1 Jan 2015 Property & Casualty Treaty Renewals

Hannover, 4 February 2015

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Important note

- Unless otherwise stated, the **renewals part** of the presentation is based on **Underwriting-Year (U/Y) figures**. This basis is only remotely comparable with Financial-Year (FY) figures, which are the basis of quarterly and annual accounts.
- The situation shown in this presentation exclusively reflects the developments in **Hannover Re's portfolio**, which may not be indicative of the market development.
- Pricing includes changes in risk-adjusted exposure, claims inflation and interest rates.
- Portfolio developments are measured at **constant foreign exchange rates** as at 31 December 2014.

Reinsurance markets

Competition continued to be intense

Reinsurance market highlights

Market environment

- Following three years of good results and low NatCat loss burdens, the market remains very competitive
- As a result, further softening despite continued low interest rates
- On the back of generally satisfying results, more alternative capital was available and created additional competition
- Globally active and well diversified reinsurers are better positioned to cope with this competitive environment
- M&A activities increased significantly due to growth pressures and the search for economies of scale
- Softening retrocession markets improving net positions of traditional reinsurers

Reinsurers

- Focus on earning cost of capital prevailed
- Willingness to grow and diversify i.e. new products and areas
- Ability to keep terms and conditions largely unchanged (except hours clauses for cat biz)
- Stronger focus on long-term relationships rather than just pricing

Cedents

- Well rated reinsurers preferred
- Restructuring of reinsurance purchase and increased net retention
- Looking for wider cross-class relationships

Our approach

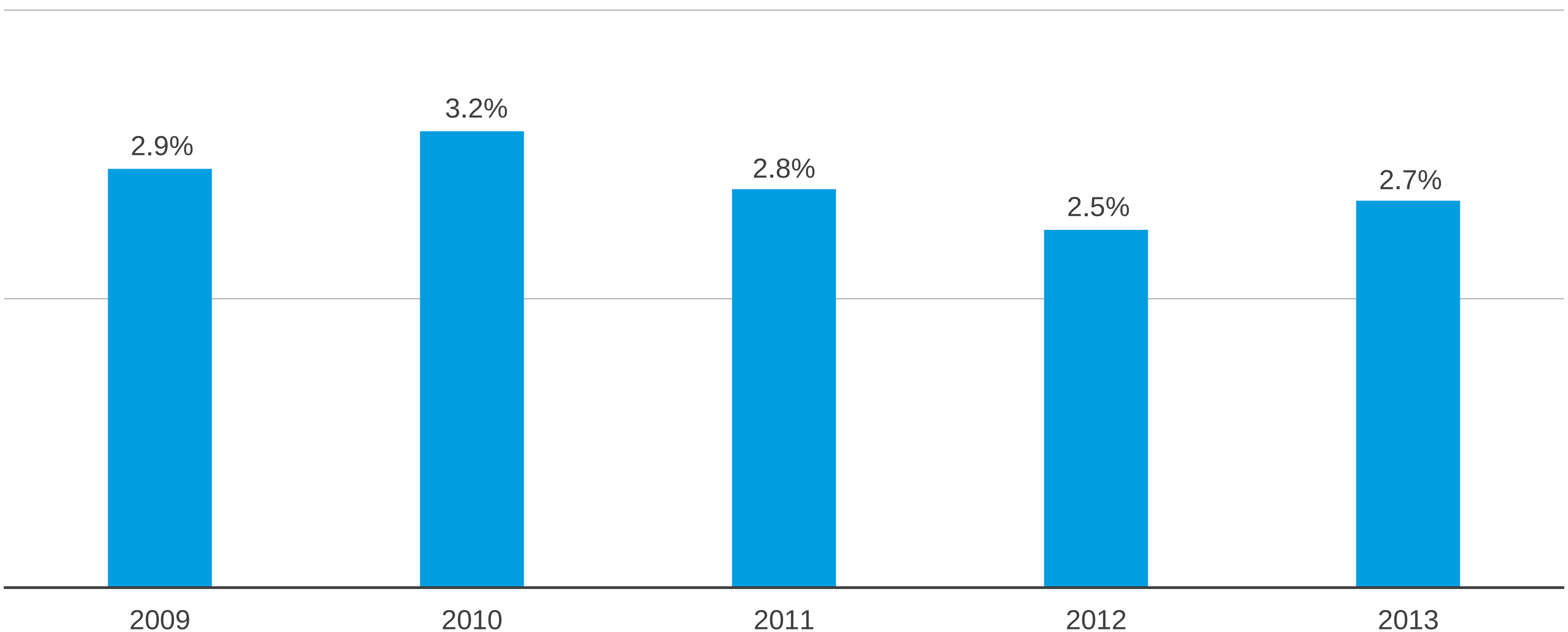
Overall successful 1 Jan renewals. . .
. . .despite significant competitive pressure

- Our superior rating was a major factor to sustain our excellent market position
- Due to our active cycle management approach we reduced our capital allocated to NatCat from 18% to 16% but left it unchanged in absolute terms because of capital growth
- Our excellent diversification by line of business and territory allowed us to successfully concentrate on business that meets our margin requirements
- In order to safeguard the quality of our portfolio we focused on our renewal business and continued to be very selective in writing new business
- Reduced premium income due to higher retention of clients, largely offset by larger shares with existing clients and selective new business written
- We were largely able to maintain terms and conditions with the exception of broader hours clauses in respect of property cat. business
- Premium volume largely stable aided by selective growth in German motor, UK motor XL, US property per risk, Asia as well as Agriculture

Pricing quality should still allow us to earn our cost of capital

We maintained our competitive advantage on admin. expenses

P&C administrative expense ratio* Financial year

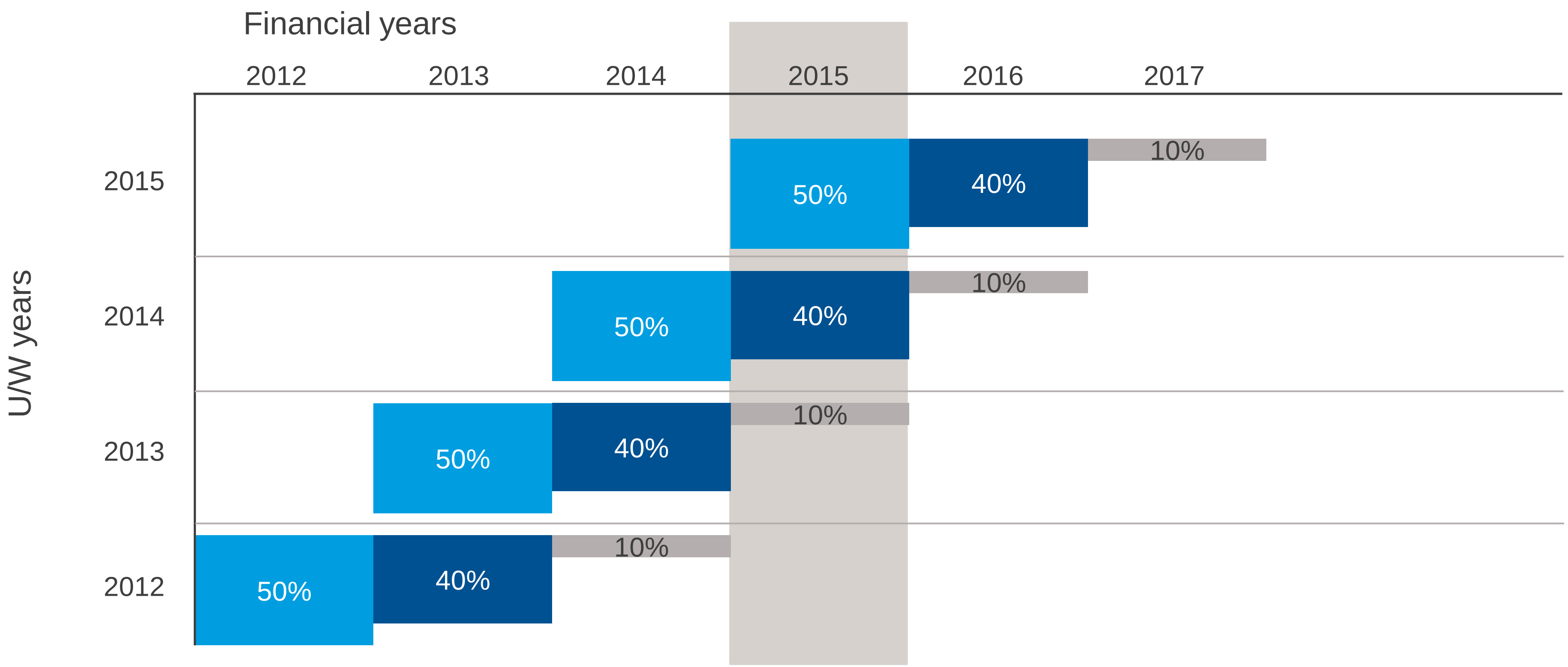


Own calculation
* Administrative expenses + other technical expenses (in % of net premium earned)

Time lag between U/W year and financial year

2015 financial year reflects pricing quality for 2013, 2014 and 2015 underwriting year

Premium distribution



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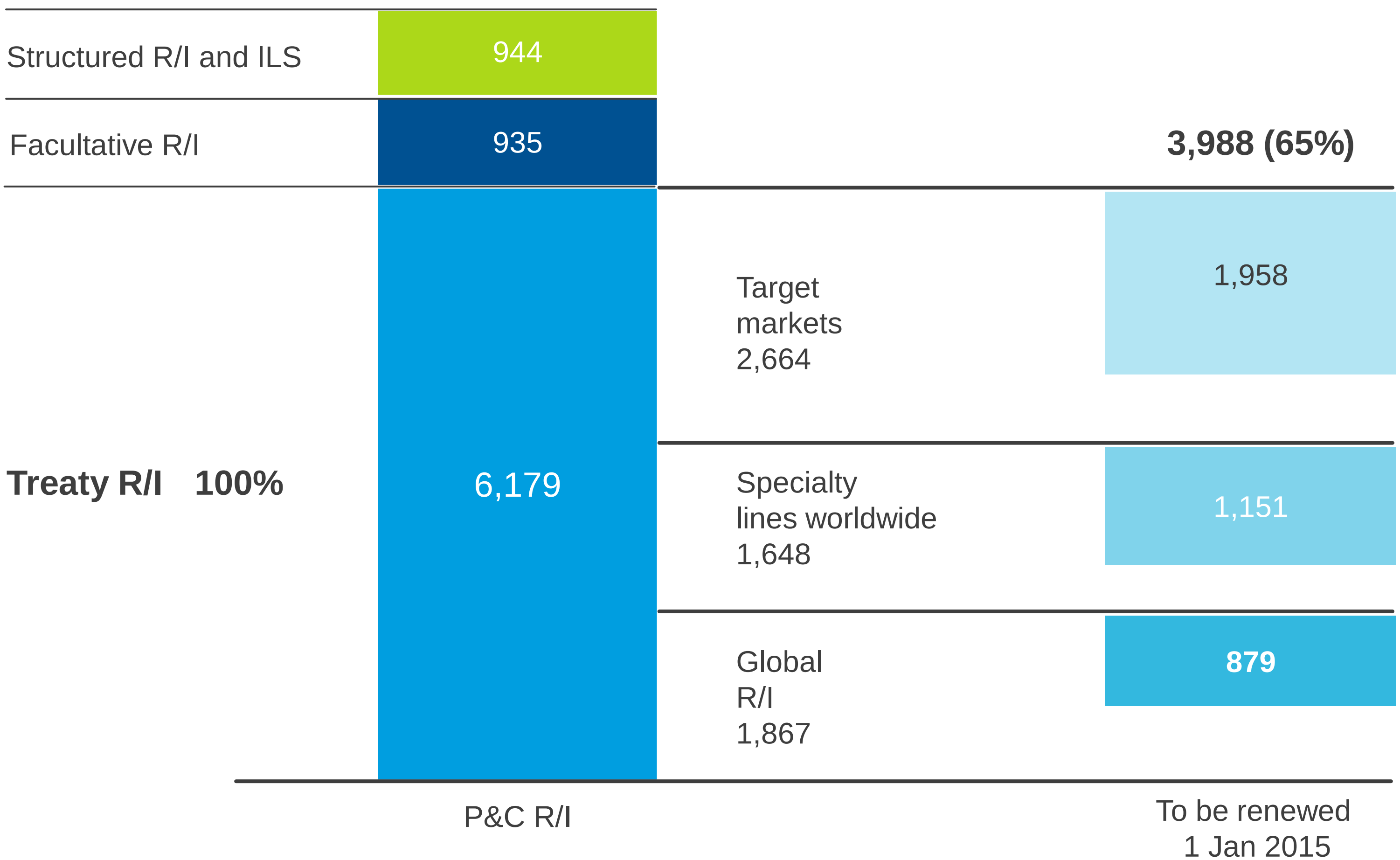
Our portfolio

65% of treaty reinsurance (R/I) renewed 1 January 2015

Equates to 49% of the total P&C premium

Estimated premium income U/Y 2015

in m. EUR

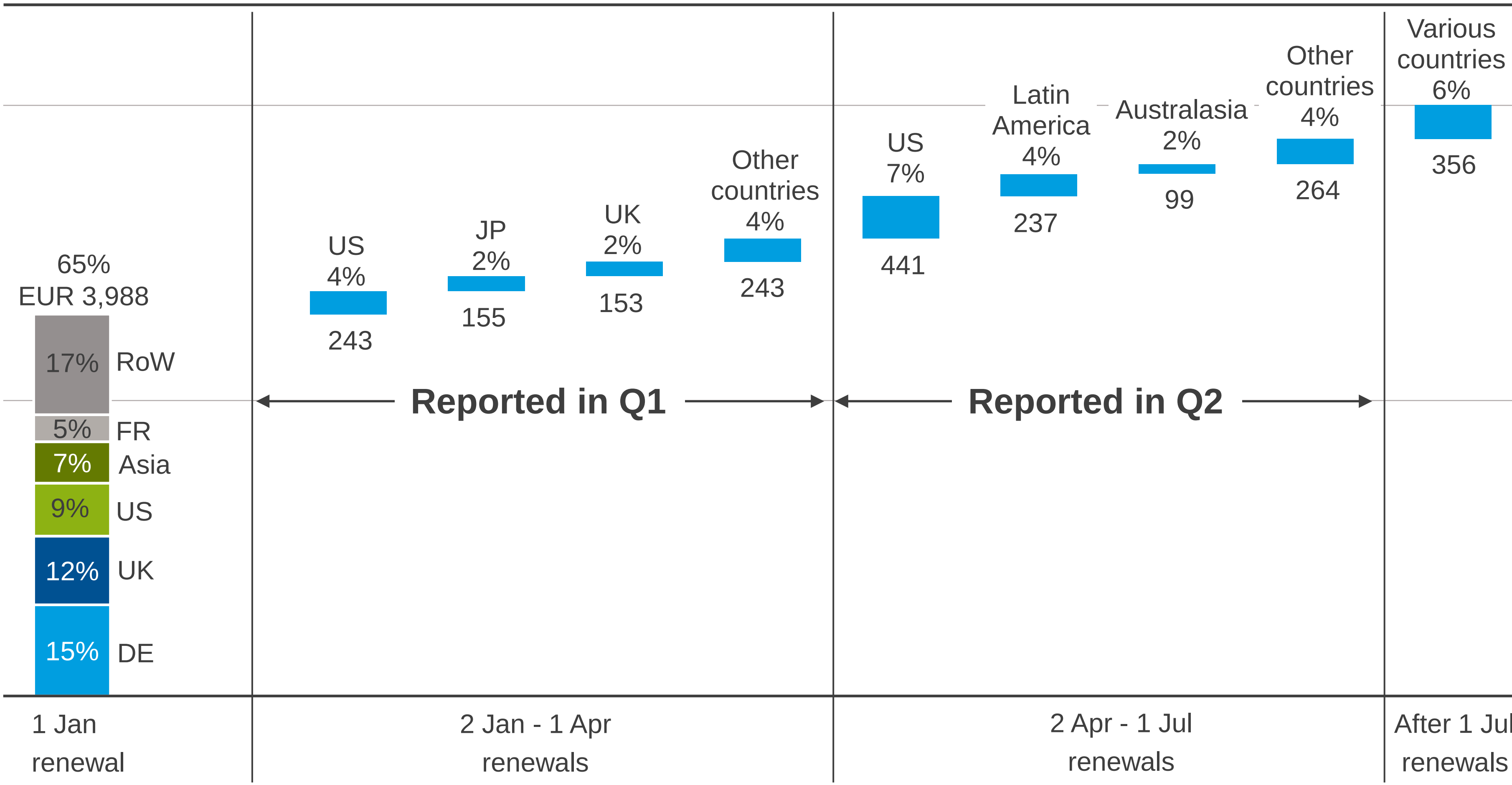


65% of treaty reinsurance (R/I) renewed 1 January 2015

Renewals split in 2015

Traditional treaty reinsurance (excl. structured R/I & ILS and facultative R/I)

in m. EUR



Based on 2014 U/Y

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Premium development stable overall. . .

. . .but varies by line of business

Property & Casualty reinsurance	Lines of business	1/1/2014 Premium[1)]	Variance	1/1/2015 Premium[1)]
Target markets	North America[2)]	657	+5%	692
	Continental Europe[2)]	1,301	+1%	1,308
Specialty lines worldwide	Marine	194	-1%	192
	Aviation	230	-8%	213
	Credit, surety and political risks	461	-8%	423
	UK, Ireland, London market and direct	265	+8%	285
	Facultative R/I		Not reported	
Global R/I	Worldwide treaty[2)] R/I	754	+3%	775
	Cat XL	124	+8%	134
	Structured R/I and ILS		Not reported	
Total 1 Jan renewals		**3,988**	**+1%**	**4,023**

1) Premium estimates in m. EUR at unchanged f/x rates
2) All lines of business except those stated separately

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Price decreases but at a slower pace than last year

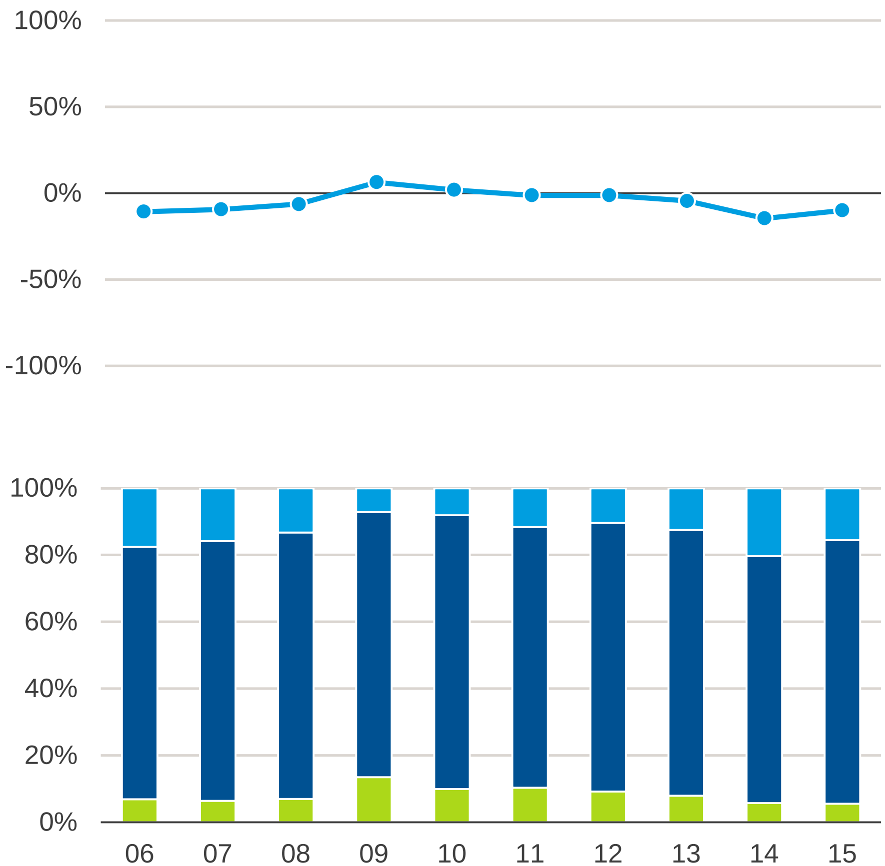
Realised price changes at a risk-adjusted level

Non-proportional	Lines of business	1/1/2014 Of total premium[1)]	1/1/2015 Of total premium[1)]	XL price changes
Target markets	North America[2)]	58%	55%	-3.5%
	Continental Europe[2)]	28%	28%	-3.5%
Specialty lines worldwide	Marine	62%	55%	-1.9%
	Aviation	15%	14%	-7.3%
	Credit, surety and political risks	12%	12%	+2.2%
	UK, Ireland, London market and direct	35%	31%	+1.2%
	Facultative R/I	Not reported	Not reported	
Global R/I	Worldwide treaty[2)] R/I	13%	13%	-2.3%
	Cat XL	100%	100%	-3.7%
	Structured R/I and ILS	Not reported	Not reported	
Total 1 Jan renewals		**32%**	**31%**	**-2.8%**

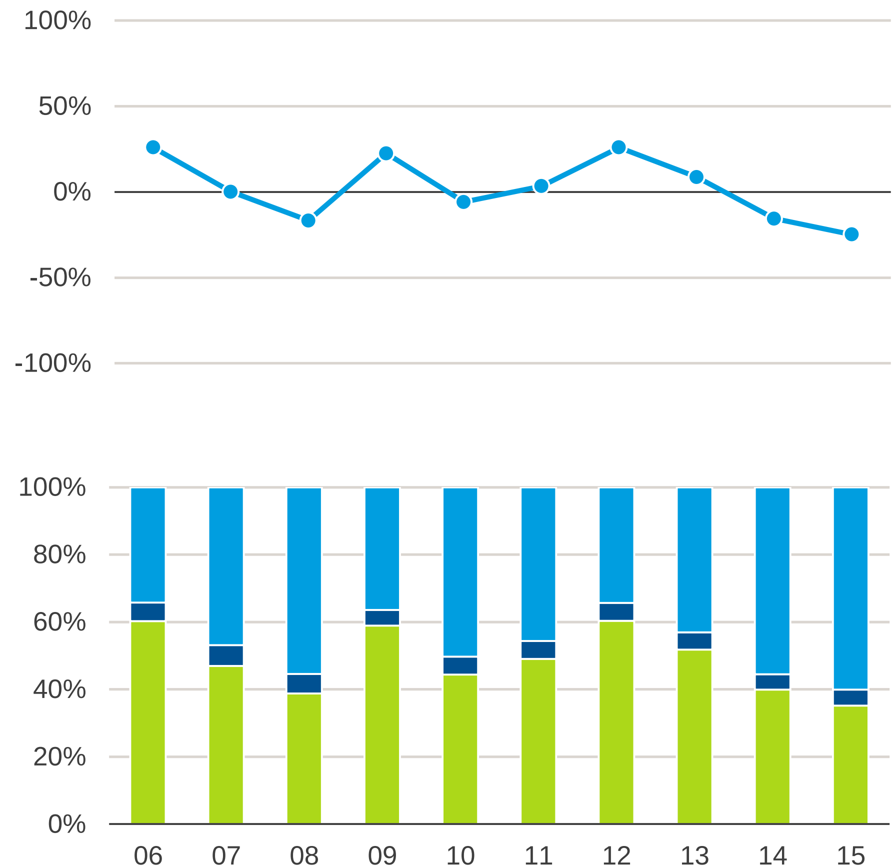
1) Non-proportional premium estimates at unchanged f/x rates
2) All lines of business except those stated separately

Ongoing soft conditions
Downward trend lost impetus

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



Net change (improvement - deterioration) | Improvement | Unchanged | Deterioration

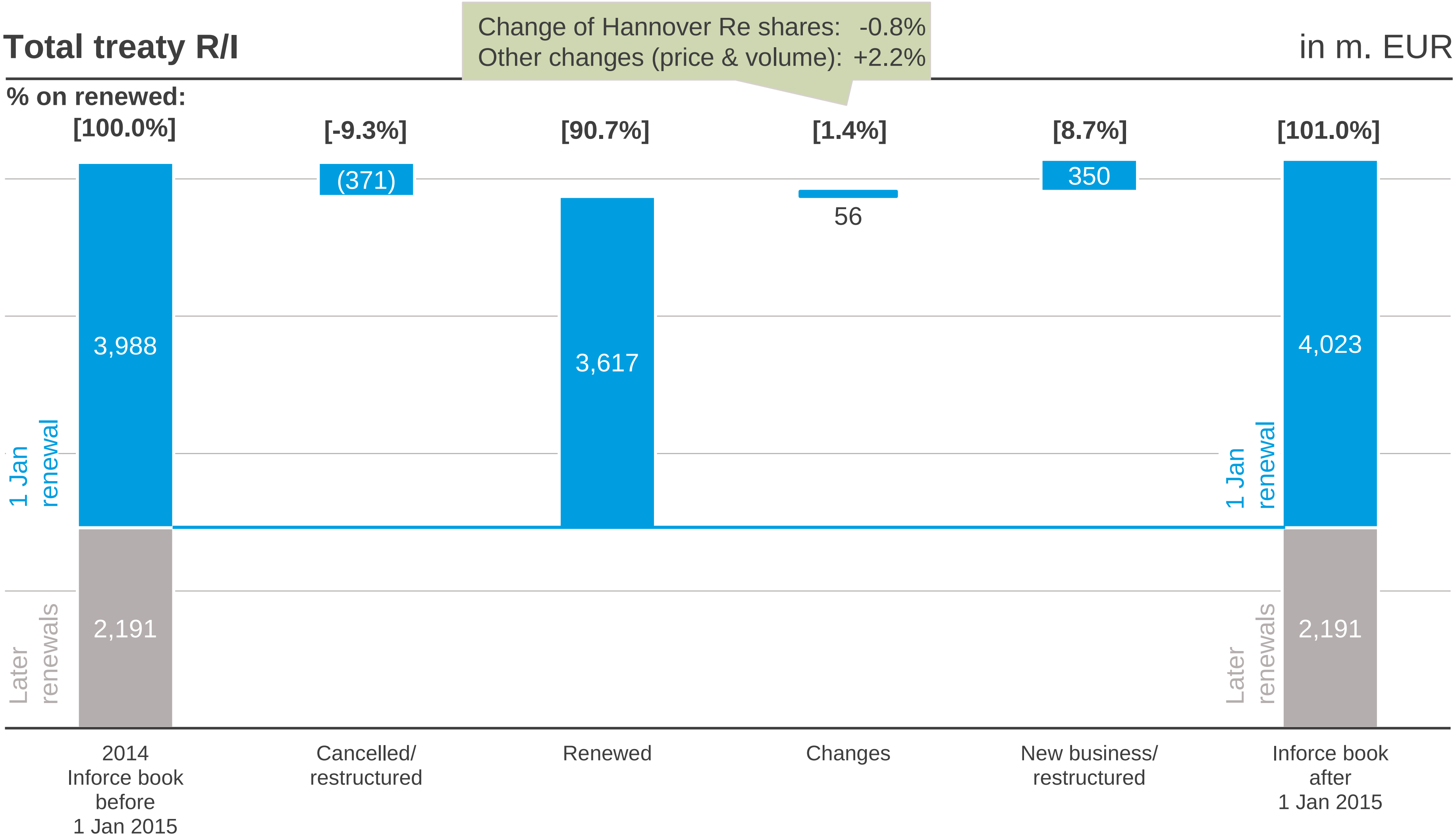
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

Limited volume growth despite difficult market conditions

Underwriting discipline still essential

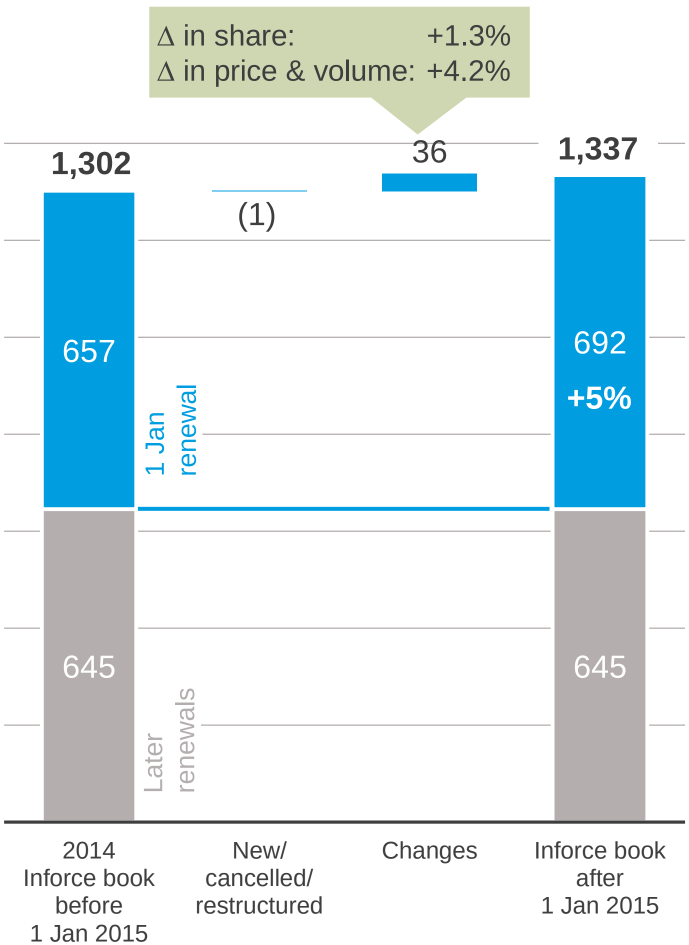
Total treaty R/I in m. EUR



Continued growth opportunities

North America

in m. EUR

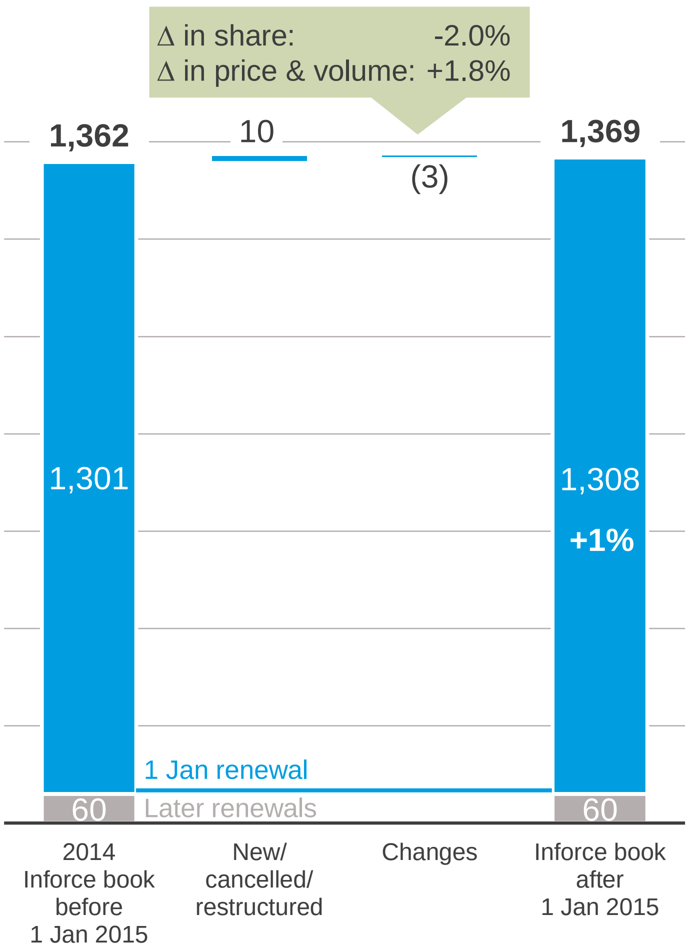


- Overall rates decreased, but at a slower pace than expected and at still acceptable margin levels
- Favourable underlying market growth and higher shares led to increase in premium
- US property: mostly stable prices but higher commissions
  - Property cat: loss affected +5% to +15%, loss free -10%
  - Per risk XL: loss affected +30%, loss free flat to -5%
- US casualty: continued our consistent approach of recent years, slight reduction of overall portfolio
  - Standard casualty and workers compensation: more pressure on rates
  - Special casualty: selective underwriting approach and few new contracts
  - Professional liability: new programmes at attractive terms & conditions
- Canada: despite higher retentions and plenty of capacity in the market we kept our portfolio stable

Volume kept stable despite heterogeneous developments

Excellent market position in Germany even extended

Continental Europe in m. EUR



- **Germany**
  - Slightly positive premium development due to new client relationships and higher original motor rates for the 4th consecutive year
  - NatCat prices largely stable due to adverse loss development from 2013
- **France**
  - Mixed picture: widening of client relationships were counterbalanced by price pressure in loss-free treaties and discontinuation of some programmes
- **Nordics**
  - Kept our position as one of the market leaders and hence our business volume remained stable
- **Southern and Eastern Europe**
  - Higher demand for non-prop. treaties because of Solvency II requirements
  - Rate reductions in loss-free accounts

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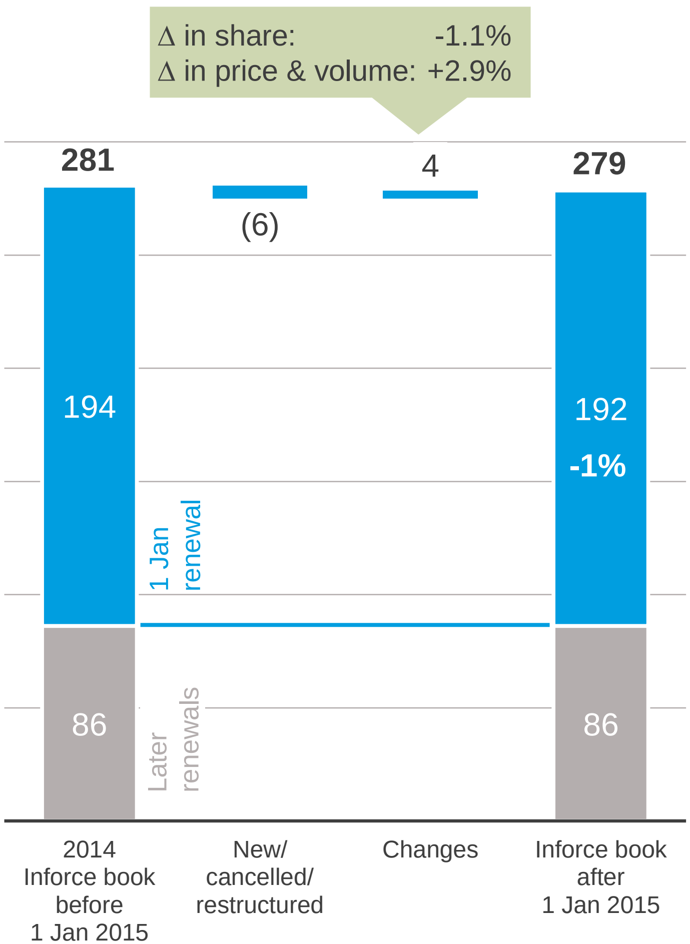
Continued to be a major market leader for marine XL

Rate reductions led to decrease in premium

Marine in m. EUR



- Softening of rates as anticipated across all territories due to relatively few large losses
- Kept lead position where appropriate
- Deterioration from Costa Concordia claim had no positive effect on rates
- Wrote a few new contracts
- Rate reductions even more pronounced in the energy primary market

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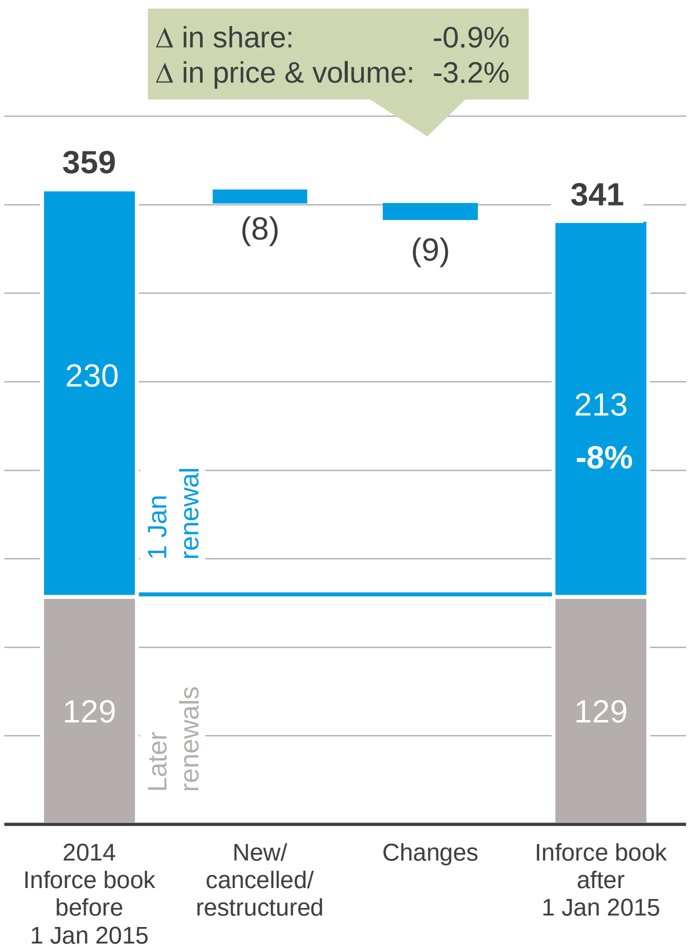
Soft market prevails in aviation despite large losses

We are a recognised lead reinsurer

Aviation in m. EUR



- Incurred large airline losses had hardly any impact on rates (in contraty to expectations) due to increased and/or new capacity
- Non-prop.: rates down 5% - 10%
- Prop.: increased commissions
- Higher net retentions run by some clients

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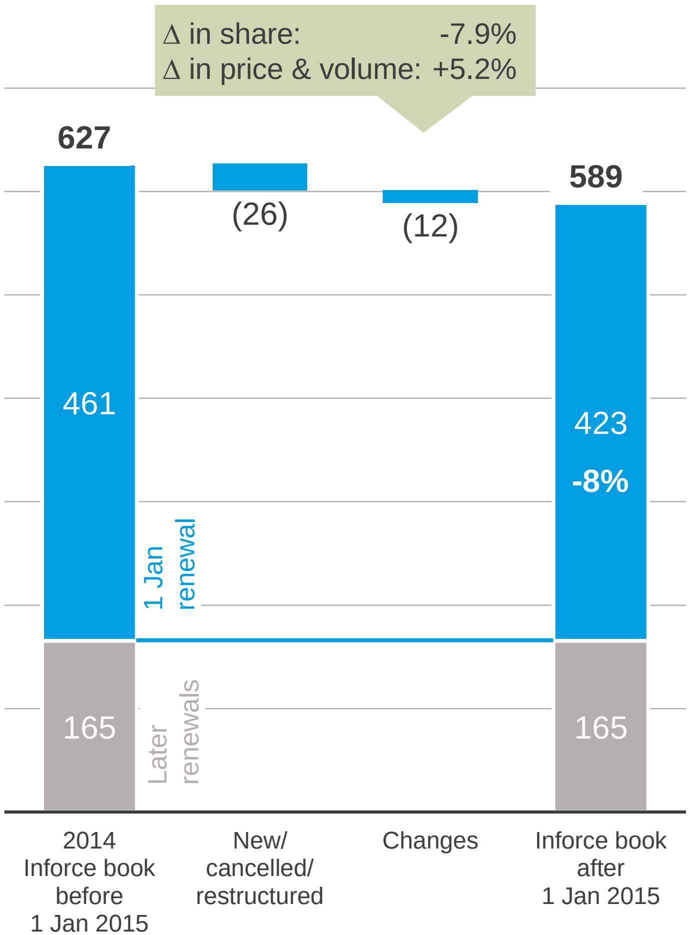
Stable market share despite significant overcapacity

Improved diversification within the line of business

Credit, surety and pol. risks in m. EUR



- Continued good showing of business
- High client loyalty due to our stable, long-term approach to the business
- Main source of premium reductions was increased net retentions of our clients
- Credit
  - Premium reductions on a large account to some extent compensated by additional premium from higher shares or new business
  - Improved portfolio diversification through several newly acquired clients
- Surety and political risks
  - Increased share in our portfolio

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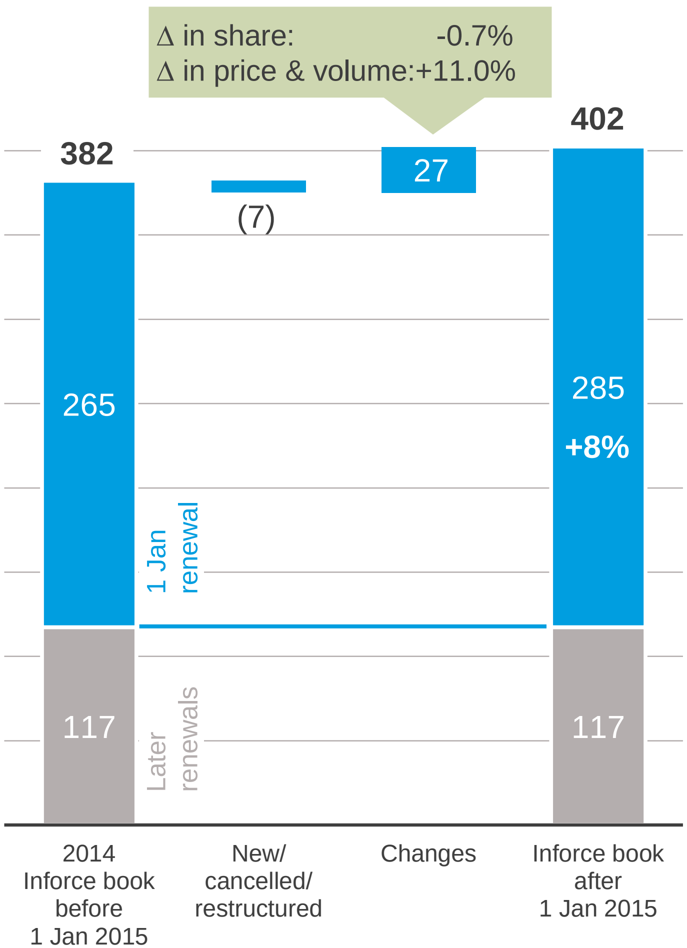
Business opportunities utilised in a competitive market

UK, London market & direct in m. EUR



- UK motor XL rates flat to slightly higher after three consecutive years of strong rate increases
- Market leader for property per risk XL
  - Growth created by our strong position and new business opportunities
- Pleasing growth in attractive niche business

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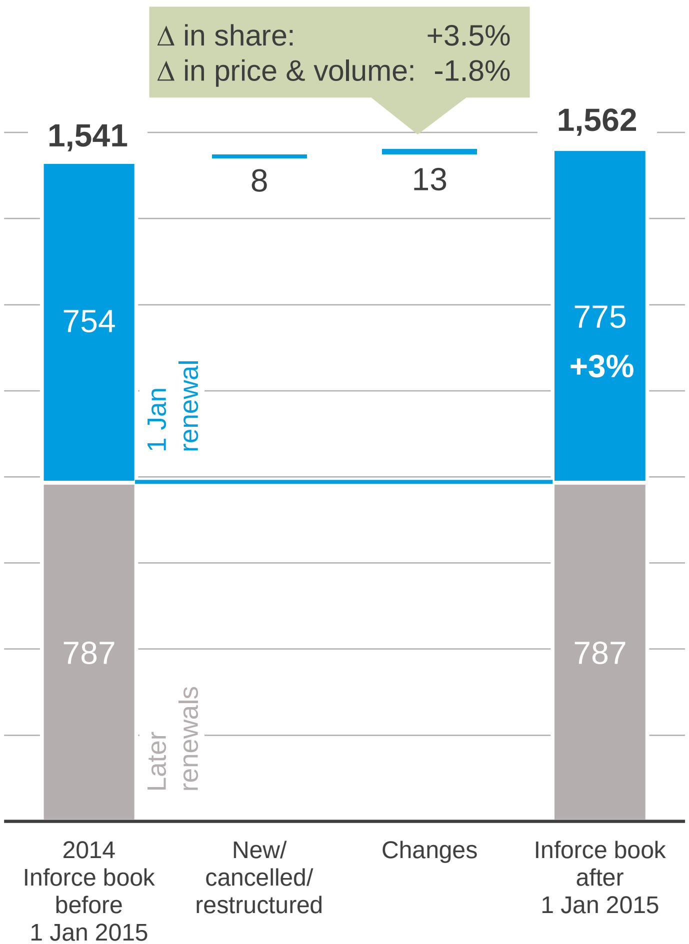
Slight increase in volume driven by emerging markets growth

Large volume will be renewed later

Worldwide treaty R/I in m. EUR



* According to MSCI index

- Mature markets show flat to reduced volume development
  - Spain: premium volume unchanged due to some new clients; improved market share
  - Portugal: slight premium growth
  - Australia: downward pressure on rates and terms; oversupply due to consolidation on the primary side
- Emerging markets* with pleasing growth
  - Asia: continued growth despite an overall very soft market in all territories across all lines of business
  - Latin America: fairly stable portfolio, improved market position in Brazil compensated slight reductions in other countries
- Agriculture (key markets):
  - Increases in share but majority of premium renews later
  - Improvements in original and reinsurance terms

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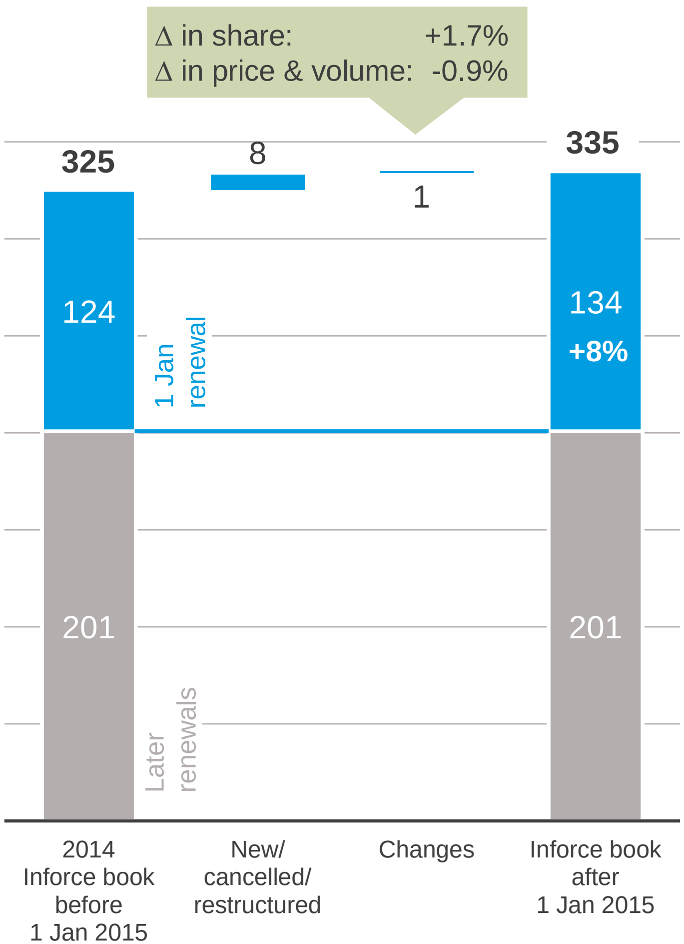
Selective growth
Alternative capital accelerated rate reductions

Cat XL in m. EUR



- Our excellent financial security is well recognised; limited further premium decrease from competitive and pricing pressure
- Reinsurers able to offer support across all lines of business receive preferential treatment
- Strict adherence to technical underwriting approach
- US:
  - Price reductions of 5% - 10% risk-adjusted
  - A few multi-year treaties were signed
- Europe
  - UK: more price reductions on the back of a loss-free year
  - Nordics: moderate premium income growth
  - Germany: loss affected +5% to +10%, loss free -5% to -10%
- Rest of World
  - Overall increase in premium at sustainable margins

Outlook

Financial-year figures

Selective growth and satisfying profitability expected

Development of Property & Casualty R/I lines of business (FY 2015)

	Lines of business	Volume[1)]	Profitability[2)]
Target markets	North America[3)]	↗	+
	Continental Europe[3)]	→	+/-
Specialty lines worldwide	Marine	↘	+
	Aviation	↘	+/-
	Credit, surety and political risks	→	+
	UK, Ireland, London market and direct	↗	+/-
	Facultative R/I	→	+
Global R/I	Worldwide treaty[3)] R/I	→	+
	Cat XL	→	+/-
	Structured R/I and ILS	↗	+/-

1) In EUR, development in original currencies can be different
2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)
3) All lines of business except those stated separately

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Guidance for 2015

Hannover Re Group

- Gross written premium[1)] ______ flat to low single-digit growth rate
- Return on investment[2) 3)] ______ ~ 3.0%
- Group net income[2)] ______ ~ EUR 875 m.
- Dividend pay-out ratio[4)] ______ 35% - 40%

1) At unchanged f/x rates
2) Subject to no major distortions in capital markets and/or major losses in 2015 not exceeding the major loss budget of EUR 690 m.
3) Excluding effects from derivatives (ModCo/inflation swaps)
4) Related to group net income according to IFRS

Rationale for the 2015 profit guidance

Long-term success in a competitive business

- We expect increased profits from our Life & Health business
- Further strengthening of the confidence level of our P&C reserves may be limited due to IFRS accounting constraints → positive effect on C/R
- The continued good quality of the P&C book should allow us to keep the C/R stable depending on the level of large losses
- Reduced pricing on outgoing retrocession support our net margins
- We strive to achieve stable absolute NII on the back of an increased investment volume (from a further positive cash flow) despite low interest rate environment
- We maintain our competitive advantage of low admin expenses

Subject to no major distortions in capital markets and/or major losses in 2015 not exceeding the major loss budget of EUR 690 m.

We are confident to achieve the guidance

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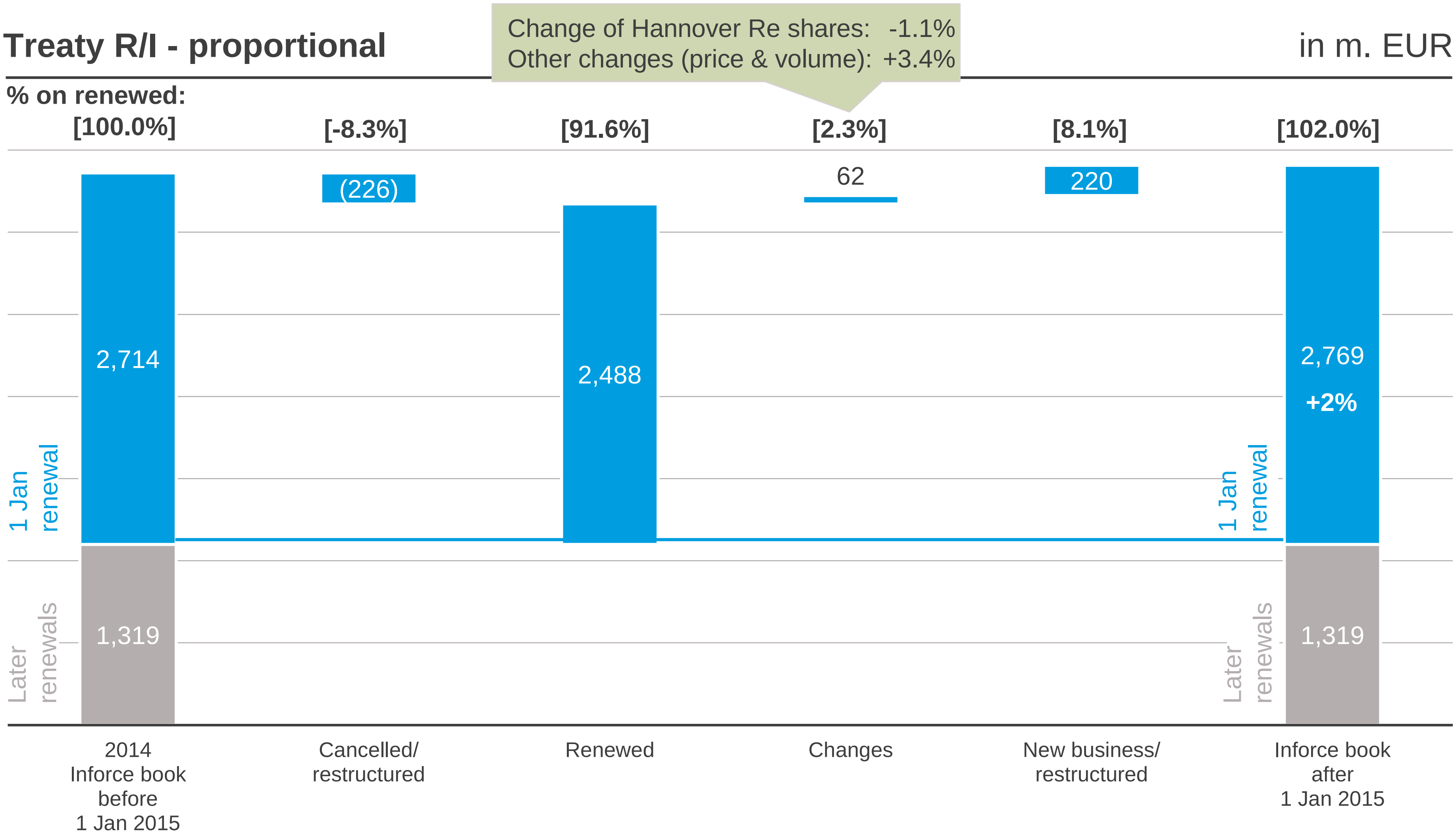
Appendix

Selective underwriting led to growth in various lines

Treaty R/I - proportional

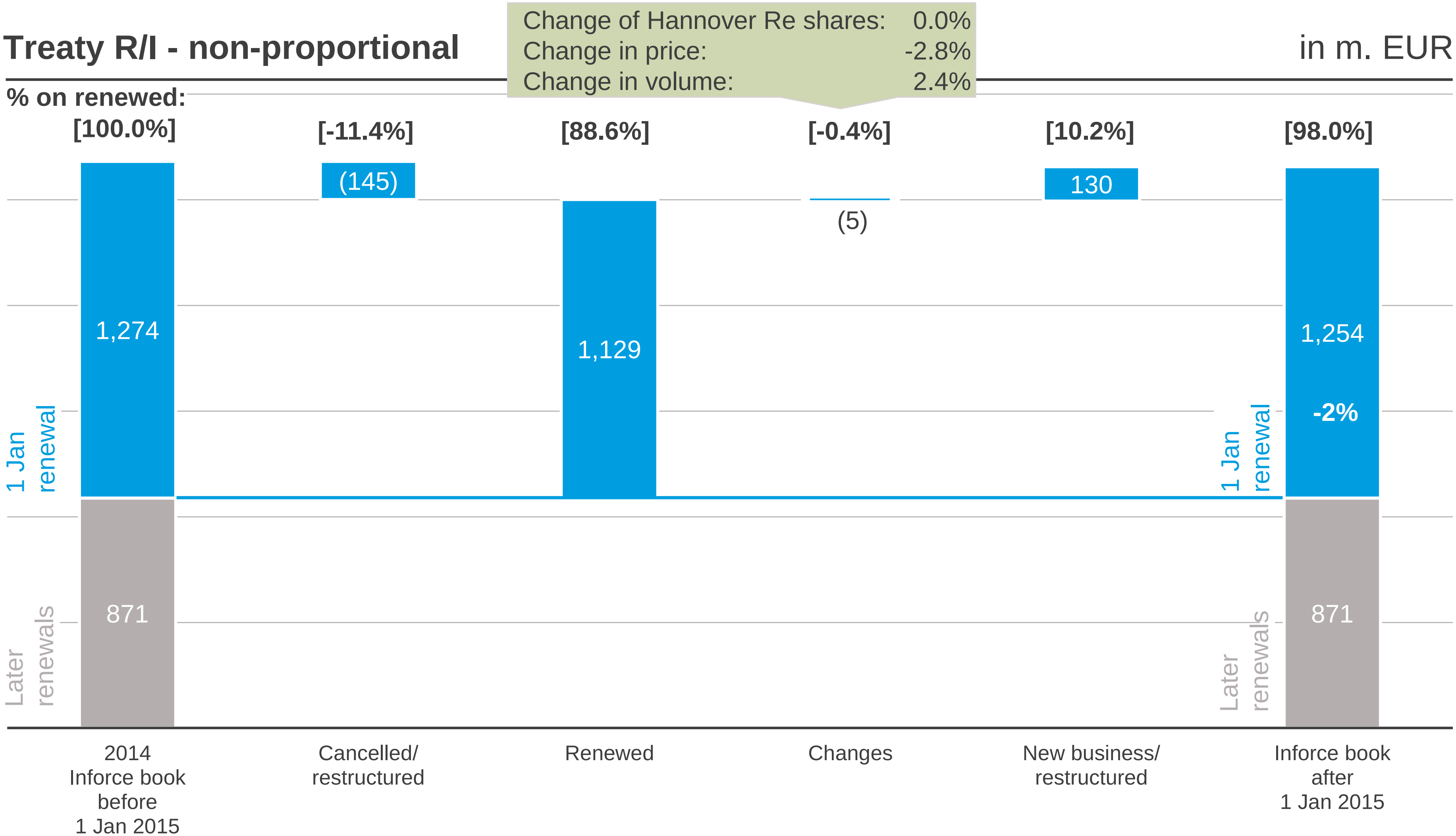
in m. EUR



Volume decrease in line with rate development

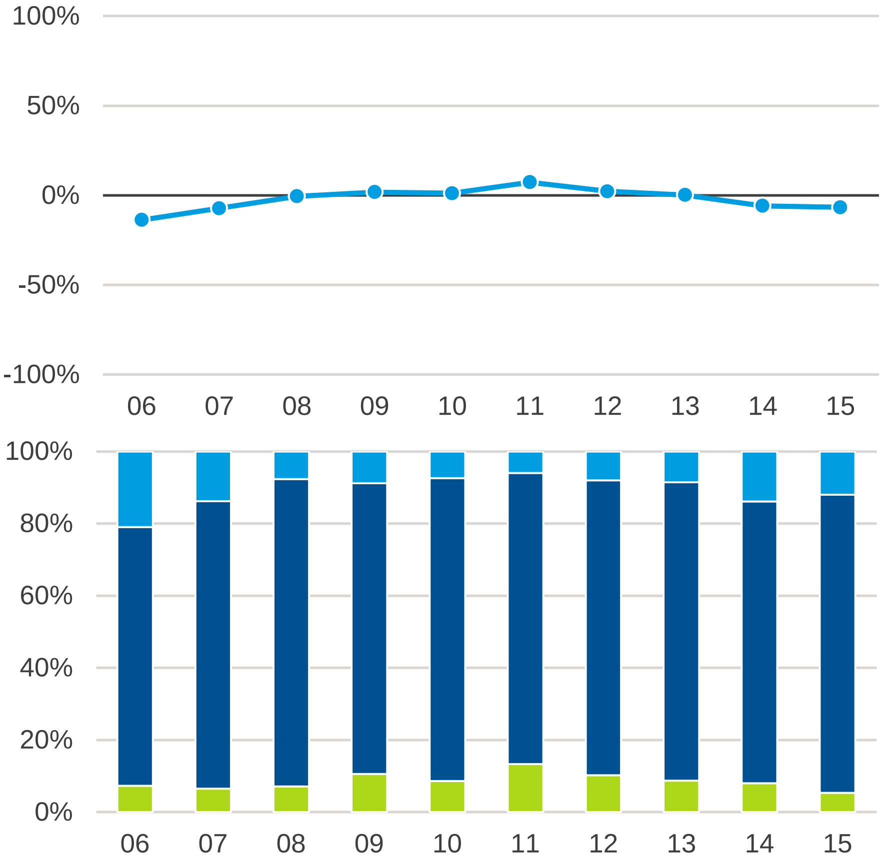
Treaty R/I - non-proportional

in m. EUR

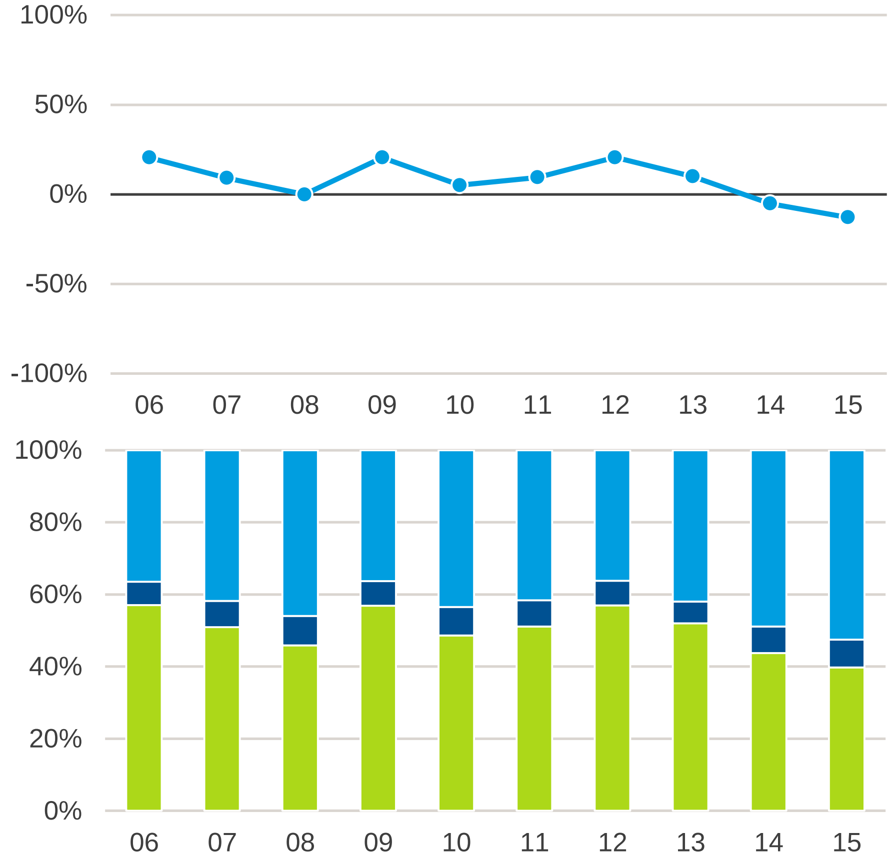


Softening in Europe more pronounced in non-prop. business
Continental Europe

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



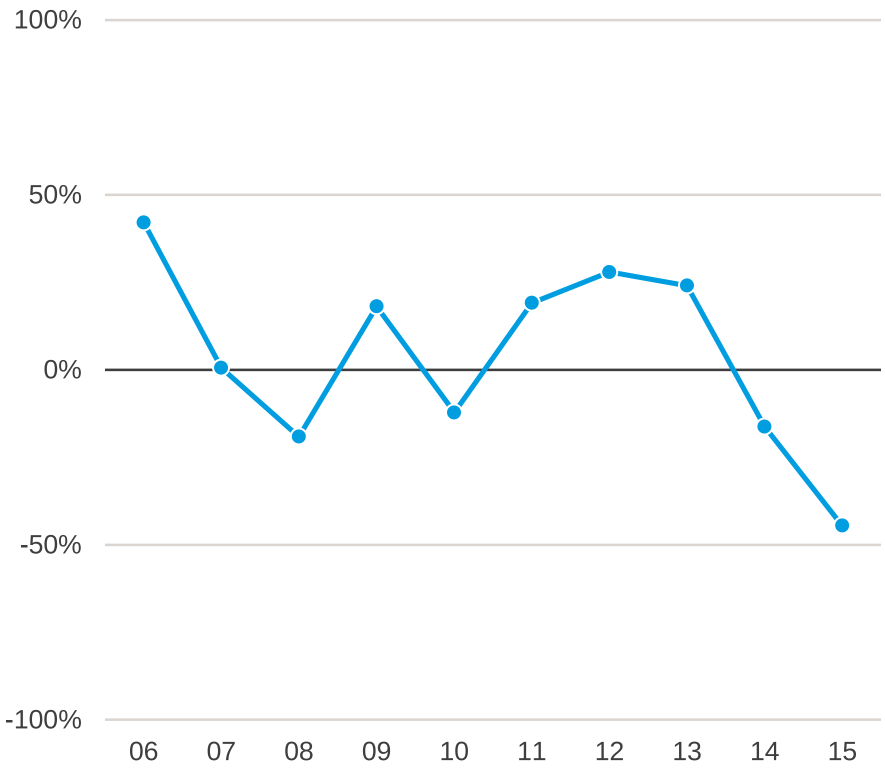
Net change (improvement - deterioration) Improvement Unchanged Deterioration

1) Comparison of commission 2) Comparison of Rate on Line (RoL)

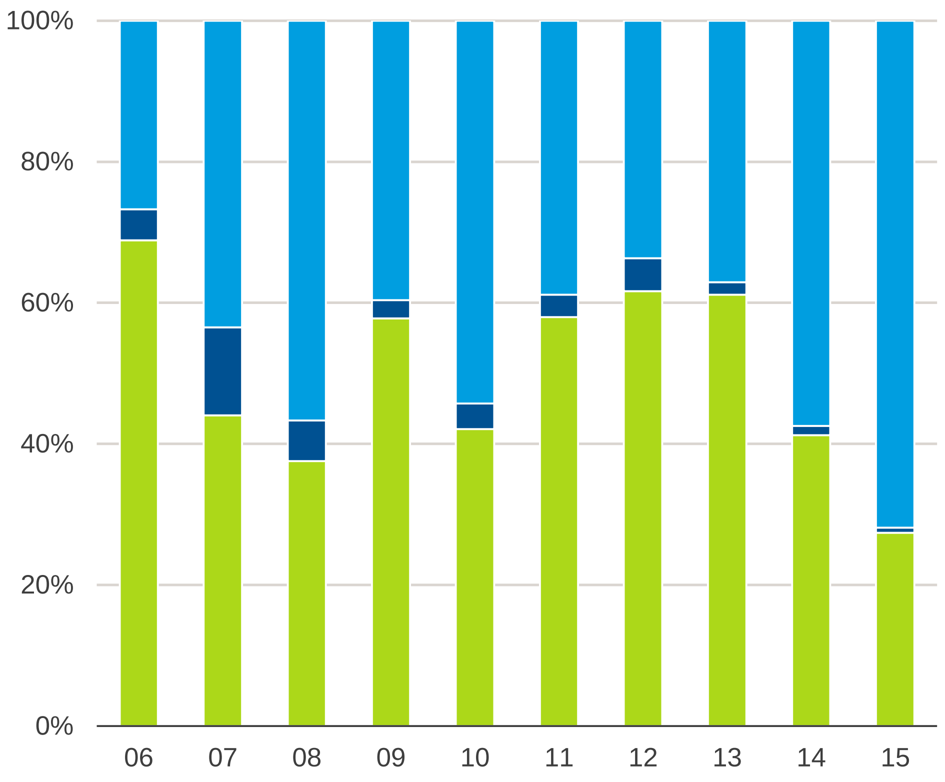
Further rate deterioration in most treaties

Marine

Number of non-proportional treaties



Comparison of Rate on Line (RoL)

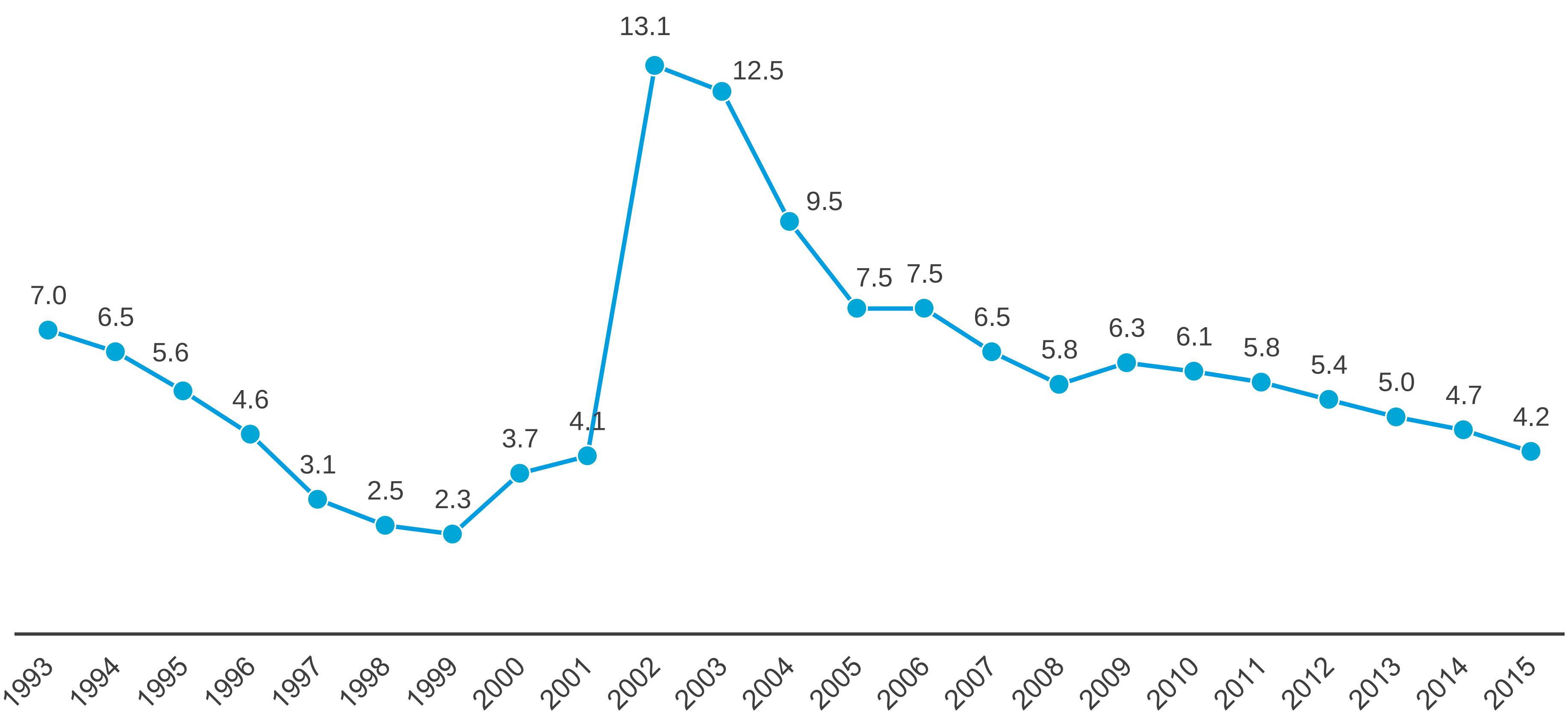


Net change (improvement - deterioration) | Improvement | Unchanged | Deterioration

Further rate deterioration

Aviation RoL index

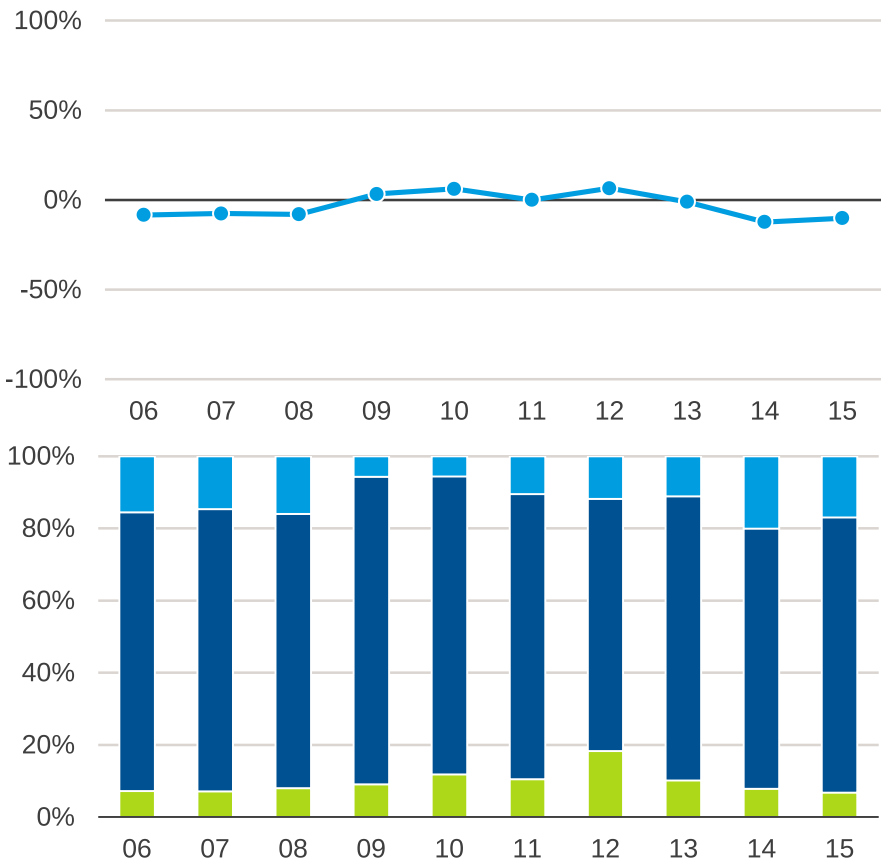
in %



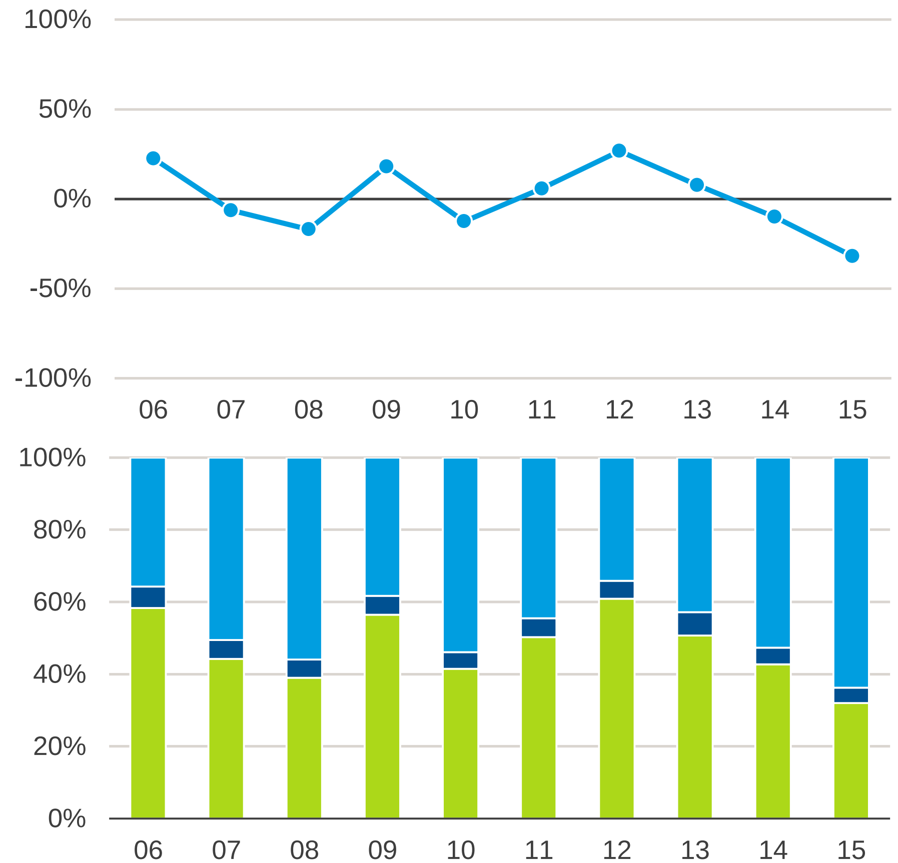
Assessment of market developments derived from the Hannover Re Aviation account
Based on known non-proportional layers fully or substantially exposed to a market loss above USD 500 m.

Proportional business holds up comparatively better
Worldwide treaty R/I

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]

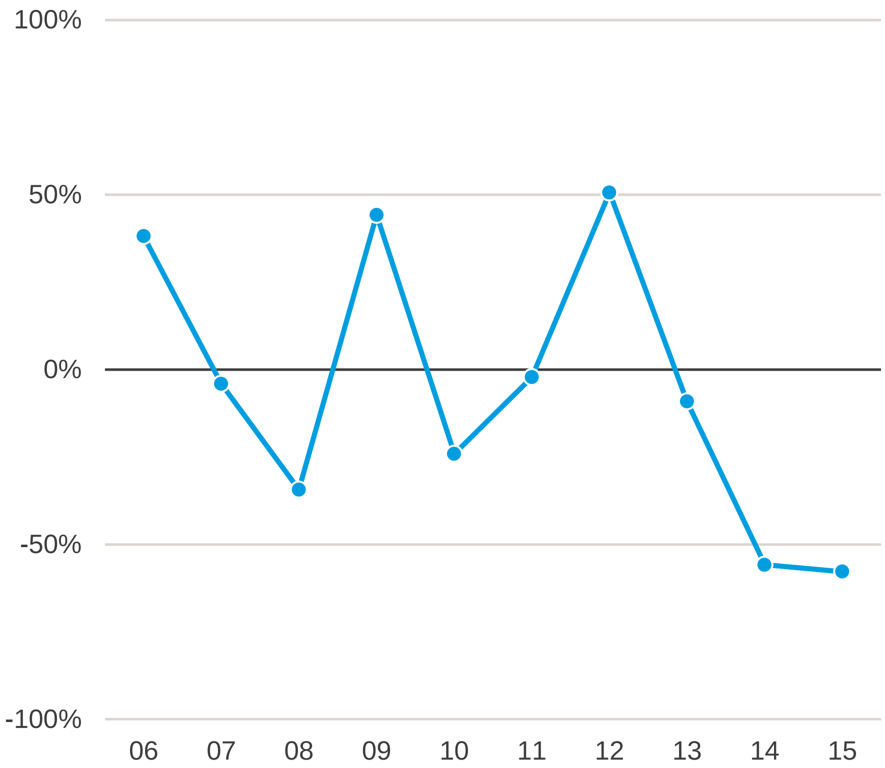


Net change (improvement - deterioration) Improvement Unchanged Deterioration

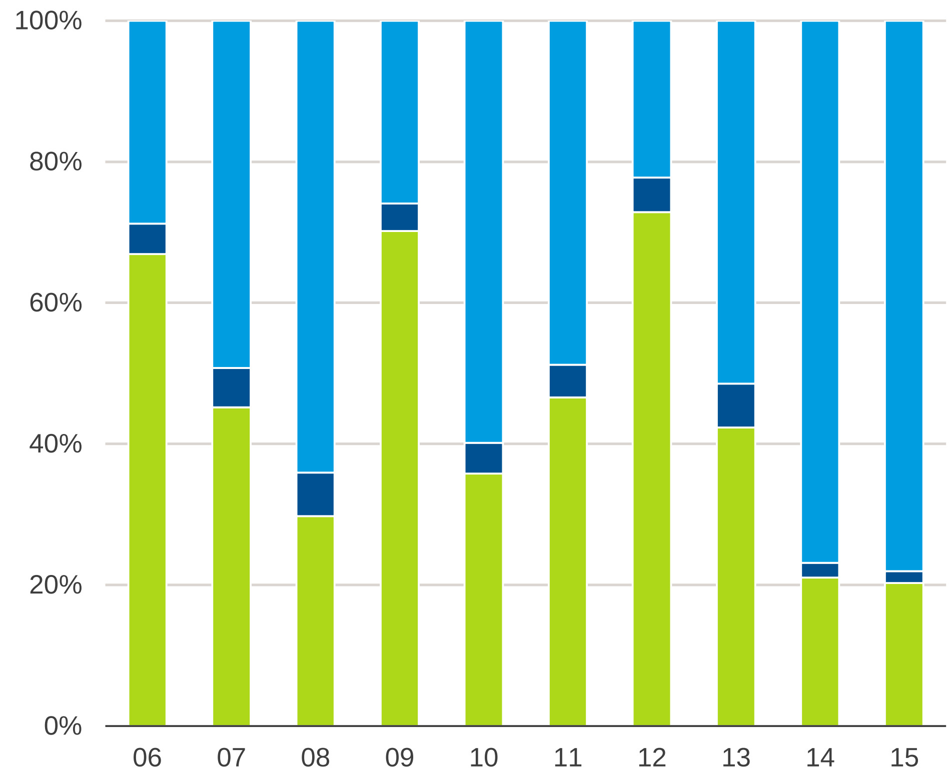
1) Comparison of commission 2) Comparison of Rate on Line (RoL)

RoL deterioration seems to be losing momentum

Number of Cat XL treaties



Comparison of Rate on Line (RoL)



Net change (improvement - deterioration) | Improvement | Unchanged | Deterioration

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