
■ Total payout ratio dividend per share

■ Payout ratio ordinary dividend per share  
--- Target payout ratio

### New dividend metric

**Ordinary DPS  $\geq$  prior year**  
**+**  
**Special dividend**  
 if capitalisation exceeds capital requirements for future growth  
 and profit targets are achieved

- ➔ Continuity of ordinary dividend now more explicit
- ➔ Payout ratio target discontinued

# Key takeaways



## Enhanced growth through strategic initiatives



We are well on-track with our 2023 ambitions

- ✓ Asia-Pacific
- ✓ Innovation & Digital solutions
- ✓ Client Excellence
- ✓ Talent Management

## ESG



- Underwriting, asset management and own business operations committed to net zero targets
- Steady ESG rating improvements
- Member of Net-Zero Insurance Alliance

## Capital management



- Commitment to ordinary dividend continuity
- Flexibility through special dividends subject to capitalisation and performance

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## Investment update and inflation

Clemens Jungsthöfel, Chief Financial Officer  
24<sup>th</sup> International Investors' Day  
Hannover, 14 October 2021

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# Agenda

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- 1 Investment update
  - 2 Focus topic: inflation
  - 3 Key takeaways
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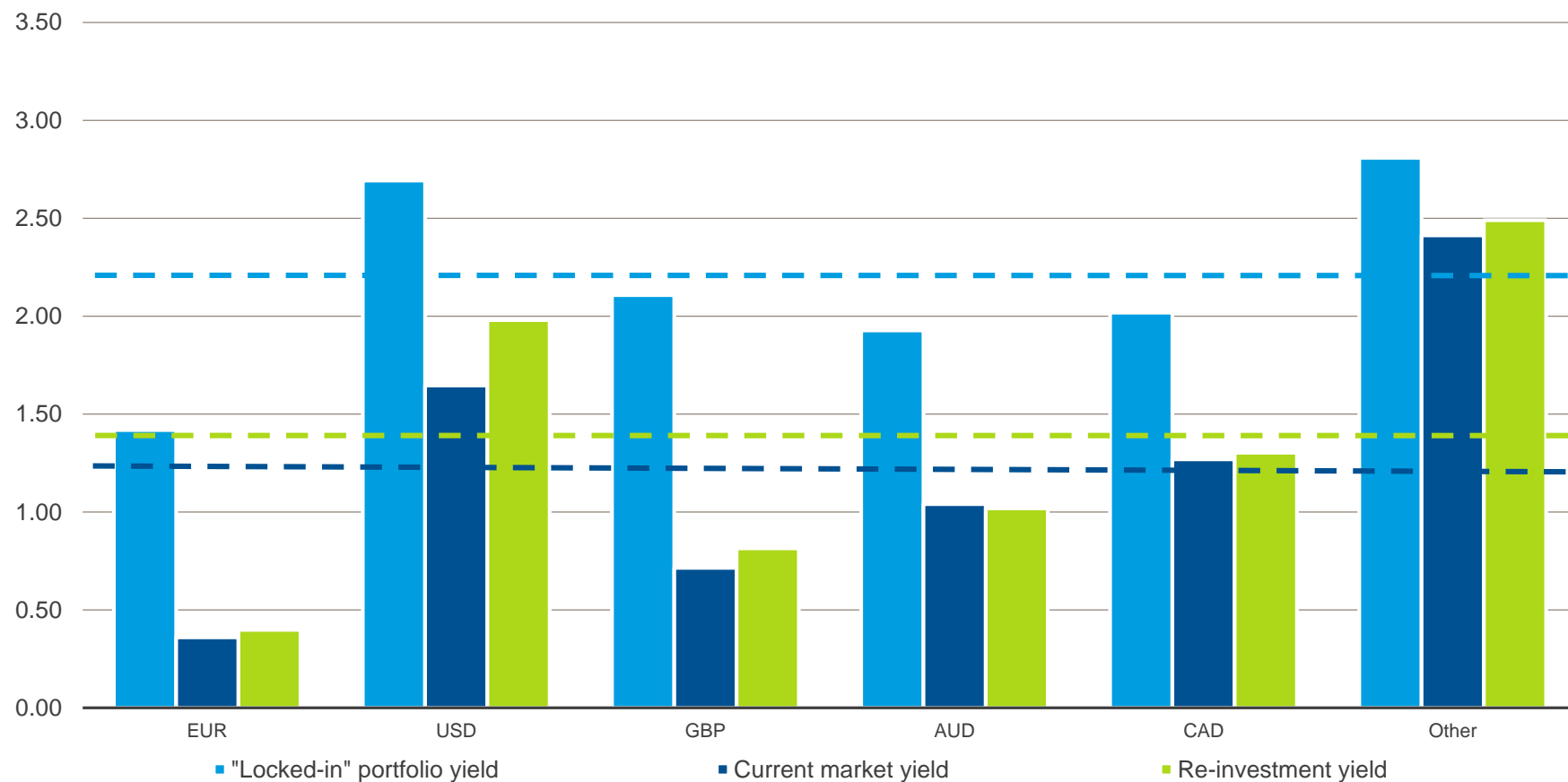
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Investment update

# Return on investment supported by comfortable “locked in” yields

## Whilst re-investment yields remain challenging

Fixed-income portfolio as at 30 July 2021<sup>1)</sup>



**Average yield levels :**

2.21% “Locked in” portfolio yield

1.22% Current portfolio market yield

1.38% Actual re-investment yield

1) Excluding short-term investments and cash

# Investment strategy slightly adjusted

To further optimise portfolio towards stable and attractive returns and ESG targets

Credits	
Reduce Govs and Corps with AA and A rating	Increase High Yield opportunistically
Increase Emerging Markets opportunistically	Increase CLOs A and BBB
IFRS 9 preparation: reduce fund structures and shift to direct exposures; keep funds with low volatility profiles	

Alternative investments	
Increase Private Equity (target 3%)	Increase Real Estate (target 5%)
Increase Infrastructure (target 2%)	Keep Listed Equity (target 1%)
IFRS 9 preparation: reduce equity ETF's and shift to direct listed equities; keep PE and RE funds	

ESG and impact	
Climate strategy	Decarbonisation target of -30% by 2025 <sup>1)</sup>
Increase sustainable and real impact investments	Stringent negative screening with improved measurements
Reporting according to signed UN PRI; increase share of proxy votings and direct engagements	

Lower gov yields and spread returns require more opportunistic approach

Stable returns of real assets and closer movement to RoE business models by investing in (private) equities is key

Net zero by 2050

1) Corporates, covered bonds and equities; compared to base year 2019



# Asset allocation remains highly diversified and resilient

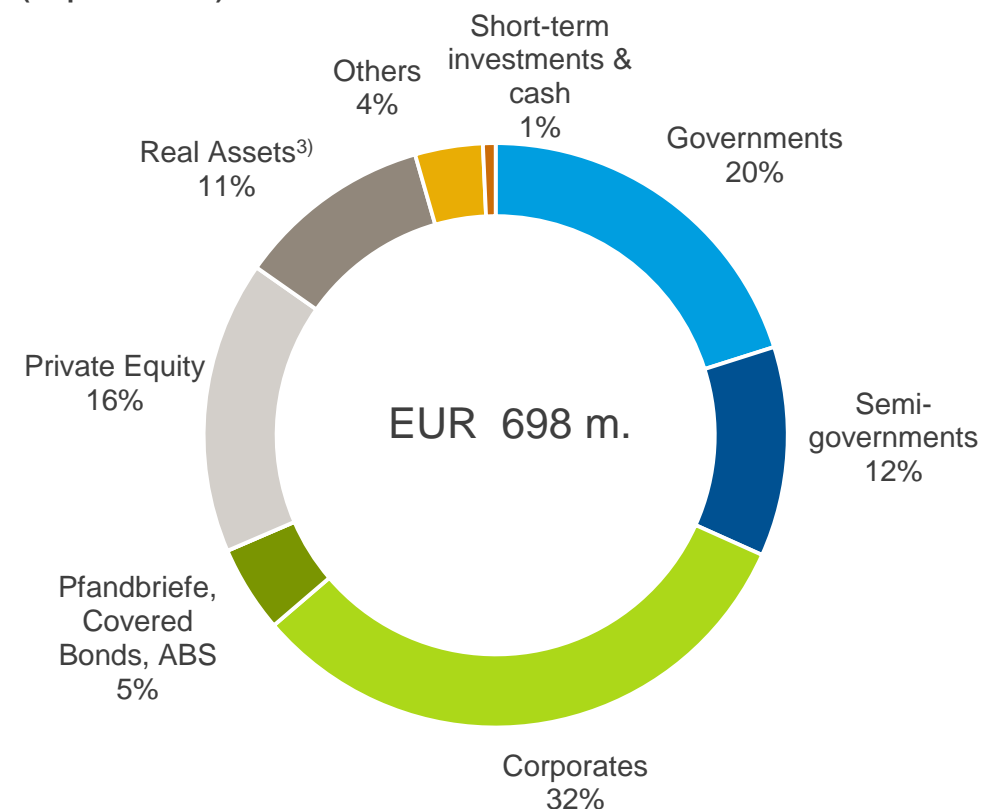
## Strong ordinary returns with high contributions from alternative investments

### Asset allocation<sup>1)</sup>

Investment category	2017	2018	2019	2020	1H/2021
<b>Fixed-income securities</b>	<b>87%</b>	<b>87%</b>	<b>87%</b>	<b>85%</b>	<b>85%</b>
- Governments	30%	35%	35%	34%	32%
- Semi-governments	17%	16%	15%	15%	15%
- Corporates	32%	29%	31%	30%	32%
Investment grade	27%	25%	26%	25%	28%
Non-investment grade	5%	4%	4%	5%	4%
- Pfandbriefe, Covered bonds, ABS	8%	7%	7%	6%	6% <sup>2)</sup>
<b>Equities</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>
- Listed equity	<1%	<1%	<1%	1%	1%
- Private equity	2%	2%	2%	3%	3%
<b>Real Assets</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
<b>Others</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>
<b>Short-term investments &amp; cash</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Total market values in bn. EUR</b>	<b>40.5</b>	<b>42.7</b>	<b>48.2</b>	<b>49.8</b>	<b>53.4</b>

### Ordinary income split

(as per 1H/2021)



1) Economic view based on market values without outstanding commitments for Private Equity and Alternative Real Estate as well as fixed-income investments of EUR 1,583.2 m. (EUR 1,275.6 m.) as at 30 June 2021

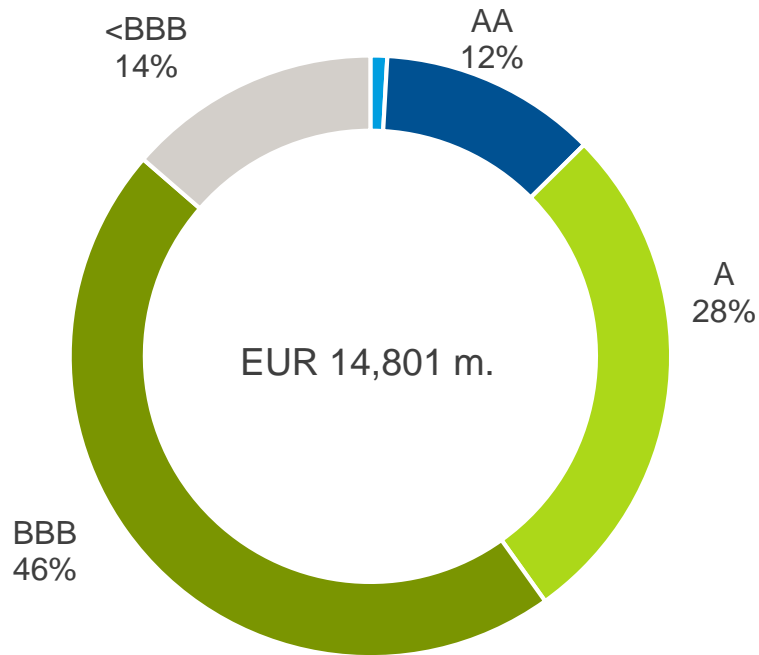
2) Of which Pfandbriefe and Covered Bonds = 63.3%

3) Before real estate-specific costs. Economic view based on market values as at 30 June 2021

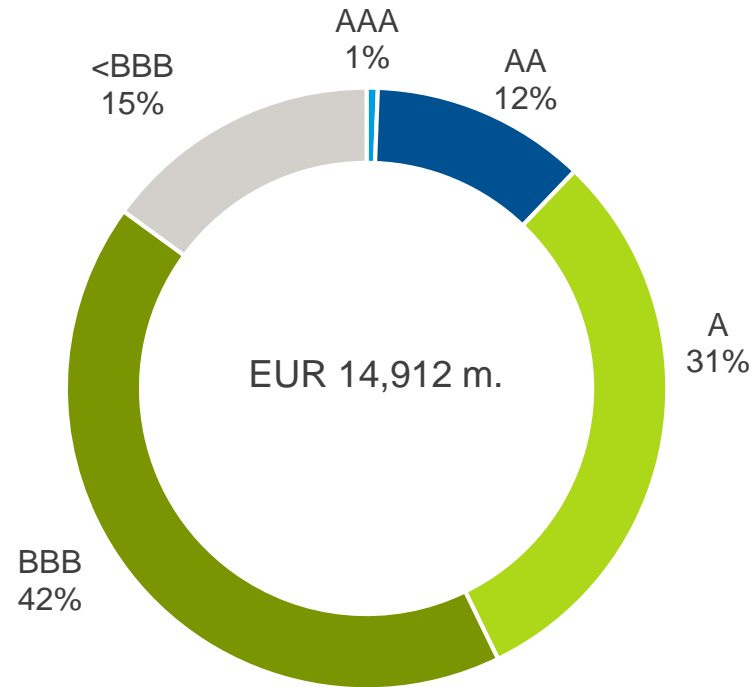
# High-quality corporate bond portfolio

## Expansion supported by strong AuM growth

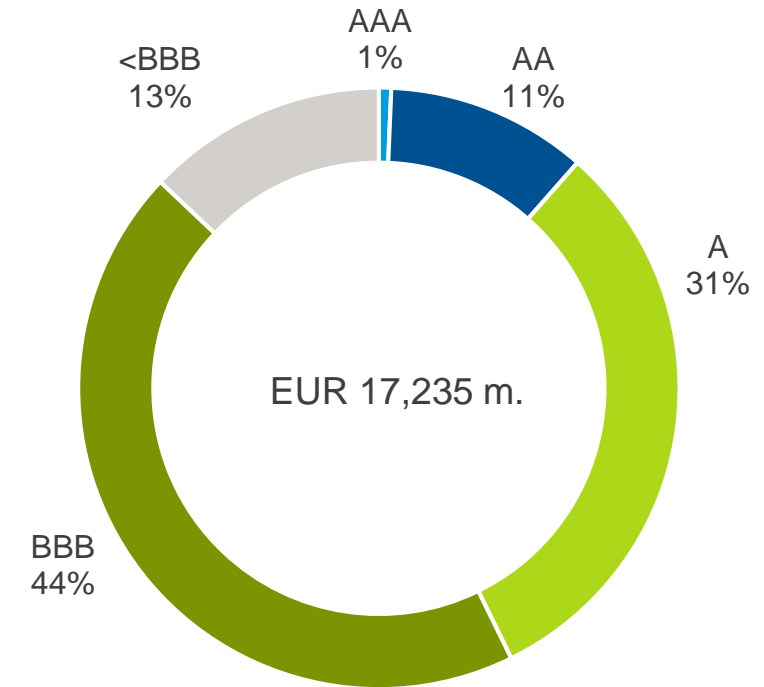
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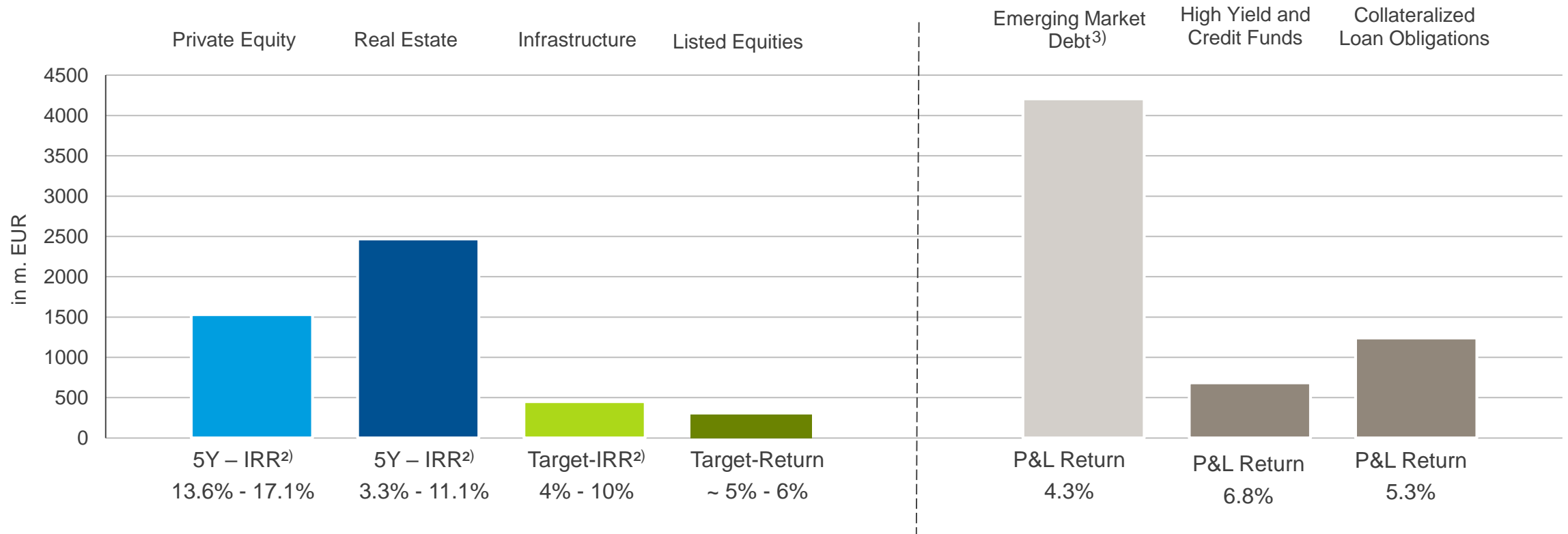
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# Alternative investments and credit enhancement

## Well positioned to generate sustainable attractive returns to support RoI

### Volume and returns<sup>1)</sup> of main alternative asset strategies



1) Volumes as of 15 July 2021; returns as a 5Y average as of Q1/2021

2) Range due to several investment structures with different risk-return profiles

3) w/o HR-entities located in emerging markets

# ESG in asset management has developed since 2011 and focusses on three pillars today

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## Exclusionary criteria and negative screening

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- Principles of UN Global Compact
  - Controversial weapons
  - Fossil fuel involvements
- 
- Semi-annual screening covers up to 90 % of total assets
  - Prompt exclusion in case of non-compliance with ESG standards

## Active investments in sustainable assets

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- Impact investment funds
  - Sustainable infrastructure investments
- 
- Renewable energy, clean transport, sustainable forest and agriculture funds
  - “Real impact” through improvement of living, environmental and working conditions complying with the UN Social Development Goals (SDGs)

## Increase sustainability quality in investment portfolio

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- Best in class
  - CO<sub>2</sub> reduction
  - PRI participation
- 
- Carbon footprint reduction of 30 % by 2025 for ~39% of total assets
  - Net zero commitment 2050

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**Focus topic: inflation**

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## Areas potentially impacted by inflation...



Pricing



Reserving



Large loss budgeting



Investments, admin. costs, etc.



**...but all actively addressed by effective measures**

## Inflation closely monitored and reflected in pricing process

- General inflation (e.g. US CPI) increased significantly however claims inflation drivers are different
- Hannover Re's specific inflation index would be a mix across regions and currencies and depending on the lines of business; the main drivers being wages & salaries (Casualty), building costs (Property, incl. NatCat) and medical expenses (Life & Health)



- Best-estimate inflation is annually adjusted, based on historical experience and future outlook
  - For 2021 pricing, we already raised inflation assumptions on top of historical experience; further “trend” adjustments for 2022 are under review, given shortages of material etc.; demand surge is also a component of cat models
- 
- In addition to regular repricing at renewal, inflation exposure is mitigated by index-clauses, sliding scales or profit commissions in many P&C reinsurance treaties; we also participate in direct insurers' rate increases, in particular for proportional business

## Inflation also well considered in our strong reserving process

- Reserving is based on average historical inflation; loadings are applied if future inflation is expected to deviate significantly from past inflation



- Reserving particularly important for long-tail lines, as they are mainly affected by wage and medical expense inflation; actual loss experience has been in line with expectations, but potential loading at year-end 2021 currently under review
- Expected price increases on large losses are reflected in reserving process (e.g. demand search, etc.)

- On top of the above material reserve buffers and conservative large loss budgets leave substantial room for adverse developments



# Inflation-linked bonds provide additional protection

Volume

## Market value of inflation-linked bonds

- EUR 2,191 m. (EUR)
- EUR 2,355 m. (USD)
- EUR 371 m. (AUD)
- EUR 19 m. (NZD)

Hedge level

## Average hedged inflation levels

- 1.57% EUR
- 2.25% USD
- 2.47% AUD
- 1.90% NZD

## Sensitivity to inflation in EUR m.

Inflation expectation: +100 bps	+468
Inflation expectation: -100 bps	- 417
Inflation expectation: +400 bps	+2,262

Figures as at 30 June 2021

- Portfolio of approx. 5 bn. EUR; duration between 6 and 9 years, mainly USD and EUR
- Nominal (government) bond with embedded inflation swap
  - “fixed” payer leg = expected inflation at purchase date;
  - “floating” leg = realised inflation until maturity of the ILBs
- Market value of the embedded swap reflects the realised inflation (until reporting date) and changes of inflation expectations (for remaining life of ILBs)

- Swap not to be separated in IFRS, i.e. market value changes of swap are not visible in IFRS-P/L (less volatility)
- but realised YoY inflation feeds into the ordinary income of ILBs for each reporting year

Inflation-linked Bond (ILB)

Accounting

# Key takeaways



## Highly diversified and resilient investment portfolio

- Strategy adjusted for yield optimisation and ESG goals
- Ordinary income strong and stable earnings contributor
- Low yield environment challenging but manageable

## Inflation risks remain manageable

- Inflation drivers closely monitored and mitigated by price increases in renewals, index clauses, sliding scales and through price increases in primary rates
- Conservative reserving approach and large loss budgeting ensure sufficient buffers
- Inflation-linker used as proxy to further mitigate exposure
- Real assets, i.e. private equity, infrastructure, real estate provide additional protection

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# Insights into P&C reinsurance

Spotlight on profitable growth

Sven Althoff, Member of the Executive Board  
24<sup>th</sup> International Investors' Day 2021  
Hannover, 14 October 2021

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# Agenda

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1 Market environment

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2 Hannover Re's positioning

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3 Key takeaways

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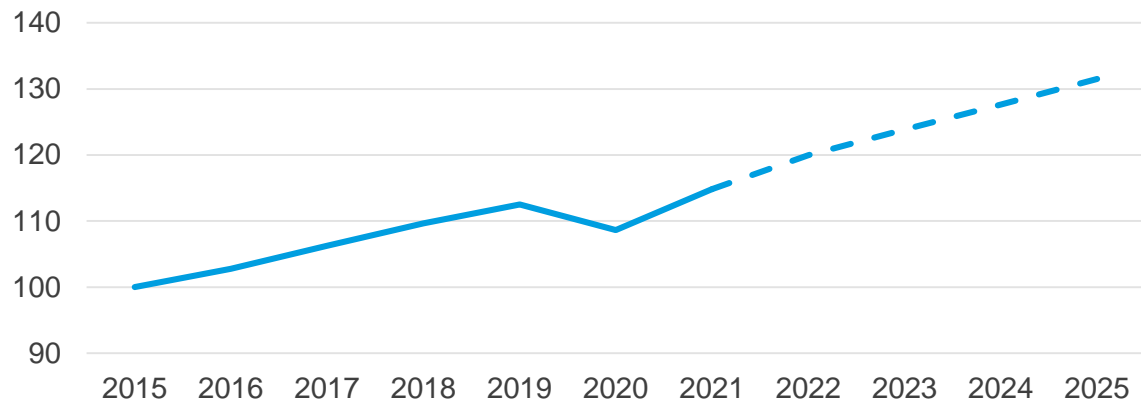
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Market environment

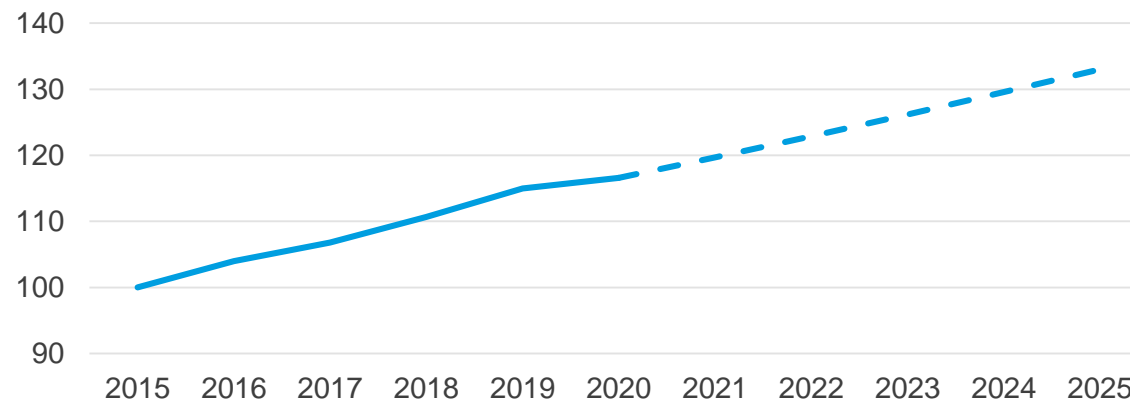
# Global economy back on track after Covid-19

## Positive trends in the insurance sector as indicator for Hannover Re's profitable path

**Global GDP (real, Index: 2015 = 100)**



**Global GWP (real, Index: 2015 = 100)**



**Regional GDP reaches pre-crisis level in...**

**2022**

EMEA

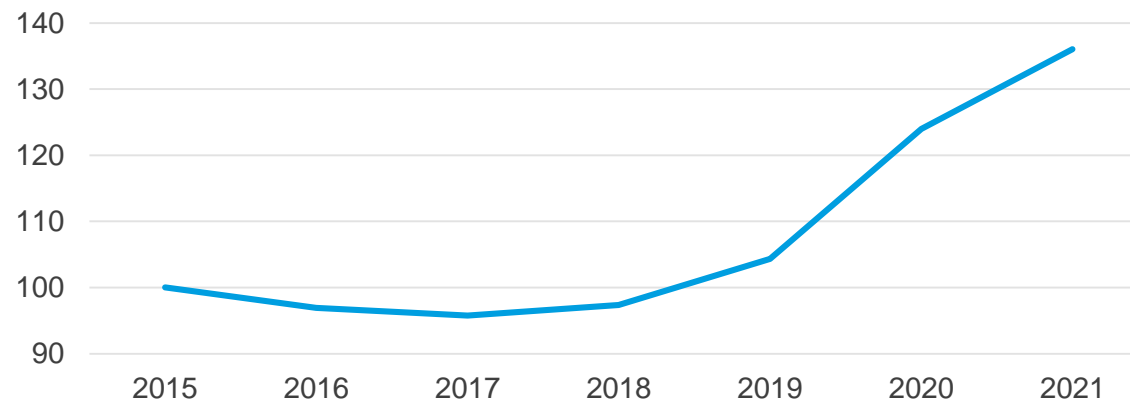
**2021**

Americas

**2021**

APAC

**Commercial insurance rates (real, Index: 2015 = 100)**



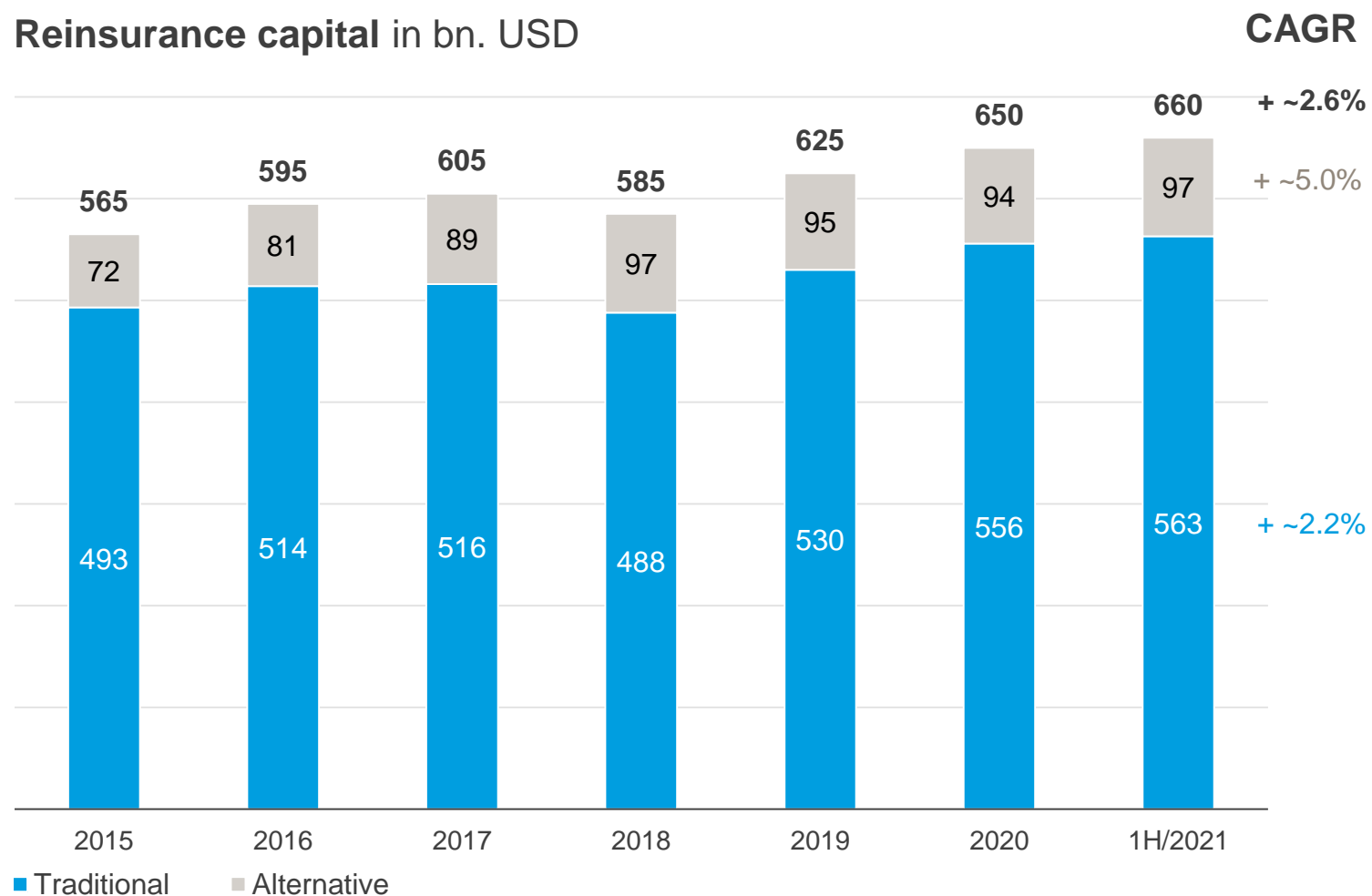
2021 - 2025 forecast. Non-life primary insurance.

Source: IHS Markit, Marsh – Global Insurance Market Index – Global insurance composite pricing change (annual average, 2021: Q1 and Q2), own research and calculations

# Stable reinsurance capital meets growing demand

High-quality reinsurers such as Hannover Re will use this opportunity to drive profits

Reinsurance capital in bn. USD



- Resilience of R/I capital despite Covid-19
- Moderate growth in traditional capital benefits traditional reinsurers in light of the ongoing flight to quality
- Alternative capital remains stable over past three years compared to substantial growth in traditional capital

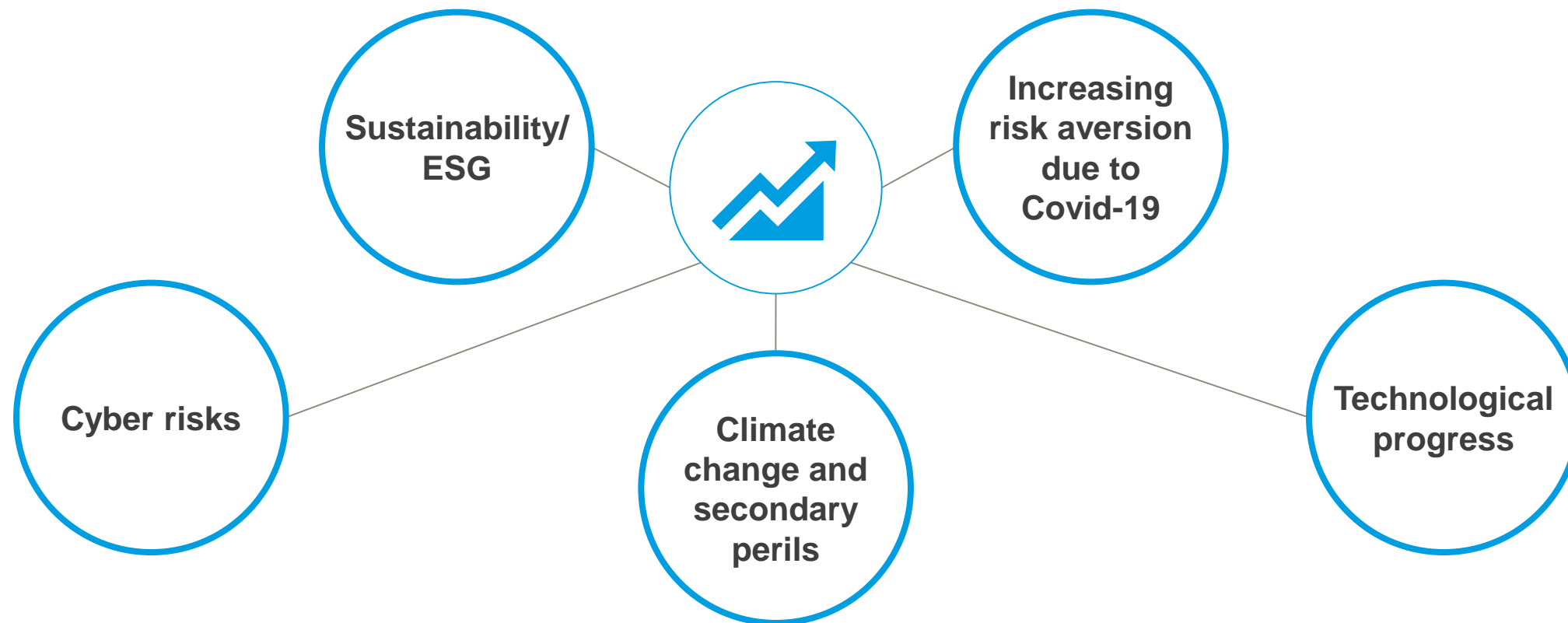
Year-end (Q4) figures, except 2021. Average year-over-year growth rates.  
Source: Aon – Reinsurance Market Outlook, Aon - Reinsurance Aggregate



# Market dynamics, unexpected events and technological advances

These developments amplify the need for stability and security

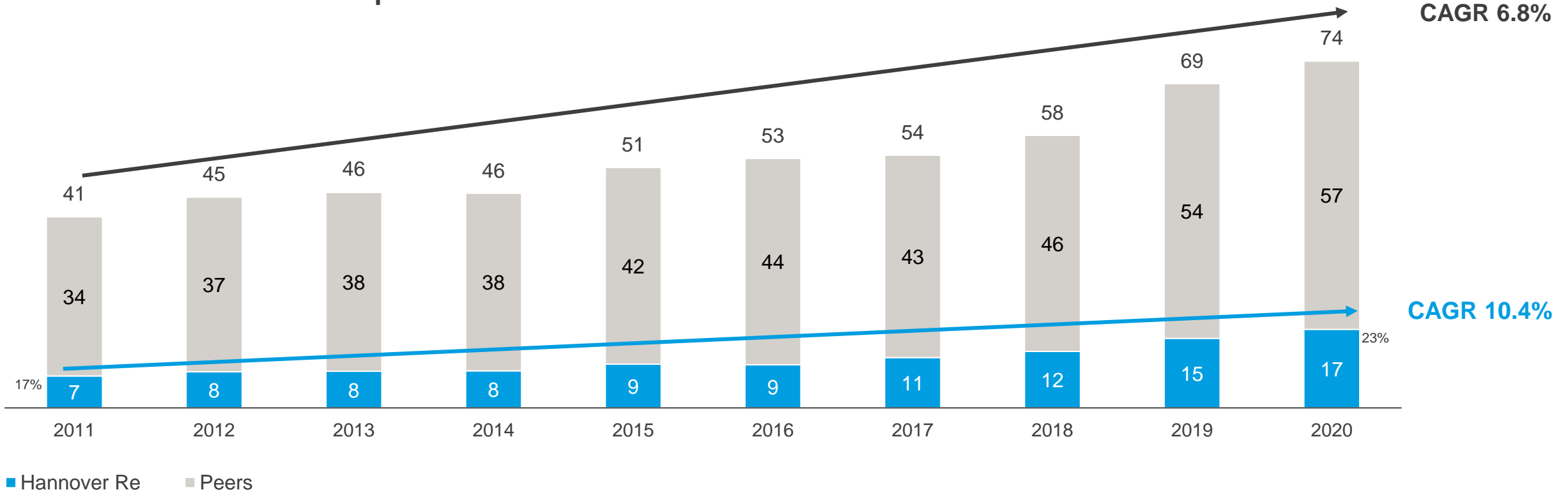
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**Navigating the quickly changing primary insurance landscape is becoming more and more difficult. This creates opportunities for reinsurers which perform fast, flexible and reliable.**

# Flight to quality in P&C reinsurance reinforces the strong position of Hannover Re

P&C GWP Hannover Re and peers in bn. EUR



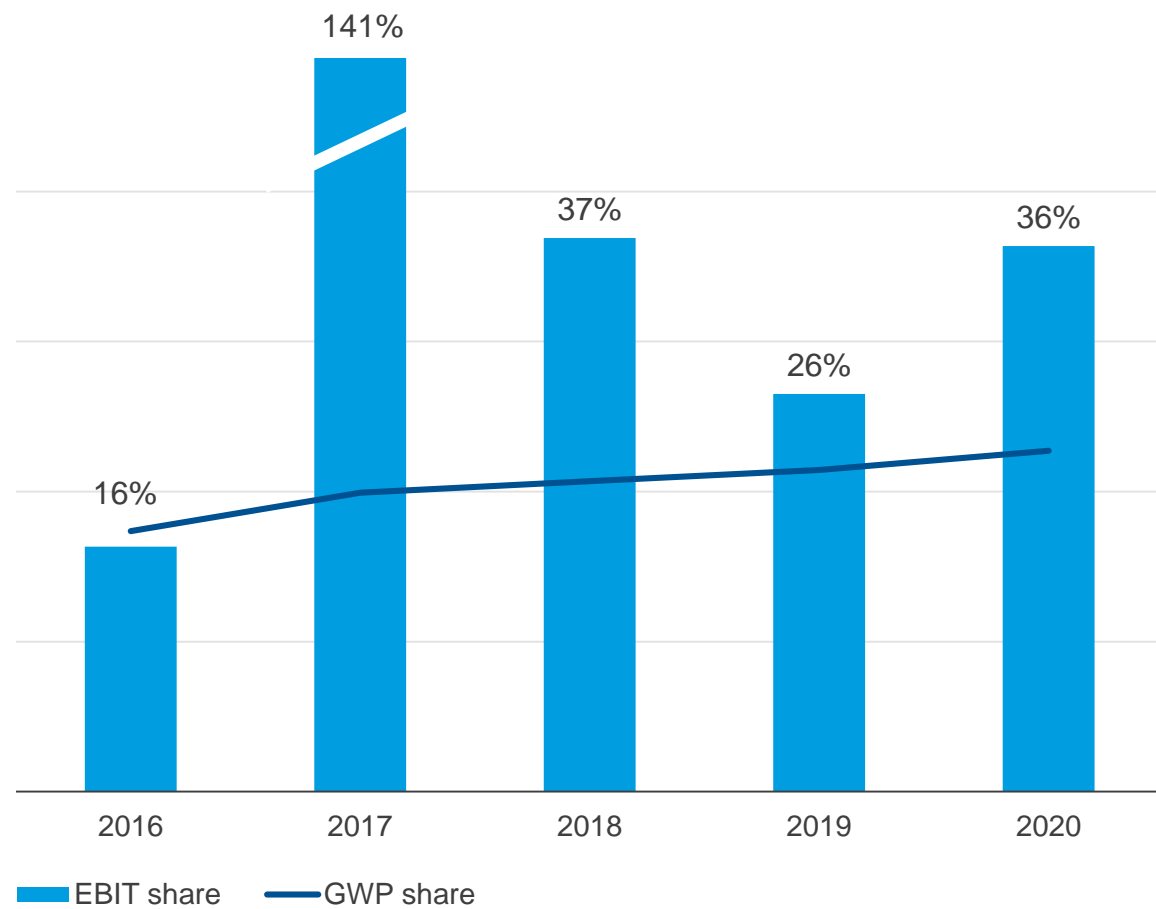
**Covid-19 highlighted the importance of reliable and high-quality reinsurance**

Peers: Munich Re, Swiss Re, SCOR, Everest Re  
 Source: Company disclosure, own calculations

# We have a very strong bottom-line focus

## Our EBIT share is significantly higher than our premium share compared to peers

### Hannover Re P&C – EBIT share and GWP share



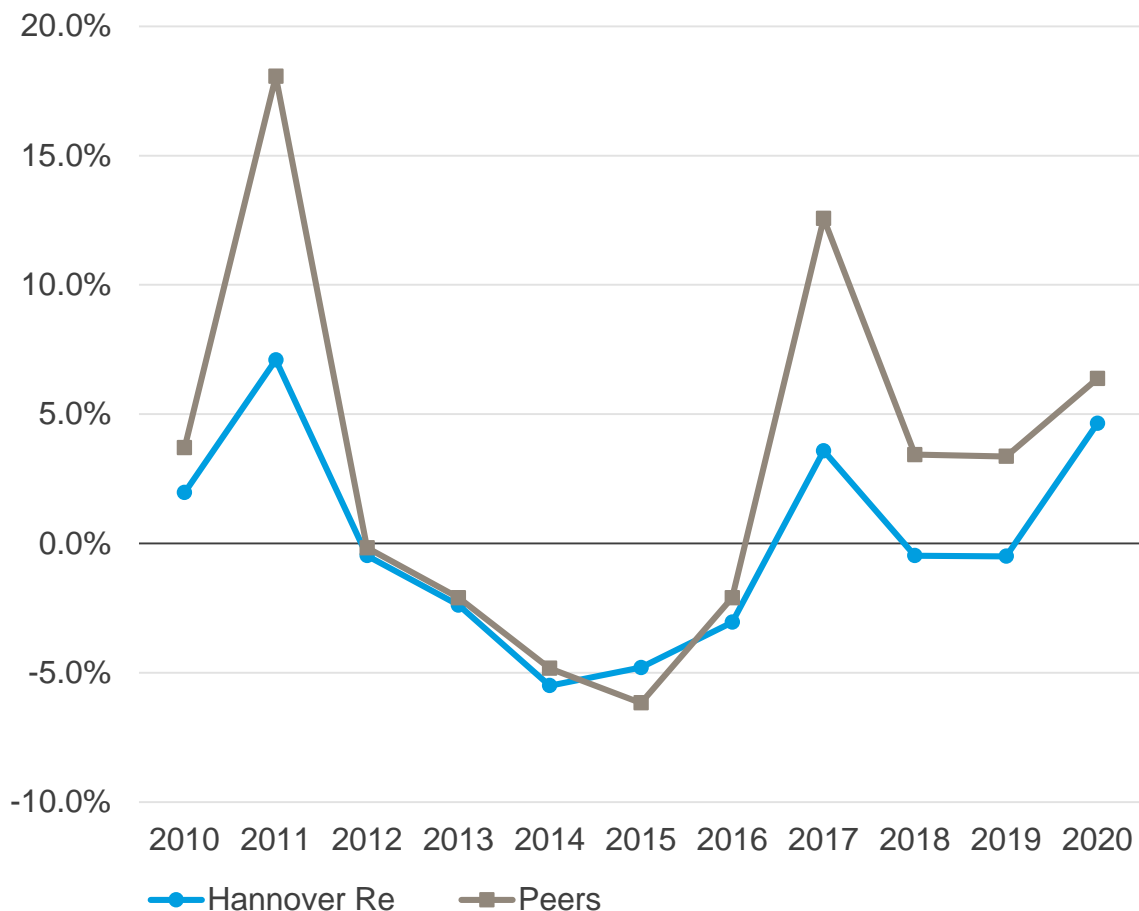
- Hannover Re is focused on earnings growth
- We have been able to efficiently use our premium volume to deliver solid results
- Portfolio steering with a clear focus on profitability
- On this basis we strive to continuously grow our top line profitably

**Bottom-line focus visible when comparing EBIT and GWP shares**

P&C reinsurance only. Source: Own calculation. Peers: Swiss Re, Munich Re, SCOR, Everest Re

# Previous years confirm Hannover Re's reliable planning of NatCat budget

Δ NatCat losses vs. budget in % of NPE



All numbers as % of net premium earned and as reported; 2020 numbers include Covid-19 impact; Peers: Munich Re, Swiss Re, SCOR

1) Standard deviation

Δ average NatCat losses vs. budget

Volatility<sup>1)</sup>

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Peers

	0.0%	4.0%
	2.9%	7.3%

- On average, Hannover Re stays within NatCat budget
- Lower volatility of NatCat budget utilisation by Hannover Re compared to peers

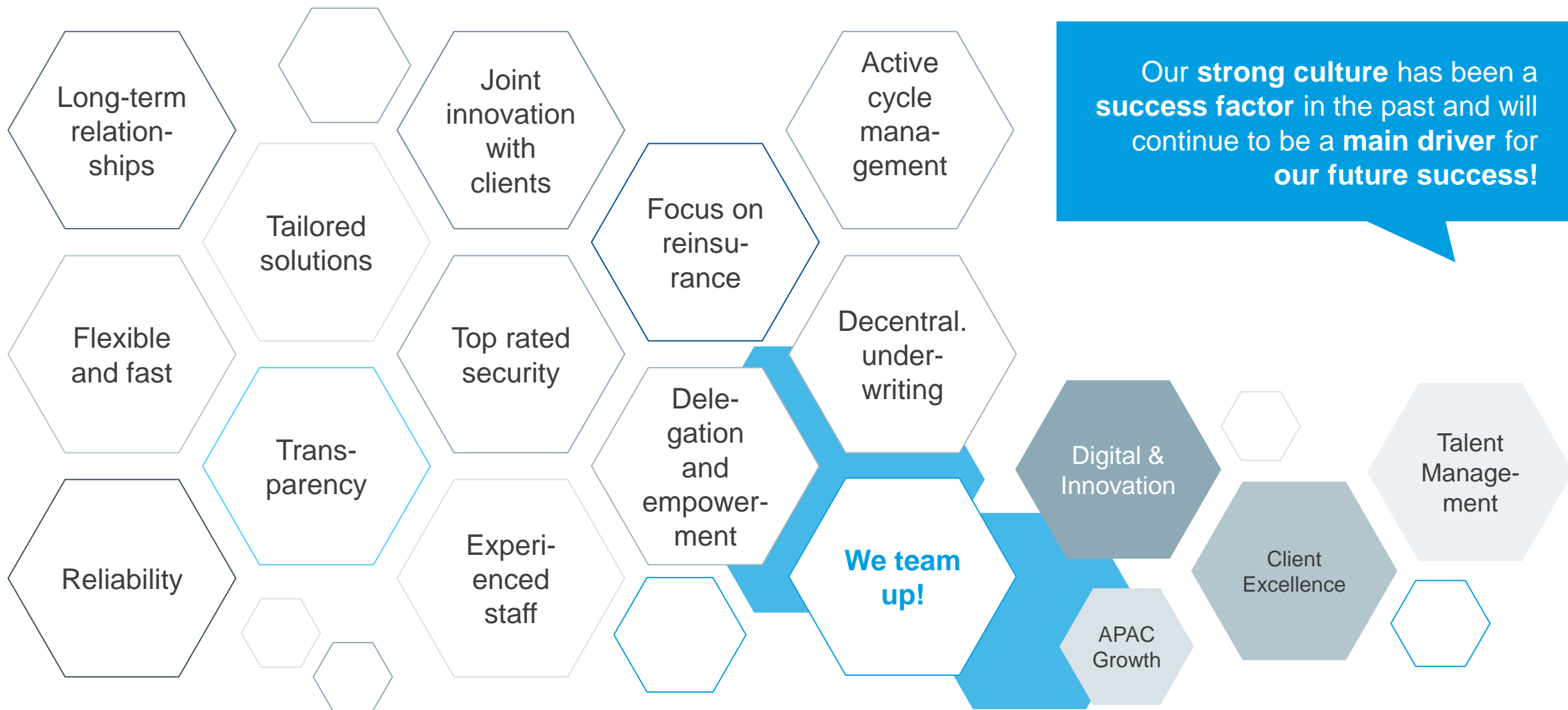
2

Hannover Re's positioning

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# Delivering highest quality is deeply rooted in our DNA

## We strive for excellence for our clients



## Selected P&C strategy contributions designed to strengthen our future readiness

### Preferred business partner

Further expand our bottom line through existing and new client relationships

- **Customer Excellence**
- Leadership position in **specialty markets**
- Enlarge our portfolio of **captive** clients
- Build on the strength of **E+S Rück** as “The Reinsurer for Germany”
- Offering innovative products in growing Latin American market

### Innovation catalyst

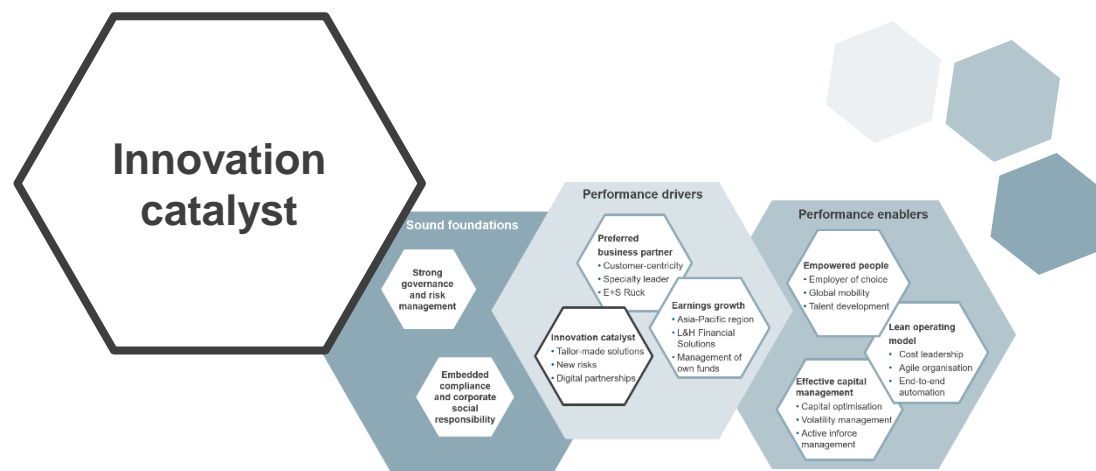
Continue building our position as innovation partner for our clients

- Embed **tailor-made solutions** (including structured reinsurance & ILS – e.g. cat. bonds & securitizations)
- Embed **digital** business (including insurtech partnerships and partnerships with global technology firms)
- Foster **data analytics** and benefit from new sources/pools of data
- Further increase activities in **parametrics**
- Increase private-public partnerships to close **protection gap**

# Selected P&C strategy contributions

## Further strengthen tailor-made reinsurance solutions

### Positioning in our strategy map



### Description

- Holistic approach to catalyse additional demand for structured and traditional tailor-made reinsurance solutions
- Efficient value creation by focusing on special services

### Relevance

- Supporting our clients in their challenges related to regulatory environments
- Offering focused services to create insurance business growth for our clients

### Target outcome

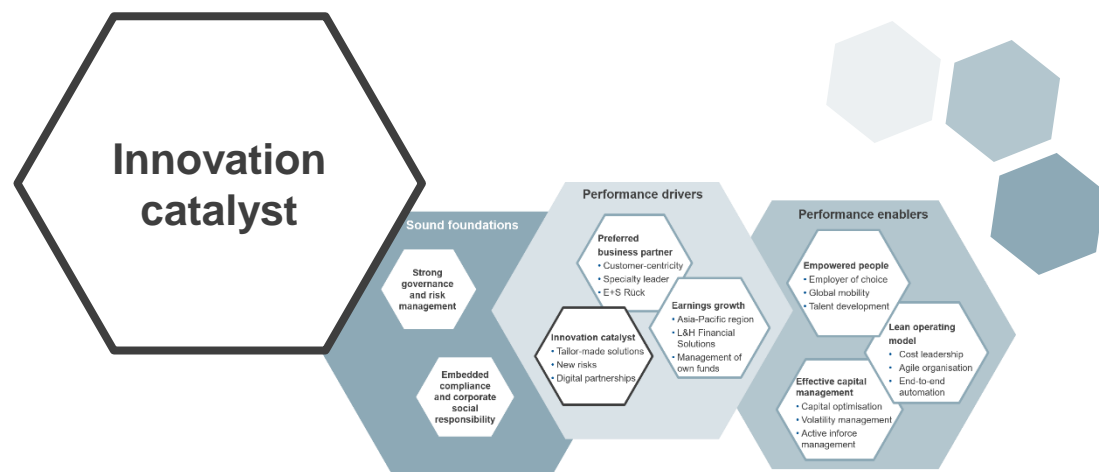
- Efficient knowledge transfer with clients creating new transactions
- Creating additional value through services focused on Telematics, NatCat and Cyber
- Working together through joint marketing activities



# Selected P&C strategy contributions

## Tackling the growing NatCat protection gap in developing countries

### Positioning in our strategy map



### Description

- Expand our public & private sector business with our focus on filling the NatCat protection gap

### Relevance



- Consistent with our values regarding ESG
- Introducing new business solutions
- Impacting positively our talent recruitment and staff retention

### Target outcome

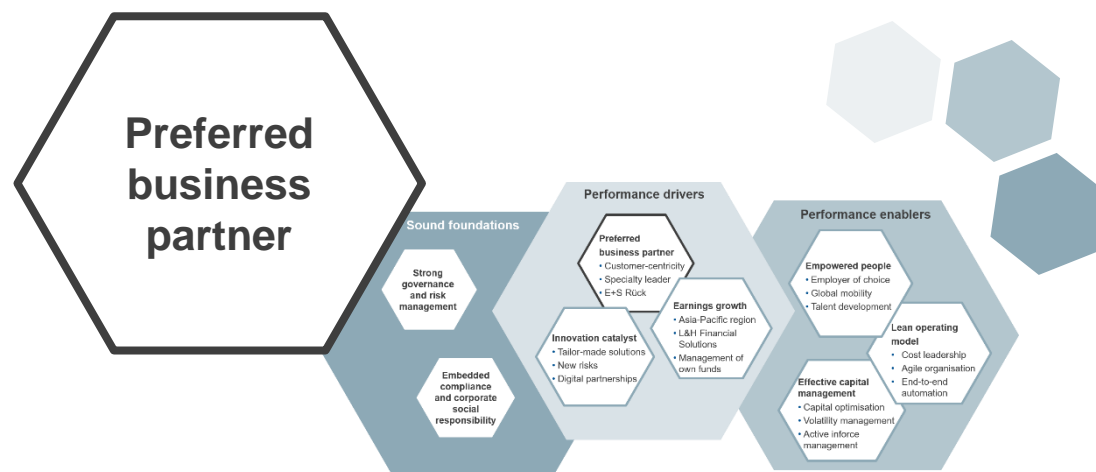


- Being preferred business partner in the public and private sector
- Promoting innovative solutions such as parametric business

# Selected P&C strategy contributions

## Further developing market positioning in specialty lines

### Positioning in our strategy map



### Description

- Explore additional specialty business opportunities

### Relevance



- Focus on specialty product expansion
- Offering sought-after excellent underwriting know-how as a dedicated specialty reinsurer

### Target outcome

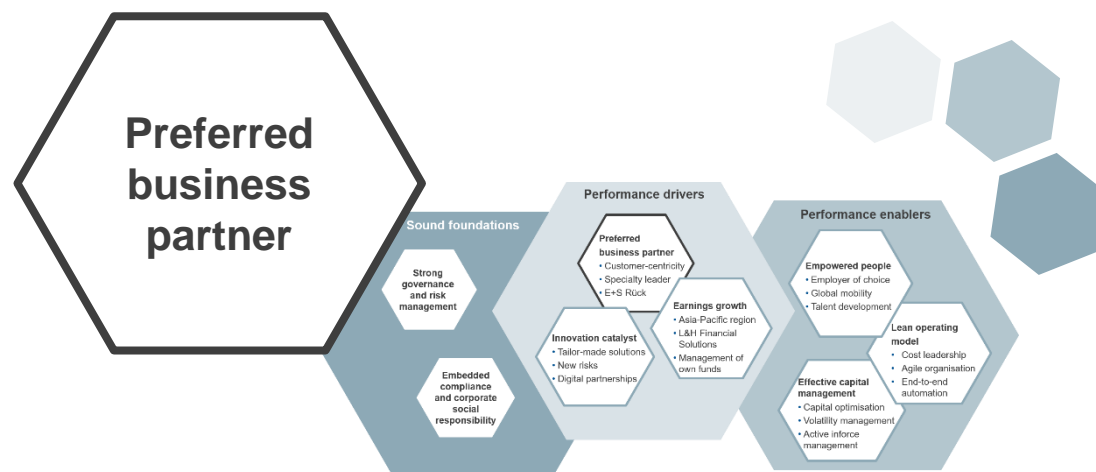


- Geographical expansion of specialty lines
- Specific focus on experts in APAC region
- Fostering existing client relationships adding specialty dimension

# Selected P&C strategy contributions

## Jointly exploit business opportunities in Latin America

### Positioning in our strategy map



### Description

- Many rising economies & insurance markets in Latin America
- Growing demand for property & agricultural risks

### Relevance



- Focus on innovative solutions like index products for crops, parametric NatCat protections & personal lines business
- Strong relevance for additional personal & commercial lines solutions

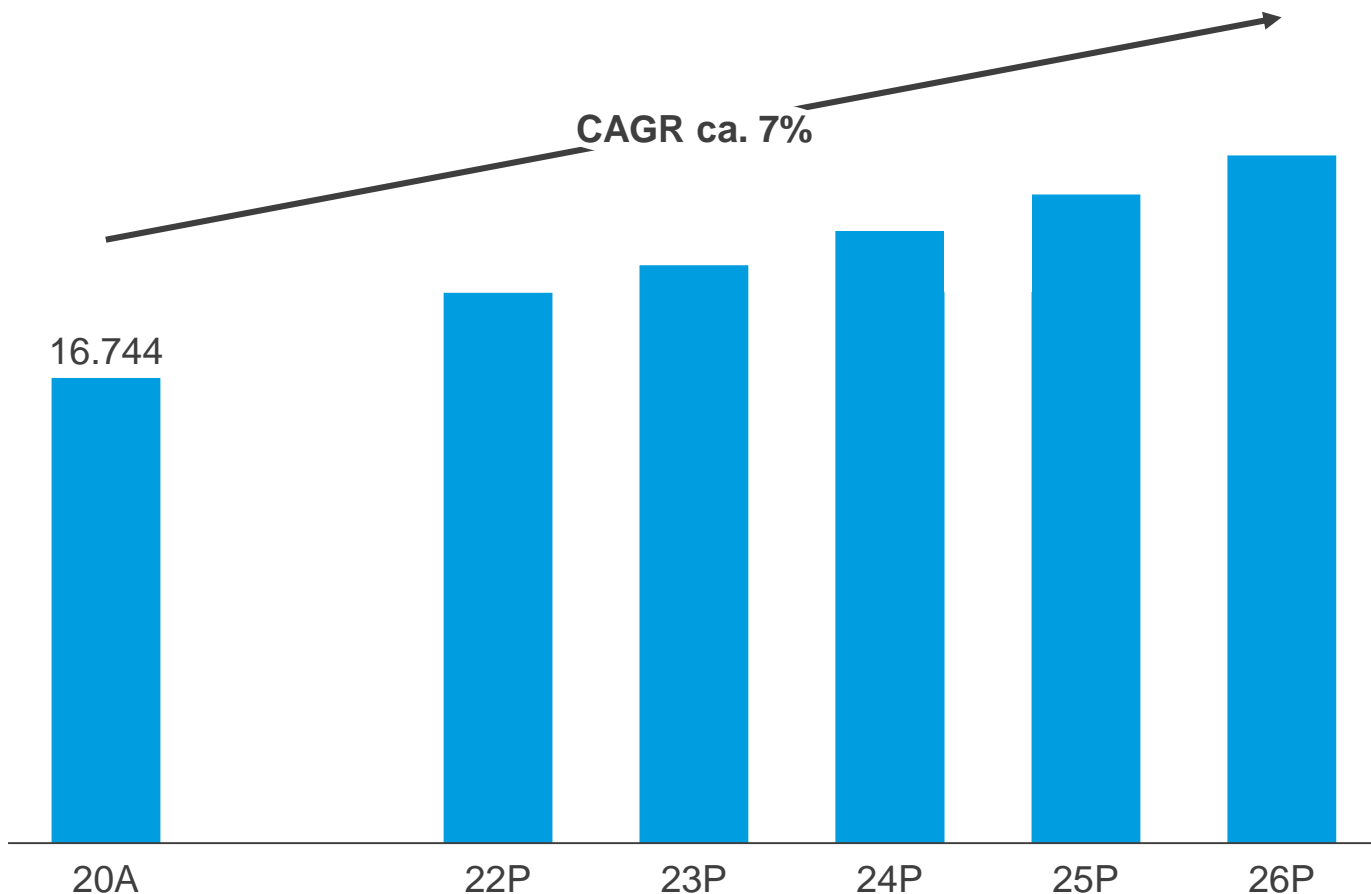
### Target outcome



- Offering meaningful capacities for so far uncovered earthquake and hurricane risks, on a traditional & parametric basis
- Developing new products together with our clients

# 5-year outlook: continued profitable growth with good regional & product diversification

P&C GWP in m. EUR



## Growth assumptions by region (CAGR)

Americas	mid to high single-digit
EMEA	mid single-digit
APAC	double-digit

## Growth assumptions by line of business (CAGR)

Property, Casualty & Motor	mid single-digit
Specialty	mid to high single-digit

**C/R target: ≤ 96%**

3

Key takeaways

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# Key takeaways



## Enhanced growth through selected P&C strategy contributions

We are well on track:

- Strengthening tailor-made reinsurance solutions
- Developing market positioning in specialty lines
- Tackling the growing NatCat protection gap in developing countries
- Exploiting additional biz opportunities in Latin America

## Market environment

- Global economy back on track after Covid-19
- Stable reinsurance capital meets growing demand
- Market dynamics, unexpected events and technological advances amplifying the need for stability and security

## Hannover Re's positioning

- Benefitting from flight to quality
- Good results outperforming market
- Clear strategic focus areas
- Strong bottom-line focus
- Focus on excellence for our clients as main driver: fast, flexible and reliable performance

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# Insights into Life & Health reinsurance

Spotlight on longevity

Claude Chèvre, Member of the Executive Board  
24<sup>th</sup> International Investors' Day 2021  
Hannover, 14 October 2021

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# Agenda

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1 Introduction

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2 Spotlight on longevity

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3 Life & Health earnings power

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4 Key takeaways

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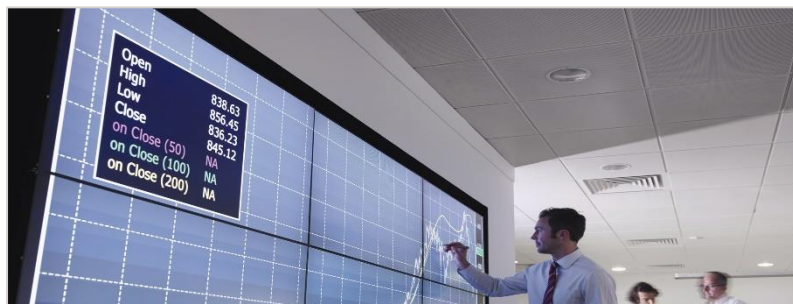
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# Introduction

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# Good performance in 2020

## In each of the earnings growth drivers



Financial Solutions



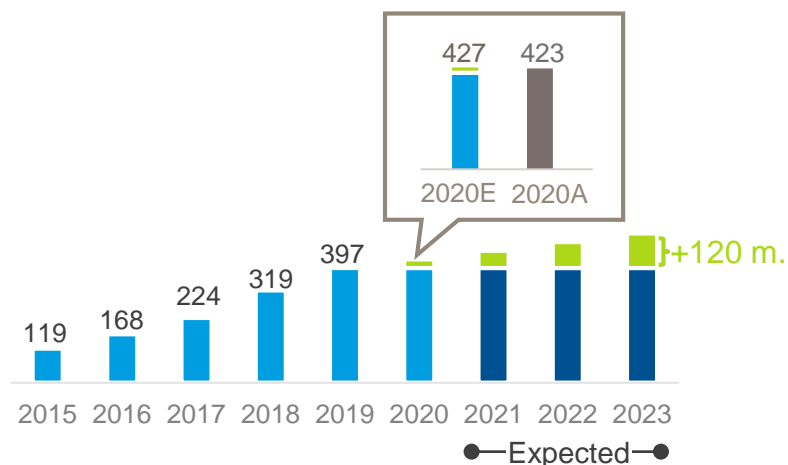
Asia



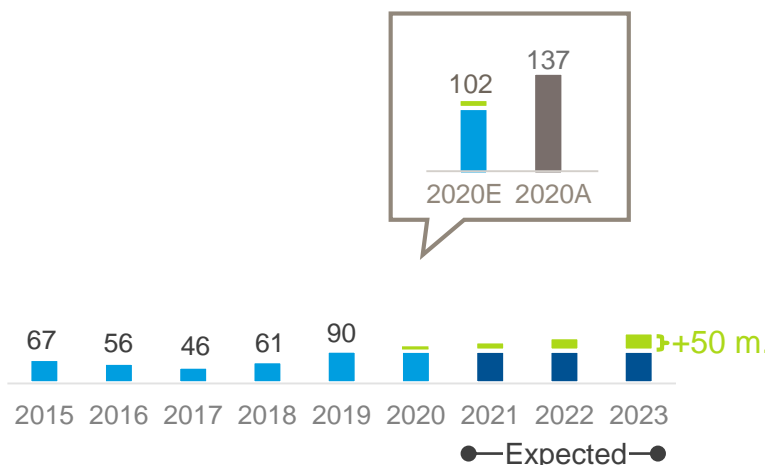
Longevity



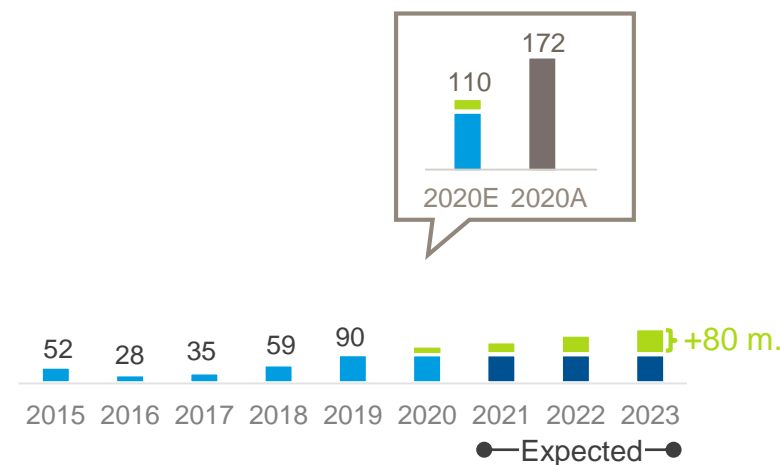
Normalised EBIT in m. EUR



Normalised EBIT in m. EUR.



Normalised EBIT in m. EUR



E: Expected normalised A: Actual

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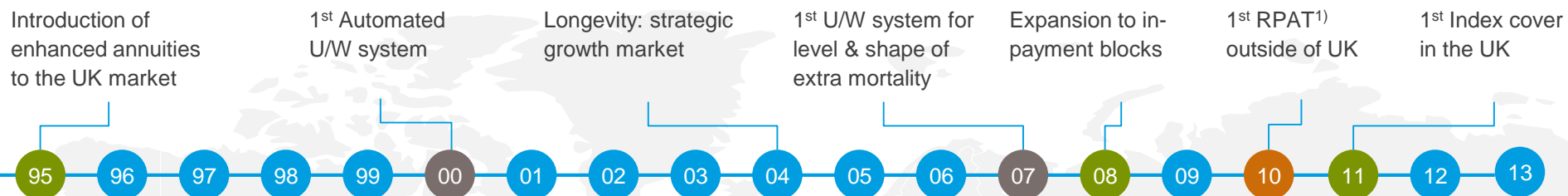


**Spotlight on longevity**

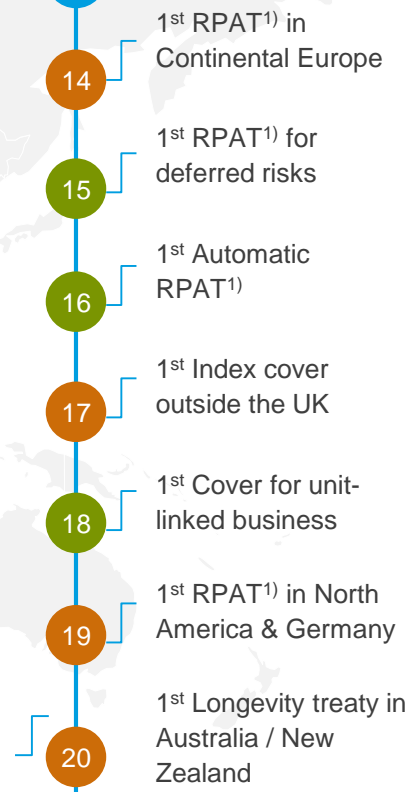
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# 25 years of innovation

## Continuous growth and expansion in the longevity market



### Covered annuities in m. EUR

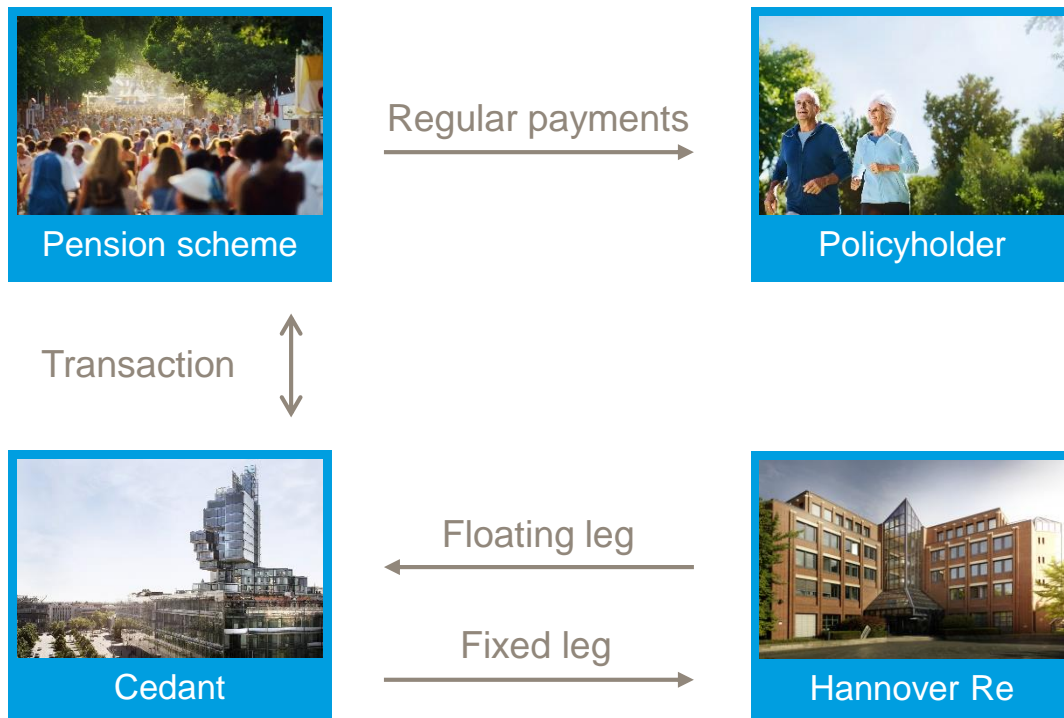


1) Regular premium annuity treaty ● Product expansion ● System expansion ● Geographic expansion

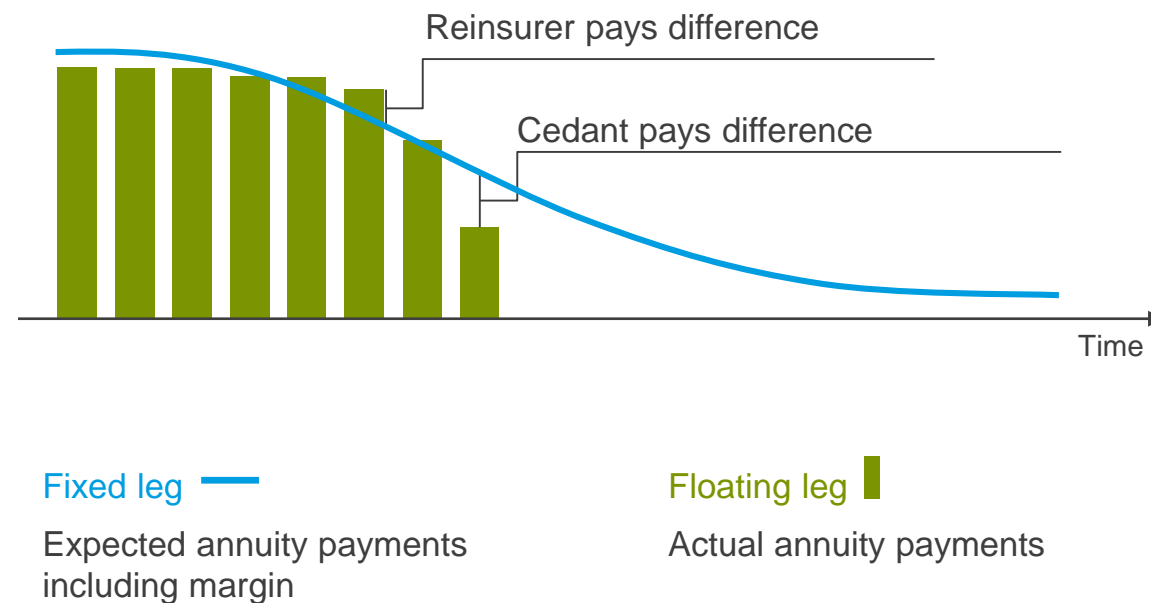
# Regular premium annuity treaty

## Currently the preferred option of our clients

### Involved parties








### Mechanics



# Data collection and monitoring

## Foundation of excellent performance

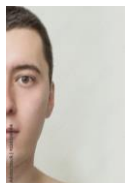
Figures in m. EUR (as @ 2020)

Treaty	PV claims @ quote	Claims paid	Realised margin	Future margin	Admin. expenses	Total margin	A/E @quote	Effect of ±1% qx
								
	1,492	44%	43	51	-6	89	96%	4.2
	600	26%	6	61	-3	65	104%	2.2
								
								
<b>Total</b>	<b>31,769</b>	<b>40%</b>	<b>524</b>	<b>1,191</b>	<b>-259</b>	<b>1,456</b>	<b>100%</b>	<b>88.2</b>

A/E: Actual to Expected  
 PV: Present value

# Mortality improvements

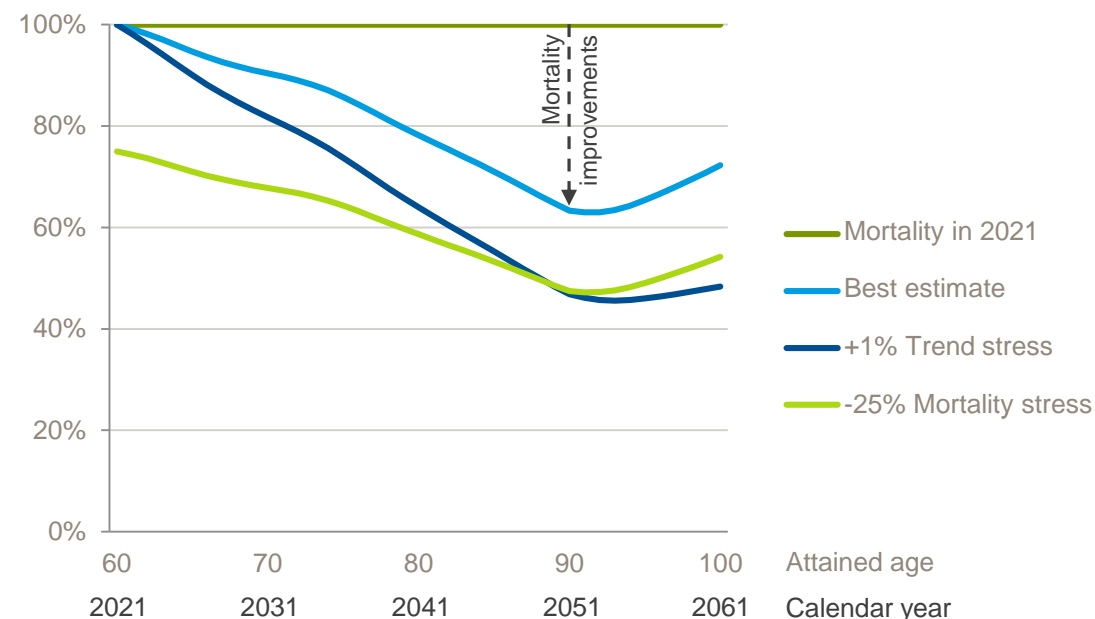
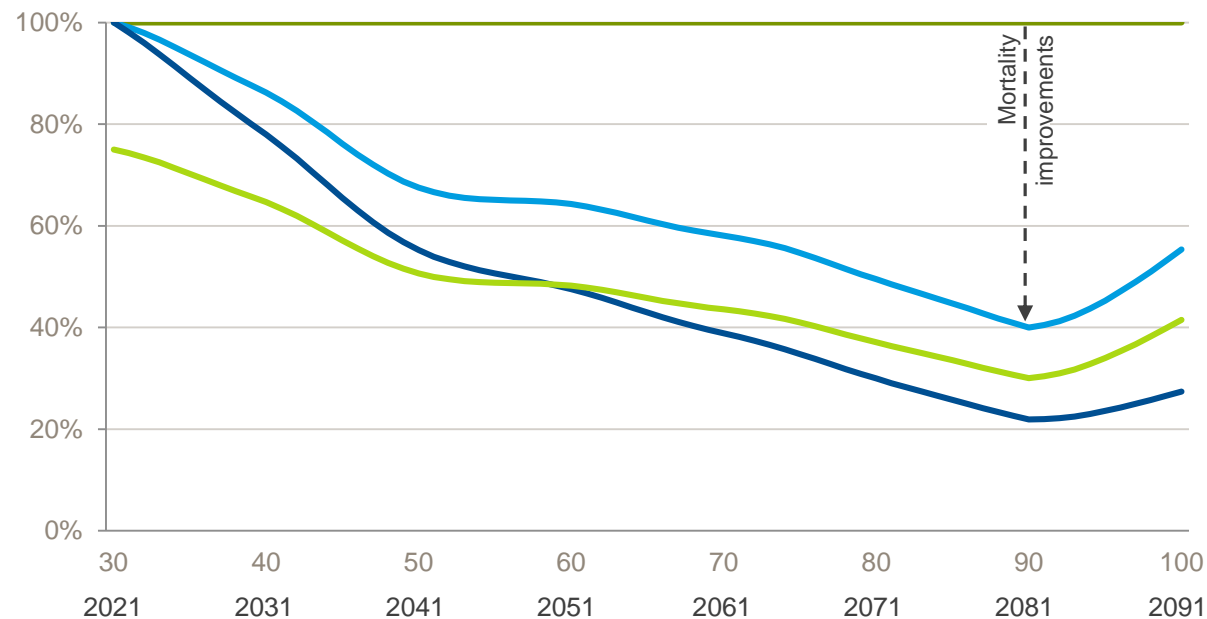
## Key ingredients of pricing and risk management



Today's **30-year-old** males compared to 2021 older counterparts



Today's **60-year-old** males compared to 2021 older counterparts





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L&H earnings power

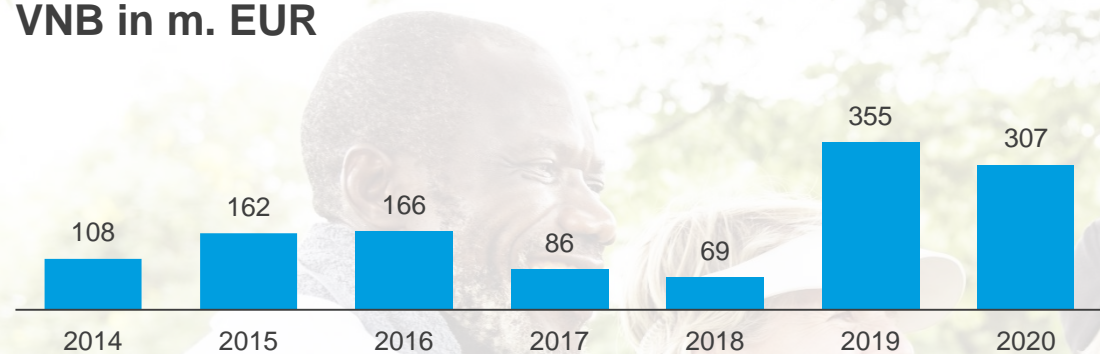


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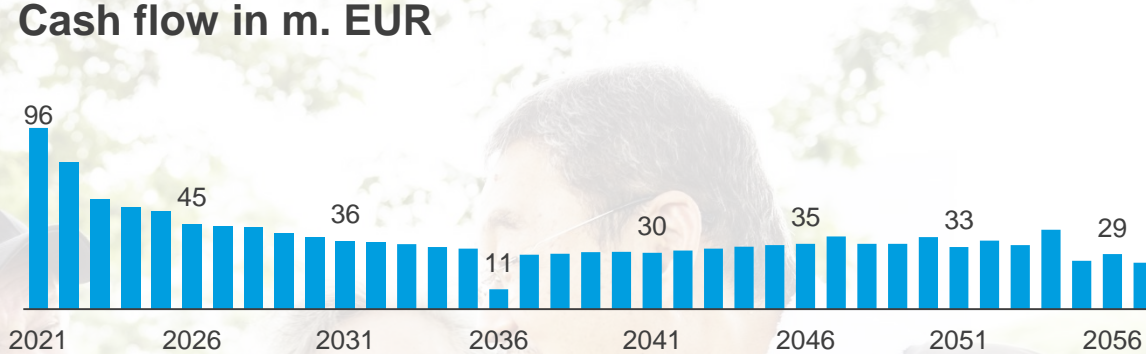
# Longevity earnings

## Reliable and positive contribution to the L&H business group

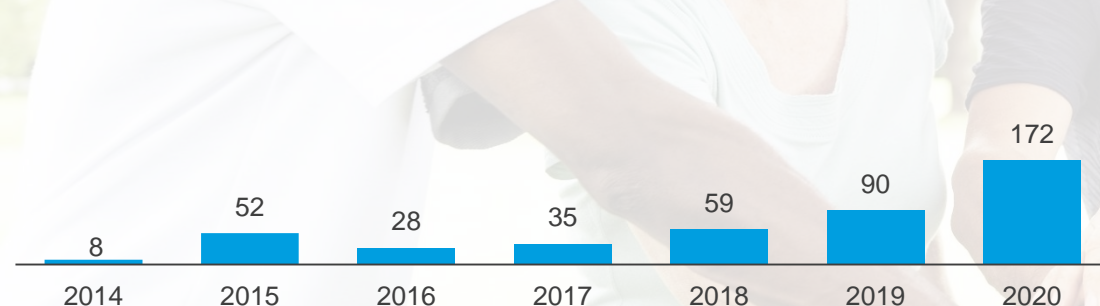
VNB in m. EUR



Cash flow in m. EUR



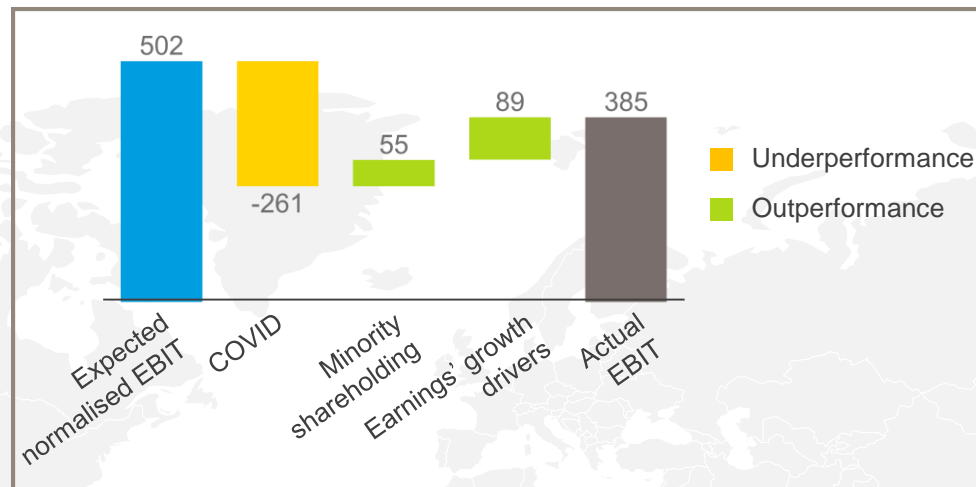
EBIT in m. EUR



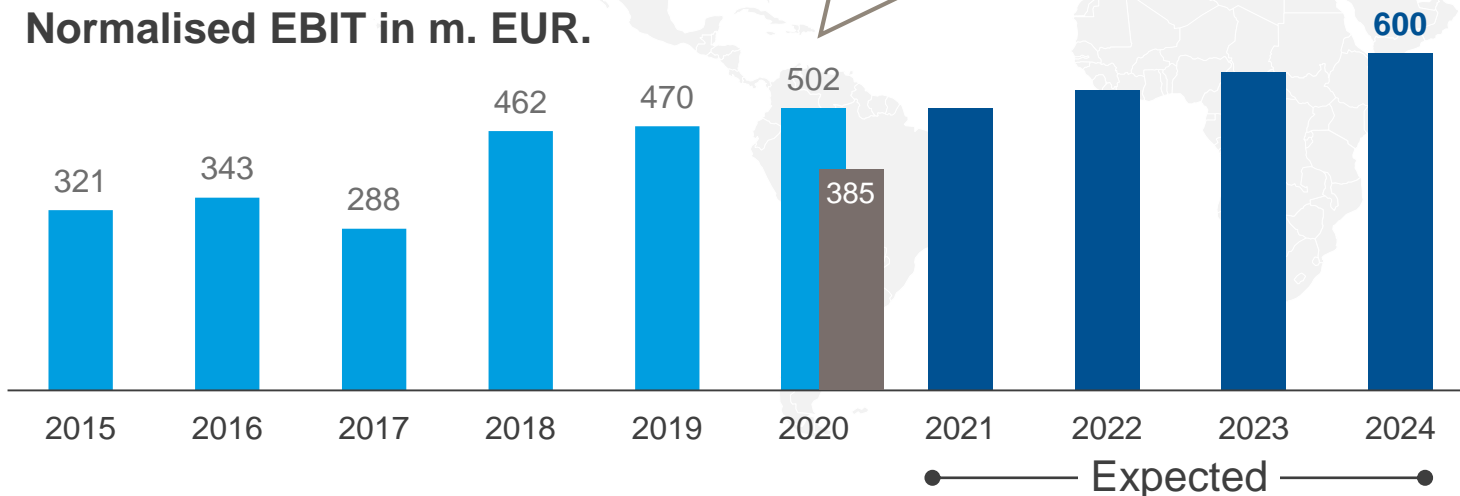
- Strong VNB, especially in 2019 and 2020
- Significant EBIT, especially in 2020
- Positive cash flow for the next 30+ years

# Continuous growth of expected EBIT

## Negatively impacted by COVID



Normalised EBIT in m. EUR.



**Consolidated normalised EBIT**  
Expectation by 2024: EUR 600 m.

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different**

## **Key takeaways**



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# Key takeaways



## Longevity: future

- No surprise through close monitoring
- Strong resilience to mortality deviations
- Continued product innovation
- Further geographic expansion
- Extensive data collection

1) NMG Global L&H Reinsurance Study 2020

## Longevity: past

- Outstanding reinsurance expertise
- Granular mortality experience
- Recurring innovative solutions
- Consistently strong performance
- Best in class reinsurer<sup>1)</sup>

## L&H business group

- Increasing underlying profitability
- VNB volatility due to Financial Solutions (FS) and Longevity
- EBIT volatility due to
  - COVID (-)
  - Recaptures of FS deals (+)
  - At equity measurement of companies (-/+)

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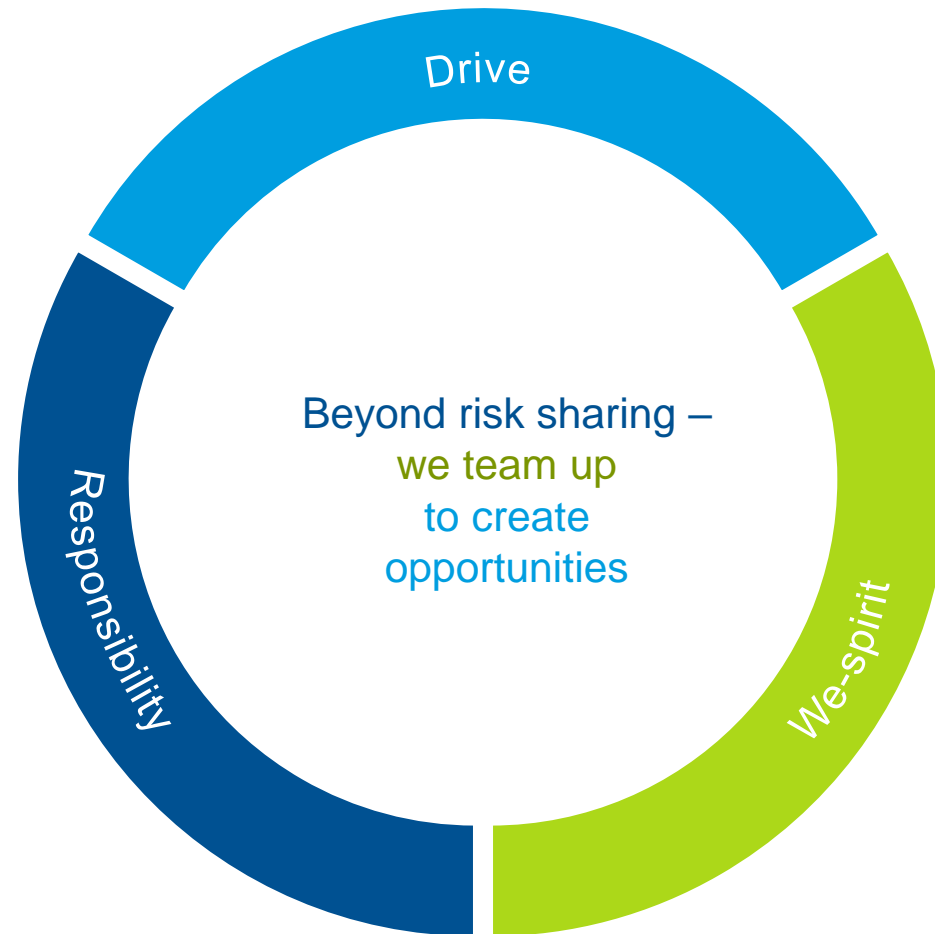
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## Concluding remarks

Jean-Jacques Henchoz, Chief Executive Officer  
24<sup>th</sup> International Investors' Day 2021  
Hannover, 14 October 2021

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# A purpose-driven strategy building on Hannover Re's proven strengths





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