1 Jan 2014 Non-Life Treaty Renewals

Hannover, 6 February 2014

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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.
- Portfolio developments are measured at **constant foreign exchange rates** as at 31 December 2013.

Reinsurance markets

Competition was even more intense than expected

Reinsurance market highlights

Market situation:

- Strong capital position of reinsurers and primary insurers
- Benign large loss situation in 2013
- More alternative capital entering the market
- Cedents tend to buy reinsurance on group level and to retain more business net
- Willingness of market participants to increase market share

Resulting in:

- Rates overall deteriorated
- Only a few areas were not affected e.g. German cat, marine XL, UK motor XL and Canada Cat
- Some initiatives by brokers to change terms observed but were largely unsuccessful

Our approach

Going into the renewal season, our U/W got a clear guidance

- Focus on bottom line, not on top line
- No market-share gains for the sake of it
- Don’t underwrite below minimum margin requirements
- Don’t accept changed terms & conditions, if unavoidable for client relationship reasons, then minimise your exposure
- Careful underwriting regarding large-volume treaties producing marginal profits
- Put the emphasis on existing clients and their business to be renewed

Volume is vanity, profit is sanity

Competitive markets required high technical discipline

Profitability-orientated U/W approach is key

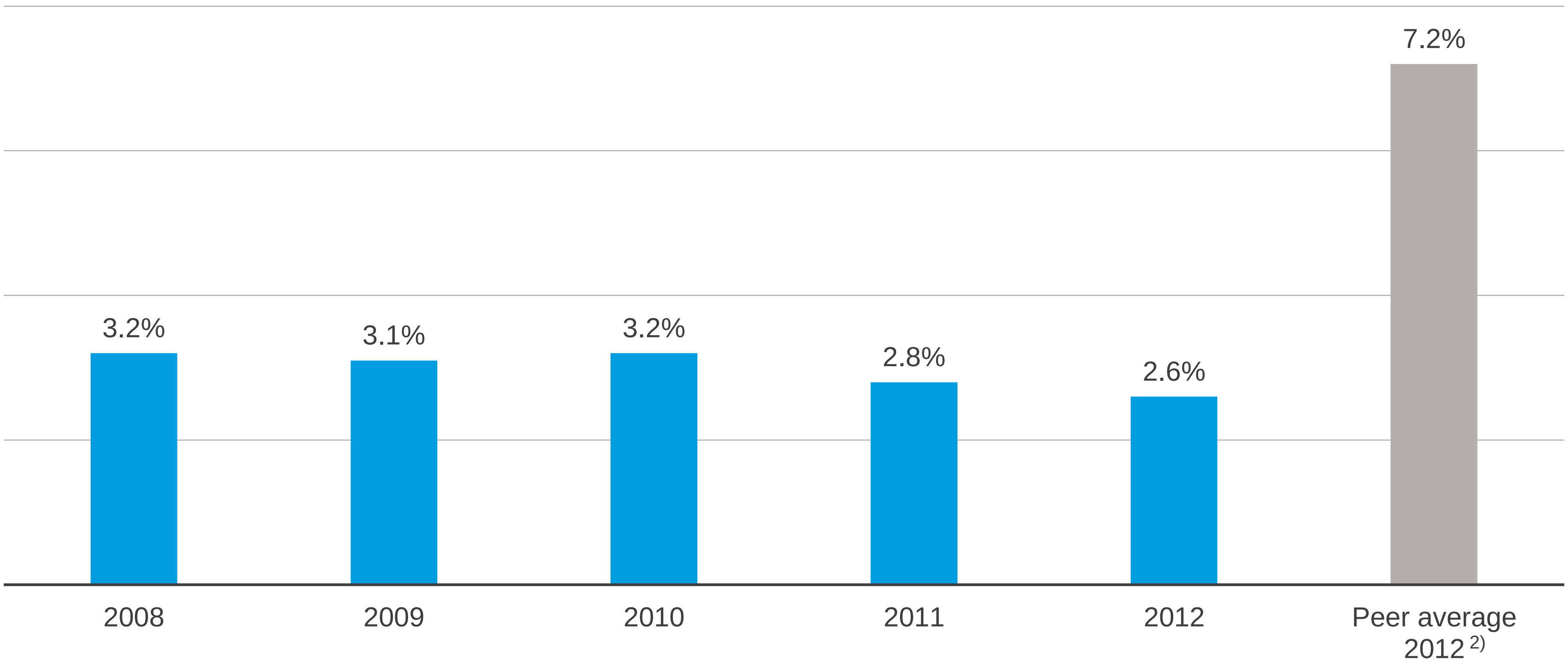
- Superior rating enabled us to sustain high-quality business mix
- We kept capital allocation unchanged and did not increase our weighting on catastrophe business
- We discontinued quite a few large treaties because of lack of expected profitability on the back of lower rates
- This was partly offset by new business as well as some underlying business growth in emerging markets and higher shares in profitable business
- Cost savings on our retro programme coupled with increased coverage
- We kept our terms and conditions largely unchanged

The quality of our book is still very good

Lower costs becoming a more important competitive advantage

Administrative costs are the lowest in the industry

Administrative expense ratio[1)]



Own calculation

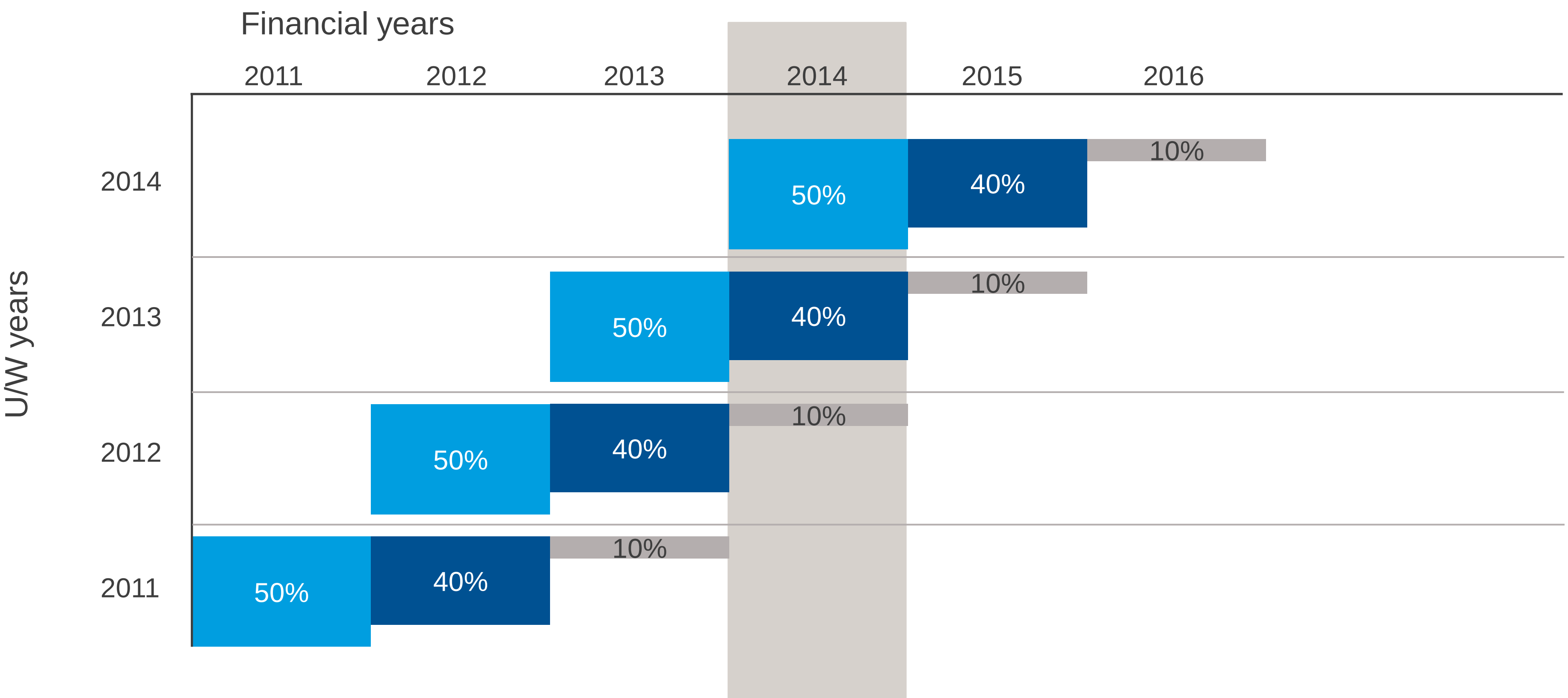
1) Administrative expenses + other technical expenses (in % of net premium earned)

2) Alleghany, Everest Re, Munich Re (reinsurance only), PartnerRe, RGA, SCOR, Swiss Re

Time lag between U/Y and financial year

2014 financial year governed by 2012, 2013 and 2014 U/Y rate quality

Premium distribution



Impact of declining rates is mitigated for 2014

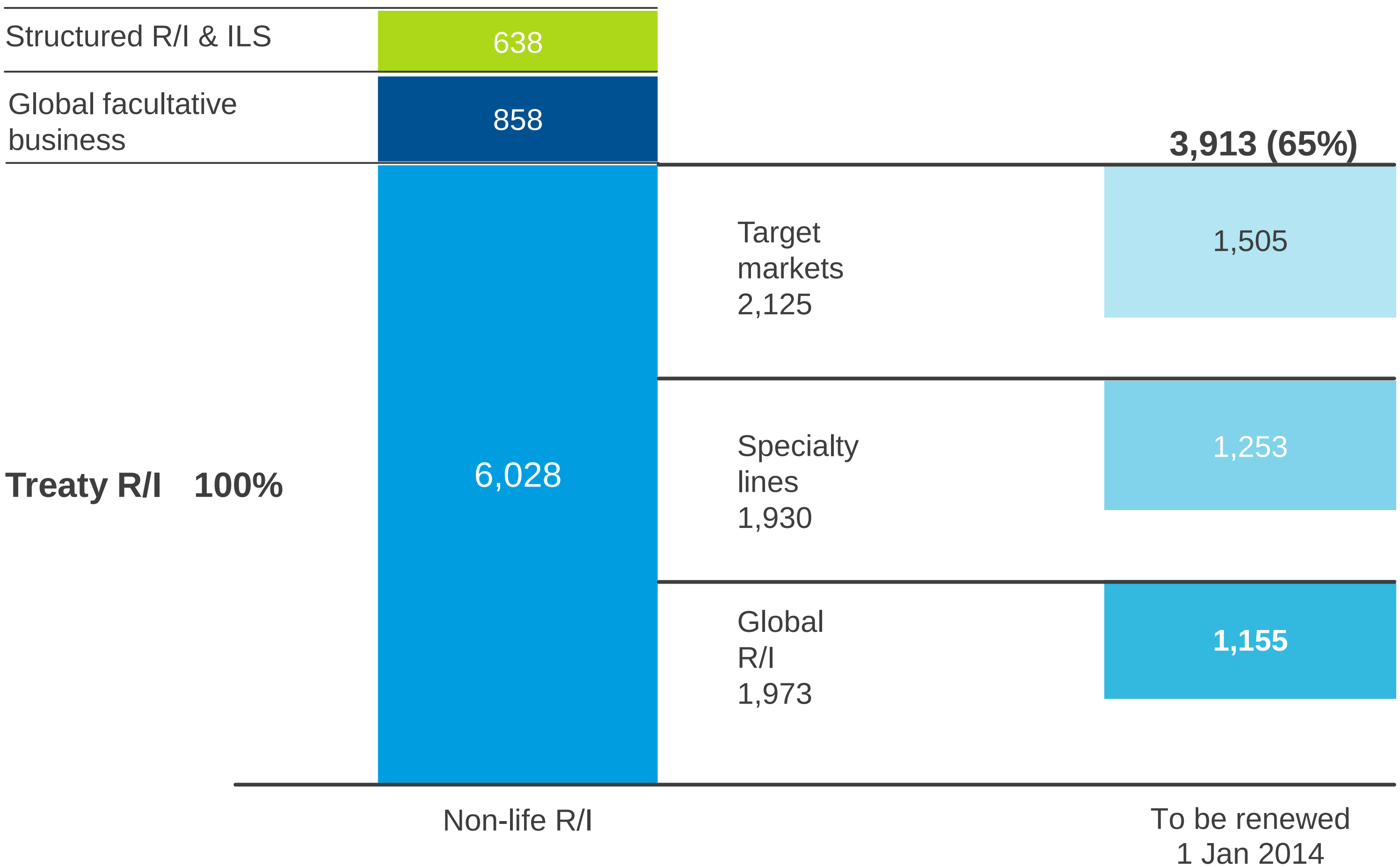
Our portfolio

65% of treaty reinsurance (R/I) renewed 1 January 2014

Equates to 52% of the total non-life premium

Estimated premium income U/Y 2013

in m. EUR



Development differs significantly by line of business

Premium volume reduced by 2%

Non-life reinsurance		1/1/2013		1/1/2014
Division	Business centre	Premium[1)]	Variance	Premium[1)]
Target markets	North America[2)]	558	+5%	584
	Germany[2)]	946	-1%	937
Specialty lines	Marine (incl. offshore energy)	172	+5%	181
	Aviation	223	-10%	200
	Credit, surety & political risks	461	-4%	441
	Structured R/I & ILS		Not reported	
	UK, London market & direct	397	-7%	368
Global R/I	Global treaty[2)]	1,008	-2%	991
	Global cat XL	147	-11%	130
	Global facultative		Not reported	
Total 1 Jan renewals		**3,913**	**-2%**	**3,832**

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

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Modest price decreases on our broadly diversified book

Realised price changes at a risk-adjusted level

Non-proportional		1/1/2013	1/1/2014	
Division	**Business centre**	**Total premium[1)]**	**Total premium[1)]**	**XL price changes**
Target markets	North America[2)]	345	337	-7.1%
	Germany[2)]	184	189	+0.6%
Specialty lines	Marine (incl. offshore energy)	110	110	+0.8%
	Aviation	39	32	-4.8%
	Credit, surety & political risks	51	46	+2.1%
	Structured R/I & ILS		Not reported	
	UK, London market & direct	97	89	-7.9%
Global R/I	Global treaty[2)]	287	274	-3.2%
	Global cat XL	147	130	-5.1%
	Global facultative		Not reported	
Total 1 Jan renewals		**1,259**	**1,207**	**-3.8%**

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

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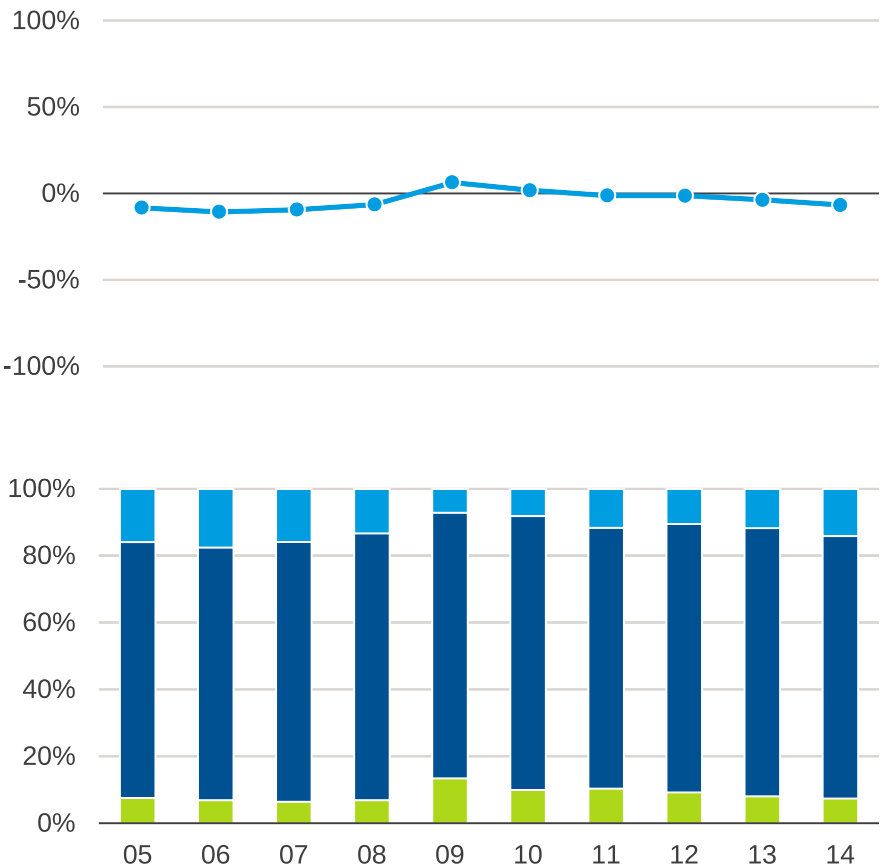
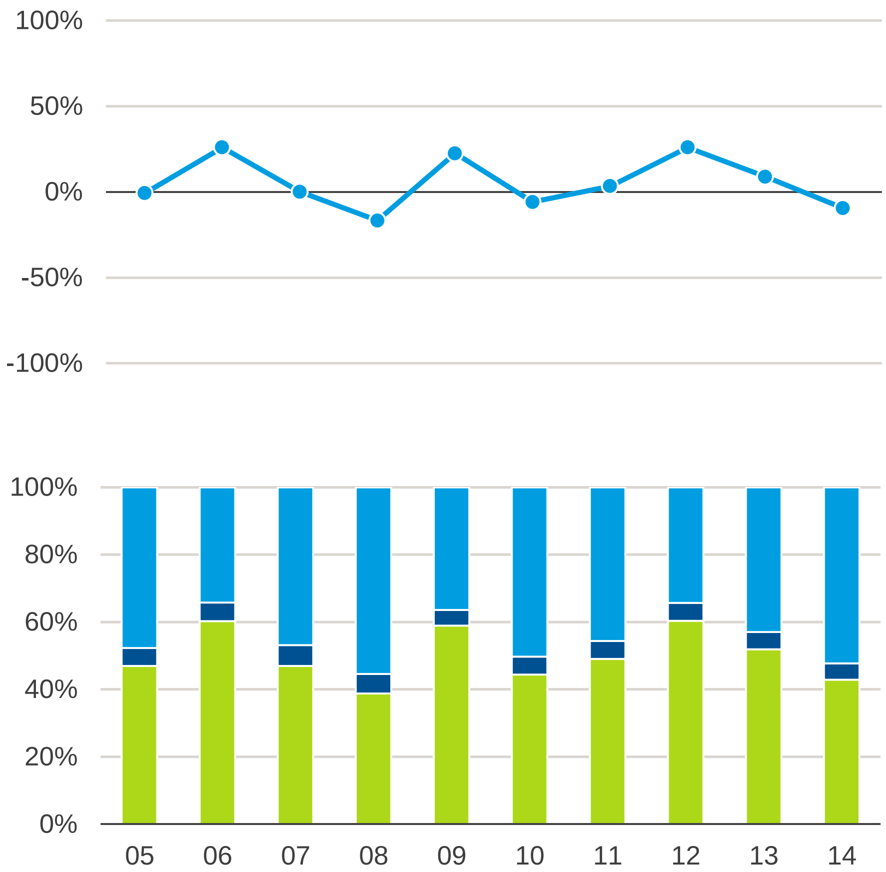
Conditions for Hannover Re remarkably stable

Proportional[1)]



Non-proportional[2)]



Net change (improvement - deterioration) Improvement Unchanged Deterioration

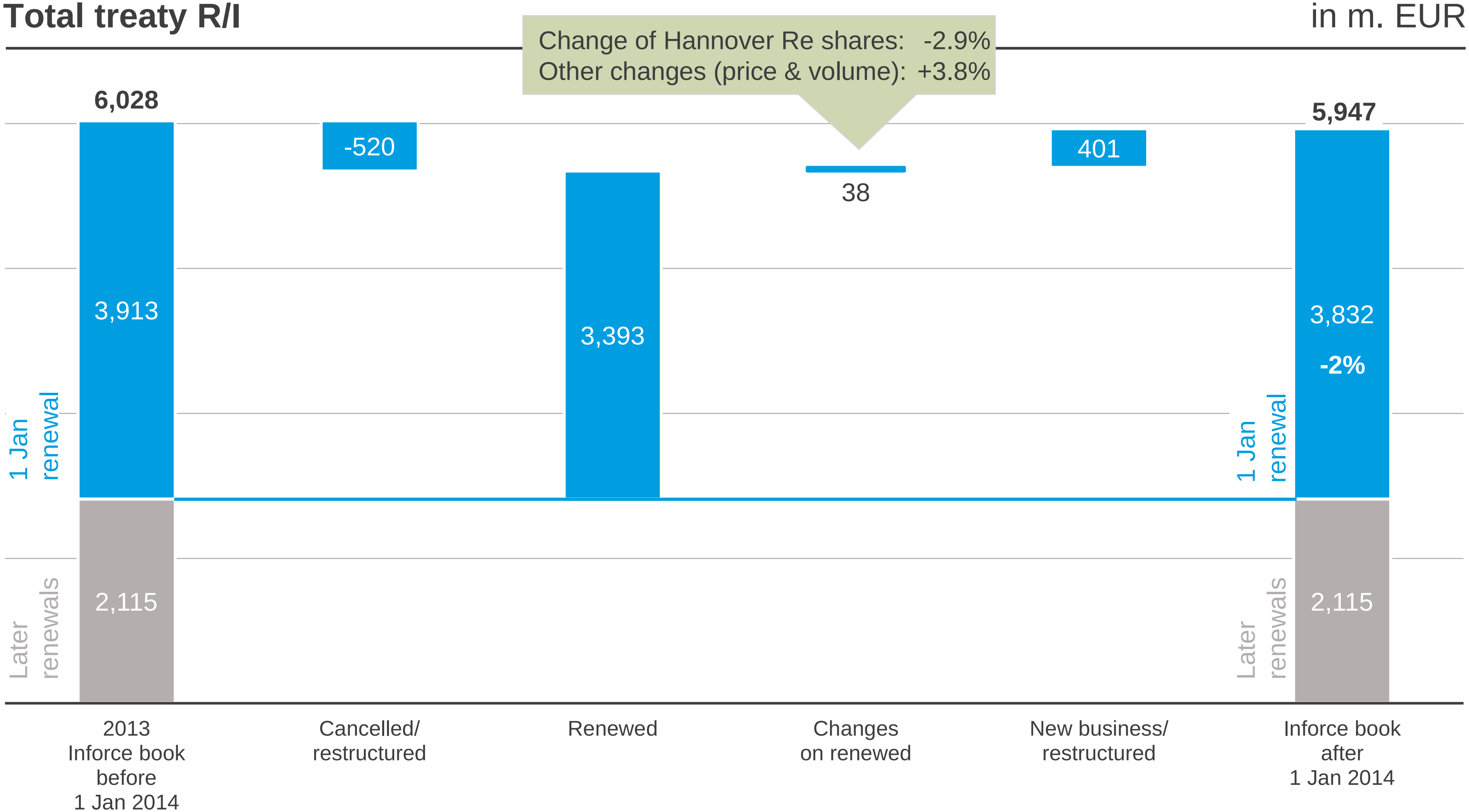
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

Selected U/W led to slight decrease in volume

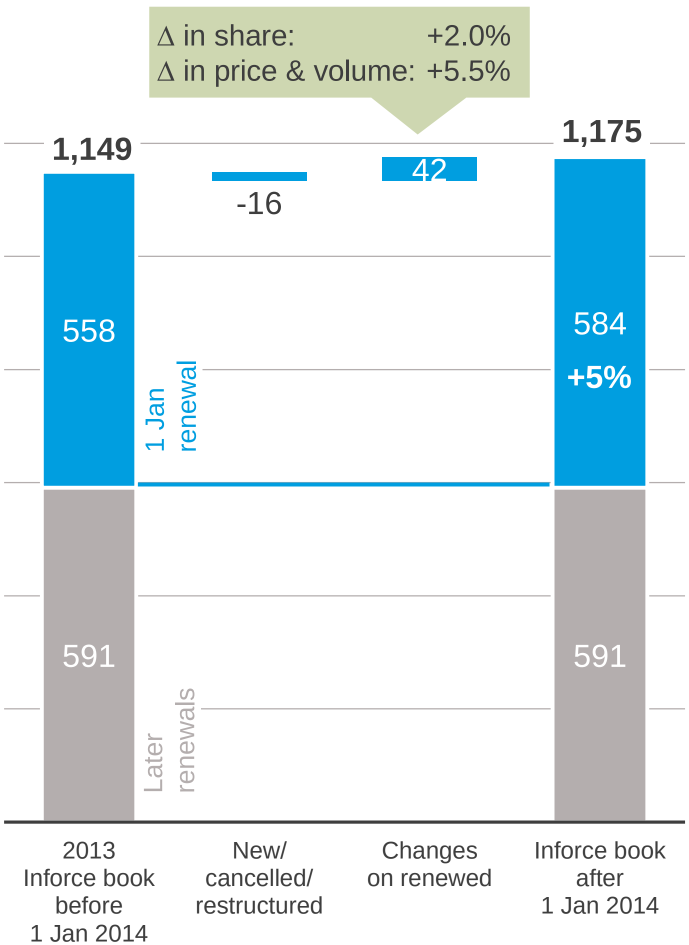
Underwriting discipline was essential

Total treaty R/I in m. EUR



Favourable underlying market conditions led to growing premium

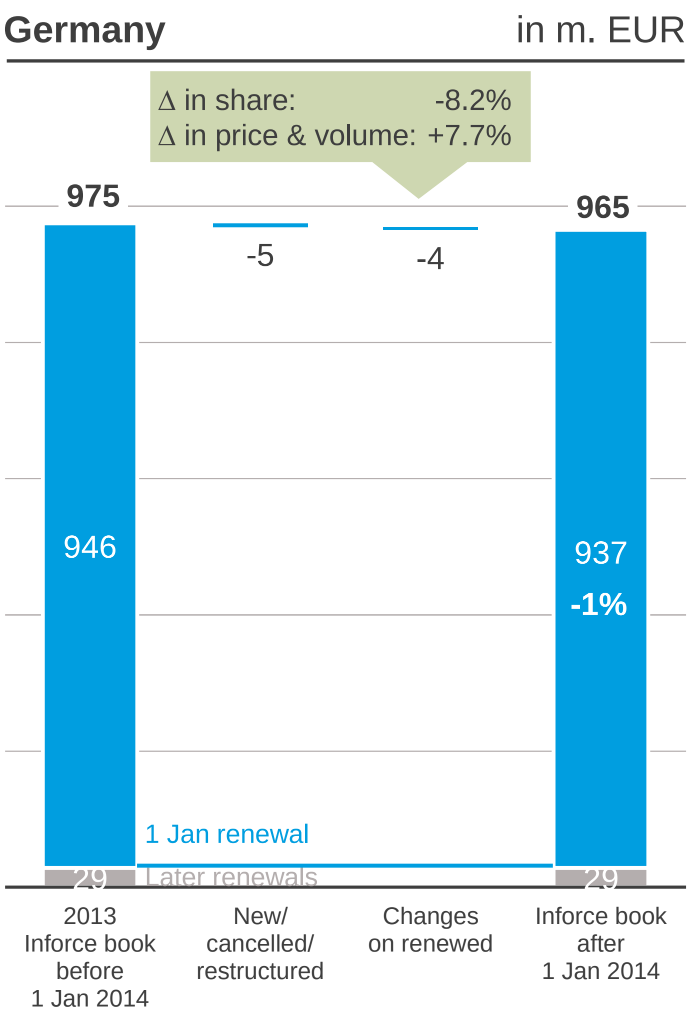
North America in m. EUR



- Some underlying premium increases because of improving US economy
- US Property: improvements in primary and pro-rata business; per-risk XL rates slightly down, but still at an adequate level
- US Casualty: stable pricing overall, but differing in LoB
  - Standard casualty: stable business at firm prices
  - Special casualty: slight decrease in reinsurance rates, primary pricing still increasing but at a lower magnitude
  - Professional liability: decreased exposure, higher commissions, and pricing under pressure in both primary and reinsurance
- US Specialty: continued strong growth in niche markets due to strategic partnerships
- Canada: significant rate increases following losses (floods Toronto/Alberta) in combination with increased retentions
  - Property: on average + 20%
  - Casualty: rates mostly unchanged

We kept our excellent position in the second largest R/I market

Stable volume at stable rates despite higher retentions of large groups

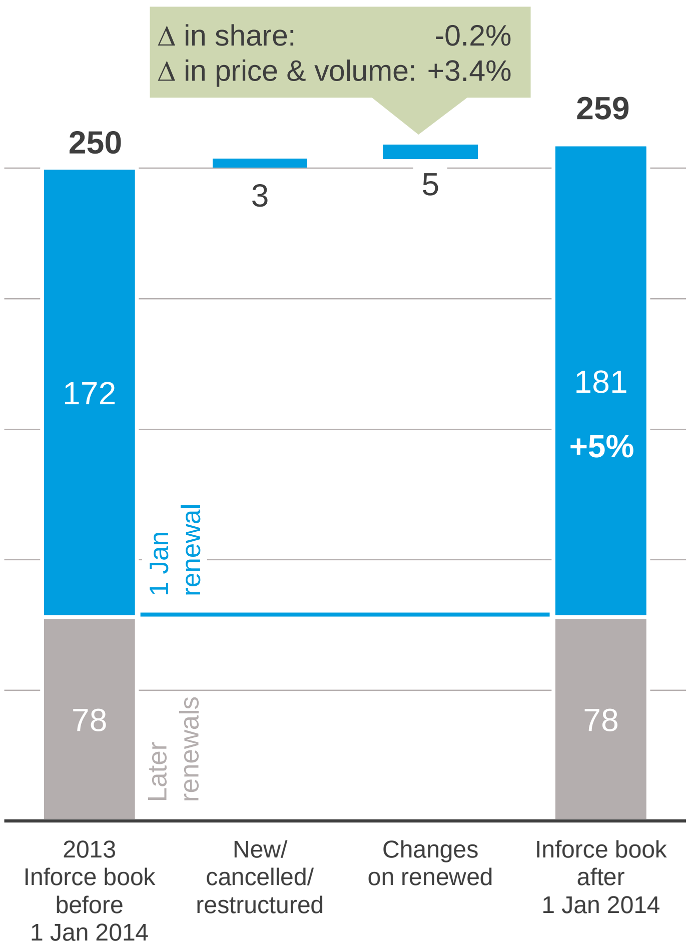


- Improvement in rates following large NatCat losses, but at a lower pace than anticipated
- Premium reduction due to higher retention of large cedents successfully absorbed by new business
- Enhanced close relationship with certain partners brought new (private) business
- Motor liability business has been very favourable again
  - Higher original rates for third consecutive year, stable commissions
  - XL rates have increased
- Premium increase in homeowners' insurance

Profitable growth (+5%) with focus on selected segments

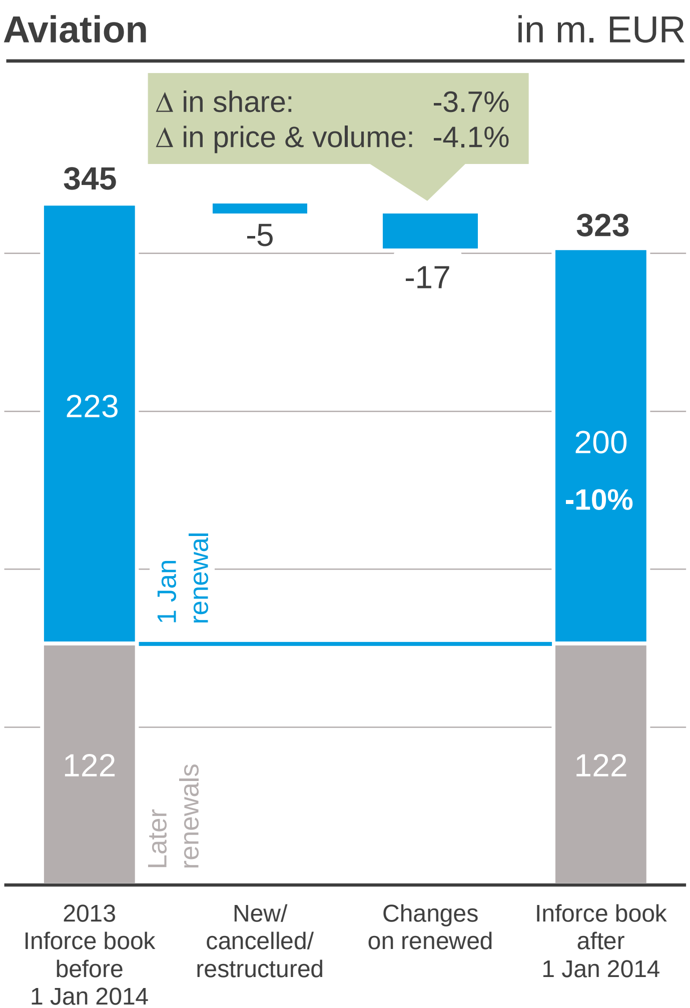
Continued to be a major market leader for marine XL

Marine (incl. offshore energy) in m. EUR



- Flattish pricing in primary insurance (cargo and hull)
- Softening offshore energy primary market with the reinsurance market still being stable
- Positive reinsurance rate development on the back of loss deterioration from Costa Concordia and Sandy, in line with expectation
- XL programmes with worldwide exposure saw rate increases in contrast to local programmes where competition led to some rate reductions
- Discontinued some programmes in Western Europe due to margin requirements

Extremely soft market

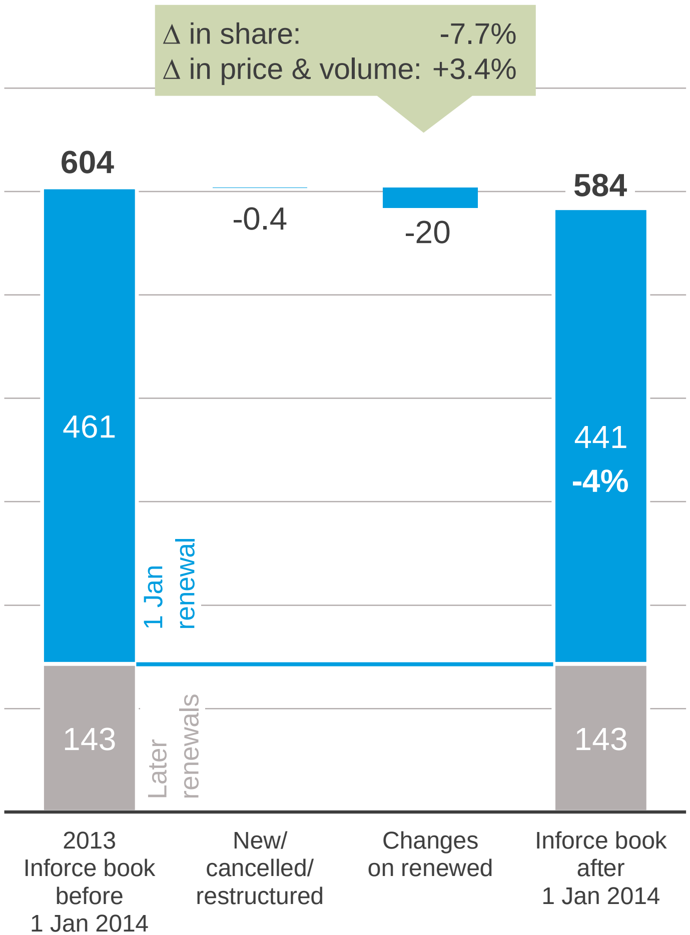


- Very low large loss experience for some years produced favourable profitability
- More selective underwriting led to reduction in volumes – reduced shares actively
- Higher net retentions carried by some clients
- Limited new opportunities in proportional airline business due to rates at historically lowest level

Maintained our position as an important lead market

Premium reduction due to lower reinsurance purchase

Credit, surety & pol. risks in m. EUR

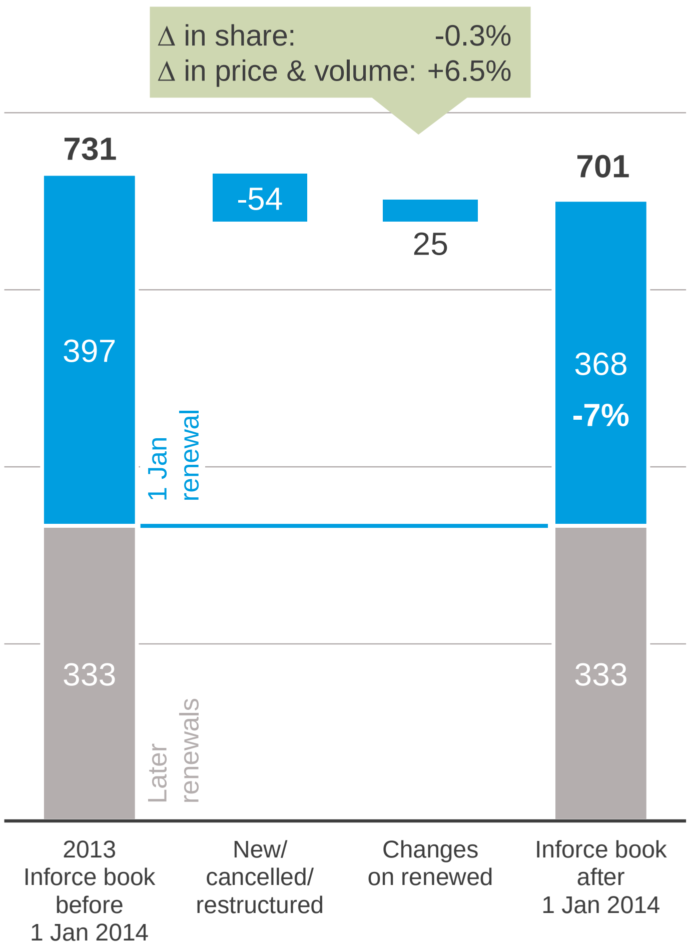


- Showing nearly 100%
- Credit
  - Strong and leading market position maintained, but less premium income due to higher retentions of major clients
- Surety
  - Renewed on most programmes with expiring shares
  - New business acquired, but overall premium slightly lower because of declining markets
- Political risks
  - Double-digit volume increase driven by underlying organic growth and additional business

Measures taken show our selective underwriting approach

Profitability of the book has been strengthened

UK, London market & direct in m. EUR



- Discontinuation of larger proportional accounts (particularly in motor) due to insufficient profitability
- Higher retentions and abundance of reinsurance capacities
- Strong rate increase in UK motor XL for the third consecutive year
- Expanded participation in reinsurance on selected larger client relationships

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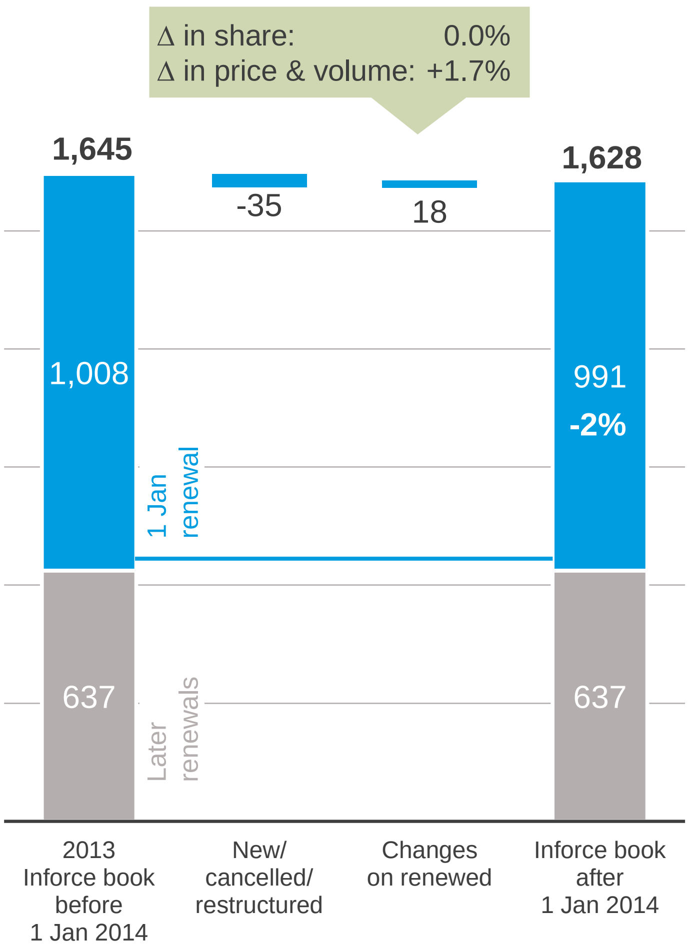
Largely stable volume in heterogeneous markets

Large volume will be renewed later

Global treaty in m. EUR



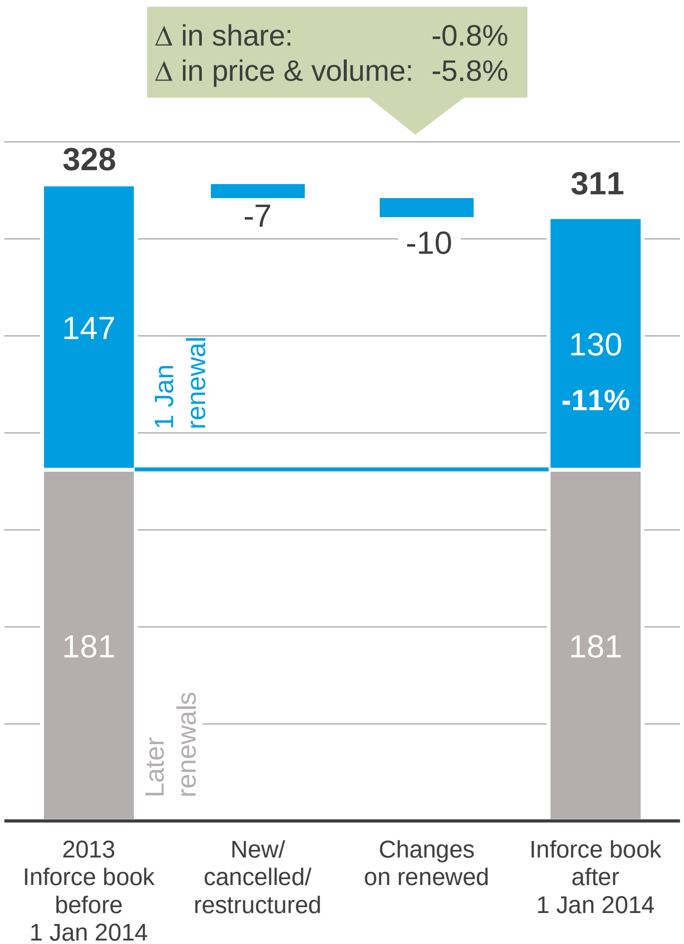
* According to MSCI index

- Mature markets show reduced volume in all
  - Sufficient supply of capacity led to fierce competition
  - Spain/Portugal: original volume decrease due to weak macro-economic development
  - Australia: active cycle management in a softening market
  - Nordic countries: kept volume nearly stable due to increase in lead positions
- Emerging markets* show strong continued growth
  - Asia: increased participations in profitable prop. business enables us to participate in underlying growth
  - Thailand: due to our superior market standing we benefited from new business of our clients
  - CEE/CIS: double-digit premium growth at sufficient margins
  - Latin America: slight premium increase fuelled by new business in Brazil and Mexico

Global softening of reinsurance rates

Alternative capital accelerated rate reductions

Global catastrophe XL in m. EUR



- Excellent rating limited further premium decrease from competitive pressure
- Positive rate development in loss-affected programmes, e.g. Canada, Germany, were more than offset by rate reductions mainly in the US
- US
  - Loss-free programmes -10% to -25%
  - Loss-affected programmes flat to +10%
- No significant loss of shares to alternative capital provider observed
- Strict adherence to technical underwriting approach

Outlook

Financial-year figures

Overall largely stable portfolio with continued good quality

Development of non-life reinsurance lines of business (FY 2014e)

	Lines of business	Volume[1)]	Profitability[2)]
Target markets	North America[3)]	↗	+
	Germany[3)]	→	+/-
Specialty lines	Marine (incl. energy)	↗	++
	Aviation	↘	+/-
	Credit, surety & political risks	↘	+
	Structured R/I & ILS	↗	+/-
	UK, London market & direct	↘	+/-
Global R/I	Global treaty[3)]	→	+
	Global cat XL	↘	+
	Global facultative	↗	+

1) Premium development in EUR at unchanged f/x rates
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 2014

Major loss budget of EUR 670 m.

Hannover Re Group

- Gross written premium[1)] ____ flat to low single-digit growth rate
- Return on investment[2)] ____ ~ 3.2%
- Group net income[3)] ____ ~ EUR 850 m.
- Dividend pay-out ratio[4)] ____ 35% - 40%

1) At unchanged f/x rates
2) Excluding effects from derivatives (ModCo/inflation swaps)
3) Subject to no major distortions in capital markets and/or major losses in 2014 not exceeding approx. EUR 670 m.
4) Related to group net income according to IFRS

Rationale for the 2014 profit guidance

Net income ~ EUR 850 m.

- We expect that our life and health result will improve significantly
- Further strengthening of the confidence level of our non-life reserves may be limited due to IFRS accounting constraints → positive effect on C/R
- Quality of 2014 underwriting-year book is good because of our stringent underwriting approach
- Less spending on retro at increased coverage
- Deteriorating Return on Investment will be partly compensated by returns from increased investment volume emanating from further positive cashflow → almost stable absolute NII

Subject to no major distortions in capital markets and/or major losses in 2014 not exceeding approx. EUR 670 m.

We are confident to achieve the guidance

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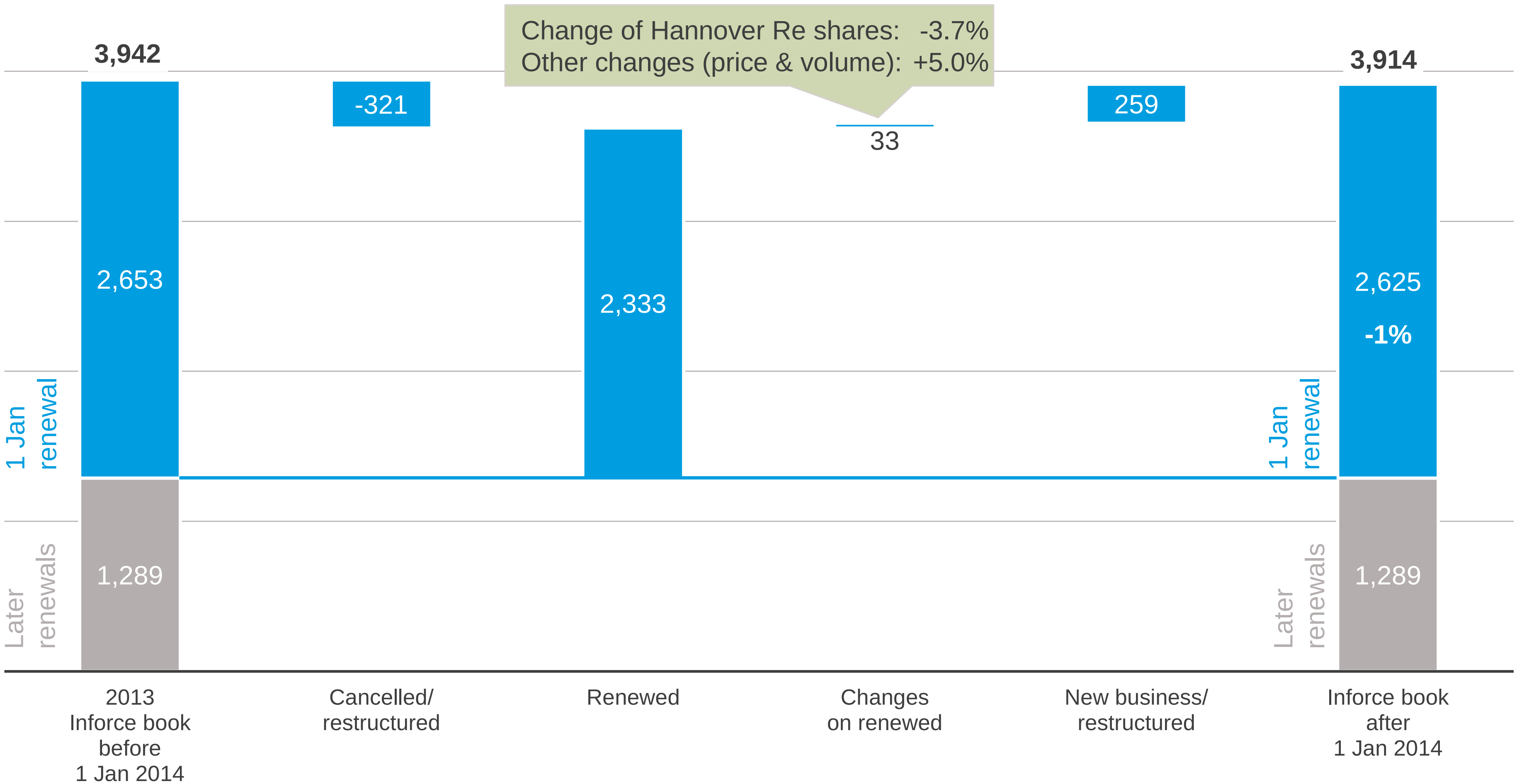
Appendix

Non-renewal of some large treaties with marginal profitability

Treaty R/I - proportional

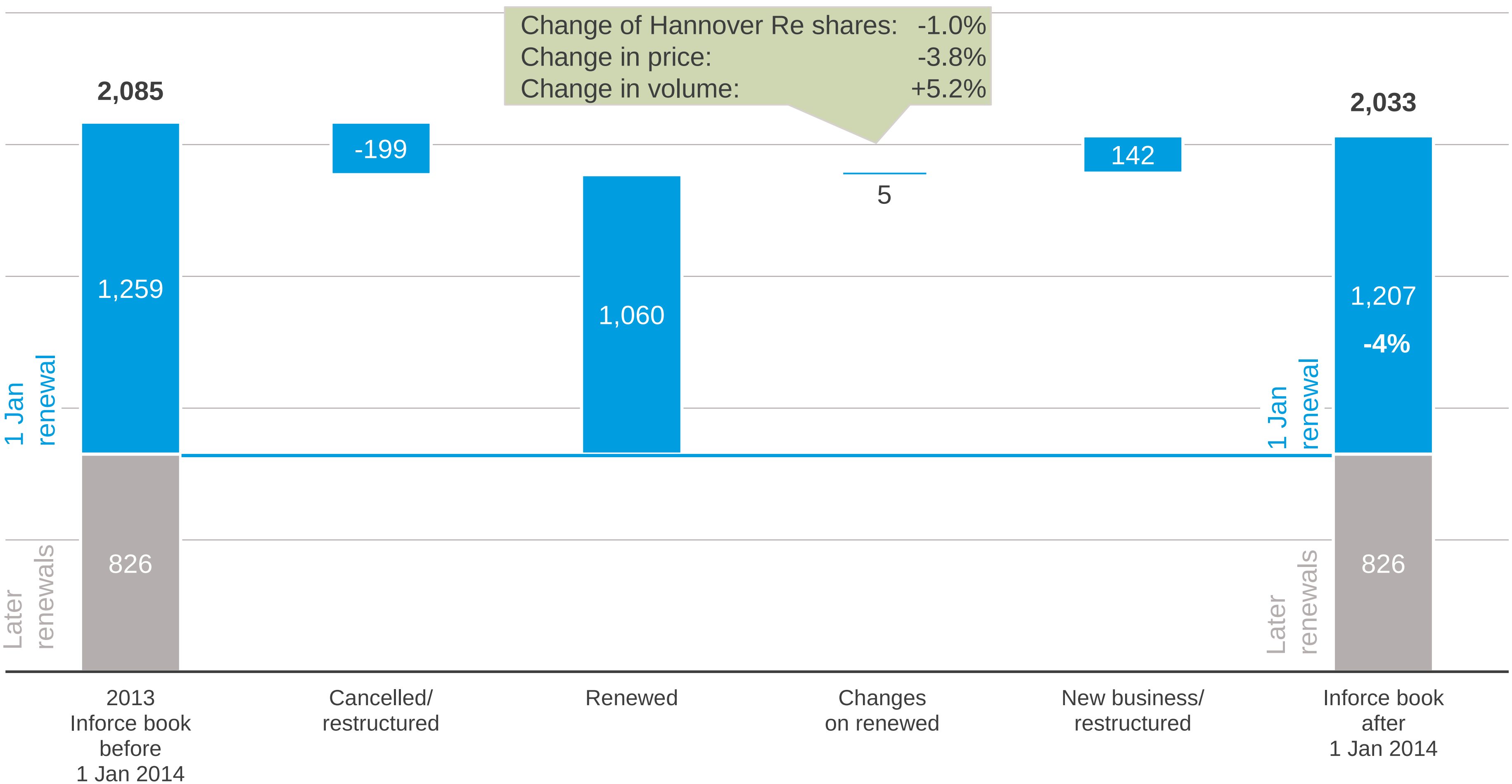
in m. EUR



Volume decrease in line with rate development

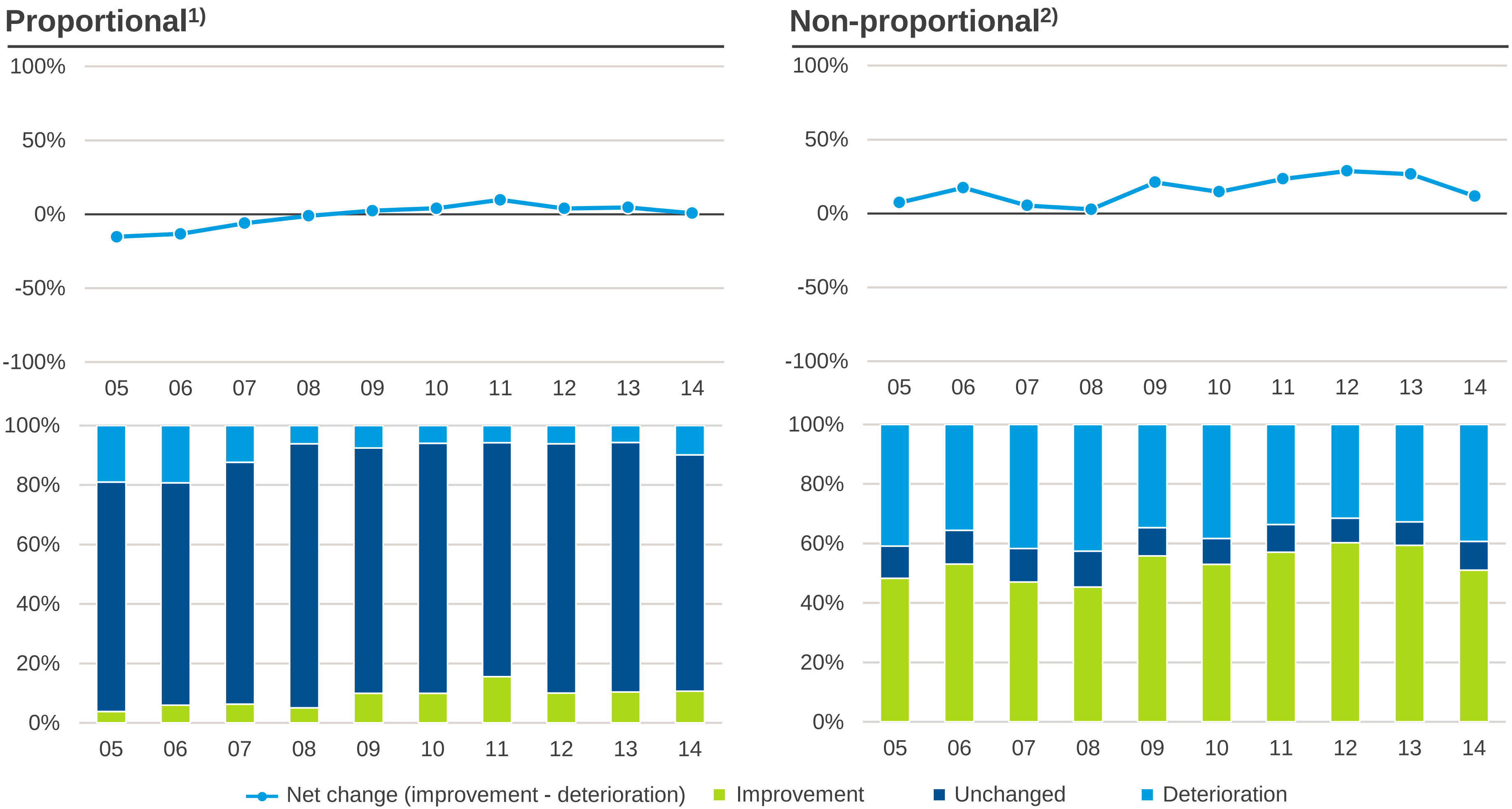
Treaty R/I - non-proportional

in m. EUR



Improvement in non-proportional business

Germany



1) Comparison of commission

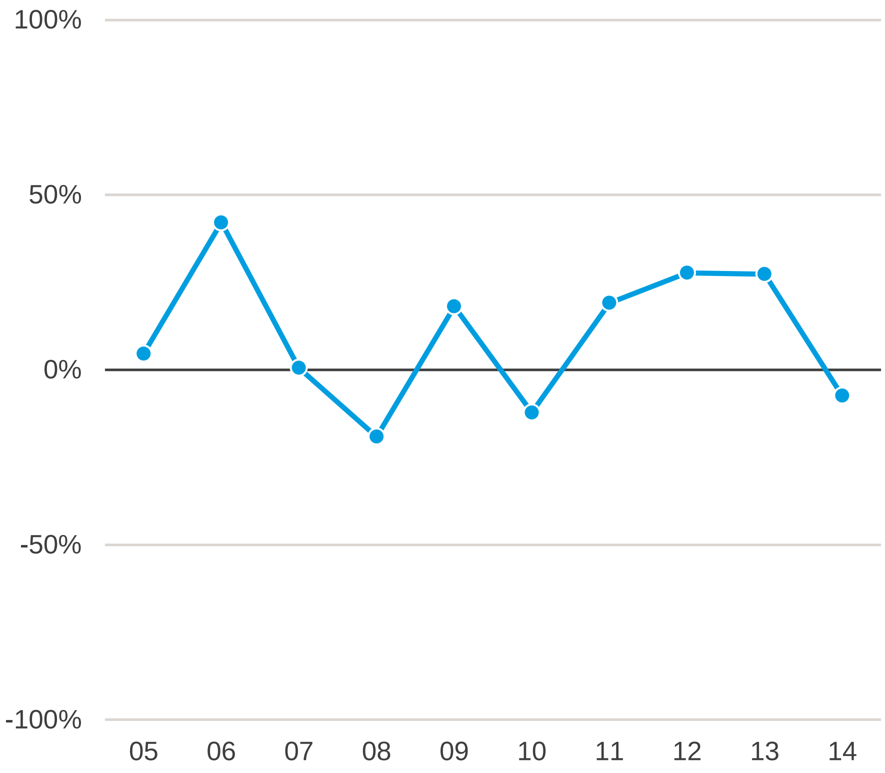
2) Comparison of Rate on Line (RoL)

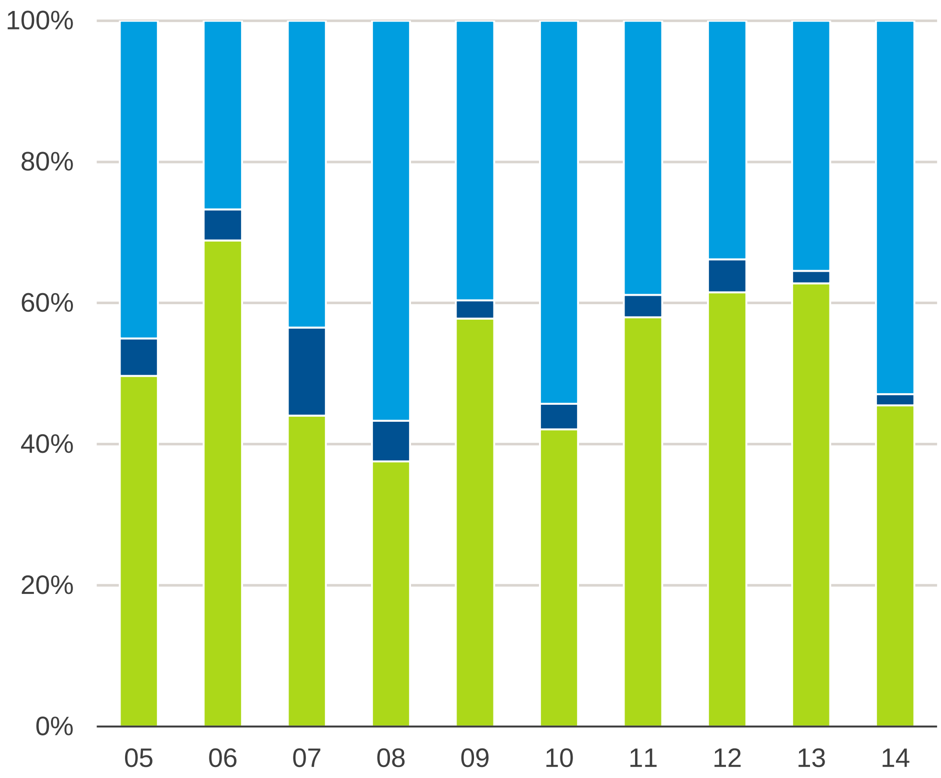
Heterogeneous rate development in different markets

Marine (incl. offshore energy)

Non-proportional

Comparison of Rate on Line (RoL)





Net change (improvement - deterioration) Improvement Unchanged Deterioration

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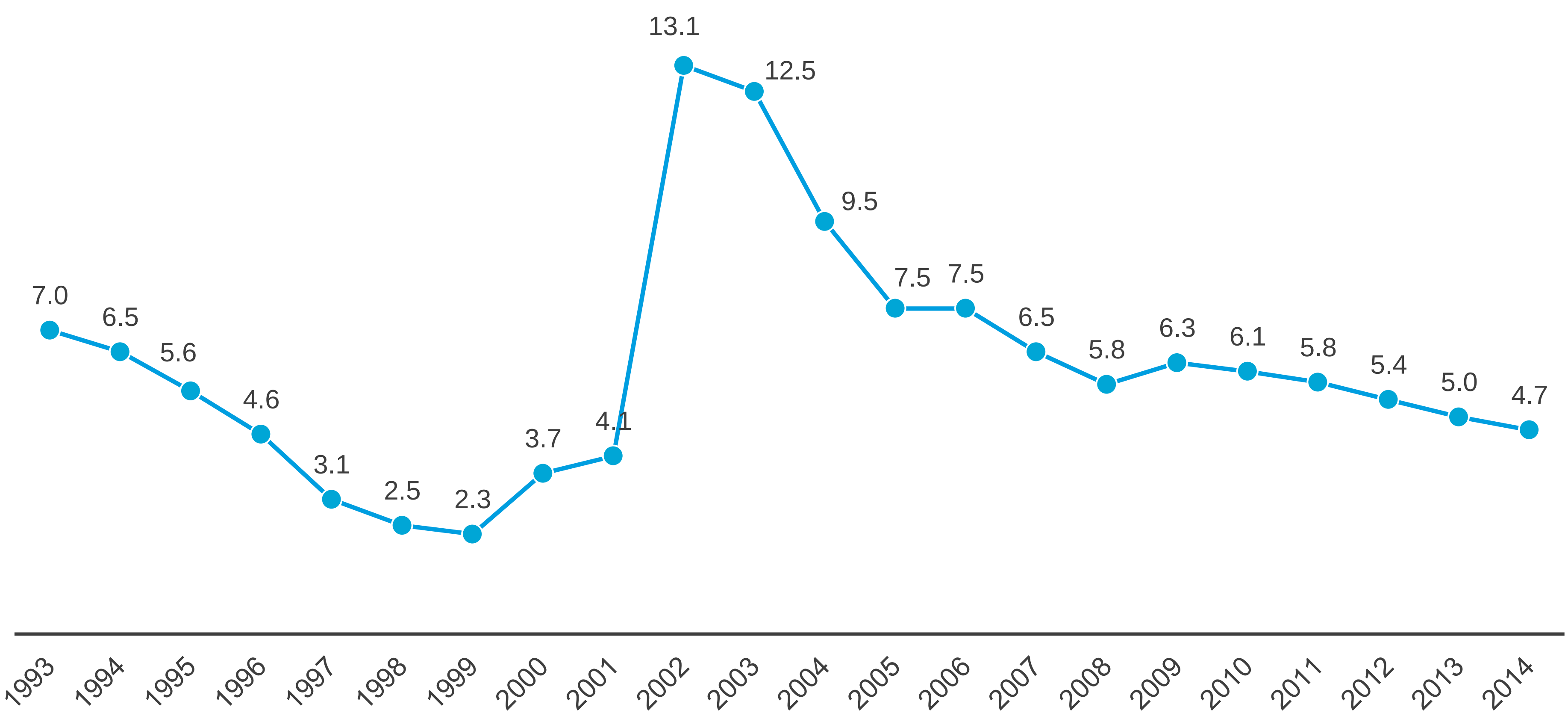
Further rate deterioration

Aviation RoL index

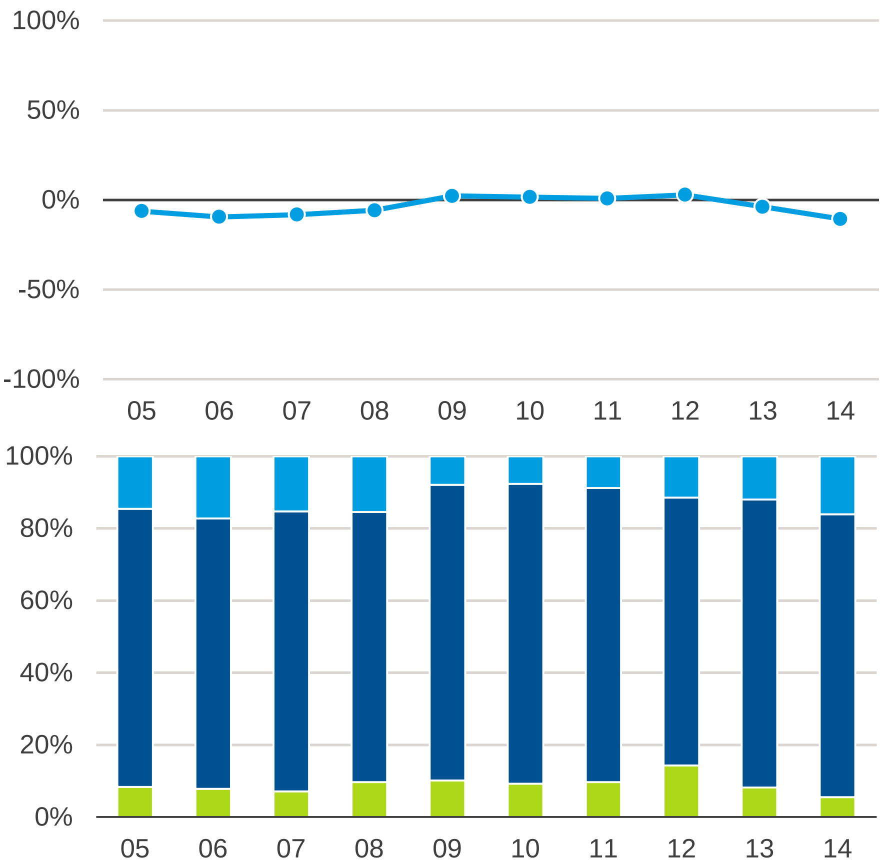
in %



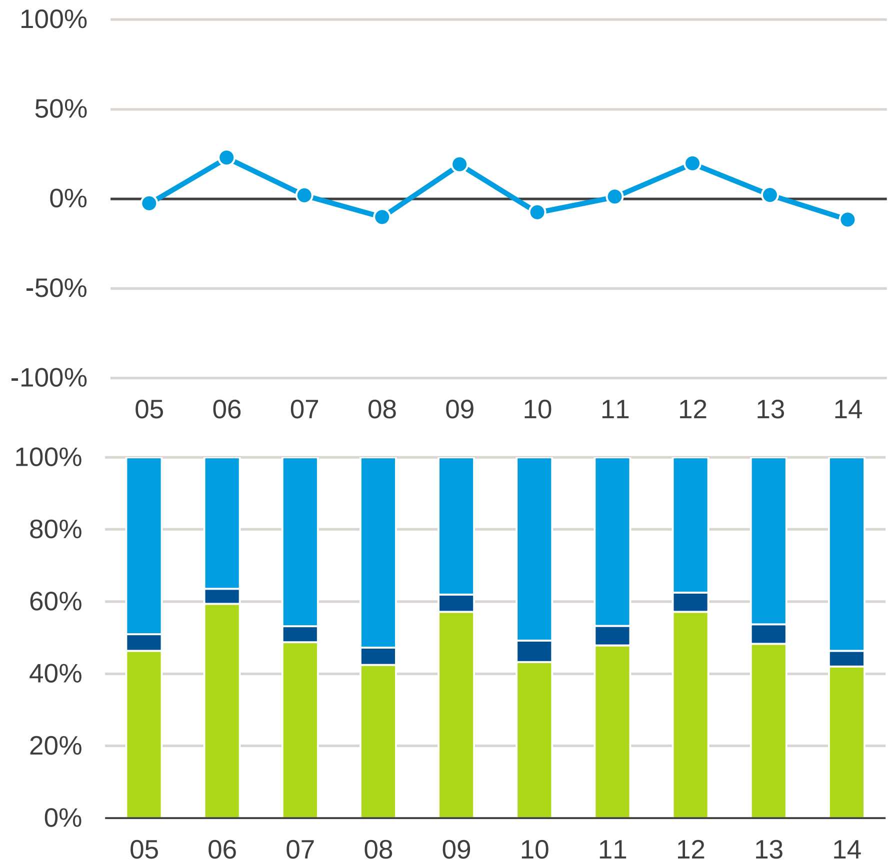
Assessment of market developments derived from the Hannover Re Aviation account
Based on known non-proportional layers fully or substantially exposed to a market loss above USD 500 m.

Satisfactory development
Global treaty

Proportional[1)]



Non-proportional[2)]



1) Comparison of commission

2) Comparison of Rate on Line (RoL)

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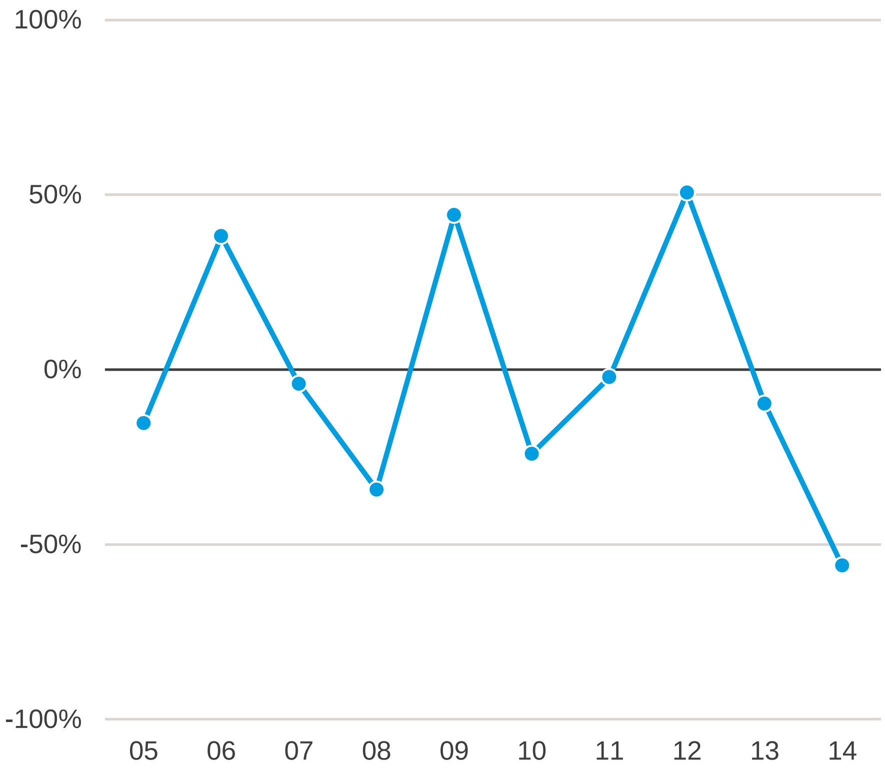
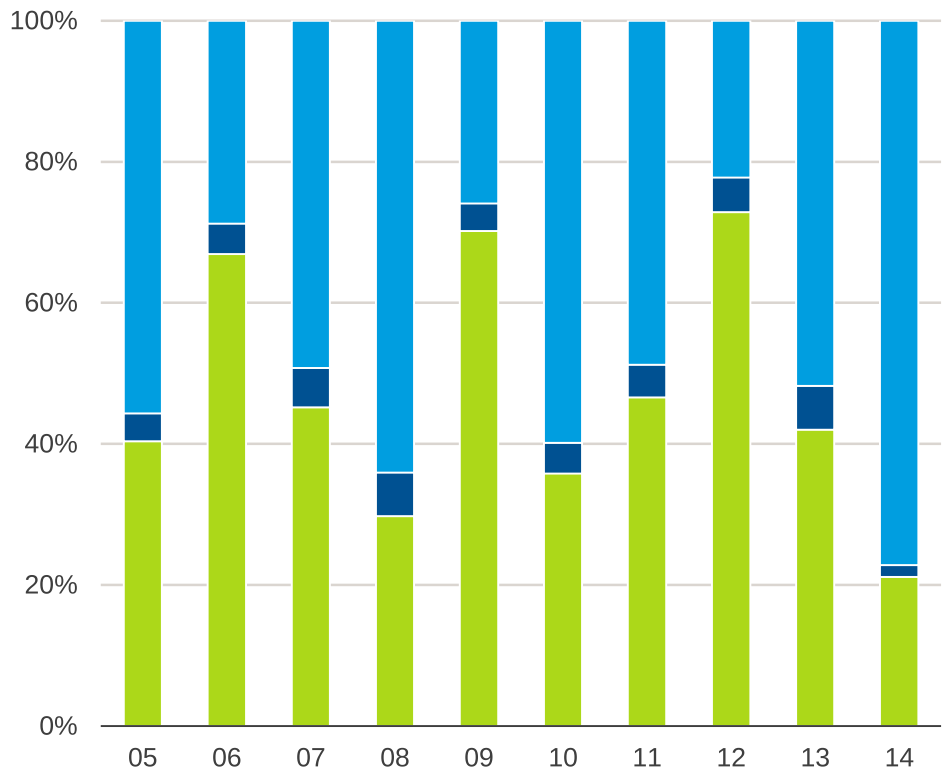
RoL reflects benign NatCat loss year & new capital sources

Global catastrophe XL

Comparison of Rate on Line (RoL)





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

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