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# Conference Call on 1 January 2023 P&C Treaty Renewals

8 February 2023

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Sven Althoff, Member of the Executive Board – Property & Casualty

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## Important note

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- 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 mainly reflects the developments in Hannover Re's Property & Casualty reinsurance portfolio, which may not be indicative of the market development.
- Premium developments are measured at constant foreign exchange rates as at 31 December 2022 and include cedents' and Hannover Re's expectation.
- Internal pricing models include changes in risk-adjusted exposure and interest rates as well as assumption changes for claims inflation.
- Reported risk-adjusted price change includes changes in risk-adjusted exposure and claims inflation. Improvements in T&C are not fully reflected, changes in interest rates are not reflected in price change.

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**Reinsurance markets**

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# Reinsurance market shifted gears up in 1 Jan 2023 renewals

## Strongest price momentum since 2005

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- **Imbalance** of reinsurance **supply and demand** led to significant upward pressure on reinsurance prices and terms
  - Strong demand due to **inflation and elevated NatCat exposure**
  - **Decline in available** market capacity:
    - Less capital allocated to property reinsurance
    - Interest rate increases driving down deployable capital
    - Only **marginal capital inflows** into ILS markets due to trapped capital and alternative return opportunities
    - Tighter retrocession markets
  - **Increasing profitability** requirements driven by higher loss activity in recent years
- Strong reinsurance **price increase across multiple lines** of business
  - Highest rate increases in NatCat exposed business, per risk and some specialty classes
  - Moderate price momentum in casualty reinsurance
  - Price increases in reinsurance significantly outgrowing primary markets
- **T&C firmed significantly**: higher retentions, more risk-mitigating features like AAD, significantly less supply for aggregate protections, more restrictions in underlying coverage

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**Our results**

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# Hannover Re's risk-return profile improved considerably (1)

## Increased retrocession capacity reduces volatility of future earnings

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### Successful renewal

... supported by superior financial strength, favourable market positioning and long-standing customer relationships

### Expansion of retro coverage

... for NatCat and cyber exposure as price increases in reinsurance markets attracted long-term partners

### Volume development impacted by

- disciplined underwriting and portfolio steering
- shifting towards non-proportional reinsurance
- portfolio pruning of least performing treaties



# Hannover Re's risk-return profile improved considerably (2)

## Terms & Conditions tightening leads to durable improvement of portfolio quality

### Quality of P&C portfolio improved substantially

- Price increases combined with T&C tightening
- Improving terms and conditions – not fully reflected in risk-adjustments (i.e. higher retentions, annual aggregate deductibles, result-dependent conditions, limitation of coverage, change in reinstatement provisions)

### Improved pricing across highly diversified portfolio

- Non-proportional business rates increased significantly
- Broader-based price correction beyond NatCat
- Less pronounced increases in long-tail classes due to a more attractive interest rate environment
- Stable to improving commission levels for proportional business in a less dynamic insurance pricing environment



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Our portfolio

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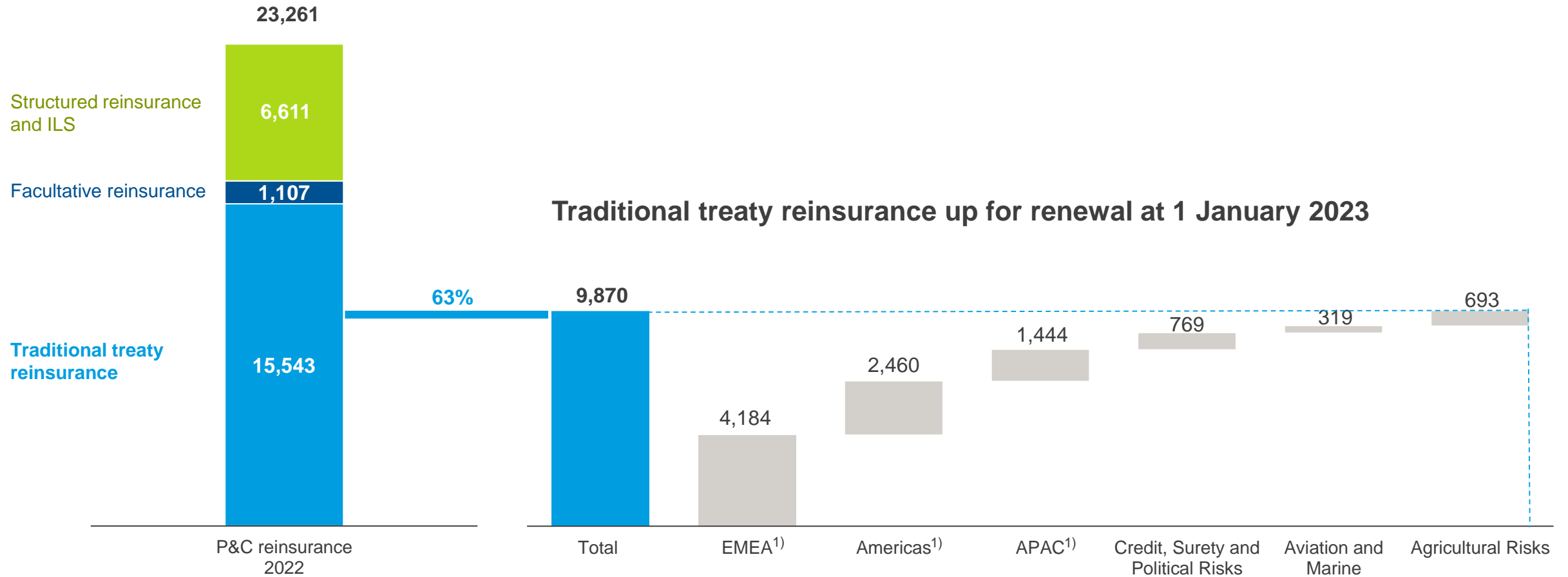
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# 63% of traditional treaty reinsurance up for renewal at 1 January 2023

## Equates to 42% of the total P&C inforce premium

Estimated premium income U/Y by reporting lines



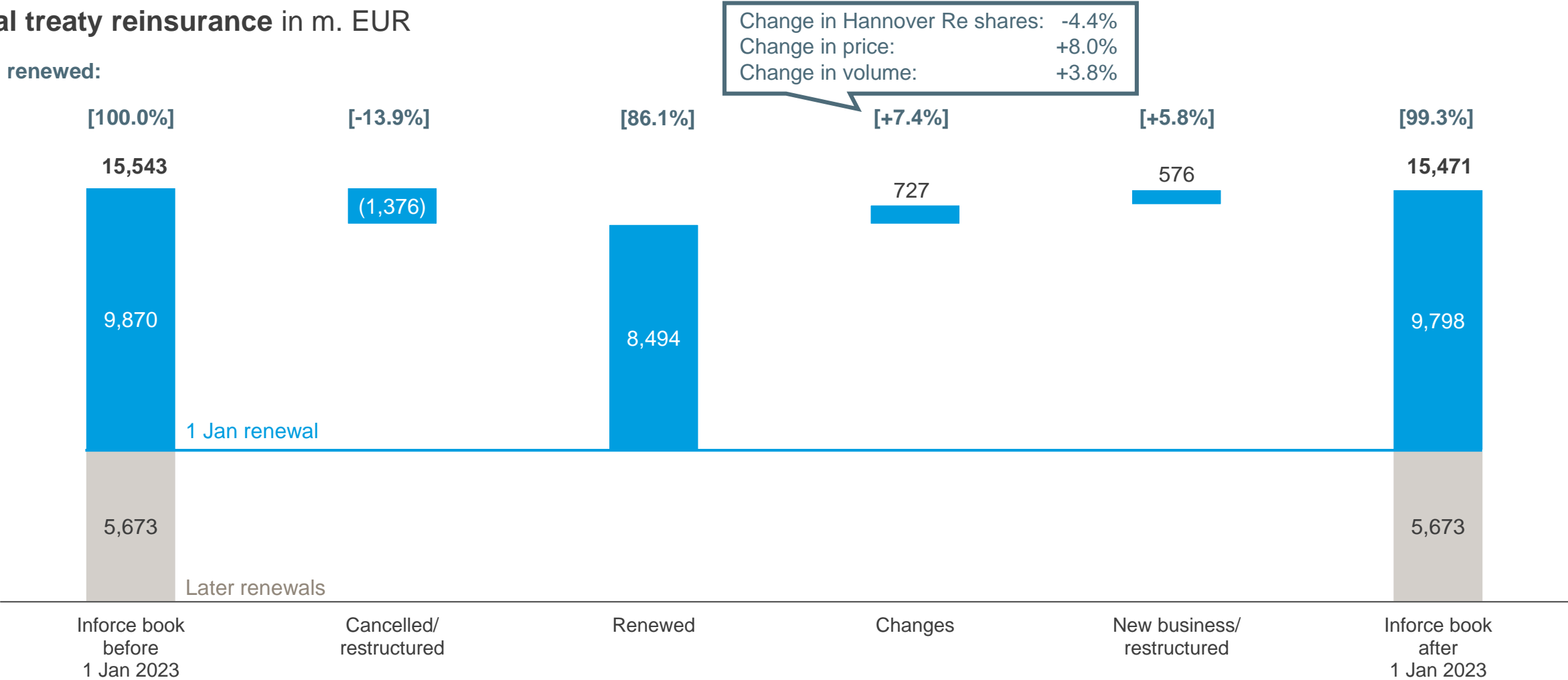
All figures in m. EUR

1) All lines of business except those stated separately

# Portfolio enhanced significantly in quality and pricing

Total treaty reinsurance in m. EUR

% on renewed:



# Increase of overall prices by +8.0% across all reporting lines

Structural terms & conditions improvements are underestimated in price changes

Reporting lines	Traditional treaty reinsurance			
	Premium 1/1/2022	Premium 1/1/2023	Premium changes	Price changes
EMEA <sup>1)</sup>	4,184	4,288	+2.5%	+7.2%
Americas <sup>1)</sup>	2,460	2,625	+6.7%	+12.9%
APAC <sup>1)</sup>	1,444	1,131	-21.6%	+4.5%
Credit, Surety and Political risks	769	759	-1.3%	+3.7%
Aviation and Marine	319	312	-2.1%	+17.2%
Agricultural Risks	693	682	-1.6%	+3.2%
<b>Total 1 January renewals</b>	<b>9,870</b>	<b>9,798</b>	<b>-0.7%</b>	<b>+8.0%</b>

Premium estimates in m. EUR

1) All lines of business except those stated separately (excl. Structured R/I and ILS as well as Facultative R/I)

# Very strong non-proportional renewal in property and some specialty lines

## Disciplined underwriting in proportional as primary rates increased less strongly

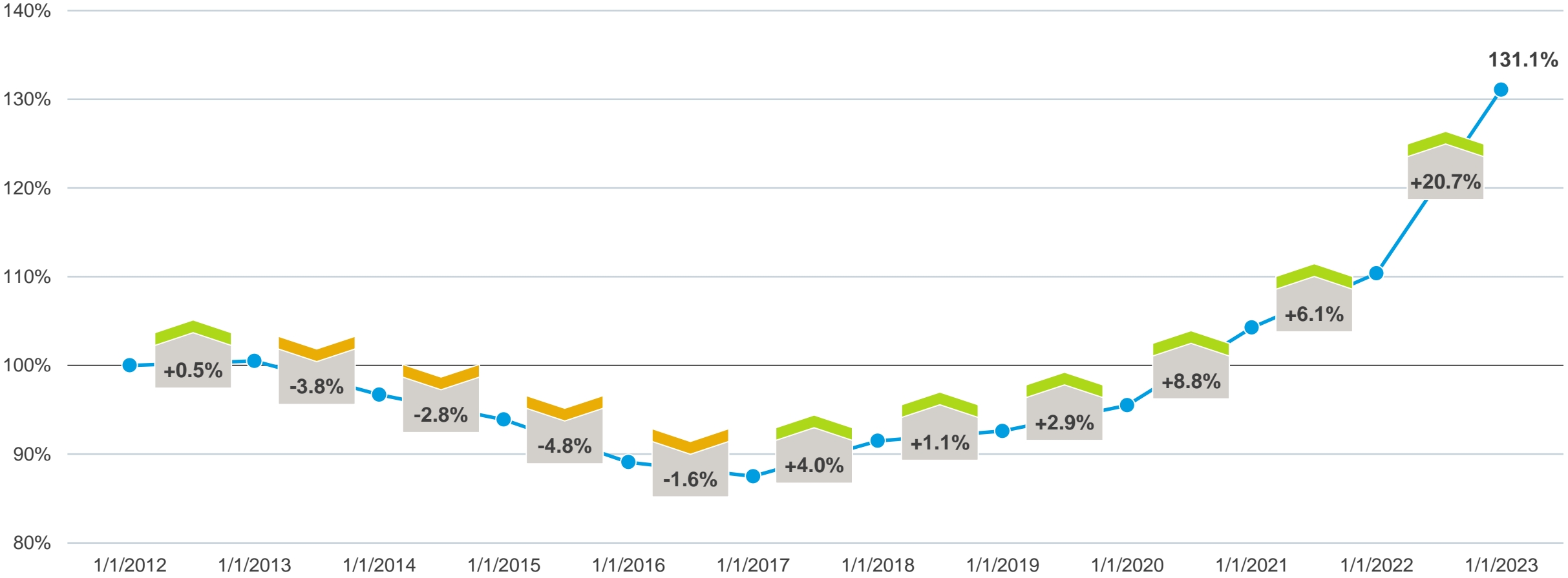
Reporting lines	Proportional			Non-proportional		
	Premium 1/1/2023	Premium changes	Price changes	Premium 1/1/2023	Premium changes	Price changes
EMEA <sup>1)</sup>	3,091	-4.7%	+2.8%	1,197	+27.2%	+22.3%
Americas <sup>1)</sup>	1,111	-9.2%	+4.5%	1,514	+22.5%	+21.3%
APAC <sup>1)</sup>	966	-27.6%	+3.6%	165	+52.3%	+15.0%
Credit, Surety and Political risks	622	-4.5%	+2.6%	137	+16.4%	+9.9%
Aviation and Marine	206	+19.5%	+11.8%	106	-27.5%	+23.5%
Agricultural Risks	639	+0.2%	+2.9%	44	-21.4%	+6.6%
<b>Total 1 January renewals</b>	<b>6,636</b>	<b>-8.7%</b>	<b>+3.4%</b>	<b>3,162</b>	<b>+21.4%</b>	<b>+20.7%</b>

Premium estimates in m. EUR

1) All lines of business except those stated separately (excl. Structured R/I and ILS as well as Facultative R/I)

# Sixth consecutive year with price increases in Hannover Re's XL portfolio

## Non-proportional (XL) price changes at 1 January renewals

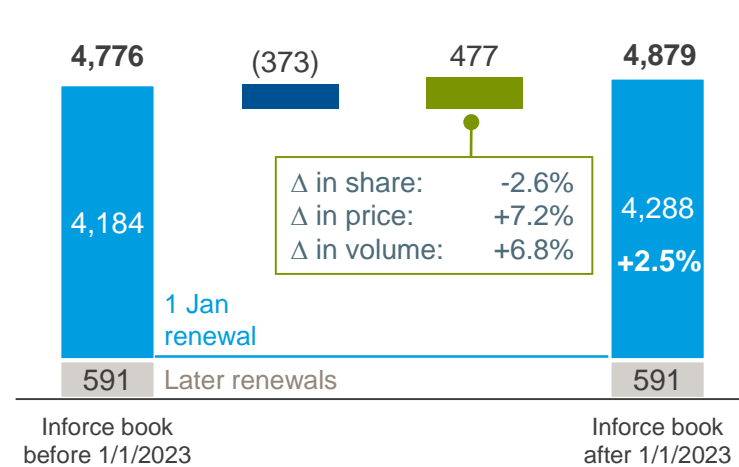


As reported in the February renewal calls

# Strong price momentum achieved in all regions

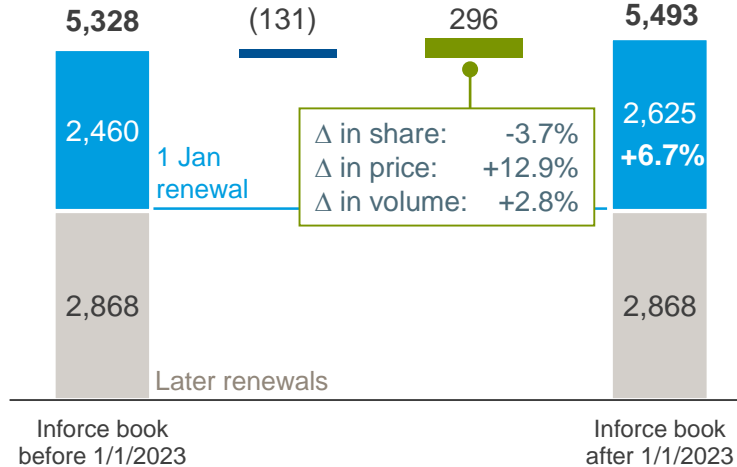
## ... most pronounced in the Americas and EMEA

### EMEA



- Significant price increases in European Cat programmes, most notably for loss-affected business in Germany and France
- Overall increase in volume despite cancellation of large proportional treaties
- Germany and France: profitability expectation of the portfolio clearly improved
- Renewed proportional Cyber written at improved terms and conditions

### Americas



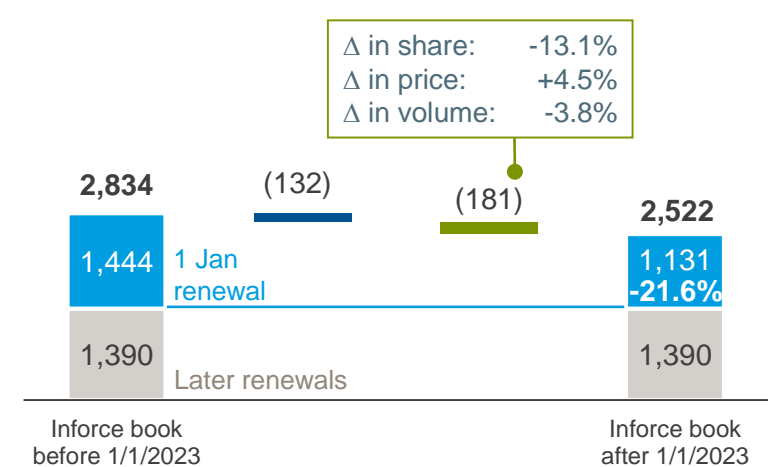
#### North America:

- Property: most significant rate increases in total portfolio, volume growth less pronounced due to higher retentions
- Casualty: moderate rate increases
- Rate increases in non-proportional compensate volume effect due to substantial shift to non-proportional

#### Latin America:

- Overall stable portfolio at improved profitability
- Majority of business renews later

### APAC

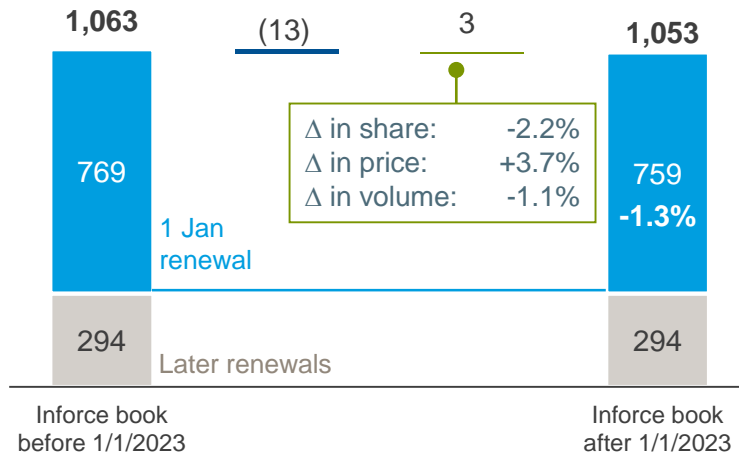


- Reduced participation or cancelled proportional treaties not meeting our requirements on rates or exclusions
- Improved portfolio quality in a hardening market
- Regional differences in pricing based on loss experience

■ New/cancelled/restructured ■ Changes

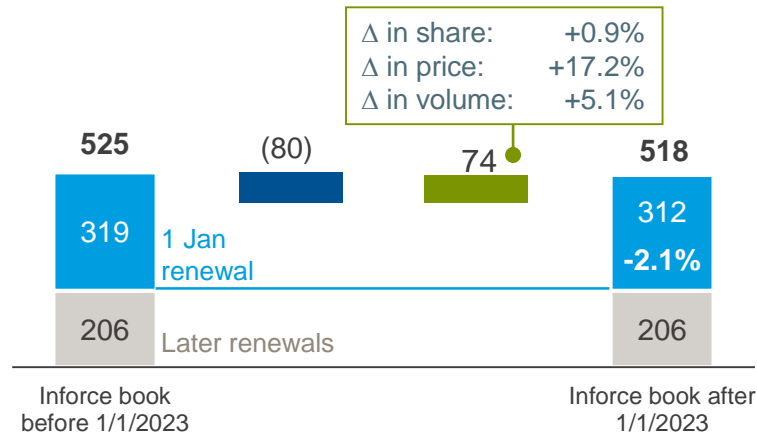
# Worldwide markets: further increase in quality and pricing

## Credit, Surety and Political Risks



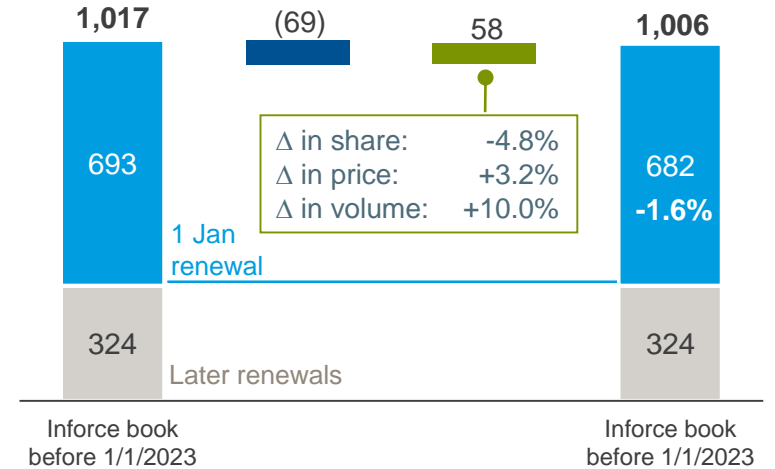
- Stable renewal despite low loss ratios in previous years
- Profitability improved by reducing less profitable business and increased deductibles in non-proportional business

## Aviation and Marine



- Substantial improvements on pricing
- Political violence written on stand-alone basis at attractive pricing
- Strict limitations on provided coverage for specific war-related business led to some discontinuations

## Agricultural Risks



- Largely stable in pricing and terms and conditions
- Volume reductions mainly in Asia due to insufficient margin of proportional treaties
- De-risking in selected natural perils, e.g. draught and frost

# Further growth outside 1/1 renewal lines and in later renewals expected

## Exceptional reporting on Structured R/I, Facultative R/I and NatCat business



Structured R/I<sup>1)</sup>

- Stronger demand for tailor-made reinsurance solutions expected due to global reduction in reinsurance capacity
- Further premium growth expected with a focus on non-proportional structured reinsurance solutions
- Significant improvement of terms and conditions reflecting market developments in traditional reinsurance
- **Strong pipeline for further growth in 2023**



Facultative R/I<sup>1)</sup>

- Demand for facultative reinsurance remains high. Significantly increased cedents retentions will strengthen the facultative demand even further
- Significant rate increases in cat exposed business
- Average rate increase in the high single digit range coupled with additional premium from adjustment of sums insured lead to double digit premium growth
- **Expected premium development for U/Y 2023: > +10%**



NatCat business<sup>2)</sup>

- Risk-adjusted pricing increased by 30% on average
- Heavy loss activity along with inflationary trends provided strong momentum for price increases
- Risk-adjusted rate increases most pronounced in North America
- Net risk-appetite remains unchanged, higher retro protection allows additional capacity to be offered to clients
- **Diversified premium growth (1 Jan 2023): ~ +30% and expected further growth with April and mid-year renewals**

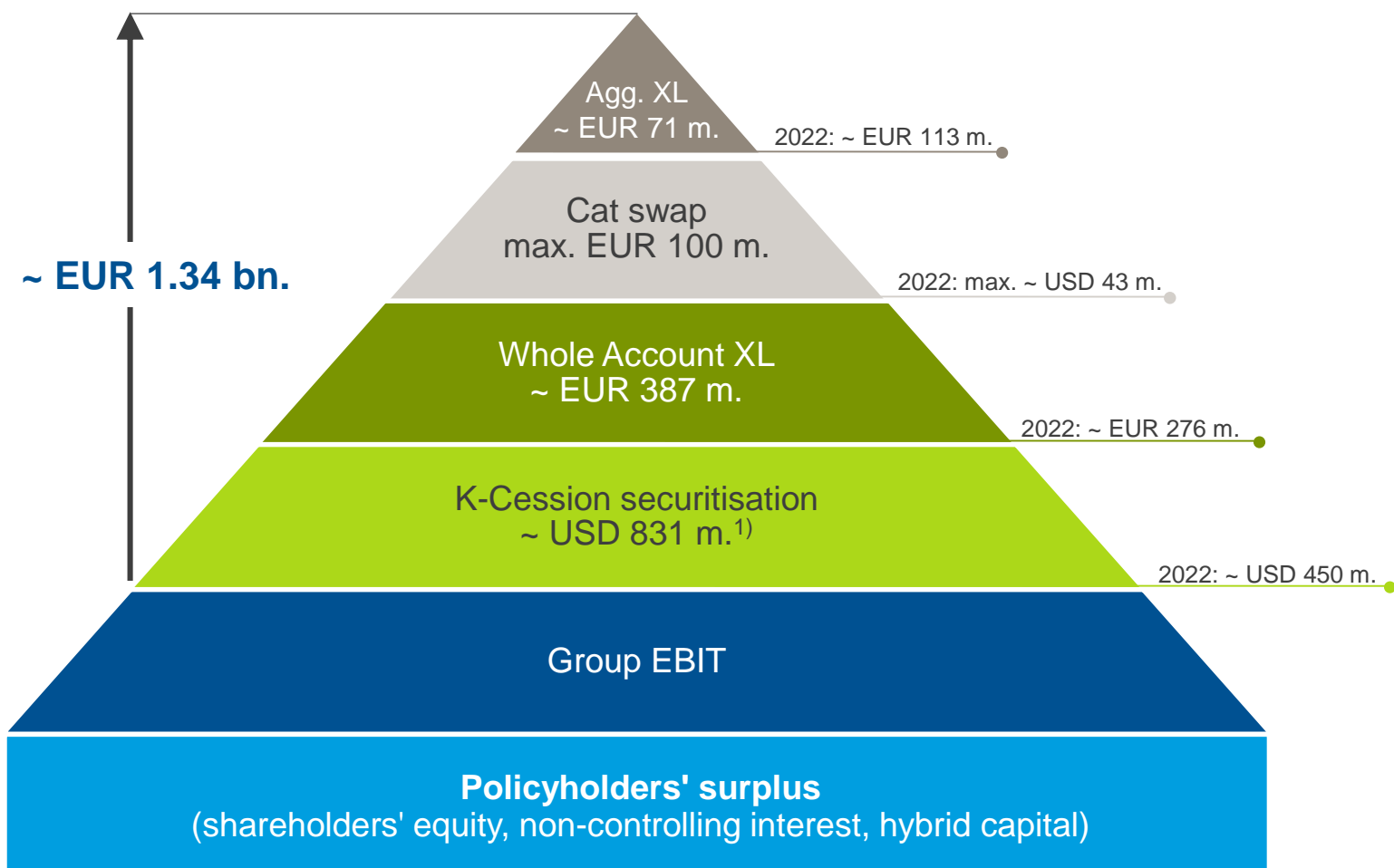
1) Renewal activity in Structured R/I and Facultative R/I is not characterised by peak renewal dates such as 1/1 or 1/7 but rather year-round renewal activity

2) Additional reporting on NatCat-exposed business which is included in regional and worldwide markets



# Increase in NatCat retrocession from EUR 0.86 to 1.34 bn.

## Long-term partners sought to participate in reinsurance rate improvements



- **Increase in retrocession programmes:**

- Offering additional NatCat capacity to our clients
- Defined net-risk appetite in NatCat not exceeded
- New cyber quota share retrocession facility of USD 100m.
- Improves our volatility profile further

- **Large loss budget from EUR 1.4 to 1.725 bn.:**

- Growth in 2022 was significantly higher than anticipated when NatCat budget 2022 was set
- 2022 UW year growth will also influence growth in cat claims exposure in FY 2023
- Ongoing updates in NatCat models

1) Plus expected premium  
As at January 2023

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**Guidance 2023**

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# Guidance for 2023

## based on new accounting standards IFRS 17/9

### Hannover Re Group

- Reinsurance revenue<sup>1)</sup> \_\_\_\_\_ ≥ 5% growth
- Return on investment<sup>2)</sup> \_\_\_\_\_ ≥ 2.4%
- Group net income<sup>2)</sup> \_\_\_\_\_ ≥ EUR 1.7 bn.
- Ordinary dividend \_\_\_\_\_ ≥ prior year
- Special dividend \_\_\_\_\_ if capitalisation exceeds capital requirements for future growth and profit targets are achieved

1) At unchanged f/x rates

2) Subject to no major distortions in capital markets and/or major losses not exceeding the large loss budget of EUR 1.725 bn. in 2023 and no further significant impact from Covid-19 on L&H result

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**Appendix**

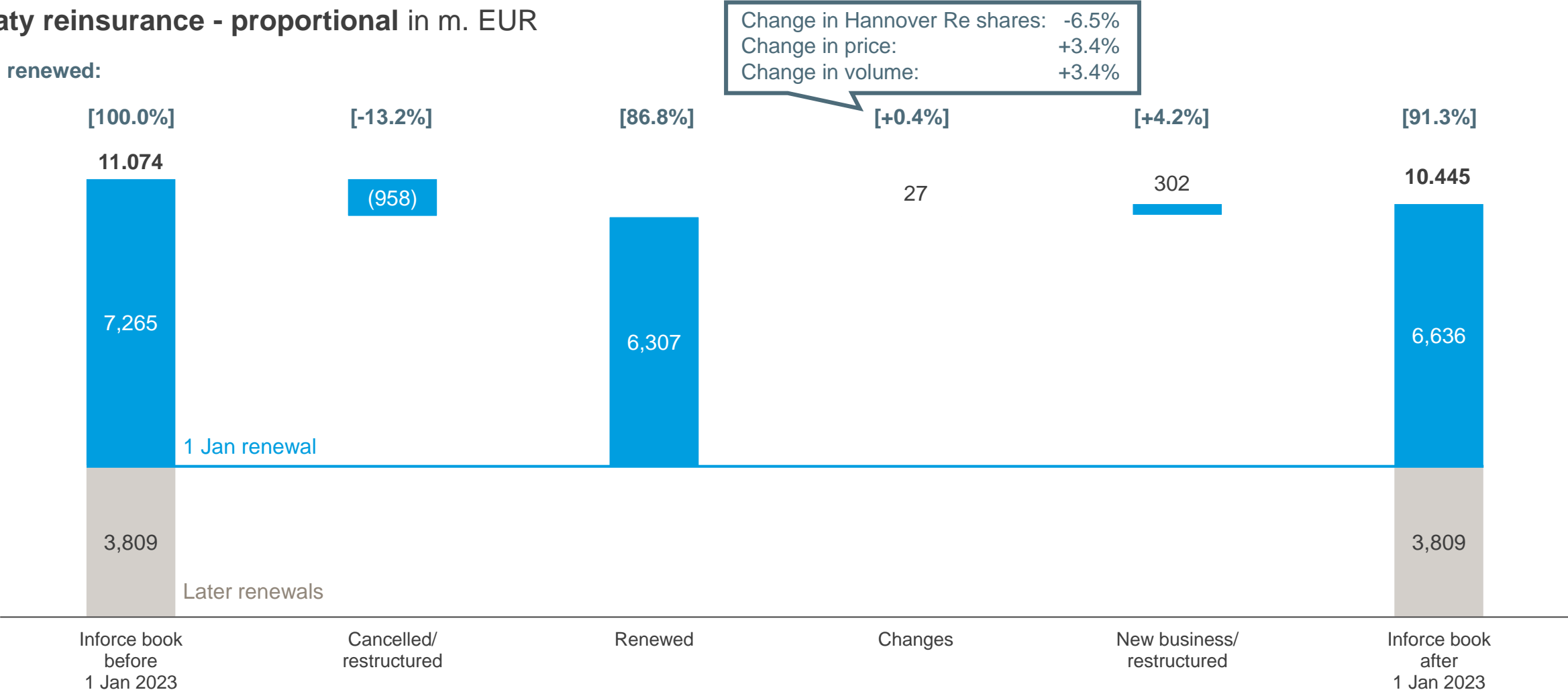


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# Decreased volume of proportional business at improved profitability

## Treaty reinsurance - proportional in m. EUR

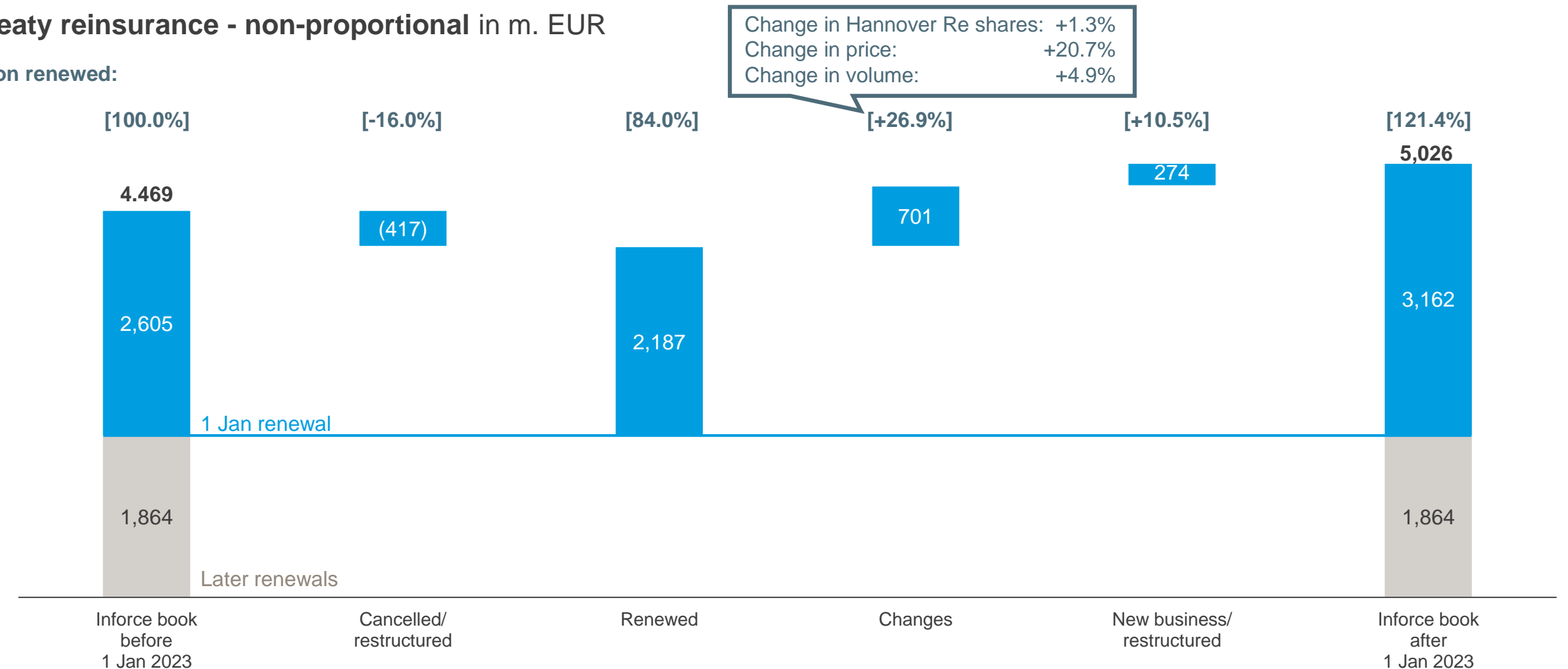
% on renewed:



# Stronger emphasis on non-proportional business due to higher expected profitability supported by an average rate increase of +20.7%

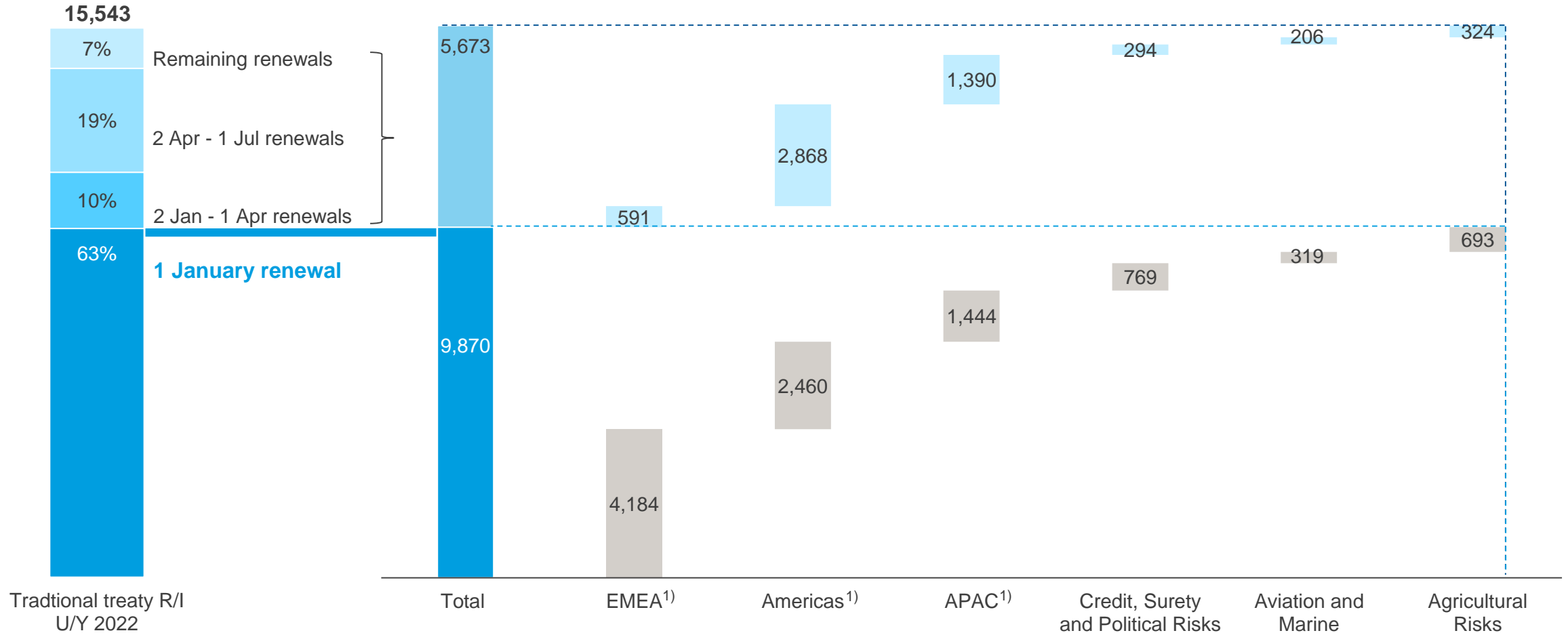
## Treaty reinsurance - non-proportional in m. EUR

% on renewed:



# 37% of traditional treaty reinsurance comes up for renewal later in a favourable market environment

## Estimated premium income U/Y by regions



All figures in m. EUR

1) All lines of business except those stated separately

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# Financial calendar and our Investor Relations contacts

**8 February 2023**

1 January P&C Treaty Renewals



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**9 March 2023**

Press Conference and Analysts' Conference



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**3 May 2023**

Annual General Meeting

**11 May 2023**

Quarterly Statement as at 31 March 2023



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**9 August 2023**

Half-yearly report as at 30 June 2023