

50
years

somewhat
different

50 years of Hannover Re 1966–2016

Karl-Wiechert-Allee 50,
Home Office since 1984

hannover re[®]

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50 Years of Hannover Re



Dear readers,

Fifty years ago a very special success story was born: on 6 June 1966 the “Aktiengesellschaft für Transport- und Rückversicherung”, as Hannover Re was first called, was established in Bochum. In the decades that followed this small reinsurance company, which had originally been created to place the business of the Group parent HDI, evolved into the third-largest reinsurer in the world. While many of the reinsurance industry’s illustrious names have long since ceased to exist, Hannover Re has successfully negotiated the catastrophes and crises of the past 50 years and has consistently grown in size and profitability.

The crucial success factor in Hannover Re’s ascent to the top of the market was a willingness to break new ground: In keeping with its strategic motto of “somewhat different”, the company made a virtue out of its position as a newcomer in the market and distinguished itself as a pioneer in areas as diverse as the actuarial modelling of risks and innovative forms of life and health reinsurance.

In 2016 a global business network extends from Hannover across all continents and all lines of business. Today, Hannover Re has 2,568 employees, roughly half of them working outside Germany – something that the company’s founding fathers, who began their work with a handful of staff, could never have imagined in their wildest dreams.

Thanks to the creative drive and imagination of its staff, the company has claimed a leading position in the international reinsurance market. Power of innovation and the courage to swim against the industry tide, when needed, remain hallmarks of the company to this day. “somewhat different” continues to be Hannover Re’s recipe for success.

The following account chronicles the timeline of Hannover Re’s rise to the top. It recognises the efforts of staff and management who helped to shape the company’s destiny often over long periods and laid the foundations for today’s success. In so doing, it also paints a picture of the international reinsurance market over the last 50 years.



Ulrich Wallin
Chairman of the Executive Board

Background and founding

Founding in Bochum

Researchers scouring the annals of Hannover Commercial Court will search in vain for Hannover Re's founding charter. For it was in the city of Bochum, not Hannover, that representatives of the five founding companies came together on 6 June 1966 to put their signatures to the charter of the "Aktien-gesellschaft für Transport- und Rückversicherung in Bochum" (ATR). Once the document had been signed, the five representatives and the certifying notary made their way to the "Haus Rechen", back then the finest restaurant in town, to celebrate the company's founding in dignified style. The menu signed by those partaking of this modest meal has been preserved.

ATR gets up and running

The gentlemen surely could not have been aware that with the establishment of this new company back on that Thursday in 1966 they had made insurance history – the beginnings of what would later become Hannover Re were simply too humble. The new company was essentially just a special purpose entity, as we would call it today, intended to safeguard the reinsurance protection of the "Feuerschadenverband rheinisch-westfälischer Zechen" (FSV). Like the "Haftpflichtverband der Deutschen Industrie V.a.G." (HDI), the Bochum-based FSV was another self-help institution of the time set up by German industry to cover the insurance risks of large enterprises. The "Feuerschadenverband rheinisch-westfälischer Zechen GmbH", to give it its official name, had been founded in 1920. It insured the mining industry, but also to an increasing extent the associated risks of the chemical sector in what was the heartland of German industry, the Ruhr district ("Ruhrgebiet"). In 1923 HDI had joined forces with the insurer Gerling to establish "Eisen und Stahl GmbH", which subsequently went on to handle HDI's reinsurance needs.

1966

Z u m E m p f a n g
Frischer Orangensaft
mit Gin und Sekt

Z u m E s s e n
1963er Wehlener Rosenberg
naturrein, Original-Keller-
Abfüllung Bergweiler-Prüm
1955er Mersault Charmes
Appellation Contrôlée

Z u m D e s s e r t
Duhr Spitze

Bochum, am 6. Juni 1966

Geflügelcremesuppe
mit Brötchen

1/2 Helgoländer Hummer
"Thermidor"
Patnareis
Hummersauce
Kopfsalat

Coupe "Hawaii"
Sahne, Feingebäck

The menu to
celebrate the com-
pany's founding

.....

"Die Welt" Nr. 176 vom 1.8.1966



ATR was equipped with share capital of DM 5,000,000.00, 30 percent of which – i.e. DM 1,500,000.00 – was paid up. The following companies participated in its establishment:

	DM	%
Feuerschadenverband rheinisch-westfälischer Zechen V.a.G., Bochum (FSV)	3,700,000.00	74.00
Haftpflichtverband der Deutschen Industrie V.a.G., Hannover (HDI)	650,000.00	13.00
Schadenschutzverband GmbH, Bochum (SSV)	648,000.00	12.96
Haftpflicht-Unterstützungskasse kraftfahrender Beamter Deutschlands a. G., Coburg	1,000.00	0.02
Westfalen Bank AG, Bochum	1,000.00	0.02

Immediately after the company's founding Westfalenbank had handed its share (par value of DM 1,000.00) over to SSV. This, in turn, was wholly owned by FSV, leaving the latter with a stake of 87 percent minus one share in the newly launched company.



The establishment of the new company was officially reported on 1 August 1966.



ATR's founding was marked in dignified style with a celebratory menu at "Haus Rechen", at the time the finest restaurant in town.

If the newly established reinsurer's capital base was meagre, then its principal shareholder's dowry was extremely fragile: for as of 31 December 1965 the effective initial fund of FSV amounted to a mere DM 3.2 million as well as DM 50,000.00 in free reserves. In other words, the total equity resources of the principal shareholder FSV stood at just 75 percent of the liability that it had assumed for the newly established subsidiary. This daredevil ride through the principles of orderly capitalisation was without doubt an unparalleled feat for the man who had the idea of founding what was to become today Hannover Re. The man in question was Hans Faber (1920–2005), who bore the title of "Counsellor of Mines" ("Bergrat") and as chairman of the FSV board succeeded in persuading his 21-man supervisory board, most of whom were "Mine Assessors" ("Bergassessoren"), that setting up the new company was the right thing to do. Drawing on his special powers of eloquence and tenacity he had spoken to the supervisory board members individually and won them over to his plan. It will, however, remain an eternal secret as to the arguments he used to convince the Federal Insurance Supervisory Authority to condone the unorthodox approach adopted by FSV under his leadership.



At the end of 1966 FSV was able to allocate DM 150,000.00 to the free reserves from the profit for the 1966 financial year. Needless to say, this did not bring about any appreciable improvement in the small company's capital base.

The new company's registered office was located in Bochum-Wiemelhausen at Waldring 43-45, the head office of FSV, which had commissioned the building in 1958 based on a design by the architect Clemens Korn.

The origins of the "Feuerschadenverband"

FSV had its origins in the Weimar Republic. The founders' meeting of the "Feuerschadenverband rheinisch-westfälischer Zechen GmbH" was held on 28 April 1920. At the urging of the supervisory authority the company was later transformed into a mutual insurer. Its founders were without exception German mining companies. FSV's start-up funds totalled 500,000 Reichsmarks; the amount was secured by guarantee commitments made by the members, eliminating the need for any cash contributions to be paid in.

The Articles of Association of FSV permitted not only conventional insurance against payment of a premium but also a form of insurance based on apportionment known as "Umlageversicherung", under which a group of similar policyholders join together. Each year the incurred claims were recorded and apportioned – along with the administrative expenses and the costs of reinsurance – to the individual members according to an allocation key. For decades two such "apportionment associations" existed for mining companies: one for risks below ground, the other for risks above ground.

This daredevil ride through the principles of orderly capitalisation was without doubt an unparalleled feat for the man who had the idea of founding what was to become today Hannover Re.

Hans Faber,
Counsellor of Mines

The first address: Waldring 43 – 45, Bochum

Architect: Clemens Korn, Bochum

Principal: Feuerschadenverband, Bochum

Year built: Prior to 1958

Redesign of the street-side façade when
the structure was extended to include house no. 47



The cost savings through this apportionment scheme were demonstrably considerable compared to traditional insurance. It stands to reason, then, that such apportionment-based insurance was a thorn in the flesh of the German insurance industry. The mining sector of the German economy was at the time a powerful branch of industry, and in fire business it was largely off-limits to insurers on account of this system of apportionment. What is more, the possibility could not be ruled out that other industrial sectors might follow the example of the mines. It therefore came as no surprise that these tensions gave rise to a number of confrontations.

FSV's first reinsurance treaty came about in 1928 through the mediation of Eisen und Stahl. The treaty was taken out with the 19 property insurance companies that pooled their interests as part of the Gerling Group.

Initially, exclusively mining risks had been the subject of the reinsurance, but in 1938 so-called "synthetic" mining plants were also accepted by FSV and included in the coverage. At that time "synthetic" plants was a term used to refer to the facilities set up by mining companies to convert coal into fuel as part of the Third Reich's aspirations to industrial self-reliance. Subsequently operated under the name "chemical factories", they caused numerous large losses owing to the extraordinarily high pressure required for this process. This led to uproar: after protracted negotiations used as a delaying tactic, the reinsurance treaty was cancelled by the reinsurer on 16 December 1942. The treaty was then placed through the insurance broker Jauch & Hübener with 16 German primary insurers. From 1943 onwards this left FSV without any reinsurance protection whatsoever, because after an impassioned speech by the then chairman of the supervisory board, Mine Assessor Wilhelm Kesten, the outraged members unanimously decided to carry the entire risk themselves for own account. The resulting fronts that formed were to remain in place for many years.

A few years after the Second World War Jauch & Hübener put together another comprehensive package of reinsurance protection for FSV. Once again, the business was placed with German primary insurers. In fire business, the core line written by FSV, the company was administering around 120 fire insurance policies in 1966 – aside from the aforementioned apportionment business – with a premium volume of DM 20.6 million. The portfolio consisted predominantly of risks from highly exposed chemical factories, each of which FSV – in keeping with its tradition – wrote in its entirety. FSV was therefore utterly dependent on the reinsurance consortium. This was made up of German insurers, hence also competitors.

Having the package of risks carried by the members alone without protection, as they had done from 1943 to 1948, was no longer an option. The once mighty Ruhr and Saar coalfields saw their economic and financial power diminishing. Furthermore, the chemical firms previously founded by the mining companies had largely outgrown their interdependence. The group did not have the power that it once enjoyed. This constellation, combined with the never-forgotten fact that FSV had been left in the lurch back in 1942, prompted the development of a reinsurance solution that was beyond the competitors' sphere of influence. This is where the original idea came from for what would later become Hannover Re.



Chairman of the Executive Board Claus Bingemer



“It became clear to me from the conversation in Bochum that I could largely work with independent responsibility in my new job. This was almost a matter of life and death importance to me.”



Claus
Bingemer

“He was a man of a ‘special nature and goodness’ whose ‘employees threw themselves in tears to his shaggy chest’.”

Claus Bingemer on Hans Faber and the latter’s
penchant for quirky turns of phrase.

The quest for a reinsurance specialist

The “Aktiengesellschaft für Transport- und Rückversicherung” (ATR) was formally established in 1966 upon entry in the commercial register, yet it lacked a capable reinsurance specialist. As a first move, Claus Bingemer (born in 1926) was persuaded to come for an interview with Hans Faber, the main player on ATR’s side. At the time serving as a Senior Director with Gerling-Konzern Globale Rückversicherungs-AG in Cologne (GKG), Claus Bingemer recalls: (see the box on the right).

As a first step, Bingemer familiarised himself with the structure of FSV’s reinsurance treaties. At times they resembled more a guide to cost accounting than the type of reinsurance treaty commonly found throughout the world. As he experienced the

atmosphere in the company Bingemer was particularly mindful of the highly sensitive relationship with the in-house reinsurance broker Jauch & Hübener. The latter largely held the fate of the company in its hands, for without reinsurance its very existence would be in jeopardy.

Almost as an afterthought, the new management was able to close fewer than half a dozen new reinsurance treaties in 1966, ultimately posting premium income of DM 110,555.00 with an underwriting profit of DM 65,976.00. In percentage terms this was the best profit ever generated by the company and will undoubtedly remain just a dream result going forward.



Good luck, good luck!
The pit foreman is on
his way ...

“In the summer of 1966 I received a call from Dr. Herbert Diel, a member of the executive board of FSV. We knew one another from before. He told me about the establishment of ATR and invited me to come to Bochum for an interview with Hans Faber. I declined, not the least because my work at GKG had just been given additional recognition with the award of the title of Senior Director. Not only that, despite still being a fairly new company, GKG had become the second-largest reinsurer in Germany after just a few years of intensive efforts. Two further invitations followed, and in the end I agreed to an interview more out of courtesy than interest. In Bochum I met for the first time Hans Faber, who came into the room with the words: ‘Permission to enter’. I found the use of this standard empty phrase, which even then was already antiquated, both alienating and amusing. As the conversation continued, his penchant for bizarre formulations was very evident: he was a man of a ‘special nature and goodness’ whose ‘employees threw themselves in tears to his shaggy chest’. He always asked for explanations to be given in a form that was ‘readily comprehensible for more mature youth’. Every conversation with him was entertaining, issues were dealt with playfully. No hard edges! There was another positive sign that Faber communicated to me: despite his burlesque manner he was every inch an entrepreneur in his thoughts and actions. Later on, in his role as chairman of the supervisory board of ATR, subsequently Hannover Re, this would prove important and helpful to my own work.

It became clear to me from our conversation in Bochum that I could largely work with independent responsibility in my new job. This was almost a matter of life and death importance to me. Not only that, Hans Faber had improved the terms of his offer to me: a house would be built for my six-person family according to my specifications. With this in mind, I accepted the appointment as deputy chairman of the executive board of ATR effective 1 September 1966. During the excavation work for our new home the builders hit coal; we were indeed building on the ‘black gold’ that was so important to this region.

At the beginning of September 1966 I took up my post in Bochum with ATR. The direct motorway link between Cologne and Bochum had not yet been completed. As a result, part of my early autumn journey took me through the Ennepetal valley with its houses and villages in the landscape of Bergisch Land. This idyll contrasted with the scene in Bochum, parts of which were terribly devastated. The collection of miners’ dwellings, now deserted again, built from the bricks of houses destroyed by war, bore witness to the utter misery and poverty of the early post-war years. Inside and out the cottages remained unplastered. The living space amounted to twelve



In the nineteenth century coal was considered to be the energy source of the future. Even in the 1960s the miners of the Ruhr Valley were still earning a hard living below ground.

square metres. Compared to this relic from the destitute post-war era, the two-storey FSV office building located on an avenue appeared stylish and robust. Along with the two members of the board, it housed some 50 employees. The company had no branches in other cities. A room had been made available for me, as a member of the ATR board, from what was once the apartment used by the former chairman of the board. Instead of a secretary’s office, the room next door contained the bathroom that had served the previous gentleman of the household. The mines had left their mark both on the building’s furnishings and the conduct of the employees. The mining emblem of sledgehammer and iron as well as pictures of glowing iron bars adorned the rooms. Davy lamps symbolised the close affinity to coal mining. The executive staff included three mine assessors. The entire team was led by Counsellor of Mines Faber. The basement provided access to the vault known as ‘Shaft 3’. Late in the day, intoxicated by wine and spiritually freed from his inhibitions, Hans Faber had the habit here of impressing his interlocutors with wild formulations. For him, increased pleasure and business activity combined to make for a perfect experience. Good luck! This was the old miner’s greeting that accompanied him through the day. What I also cannot forget are the goods trains laden with coal, which almost hourly puffed their way alongside the garden and caused my office to shake. I had arrived in the Ruhr district!

I was my own boss here, albeit one without a single member of staff. The initially meagre services needed for the new company were performed by employees of FSV. Everyone was polite and at pains to accommodate my wishes, even though nobody understood what the new company in the office was supposed to do.”

Claus Bingemer

1966

The working environment at the newly established ATR

The working environment in the late sixties looked very different to what we know today. Berthold Trappe (born in 1947), the first employee of ATR, recalls the daily routine at the newly founded reinsurer:

“After serving an apprenticeship as a bookkeeper and attending business school, and having worked in my first job as an accountant at a concrete block factory, I saw a newspaper ad from FSV looking to recruit someone for the accounting side at a subsidiary. At the job interview FSV board member Dr. Diel explained the scope of duties and described to me the organisation of a technical accounting department, which in my ignorance I considered to be just run-of-the-mill bookkeeping.

“The salary including performance bonus amounted to DM 580.00 and was paid cash in a monthly pay packet.”

Berthold Trappe

My interview went well and I received an employment contract on 13 November 1967 with a starting date of 15 November 1967. The salary including performance bonus amounted to DM 580.00 and was paid cash in a monthly pay packet. On completion of my probationary period I received a permanent employment contract according to the pay scale of the Rhenish-Westphalian coal industry, which also included an allowance for heating expenses. In my case this consisted of coke deliveries to my parents.

In 1967 the record of ATR’s office equipment showed the following:

- Bingemer (board):
Facit mechanical calculator model C1-13
- Norbereit (secretary):
IBM typewriter
- Cremer (treasury):
Slide rule
- Trappe (technical accounting):
Facit mechanical calculator model C1-13
- Schultchen and Neumann (accounting):
Walter mechanical calculator

Telex and photocopier provided by FSV.

Bingemer loaned me his machine until the Facit mechanical calculator ordered for me arrived. The price of the new machine was DM 700 – more than my monthly salary.

In the autumn of 1969 I was required to do my military service with the German armed forces. I had learned that HDI employees who performed military service received monthly pocket money of DM 50.00. On hearing of this, Hans Faber ordered that I too should receive this pocket money – on condition that I collected the money personally in cash from the cash office and that the first time I should present myself in full uniform to Mr. Faber, as chairman of ATR’s supervisory board.”

Yes indeed, that is how things were back then.

Berthold Trappe

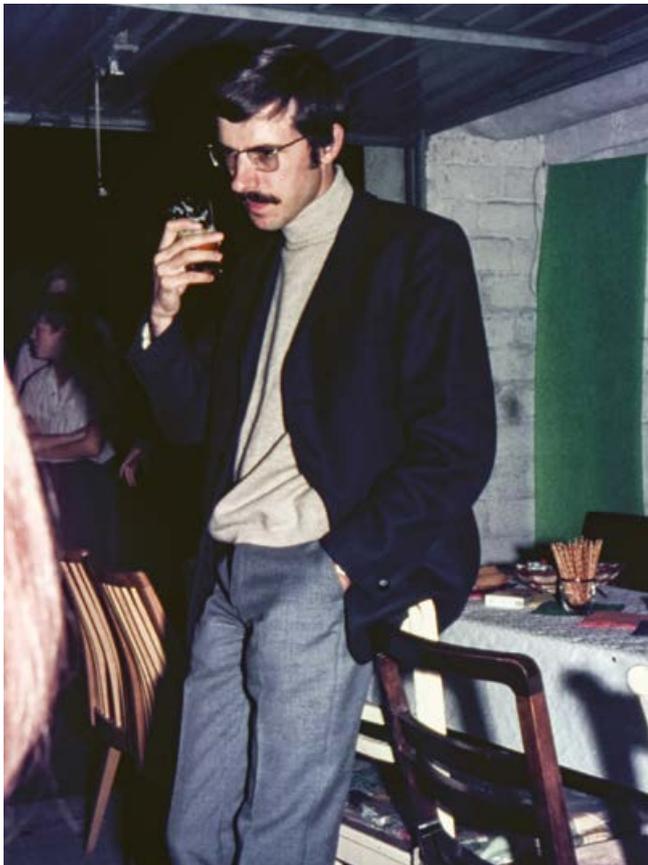


A Facit mechanical calculator model C1-13 of the type used by Claus Bingemer and Berthold Trappe

“In the autumn of 1969 I was required to do my military service with the German armed forces. I had learned that HDI employees who performed military service received monthly pocket money of DM 50.”

Berthold Trappe

right: Berthold Trappe
in his army uniform in 1969



left and above: Berthold Trappe's eve-of-wedding party in the basement of the company's headquarters in 1969

1969

First steps, first challenges

1969/70

A new parent group through the merger of HDI and FSV

The end of the decade brought decisive changes: HDI and FSV merged on 1 January 1970, having concluded a merger agreement in September 1969. The business written by the two companies was a good fit: HDI had a premium volume of DM 159 million in 1969, thereof DM 95 million from motor insurance and DM 23 million from general liability. FSV had premium income of DM 47 million, some DM 30 million deriving from fire insurance and almost DM 8 million from motor.

One of the members of FSV's supervisory board commented at the time on the merger with HDI as follows: "Gentlemen, if I understand correctly, we are moving from a champagne bar (FSV) to a beer hall with standing room only (HDI)." These words reflected the pride and spirit of a highly respected mine assessor. Just a few of the supervisory board members joined the merged company's supervisory board, which was to bear the name "Versicherungsverein der deutschen Industrie" ("Insurance society of German industry"). One of FSV's competitors filed an objection to this, which was upheld by the court. Only a combination of the two company names was permitted, as a result of which the new company was initially called "Haftpflichtverband der deutschen Industrie und Feuer-schadenverband V.a.G.". It was not until 1976 that the name was shortened to "Haftpflichtverband der deutschen Industrie" – with the more catchy abbreviation "HDI".

Relocation to Hannover

When the merger happened ATR followed its previous parent company FSV, which moved to Hannover. Of the small team that had been taken on in Bochum prior to 1970 for the reinsurance side, only three were willing to relocate. In addition, two employees of FSV were recruited to work in the reinsurance business, meaning that apart from the board just five staff made the move to Hannover. Here, however, the company had a stroke of good fortune inasmuch as at the time of its relocation an oil trading company was moving its branch away and ATR was able to take over the office premises and furnishings as well as some of the employees working there. It was extremely pleasing to see how quickly the seven staff of the oil trading firm were able to get to grips with ATR's figures and thus familiarise themselves with their new duties.

The medium-sized three-storey office building was situated in Hannover's Oststadt district at the junction of Hohenzollernstrasse 26 and Yorckstrasse and hence in the immediate vicinity of HDI. Two floors were sublet – a strategic mistake because the company's unexpectedly dynamic growth necessitated additional employees and more space. After just a few years the tenants therefore had to be gently persuaded to leave, which was not without its difficulties.



left: ATR's first company headquarters in Hannover – Hohenzollernstrasse 26 at the corner of Yorckstrasse

below: Office routine before computers. Hannover Hohenzollernstrasse in the early 1970s



Berthold Trappe (photo above) was one of five staff who moved from Bochum to Hannover in 1970. He was appointed as Head of Department for Auditing and Training. To quote Trappe: "It all began with the magic number two. In 1966 two board members and two employees started their pioneering work in two tiny rooms."

The most important task facing ATR at that time was attracting new members of staff who could enable the company to verify incoming reinsurance accounts and deal with the accounting side of outward retrocessions. In the early 1970s the labour market in Hannover – as in many parts of Germany – had few

jobseekers to offer. Regrettably, not a single candidate could be found with experience in reinsurance. Taking on staff and training them in reinsurance business thus became a primary, indeed existential task for the young company.

The principle applied to the reinsurance business transacted by FSV was that the shares which Jauch & Hübener was unable to place in the market were passed to ATR for its retention or for retrocession. Given that the company did not have the manpower needed to maintain a sizeable number of contacts, it was clear from the outset that business relations would have to be cultivated through numerous brokers. This business policy was extensively retained after the merger FSV/HDI and remains to this day an integral component of Hannover Re's strategy.

The first major test

ATR was rocked by a thunderbolt in the spring of 1971. HDI was hit hard by a major loss at what was then Chemische Werke Hüls in Marl. The amount of the loss was some DM 52,000,000.00; the sole insurer was HDI, which had ceded more than 95 percent of this risk to ATR, which in turn had spread the risk across numerous retrocessionaires in the global market. Even though today, 45 years after the event, the loss amount may not sound so exceptionally large, at the time it was at least in Europe the largest single loss ever incurred by one company.

The matter initially passed off smoothly because ATR was able to collect the loss in full from more than two hundred companies involved in the reinsurance. Although everything seemed to be in order, this major loss event had consequences. Some long-established German reinsurers believed that ATR was wounded and, urged on by a German primary insurer, they sought to take advantage of a supposedly favourable situation by blocking the company from making retrocessions on the international market. As the 1971 reinsurance gathering in Monte Carlo got underway, the watchword was that ATR should be prevented from renewing its retrocessions so as to “restore order to German fire insurance business”.

This created an extremely dire situation for ATR. Claus Bingermer, who was representing ATR in Monte Carlo, initially did not have the faintest idea about what the German reinsurers were up to. In early conversations the discussants were reluctant to reveal what was going on. It then became clear that the representatives of foreign reinsurance markets considered the planned boycott of ATR to be unfair and inappropriate. First of all, two French reinsurers signalled their intent to renew their commitments after establishing that no proof could be furnished of misconduct on the part of HDI in the German market. In a domino effect all other foreign reinsurers then renewed their commitments without exception. Numerous German companies also renewed their shares, and the end result was that ATR's total capacity for HDI's fire business was larger than before the significant major loss.

Not only had ATR enjoyed the support and trust of the world market, it had become more widely known as a consequence of the loss event and had gained respect in reinsurance circles. Despite this, the strategy of actively advancing the company through understatement was maintained.

1971

Heading for new shores: US market launch

Following the confrontation with German reinsurers in 1971 ATR's position in the market was cemented and the road ahead was clear to expand its acceptances and hence balance and stabilise the total portfolio. As a newcomer to the reinsurance market, ATR's starting position was extremely difficult. The domestic German market had been firmly in the hands of professional reinsurers for decades. It was therefore scarcely possible to enlarge the portfolio in Germany outside of the wide-ranging orbit of HDI and the established business of Eisen und Stahl Rück and hence move beyond the ranks of mutual insurers. A further aggravating factor was that ATR, as a dependent company of HDI, enjoyed only qualified acceptance in the market owing to the competitive situation in relation to other German insurers.

Similarly, the other markets of continental Europe had their traditional ties and left ATR little scope for inclusion in the ranks of (preferred) reinsurers. The only abundant source of reinsurance cessions was the London Market with its global offerings. At that time, however, it was already clear that overly greedy reinsurers were being given some bitter pills to swallow here. Consequently, strict abstinence from London Market business had been the order of the day for ATR. Losses, even if they could be declared as start-up losses, were something the company could scarcely afford on account of its modest capital resources.

The US business offered by the London Market was considered to be risky, unpredictable and prone to causing heavy losses. Despite this, ATR decided to get involved in the American market. Back then roughly half the global premium volume was generated in the United States. Although the US reinsurance business derived from it had the worst imaginable reputation in continental Europe and did indeed produce painful losses – which, what is more, were often only recognised after years had passed – the consideration that 50 percent of worldwide premium income would not be permanently loss-making could not be ignored. This then led to the simple conclusion that ATR needed to look for US business directly with the companies and brokers based in that country. The idea was sound and correct, but, as it turned out, scarcely practicable.

right: Staten Island Ferry off
Manhattan in the early 1970s



1971

After the attempted blockade by German reinsurers in 1971, ATR was on the lookout for an independent market for HDI business under the leadership of a strong broker. Without doubt this was Guy Carpenter, New York. Through the mediation of Alex Vukailovic, a related broker, Bingemer was able to make a glittering entrance at what was then the largest reinsurance broker in the world. After a lengthy, frank conversation with Ed Bennet, the CEO, Bingemer was ushered unexpectedly into a conference room. Here he had the opportunity to present ATR to around ten department managers at Guy Carpenter. His presentation was received with interest and goodwill. Cooperation with Guy Carpenter could therefore be expected to develop well. Over the years the atmosphere remained open and cordial, yet few offers were passed on to ATR in Hannover.

Through the mediation of Alex Vukailovic, a related broker, Bingemer was able to make a glittering entrance at what was then the largest reinsurance broker in the world.

The objective reasons for the hesitant materialisation of reinsurance participations had to do with the issue of shareholders' equity and the lack of a rating. In the 1970s ATR/Hannover Re, in common with virtually all German reinsurers, had an equity ratio a shade in excess of 10 percent of net premium income. In the United States, on the other hand, a surplus (equity capital) amounting to 40 percent of net premium was considered appropriate. A less formalised approach to balance sheets and especially capital resources in the US and continental Europe later led to the recognition that an evaluation of the substance of the figures could normally more than make up for the lower equity base of European companies. The sometimes drastic steps taken to strengthen loss reserves in Germany and Europe gave reinsurers, and hence also ATR, sustainability and durability in times of heavy losses. Not only that, the generally well stocked contingency reserves in Germany gave a considerable boost to the financial robustness of German companies. A comparative overview of the contingency reserves held by German reinsurers clearly demonstrated Hannover Re's very good performance. (See overview/table on page 52)

The relationship with Guy Carpenter had been forged in 1971, yet it was not until 1984, in other words 13 years later, that it began to thrive in a satisfactory and sustainable manner. Owing to the depressed state of other markets ATR/Hannover Re became a preferred partner of Guy Carpenter. Furthermore, other highly reputed US brokers opened their books to the company as well. Hannover Re had in the meantime secured a top rating. Trust had been established, and hence the strategic idea of working directly with US reinsurance brokers – to which so much strategic importance had been attached – had finally brought about the desired outcome.

The advantage for Hannover Re in its international expansion derived not only from the short communication channels; more importantly, all underwriting decisions could be taken at Hannover Home Office, hence keeping a certain critical distance to the market and saving it from having to maintain an expensive branch office or US company. The disadvantage was that the technical reserves had to be collateralised with US securities and bank guarantees. When the risk emerged in later years that the flat-rate Federal Excise Tax (FET) levied on non-resident aliens in the United States could be raised for reinsurance business from 1 to 4 percent, Hannover Re's existing licence in Illinois – which had hitherto merely been used for HDI's primary insurance business – was given physical presence through the acquisition of a small reinsurance underwriting agency in Los Angeles. Yet the company had made this pre-emptive move for nothing: the looming increase in FET for reinsurance business never came about. On the other hand, Hannover Re for the first time incurred a notable loss from the short-lived activities of the Los Angeles-based Insurance Corporation of Hannover.

Over time the initially ponderous connections between continents by post, fax and telephone improved through state-of-the-art communication tools to be replaced by the "always-on immediacy" of the entire global market. This was vital in riving the business forward.

Over time the initially ponderous connections between continents by post, fax and telephone improved through state-of-the-art communication tools to be replaced by the “always-on immediacy” of the entire global market.

Responsibility for expanding US business rested with Theo Dielmann (1941–2013), from 1986 onwards a board member with Hannover Re/Eisen und Stahl Rück. Dielmann was a self-made man with entrepreneurial zeal, who established face-to-face contacts with the US market during his many trips across the United States. At the beginning of the 1980s Dielmann reported back to Hannover that he had met a gentleman in America who took on loss reserve run-offs for his insurance group with respect to the US casualty business written by Lloyd’s syndicates. The extraordinarily high interest rates that US bonds paid under Ronald Reagan’s presidency – 13 to 14 percent – made the transfer of reserves an interesting proposition and the assumed reserves could be discounted on account of the high interest income. In the US reinsurer’s annual accounts the combined ratio would have come under heavy strain for many years as a result.



Hannover Re offered a partnership under which it assumed the run-off losses and received in return liquidity, from which the necessary interest income was generated to settle the calculated run-offs. The payments due for the claims were made at fixed times for Hannover Re. Everything was calculated in such a way that a profit remained from every transaction. In addition, by investing the liquidity long-term beyond the maturity dates of the individual contracts Hannover Re was able to generate a considerable financial gain – over the years an amount running into the mid-triple-digit millions. Never before had such a potential profit been turned from an almost risk-free transaction.

Dielmann was also quick to recognise the risks that lurked in the US market. In the early 1970s it was already clear that the run-off of loss reserves from US casualty treaties would be very negative – it could indeed become painful. An existential threat to the company appeared possible. In the long run Hannover Re could scarcely have withstood hypertrophic losses from this business. Only a commutation of the loss reserves at an early stage could prevent severe strains and deliver security. This was obvious, yet how could it be achieved? For Hannover Re there was no formula or perfect way to execute the plan. There was only tenacity and the willingness to battle on, despite always being in a weaker position.

Dielmann faced up to the laborious and extremely challenging task of entering into commutation negotiations with partners in the US and London. Over the years he brought to successful fruition numerous small, mid-sized and major commutation negotiations. He pursued his goals with diligence, determined consistency and his own very special eloquence. In the long run he prevailed and thus saved the company from uncertainty and at the same time from potential financial burdens – strains that weighed heavily on more than a few reinsurers. The financial security gained in this way enabled the company to press ahead unswervingly with the prudent forward-looking strategy that it had pursued thus far.

Theo Dielmann – an eloquent self-made man with ambitious goals for Hannover Re

1979

Arbitration proceedings with consequences

In 1979 Hannover Re ventured into new territory with an arbitration procedure against more than 50 UK companies and Lloyd's syndicates. As far as we are aware, it was the first arbitration procedure ever in the history of German reinsurance. At the same time, it brought clarity to the question of what constitutes one event under a marine excess of loss treaty. Furthermore, last but by no means least, these proceedings prompted a rethink within European weather services. The matter in question was as follows:

In December 1978 a Hapag-Lloyd-owned German LASH carrier (i. e. a cargo vessel designed to transport smaller unpowered laden barges across the Atlantic) by the name of "MS München" set off from Germany for the United States. It never arrived. The ship got caught in a violent storm and sank in the Atlantic Ocean. At roughly the same time a floating dock owned by the company Ferrostaal was being towed from Bremerhaven to Peru across the Atlantic, got into difficulties in stormy seas and ultimately ran aground in the Bay of Biscay.

Hannover Re had placed a marine excess of loss treaty on the London Market with an event clause which stated that a "loss from one and the same cause" must be involved where an event made possible the aggregation of multiple risks in case of loss or damage.

In the present scenario there was probably a distance of some 1,000 nautical miles between the two accident sites. Nor was it possible to determine the exact time when the "MS München" went down, because the vessel had disappeared without trace and after its last radio message could potentially have stayed afloat heavily damaged for a considerable period with no means of making radio contact. On the following day, however, one of the barges that the "MS München" had been transporting was found adrift at sea. The position of this barge was taken into account when determining the location where the "MS München" sank.

Hannover Re reported the loss as one event under its marine excess of loss treaty, aggregated the two loss amounts and claimed from the London Market the loss of DM 1.1 million that exceeded the priority of the basic cover. The retrocessionaires in London declined to pay, asserting that the principle of unity of time and place was not satisfied.

And so it came to the arbitration procedure, which was to take place in Hamburg in accordance with German law. With this being the first arbitration procedure in Germany, it was followed closely by the markets both here and in the wider world of reinsurance. The arbitration panel consisted of two arbiters from Germany and the UK, together with an umpire from Switzerland. What mattered for the arbiters was whether this involved a "loss from one and the same cause". Time and distance clauses, on the other hand, were not taken into account when evaluating the loss event owing to the absence of such contractual arrangements.

The weather services in Germany (Offenbach) and the UK (Bracknell) were questioned by the tribunal. They described the storm, which according to Hannover Re's submission had led to the loss of the "MS München" and the floating dock, as a "monster of the century". Consistent statements by both weather offices indicated that within several days it had been driven by winds of considerable strength from west to east across the Atlantic and was without doubt the cause of the two losses.



The MS München was a German cargo vessel operated by Hapag-Lloyd that was normally deployed on the North Atlantic route between European and North American ports – its home port was Bremen.

Based on the necessary legal, nautical and meteorological inquiries, Hannover Re thus emerged victorious from the arbitration proceedings, which had taken over a year. Contrary to the opinion of the UK market, the tribunal found that under an excess of loss treaty the single event was to be defined as a “loss arising from one and the same cause”. At the same time,

a consequence of these proceedings was that henceforth individual storms – and subsequently also areas of low and high pressure – were given names in Europe, as was already the case in America and other parts of the world, thereby enabling all interested parties to track them more easily and without ambiguity.

Launch on the Japanese market

In 1972 ATR was also able to gain entry to another market. Reinsurance capacity was needed in Japan for the earthquake risk. Once again working in cooperation with Alex Vukailovic, a partner of the reinsurance broker Gradmann & Holler, Frankfurt, ATR took the opportunity to present itself at a reception in Tokyo on 8 May 1972. The insurers in Japan welcomed ATR's willingness to provide them with capacity for their earthquake risk and, for their part, participated in HDI's fire reinsurance treaty that was placed by ATR (reciprocity of capacity). Some twelve prominent P&C insurers were in attendance at the reception organised by Mr. Vukailovic, including Chiyoda Fire & Marine, Dowa, Nippon, Tasei Fuji, Tokio Marine, Taisho Marine, Kyoei Mutual and of course Toa Reinsurance. The welcoming address given by ATR's CEO Claus Bingemer to representatives of the Japanese insurance industry marked the beginning of a long-standing relationship with this market that would subsequently be greatly expanded. In 1990 Hannover Re went on to open a service office in Tokyo. It was to become a pivotal "hot spot" for the company's growth in Japan.

"I had been operating directly in Japan since 1960 and I had relationships with 12 of what were then the country's 20 largest insurers. I have never accepted Japanese business through other, London-based brokers. If the Brits can do it, so can we."

Alex Vokailovic

Information board
in the lobby of the
Palace Hotel Tokyo

1972





Dai-Tokyo International Co. Ltd. is a former subsidiary of Aioi Versicherung Co. Ltd. Since the acquisition of Aioi Versicherung Co. Ltd. by MS&AD Versicherung Group Holdings, Inc. effective 1 April 2010, Dai-Tokyo International Co. Ltd. has operated as a subsidiary of MS&AD Versicherung Group Holdings, Inc.

Board member Shiokawa,
Dai Tokyo Fire & Marine INS,
greet's Claus Bingemer and
Alex Vukailovic.



from left to right: Claus Bingemer, Takaichi Niwa – Board member with Yasuda Fire and Marine Insurance Co., Ltd, Alex Vukailovic of Gradmann & Holler and Hidetomo Watanabe, Deputy Manager Reinsurance Dept., Yasuda Fire & Marine

Hidetomo Watanabe

joined Hannover Re on 1 September 1990 as a Representative. It was at this time that Hannover Re Services Japan K.K. was commencing its business operations in Tokyo. The official opening took place on 1 April 1991. Mr. Watanabe headed the office until the end of 1997 and subsequently served as a consultant to Hannover Re.

On the way up

ATR becomes Hannover Re – union with Eisen und Stahl Rück

Following the merger of HDI and FSV in 1970, the shares of ATR were brought together in one hand. Just a single “founder share” remained, as it always had, in the possession of HUK-Coburg. HDI also held the majority stake in Eisen und Stahl Rück, with the result that two reinsurance companies existed within the new HDI Group. As a further factor, a number of shareholders with substantial interests in Eisen und Stahl were German mutual insurers. In the HDI/FSV merger arrangements it was determined that both reinsurance companies of the new group should continue to operate alongside one another.

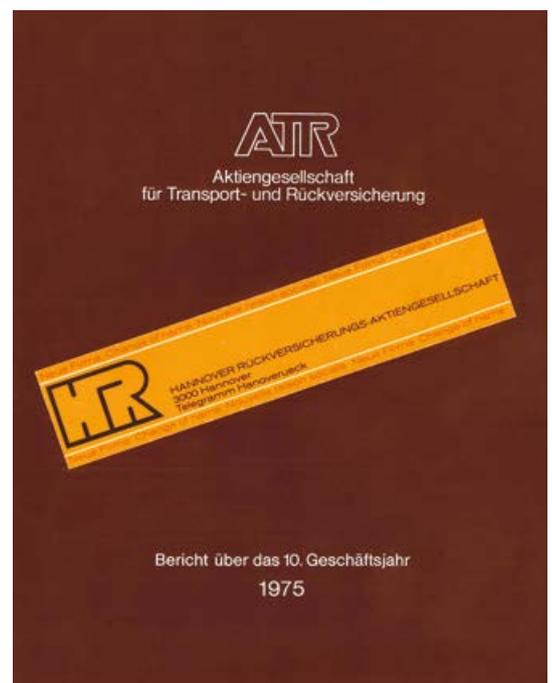
In the early days, the companies had different boards and business activities. Needless to say, the boards of the two reinsurance companies were required to draw up a business plan at short notice that specified the different autonomous business objectives while at the same time leveraging synergies. It became evident that the objectives could only be accomplished in the long term and with difficulty. Ultimately, a merger was needed here in material terms while retaining the legal autonomy of the two companies with their to some extent different sets of shareholders. It was a multifaceted and complex matter.

The shareholders of Eisen und Stahl Rück were by far the company’s largest cedants. Furthermore, in the primary insurance market HDI and the other shareholding companies competed fiercely with one another in motor business. Patience and circumspection were the order of the day. In 1977 Claus Bingemer became spokesman of the Executive Boards of Hannover Re and Eisen und Stahl. A year earlier ATR’s marine insurance portfolio had been transferred to HDI.

The decisive change, however, involved the name: from now on the company was to trade as Hannover Rückversicherungs-AG. This was a superb name for the international market, not least because the cumbersome “Aktiengesellschaft für Transport- und Rückversicherung in Bochum” and indeed the city of Bochum meant virtually nothing to most of the rest of the world.

The term “Hannover”, on the other hand, was known all around the world through the Royal House of Hannover, which had ascended to the English throne in 1714 under George IV. Until 1917 the English royal family bore the name “Hanover”. What is more, to this day there are more than 50 towns and communities in English-speaking countries that are called “Hanover”. In short, then, the new name was to prove a pleasing asset to the company. So it was that under the name “Hannover Rück” the company began its rise to become a major, globally operating reinsurer.

The Annual Report 1975 with amended company name



1975/76



61 + 386 = HANNOVER RE

Our city is firmly embedded in the United States with 61 locations carrying the name of Hannover. So are we. We take pride in being a long-standing reinsurer of 386 US-Insurers.

We tackle today's reinsurance problems with the spirit of the early settlers: hard work, stamina, imagination. Where others have perished we thrive. We are more than a foreign market.



HANNOVER RE
Karl-Wachsmann-Allee 36 | D-30659 Hannover 01 | West Germany
Telephone 0511-49 531 56 04-9 | Telex 8 45-922399 (Dumy)

Hannover: Known around the world, an ideal and popular new name for the company

The balance sheet after ten years



	1975
Beitragseinnahmen	261 Mio. DM
Nettoprämieneinnahmen	172 Mio. DM
Versicherungstechnische Rückstellungen	248 Mio. DM
Kapitalanlagen	288 Mio. DM
Eigenkapital	27,5 Mio. DM

Der Wechsel vom ersten ins zweite Jahrzehnt war für die ATR Aktiengesellschaft für Transport- und Rückversicherung mit einer Veränderung verbunden. Unsere Hauptversammlung hat uns am 1.10.1976 einen neuen Namen gegeben.
HANNOVER Rückversicherungs-Aktiengesellschaft
 Hohenzollernstr. 26, Postfach 365, 3000 Hannover 1
 Telefon: (0511) 31 10 71, Telex: 09 22 599, Telegramm: Hannoverueck

10-year anniversary of Hannover Re

On 6 June 1976 ATR had been in existence for 10 years. The anniversary was celebrated twice on 8 June 1976. At lunchtime the board invited a small circle of business partners to a celebratory meal at the Kastens Hotel in Hannover. The gentlemen enjoyed a lunch of lobster thermidor, the same festive meal consumed to mark the company's founding in 1966. A 1966 vintage wine from the River Moselle was uncorked to toast the day. On the same evening the entire workforce (altogether 55 staff) was then invited to a company party at the Esso Motor Hotel in Hannover. Those attending, who received a time credit of two hours in honour of the occasion, savoured a three-course menu. A magician provided the entertainment and a game of musical chairs ensued to everyone's amusement.



1987

Yearly meeting of
the reinsurers in
Monte Carlo in 1987



In 1988 a decisive step was taken towards the extensive unification of the two reinsurers. The Executive Boards and Supervisory Boards of the two companies decided to enter into an underwriting partnership. From 1988 onwards therefore, with the exception of the shareholding companies' business,

every risk and every treaty was written by both companies at a fixed percentage rate. The new approach was unveiled in 1987 at the annual gathering of reinsurers in Monte Carlo. What follows is an extract from the speech given by Mr. Bingemer, the Chief Executive Officer of the two companies:

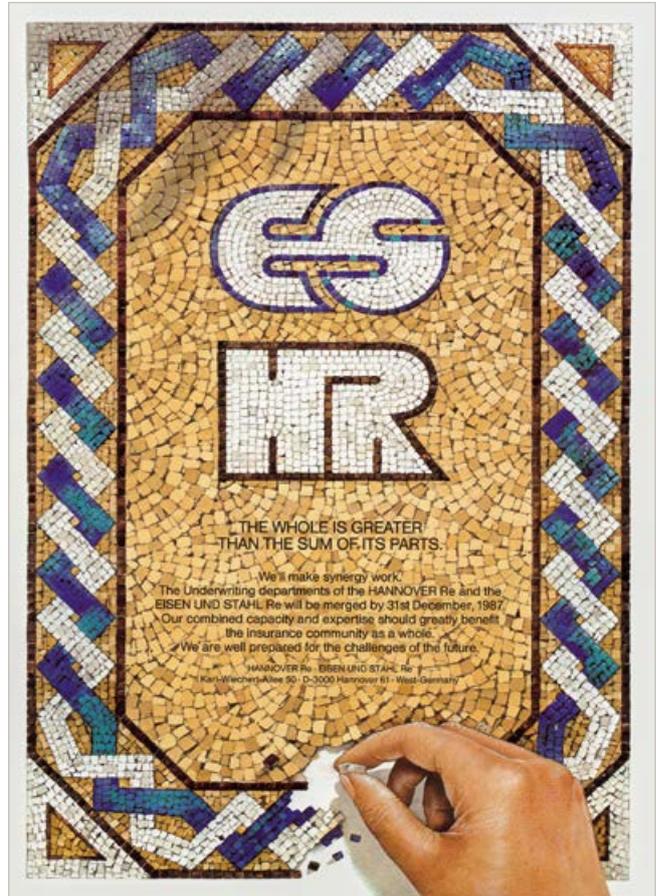
“As you are aware Hannover Re and Eisen und Stahl are close affiliates and both are solely concerned with reinsurance. While the companies have differing focal points, they generally work in the same market. In other words, they are competitors, not only competitors under one roof, but also competitors headed by one and the same chairman of the board. I can tell you it has not always been easy for me to keep my keen and eager colleagues on the path of virtue, stopping them from snapping away the business under the very nose of their sister company. It is strange; the other company's business always seems to be more attractive!”

Claus Bingemer

Presentation of the newly formed underwriting partnership. A major step towards international success

In order to mark the occasion Board member Theo Dielmann has created a visual representation of all the hard work that had been put into the underwriting partnership. A mosaic symbolised the coming together. Now, at last, the final pieces of the mosaic could be put into place – or at least that is what everyone thought back then.

The establishment of the underwriting partnership between Hannover Re and Eisen und Stahl Rück went hand in hand with a matching configuration of the Executive Boards and senior management. This harmonisation also fostered the sense of community. The ongoing rivalry between the two units which had built up unconsciously over the years dissolved, allowing a unified whole to emerge.



The Board welcomes its guests.

second from right: Udo Schubach, Deputy Chairman of the Executive Board of Eisen und Stahl and member of the Executive Board of Hannover Re, hosting the reception in Monte Carlo in 1987

Sport and leisure

A diverse range of sports and leisure activities grew up quickly at Hannover Re. The annual Christmas skat evening attracted staff and managers alike. The football team also enjoyed great popularity. Indeed, the players even made international appearances against colleagues from a British partner company. In 1981 CEO Bingemer congratulated the slightly battered captain of the victorious British team. The enthusiasm for football at one point resulted in three of the company's drivers being off sick at the same time due to injuries incurred during play, prompting management to impose a football ban on drivers.





Dirk Lohmann (left, in yellow) gives his all.

The footballers even made international appearances against colleagues from a British partner company. In 1981 CEO Bingemer congratulated the slightly battered captain of the victorious British team.



above and left: "The team"



Today's card game evening has a long tradition – staff playing "Christmas skat" in 1980.



Site
in the spring of 1982

Construction site sign
in 1982



A home of its own

ATR/Hannover Re had initially started its operations in Hannover in rented premises. In May of 1977 HDI moved into its newly constructed headquarters in Hannover Lahe, for which ground had been broken back in 1974. The space for the workforce was initially generous, so it seemed sensible to also accommodate Hannover Re in the new building. This was a pragmatic solution, but undoubtedly not the best one. The Executive Board of Hannover Re should have kept its distance to HDI, since the latter was generally known to be a serious competitor to German cedants served by Hannover Re/Eisen und Stahl Rück. The business location in HDI's offices at Riethorst 2 in

Hannover Lahe was thus problematic. Not only that, it was not long before the available space was no longer sufficient. After just two years part of the workforce had to be relocated to a neighbouring office building.

It was at this time that the plan was hatched to build the company's own office building. The Supervisory Board gave its approval in principle. The planning envisaged a workforce of 400, which of course did not yet exist in such numbers. Just as the plans were about to be finally approved, the Supervisory Board confronted the Executive Board with the unexpected



left: Board member Walter-Heinz Kirchner at the ceremonial laying of the foundation stone on 28 May 1982

Laying of the foundation stone on 28 May 1982



opinion that the building was too large. After all, as voices on the Supervisory Board proclaimed, it was important not to give vagrants an opportunity to settle down in the parts of the new building that would remain empty! The commissioned architects (Bahlo, Köhnke, Stosberg/BKS) were therefore requested to come up with a new design for 250 personnel. The successful first draft was not reduced in size, but rather an entirely new office building was designed, subsequently approved and ready for occupancy in 1984.



1982

Construction begins
May 1982



Shell construction
November 1982



Am Dienstag, den 8. Februar 1983, 15.00 Uhr freuen wir uns, den im Frühjahr dieses Jahres begonnenen Bau unseres Verwaltungsgebäudes mit dem Richtkranz schmücken zu können.

Hierzu laden wir Sie herzlich ein und bitten, uns auf der beigefügten Karte bis zum 20. Januar 1983 mitzuteilen, ob wir mit Ihrem Kommen zu diesem festlichen Akt auf der Baustelle Karl-Wiechert-Allee 50 rechnen dürfen.

Hannover, den 14. Dezember 1982

Gesellschaft bürgerlichen Rechts
HANNOVER Rückversicherungs-Aktiengesellschaft und
EISEN und STAHL Rückversicherungs-Aktiengesellschaft

Invitation to the topping-out ceremony
on 8 February 1983



Topping-out ceremony
8 February 1983



Entrance area
Spring 1984



above: Guest and keynote speaker at the topping-out ceremony – Dr. Herbert Schmalstieg, then Mayor of Hannover, in conversation with the architect Klaus Stosberg



Sprint to the finish on the huge construction site in 1984

When it came to moving in on 22 March 1984, it emerged that the utilisation of the building's capacity was almost 100 percent, prompting the immediate commissioning of a second construction phase – which became available in 1988. In the course of the following years four more office buildings in the vicinity were acquired or leased, before finally a third construction phase was completed in 1995. The relocation to the new Home Office premises was celebrated on 7 April 1984 by the staff and their families with a large housewarming party.



1984



Move-in
22 March 1984



Claus Bingemer speaking
at the family festival
7 April 1984



Family festival
7 April 1984



Family festival
7 April 1984



Family festival
7 April 1984



The Chairman of the Supervisory Board, Mr. Faber, had requested that the new building should not be equipped with a kitchen of its own. Instead, employees and guests of Hannover Re should use HDI's canteen and guest facilities. Hannover Re's Executive Board circumvented this requirement and had the building fitted with a kitchen and guest facilities. As is only proper, the Chairman of the Supervisory Board was invited to the housewarming. Mr. Bingemer, who ultimately bore responsibility for the construction, felt nervous about the encounter with Mr. Faber, since it would now become

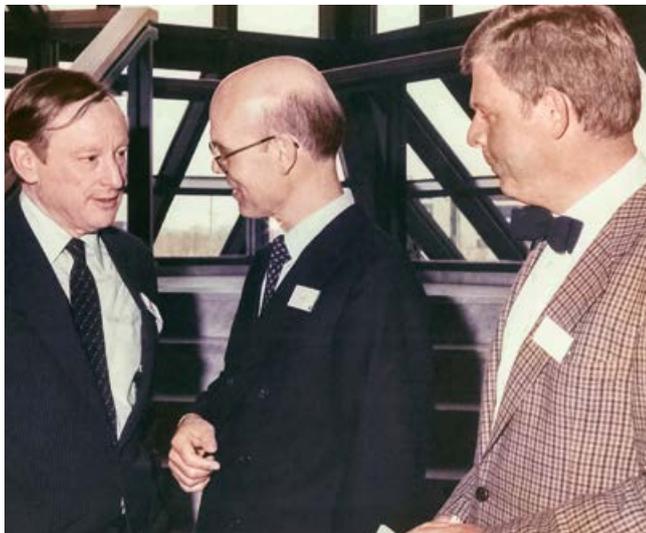


right: In Hannover Re's very own kitchen: Barbara Naleppa, Bernd-Jürgen Büttner, Michael Werharne, Bärbel Fabisch, Uwe Albers, Helmut Quendler



Reception for the Supervisory Board
10 May 1984

right: Claus Bingemer in conversation with the architects Klaus Stosberg and Dieter Bahlo



below: Dr. Dieter Farny, Professor for the Economic Theory of Insurance and Insurance Business Management, and Hans Faber, Counsellor of Mines and then Chairman of Hannover Re's Supervisory Board



The new staff canteen
June 1984

obvious that his stipulation had been ignored. Faber's scouts had evidently informed him long ago that the new premises at Karl-Wiechert-Allee had their own kitchen facilities. Faber jovially declined the tour of the new building offered to him by Bingemer, joined the party and ordered a bottle of wine – the first of several on that evening. Writing in the guest book, Hans Faber marked the occasion with the following words:

“How perplexed is a supervisory board, when board members show themselves to be helpless; yet what is peculiar to my office is that nobody ever asked for my advice.”

Hans Faber



below: Staff were able to use the company's own tennis court.



The finished new building
June 1984



above: Claus Bingemer – the man with a phenomenal memory for numbers and contracts in his office on Karl-Wiechert-Allee

Art collection



With its new Home Office Hannover Re was for the first time master of its own domain. The state-of-the-art premises on Karl-Wiechert-Allee offered an opportunity to “display ourselves as we wish in the structure of our choosing”, as Chief Executive Officer Bingemer phrased it. From the mid-1980s onwards this also included the building of the company’s own art collection, a move initiated by Bingemer, an enthusiastic and knowledgeable art collector. Yet the emphasis here was less on merely how the company represented itself to the outside world. To quote the CEO’s maxim: “Art on the wall should tap into the unconscious of our employees and thereby stimulate and nourish the very depths of their imagination and intellect”.

The collection, which has been continuously expanded since that time, now numbers some 300 exhibits by almost 70 artists. It is divided into three main groups of works: abstract art of the post-war era (1945 to 1975), contemporary figurative art (1960 to 2008) and international art of the twentieth century. The exhibition concept was developed jointly with the Berlin-based gallery owner Dieter Brusberg, who managed a gallery in Hannover in the years from 1958 to 1982.

The entire collection is currently housed in the main building, with some pieces to be found in the surrounding gardens and the inner courtyard of the complex. Positioned in front of the south entrance, which was redesigned on the instructions of Wilhelm Zeller in 2008, the six-metre high bronze sculpture by Rolf Syzmanski opens the collection, which includes artists of classical modernity such as Pablo Picasso, Vladimir Baranoff-Rossiné and Arthur Segal but places greater emphasis on

German art after 1945. In choosing the works the founder of the collection showed a special flair for relevant artistic positions, since to some extent they were also quite decisive in shaping German art of the post-war years.

The special quality of the collected works derives from the fact that they are not fixated on one of the many diverse currents of modern or postmodern art, but rather – with pieces by Werner Heldt, Hans Uhlmann, Ernst Wilhelm Nay, Georg Meistermann and Hap Grieshaber – they reference artistic positions that were ostracised during the Third Reich. A further exceptional point of emphasis is on works by artists from the former GDR, such as Bernhard Heisig and Wolfgang Mattheuer from Leipzig and their former students (Walter Libuda, Hartwig Eberbach and Wolfgang Peuker). The art collection of Hannover Re is thus an invitation to engage not only with the visual arts, but also with a slice of contemporary history.



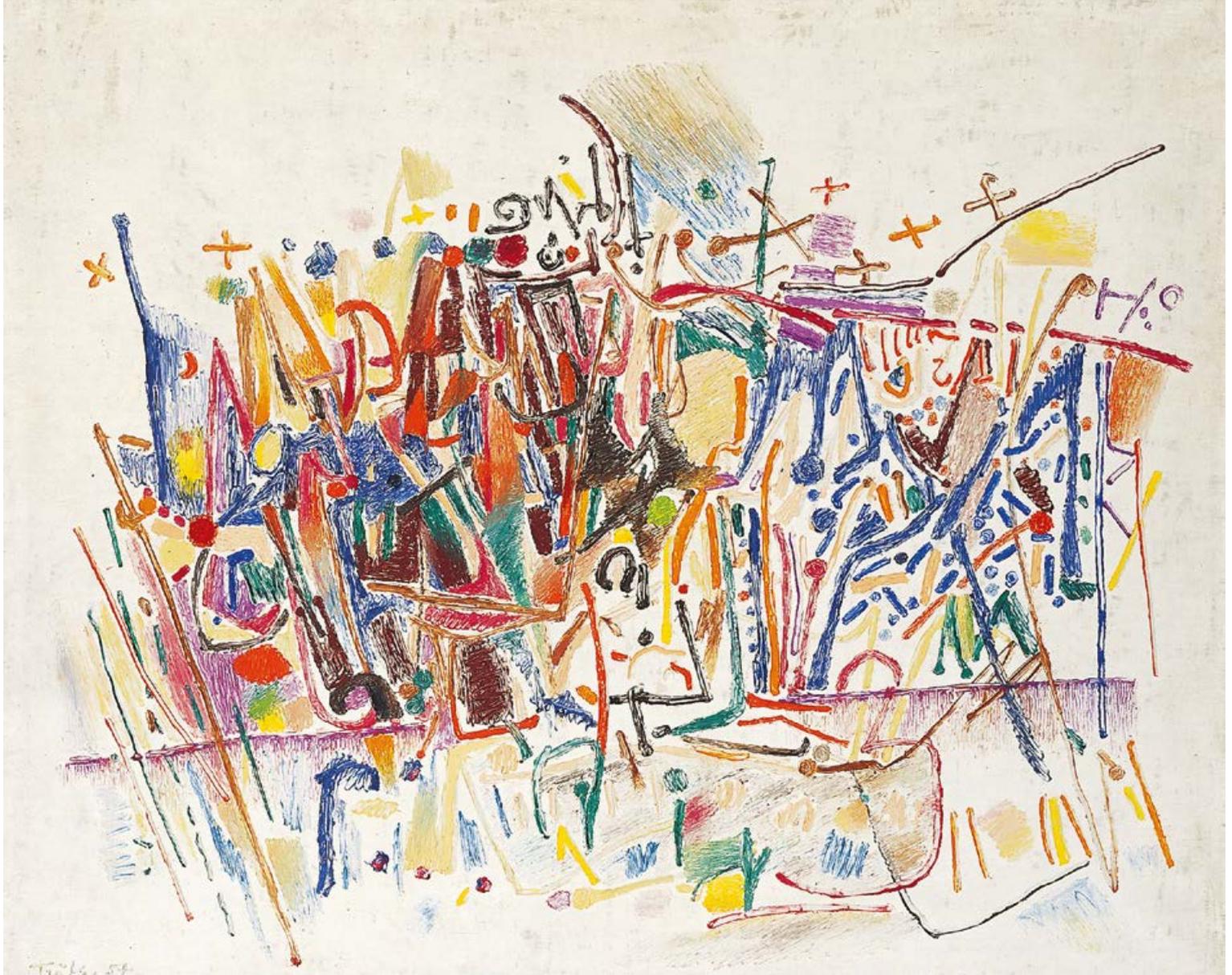
“The state-of-the-art premises on Karl-Wiechert-Allee offered an opportunity to ‘display ourselves as we wish in the structure of our choosing’.”

Claus Bingemer

"Untitled"
by Alexander Calder (1898–1976)

Gouache, 75 x 110cm, 1970





"Heiterer Zustand"
by Heinz Trökes (1913–1997)

Oil on canvas, 1957

"Blau-Grün"
by Georg Meistermann (1911–1990)

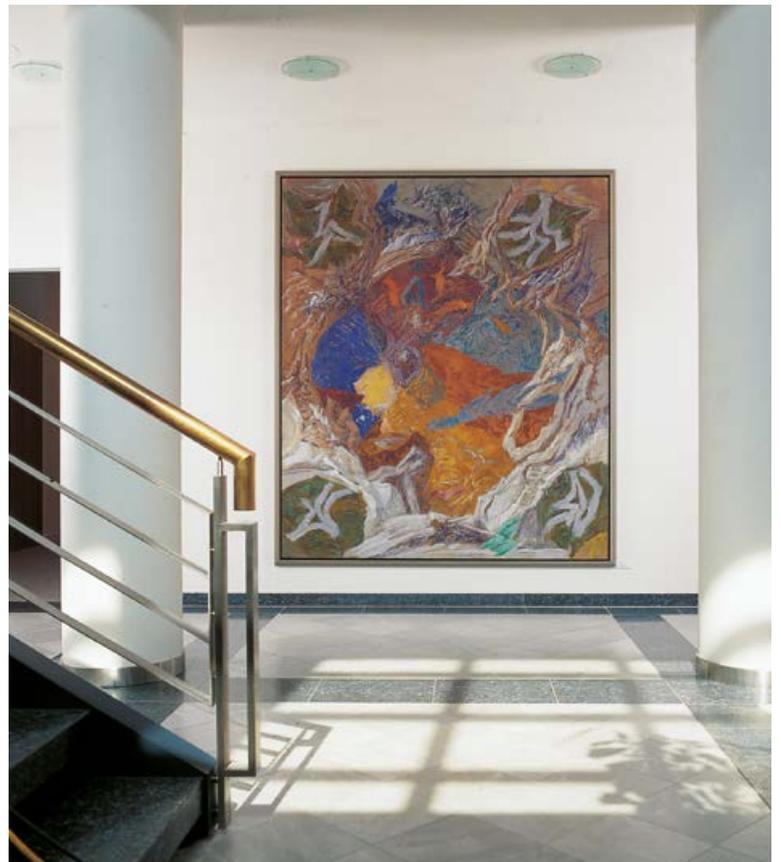
Oil on canvas, 1970–1978





**Stained glass window
by Georg Meistermann
(1911–1990)**

1995
in the connecting walkway of
Karl-Wiechert-Allee 50



**"1/2/3/4 in Xanadu"
by Hann Trier (1915–1999)**

1983

**Triangular head
by Horst Antes (*1936)**

Sculpture from 1979/80



**Installation
by Stefan Schwerdtfeger**

1995
in the staff canteen at Karl-Wiechert-Allee 50

1981

Acquisitions of reinsurance companies drive growth

The history of large insurance and reinsurance groups shows that substantial parts of their growth have been realised through acquisitions of similar companies. This is an area where Hannover Re, too, became active. Having benefited in the early days above all from HDI's strong growth, it now set about growing through acquisitions as well and was open to assuming third-party reinsurance portfolios offered on the market. The risk of such an approach was well understood. The task was tackled prudently, and with almost all acquisitions the company's own business was enlarged in leaps and bounds.



Hollandia logo
through changing
times



The first take-over of an outside insurance group took place in several stages until in 1981 Hannover Re secured a majority stake in the Hollandia Group – at the time based in Cape Town, later Johannesburg. Owing to the system of apartheid in the country, which was bitterly defended by some of the white population, the matter was a delicate one. Riots and unrest were commonplace in South Africa. In deciding nevertheless to get involved in this small world, the company did so because the Executive Board took the view that support from the outside was urgently needed here. The company had been run in an authoritarian style by its former owner. Once Hannover Re had given management greater decision-making freedom and made a few key adjustments, the company went on to flourish over the years. Its name was subsequently changed to Hannover Re Group Africa.

1990

Another major step forward towards the company's future was taken ten years later: in 1990 Hamburger Internationale Rückversicherungs-AG, Hamburg (HIR) was up for sale. This was the reinsurance company of the then union-owned insurer Volksfürsorge. The major German reinsurers were offered the opportunity to take over the company. None of them, however, showed any interest in HIR's business – which was entirely understandable since with many such acquisitions of reinsurance undertakings the true scale of the current risks only becomes evident in retrospect. Hannover Re conducted extensive due diligence and sliced the offered participation into three acquisition areas: the current business – in which regard Volksfürsorge's group reinsurance portfolio was especially interesting; the bulk of the business in run-off was passed on to a run-off company; last but not least, a large section of the workforce from the underwriting side at HIR was recruited to continue their employment with Hannover Re. The geographical proximity to Hamburg made it easier to attract many members of staff to Hannover, where there was still a lack of specialists with reinsurance experience.

The acquisition of HIR would later prove to be a ground-breaking success. In financial terms, amounts in the double-digit millions flowed into Hannover Re's own books at short notice. More importantly, the take-over of HIR staff – most of them from the life side of the business – opened up access for HR to life reinsurance. This had previously not been systematically transacted owing to a lack of suitable specialist personnel. Over the years HIR's life team, led by Dr. Wolf Becke, developed Hannover Re – whose life portfolio had hitherto encompassed just a few treaties – into one of the major life reinsurance players in the world. In addition to the assets already mentioned, the deal with HIR also included branches in the United States, Italy, Malaysia and Hong Kong, all of them equipped with a capable infrastructure.

The acquisition laid the foundation for at once rapid and profitable expansion of the life reinsurance portfolio in the years that followed, during which life and health reinsurance evolved to become the second pillar of Hannover Re's business.

Rating or non-rating – that was the question

In Europe virtually no significance was attached to the ratings of insurers and reinsurers right up until the 1980s. After all, companies had often known their partners for many decades. Not only that, primary insurers were subject to strict oversight by the relevant national regulators.

Internal analyses had revealed that since the mid-1970s the annual financial statements of Hannover Re and Eisen und Stahl Rück stood up very well in comparison with other German reinsurers. Despite this, there was still a lack of recognition and confidence in some parts of the market as regards the durability of Hannover Re, which after all was a relatively young company. Most notably, insurers and brokers from Anglo-Saxon markets already required a rating from their reinsurance partners even in those days. It made sense, then, to have the company's "claims paying ability" confirmed by Standard & Poor's (S&P). This refers to the sustained ability to meet the full extent of obligations from insurance contracts in a timely manner. Hannover Re thus became the first insurance company in Germany to cooperate with S&P. Back then, some providers found S&P's idea of opening the books and discussing business practices and goals in meetings with board members, department managers and accountants to be a provocation. There simply could not be any disputing the creditworthiness of such companies!

The preparation of a commensurate rating by S&P necessitated extensive detailed work and had to be advanced through close cooperation between the two actors. In many areas of fundamental data and interpretation, the accounting principles initially applied by the two sides differed widely. There was a great deal to learn.

For S&P, the collaboration undoubtedly led to a valuable expansion of its knowledge of German and indeed European accounting practices. Ultimately, Hannover Re received the best rating of AAA (extremely strong) for 1984. It thus became one of just three rated insurance companies in Europe (all AAA). In the US insurance market the rating focus has traditionally been on A.M. Best, whose rating scale is graded differently to that of S&P. In this case Hannover Re and E+S Rück (formerly Eisen und Stahl Rück) received the top rating of A+ (Superior) in 1994.

Ultimately, Hannover Re received the best rating of AAA (extremely strong) for 1984.

Even though the evaluations of S&P and A.M. Best were subsequently downgraded in the aftermath of the financial crisis, one constant nevertheless remained: Hannover Re has consistently featured alongside just a few other providers in the current group of top-rated players in the international insurance industry. This has opened up to the company numerous attractive business opportunities. S&P's excellent rating made possible a breakthrough across a broad front. Another advantage associated with the strong rating related to the conditions imposed in the United States for the granting of letters of credit, which Hannover Re – as a foreign company – was required to furnish for its US business.

This early cooperation with S&P proved to be a trailblazing decision for the company's future.

1984

1991

Hannover Re grows quickly and profitably, celebrates its

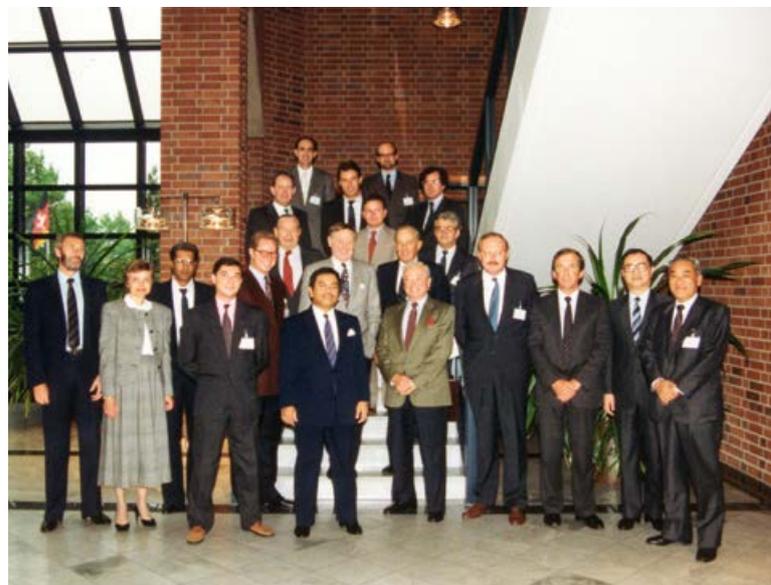
25th anniversary

Success factors in the company's climb to the top

Since the establishment of ATR there was no question that, aside from dealing with the acute problems faced in FSV's fire reinsurance business, every effort had been focussed on assembling a qualified team of reinsurers. As Claus Bingemer recalls: "For many years nobody with the appropriate underwriting know-how was willing to come to Hannover. The only course open, therefore, was to look for young, smart and bold activists and to fire them up with enthusiasm for reinsurance. We found them and introduced them to the problems, but without giving them any training beyond the basics. Instructions were avoided wherever possible. Instead, junior underwriters were steered towards the key issues through targeted questioning. It was very much "learning by doing", with everyone having to take responsibility for their own decisions. Some of those selected displayed considerable flair in making the most of the latitude granted to them (out of necessity), assuming responsibility for the often delicate decisions with which they were faced."

With a view to reflecting the company's increasingly international dimension and expansion, the Representative Meeting was initiated in 1990. To this day senior managers from all around the world come together for an annual dialogue at what is now the Global Management Forum.

The first Representatives Meeting was held from 2 to 5 September 1990 in Hannover.

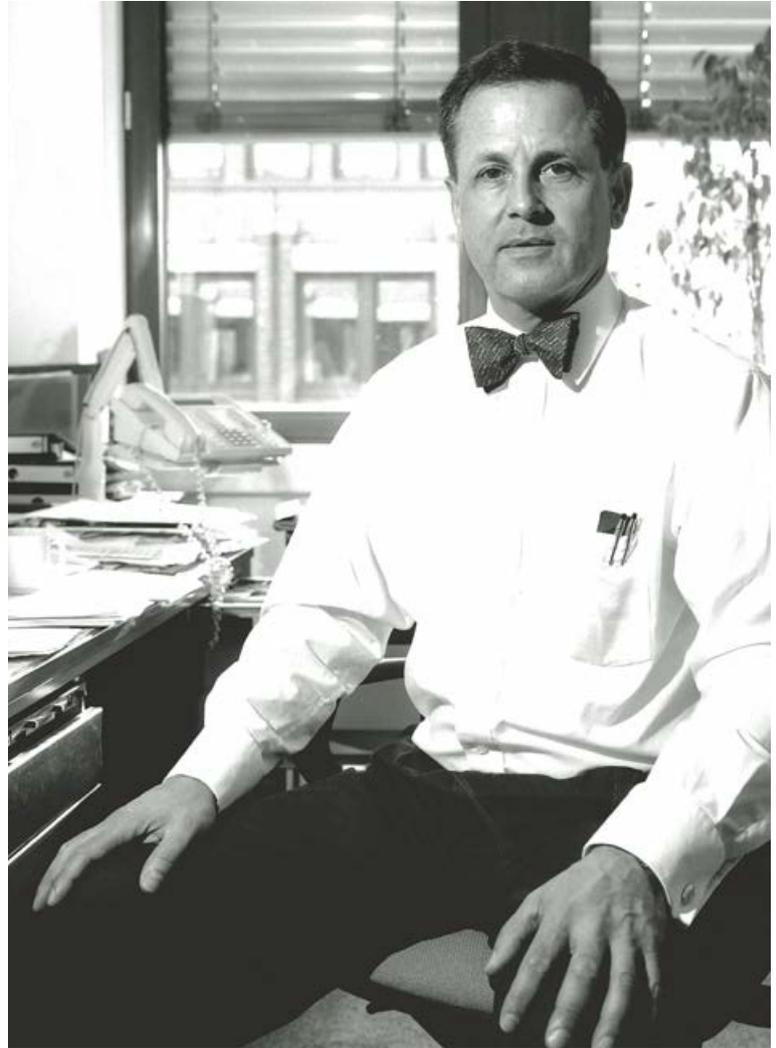


Wade Masinter in his office

The recollections of members of staff looking back on their early days with Hannover Re bear witness to the fact that in this way, over the years, a committed team of specialists formed – individuals who were aware of their special role and who supported the company in its rise to the top, in some cases over decades. By way of example, the parting words of Wade Masinter to his colleagues and friends on 19 July 2011 may be quoted:

“In more than 24 years I have witnessed and been a part of the ascent of a small ‘wannabe’ reinsurer into a top-flight global player. When I left Munich Re and packed my bags for Hannover, I had to put up with sarcastic questions about whether I had perhaps lost my marbles. It’s true, Hannover Re did give the sense of a bunch of ‘68 hippies that made Woodstock seem more like the Prussian army in comparison! Yes indeed, a great deal has changed.”

Wade Masinter



Global Management Forum 2014 in Berlin

Similarly, Jürgen Lang, Managing Director, Advanced Solutions Ireland, Hannover Reinsurance (Ireland) Ltd, who spent almost 33 years with the company, wrote on 22 December 2011:

“When I started in April of 1979 the company wrote a gross premium volume of approximately DM 500 million and had shareholders’ funds of approximately DM 110 million (roughly EUR 55 million). Even back then under the impressive leadership of Claus Bingemer, Theo Dielmann and other great business people we believed in ‘... profit is sanity’, most of which was used to build the capital base. As a 100 percent subsidiary of a mutual this was acceptable and right at the time. Hannover Re has gone a long way from being one of quite a number of small to medium-sized German reinsurers, most of whom have been out of business and out of minds for years, to one of the world’s top three reinsurers.”

Jürgen Lang

The spirit of freedom and responsibility, coupled with for the most part short decision-making channels, enabled the company to progress. In this culture of dynamism growth spurts shaped – and continue to shape – Hannover Re’s development, as the company has systematically leveraged fresh opportunities in light of favourable business considerations. In 1984, for example, intensive use was made of the opportunity to expand US business through the conversion of the US casualty portfolio from “loss occurred/cost in addition” to “claims made/cost inclusive”. The new clause was effective, with this business delivering underwriting profits over many years as well as a substantial additional gain from the liquidity. With the publication of an eye-catching advertisement at the time Hannover Re underscored internationally its conscious striving to act against the cycle and market trend: “When others close their doors we keep ours open.”

The next turning point came in 1993 after a series of natural disasters, including the devastating hurricane Andrew of 1992, which ensured that hard market conditions prevailed for several years from 1993 onwards. Identifying the cycles is a crucial success factor. Measured over time, Hannover Re’s claims rate is three percent better than its competitors. This has been vital to the cumulative prosperity of the company.

“How can you explain Hannover Re’s rapid and at the same time profitable growth?”, a Munich-based colleague once asked Claus Bingemer in the early nineties. The gentleman from Munich oversaw a well-established and respected reinsurance company and was evidently surprised by the swift rise of a newcomer to the German market. The reply was most enigmatic: “We take a very close look at things.” So did his own company, the gentleman opined.

Another factor in the company’s ascent can be attributed directly to its role as a newcomer: as the “aggressor”, so to speak, Hannover Re was forced to innovate. It had to offer alternatives to the established reinsurers. This prompted the company to concentrate increasingly on non-proportional business, which at the time was not at all common in the German market with its system of fixed quota share treaties that



Jürgen Lang (on the right) in conversation with Robert Shaw of Hannover Service South Africa during the first Representatives Meeting in 1990

“When others close their doors we keep ours open.”

had often been written for decades. For non-proportional business, however, what counted was actuarial know-how and clean modelling of the risks. Hannover Re became a pioneer in this field on the German market, setting new standards with its analytical underwriting.

Pioneer of actuarial underwriting

In this respect, too, the early days were very modest. Eberhard Müller, the company’s Chief Risk Officer until 2015, was one of the first mathematicians to join Hannover Re back in 1982 and he developed the new area of actuarial underwriting. He recalls the “zero hour” for mathematics in Hannover:

“When I started at Hannover Re on 1 April 1982 there was already one mathematician working there – but he did ‘life’. And everyone knows that working day in, day out with mortality tables and ‘discounted deaths’ is not real math! No – real mathematics at a reinsurer has to do with ‘large random realisations’, as is the case with natural catastrophe events or US casualty business! And it has to do with the tools that can be used to try and pin down these random variables.

And 1982 was the perfect year for this: at the Hannover Fair the first ‘true’ mini-computers to go beyond the level of programmable pocket calculators were on display. Claus Bingemer had unwisely allowed me to make a ‘business’ visit to the trade fair, and thus I was confronted with my ‘dream machine’ –



To this day Eberhard Müller is still in possession of his Sharp PC 1500 “dream machine”.

An advertisement for Hannover Re. The top half shows a photograph of a golden gate at night, with a fire burning in the center. The bottom half contains text and a logo.

THE GOLDEN GATE OF THE ROYAL GARDENS OF HERRENHAUSEN IN HANNOVER

When others close their doors we keep ours open. For us this is a time to expand and not to retrench. In order to be in this fortunate position we must have managed our affairs more wisely than some of our competitors. We have faith in your market and you can have faith in us. The financial strength of our company has grown from year to year. Standard & Poor’s AAA rating speaks for itself.

HR

HANNOVER RE
Karl-Wiesner-Allee 50 · D-3000 Hannover 41 · West Germany
Telephone (05 1) 56 94 0 · Telex 9 12 599 (hann)

a Sharp PC 1500, around the size of a 300-gramme bar of chocolate, fully Basic-programmable, with a cassette recorder as a storage medium and, to top it all off, a 4-colour plot printer on whose paper ‘till rolls’ you could print out wonderful things like biorhythms! And the whole thing was available for around a thousand German marks – I just had to have it! My eyes must have been shining so brightly when I reported back that Mr. Bingemer said to me for the first time the marvellous sentence that I later really took to my heart: ‘Yes, Mr. Müller, then that’s what we’ll do!’

So I ordered the device from Trend-Data, quickly wrote a few Basic programs (including a chain ladder projection for the estimation of reserves) and dived with all my enthusiasm into the awaiting tasks, such as a cash flow analysis of the Lloyd-Continental motor quota share from France. Back then, unfortunately, I did not realise that questions relating to underwriting decisions needed an answer immediately, or at the latest on the next day. First of all, then, I wrote a couple of Basic programs for cash flow analyses, carefully worked through all the calculations with various assumptions and after 14 days proudly produced an 18-page draft entitled ‘Aspects of an underwriting-year-based cash flow analysis, as illustrated by the Lloyd-Continental motor quota share’! To this day I can still see Mr. Bingemer’s face, amused and bemused in equal parts, as he commented with visible effort and clear emphasis on the final syllable: ‘Very fine work, Mr. Müller – but perhaps a shade too theoretical’. The MSP (Mathematics, Statistics, Personal Computer) department quickly became known thereafter under another name: ‘Müller’s amusement arcade’.”

Eberhard Müller

Key figures of German reinsurers

Annual reports with underwriting results as at 31.12.1991

1	2	3	4	5	6	7	8	9	10	
Company	Gross premium DM m	Net premium		Shareholders' equity DM m	Equalisation reserve DM m	(4+5) DM m	(4+5)	Underwriting reserves ¹ DM m	Capital and reserves (4+5+8)	Administrative expenses for insurance operations DM m
		Gross premium in %	Net premium ² in %				Net premium ²			
Munich Re	14,574	87	1,653	1,025	2,678	21.1	19,940	227	375.4	
Hannover Re/E+S Rück	3,077	87	429	399	828	30.9	5,353	246	47.6	
Cologne Re	2,735	77	322	115	437	20.7	2,522	194	- ⁶	
Gerling Globale	2,699	74	328	103	431	21.7	2,945	223	61.5	
Frankona	2,593	76	292	218	510	26.0	1,959	160	65.9	
Bayerische Rück	2,272	54	162	231	393	31.9	1,939	210	56.2	
Rhein-Main-Rück	1,164	36	64	42	106	25.6	350	143	10.1	
Gothaer Re	1,075	59	74	30	104	16.4	534	139	6.3	
Aachener Rück	1,047	72	102	38	140	18.6	828	161	18.1	
Deutsche Rück	1,042	39	66	40	106	25.9	409	125	- ⁶	

¹ Excluding equalisation reserve and excluding reserves for life business

² Excluding life reinsurance

³ Before equalisation reserve and after administrative expenses

⁴ Investments including deposits with ceding companies less gross life assurance provision

⁵ Income from investments (excluding technical interest)

⁶ Administrative expenses not reported separately

Over the years that followed the mathematics department was steadily expanded and new tasks – such as the modelling of natural catastrophe risks – were added. Hannover Re has retained to this day the role of pacemaker in actuarial underwriting. With the devastation wrought by hurricane Andrew in the United States this new form of risk management was then really put to the test in the 1990s.

During these years of expansion and capturing new areas of business, growth alone was not a criterion. What mattered was growth with profit, both of which Hannover Re delivered on a sustained basis. What is more, the old-established professional German reinsurers were committed primarily to preserving their core German business. In view of the increasingly

cut-throat competition among German insurers this was a difficult task entailing considerable responsibility. After all, around the turn of the millennium numerous German primary insurers disappeared from the domestic insurance landscape as a result of mergers and liquidations. Hannover Re had the good fortune to experience all these problems as an observer, while itself remaining virtually unaffected. The company's staff was not burdened by the problems of the past. Its mindset and actions were open to the development of innovative business ideas and models. The company received a good deal of unusual inquiries. Some, but not all, stubborn problems were astutely resolved to the mutual benefit of both parties, often even avoiding any substantial risks. A sizeable volume of special transactions were written.

1991

11	12	13	14	15	16
Admin- istra-tive expenses for insurance operations		Underwriting result (12)			Investment income (15)
Net premium	Underwrit- ing result ³	Net premium	Invest- ments ⁴	Investment income ⁵	Net premium ²
in %	DM m	in %	DM m	DM m	in %
3.0	- 1,297.9	- 10.2	22,524	1,980	19.9
1.8	- 249.1	- 9.3	6,201	516	20.5
.. ⁶	- 167.4	- 7.9	3,260	251	16.4
3.1	- 193.5	- 9.8	3,200	236	15.6
3.4	- 96.5	- 4.9	2,390	139	9.1
4.6	- 77.5	- 6.3	2,539	186	16.8
2.4	- 37.5	- 9.1	543	39	12.1
1.0	- 41.5	- 6.6	687	52	11.3
2.4	- 58.1	- 7.7	1,102	84	13.9
.. ⁶	- 29.0	- 7.1	567	41	10.0

Another reason for the company's success was its systematic generation of investment income and the long-term preservation of these earnings. This was achieved by making the largest possible contribution to the claims equalisation reserve as well as significant allocations to the IBNR reserve. Both measures serve to reduce the tax expenditure, hence keeping the money on the books. The accumulation of capital was a guiding maxim for an era in which dollar investments yielded up to 14 percent over the long term. In this way the company enjoyed strong returns over many years.

The young company's low administrative expenses, which were significantly less than those of most of its rivals, were yet another factor in its success. The youthful team was highly

motivated and in no way pampered when it came to the costs of office accommodation and travel. Work was carried out with a very positive awareness that everyone wanted to build up the company and create a professional future for themselves and all members of staff. Visible success spurred on further activities, which were always monitored with a critical eye. For all the desire to build and develop the company, the goal was not to establish new connections or generate a large premium volume, but rather to book a profit. It was of course easier for the young company to maintain flexibility in its underwriting approach – it did not (yet) have business relationships going back twenty, fifty, let alone a hundred years. This enabled the company to part ways with unsatisfactorily structured contracts without causing any “knock-on” losses.

right: The Hannover Re choir at the staff party on 6 June 1991

1991

Rhyming song lyrics with highlights from the company's history

Der HR zu Ehren
wer will es uns verwehren,
dass wir glossieren,
was bei uns geschah,
Aktuelles singen,
dies und jenes bringen ...
Ob sie alle glücklich waren,
als vor 25 Jahren,
dieses Kind die Welt erblickte,
heute weiß man, es ist geglückt.

Mutter FSV ganz eigen,
wollte J&H mal zeigen,
wie man Rückversicherung macht,
damals hat man noch gelacht ...

Mutter hat uns mitgenommen,
wir sind dann hierher gekommen,
nicht nach Düsseldorf am Rhein,
nein, Hannover sollt' es sein.

1970 Hochzeitsfeier,
Braut verliebt ganz ohne Schleier,
HDI und FSV wurden schließlich
Mann und Frau ...

'84 welche Freude,
fertig ward das Neugebäude,
rotes Backsteinhaus mit Schick
dort schafft E+S – HR – Rück.

Fleißig nicht von ungefähr
wurden wir dann Milliardär,
ja, wer hätte das gedacht,
schneller Wuchs nur Ärger macht.

HDI den macht's verlegen,
sicherlich er gab den Segen,
jung und schnell wie Kinder sind,
im Prämienwuchs HR gewinnt ...



above: Choirmaster Stephan Müsken and "Miss Eisen und Stahl" Rita Hagedorn at the staff party on 6 June 1991



right: Festive dance formation at the staff party on 6 June 1991

Silver jubilee and end of an era

Twenty-five years after the company's founding, its silver jubilee was celebrated at the annual gathering of reinsurers in Baden-Baden on 24 October 1991, in the banquet hall of the casino, with many business friends in attendance.

A large celebration had already been held in Hannover on 6 June, a quarter of a century to the very day after its establishment. The Executive Board had invited the entire workforce to the event in the "Niedersachsen-Halle", where 400 employees were able to experience a "Midsummer Night's Dream"-to quote the motto for the evening. Under the direction of Stephan Müsken the company's in-house choir demonstrated its creativity by performing its own compositions while ten Hannover Re ballroom couples, having trained rigorously for the occasion, presented their routines in finest evening attire.



above: 25 years of Hannover Re. Friends joined in success. Then Chief Executive Officer Claus Bingemer (left) and then Chairman of the Supervisory Board and Mine Assessor Adolf Morsbach in Baden-Baden on 24 October 1991



Then Chief Executive Officer Claus Bingemer and Mine Assessor Hans Faber (from right to left) enjoying the company of happy guests on 24 October 1991



Director Dr. Wolf Becke, Senior Vice President Dirk Lohmann and then Chairman of the Employee Council and Supervisory Board member Norbert König (from left to right) on 24 October 1991

1991



The Hannover Re Foundation

In 1991, on the occasion of the company's 25th anniversary, the Hannover Re Foundation was set up to benefit the Sprengel Museum in Hannover. Along with Claus Bingemer, the founding father was Prof. Dieter Ronte, the Director of the Sprengel Museum at the time. The foundation was equipped with capital of DM 1,000,000; today its funds stand at EUR 600,000.

The foundation's mission is to support the city of Hannover as a centre for art through the acquisition of contemporary pieces, which are made available to the Sprengel Museum on permanent loan. Opened in 1979, the museum – with its extensive collection and diverse programme of exhibitions – ranks among the most important German museums for art of the twentieth century. The Hannover Re Foundation is further tasked with financing supporting publications and events. The artworks provided on loan to date include pieces by Gerhard Richter, Donald Judd, Ronald B. Kitaj, Georg Baselitz and Sigmar Polke.

Claus Bingemer (left) and his successor Dr. Michael Reischel hand over the Foundation's first painting, an untitled work by Gerhard Richter, to Angela Kriesel, the co-founder of the Sprengel Museum's Society of Friends, which was set up in 1980. Angela Kriesel is the youngest daughter of the collector couple Bernhard and Margrit Sprengel. The private art collection of the chocolate manufacturer and art patron formed the cornerstone of the Sprengel Museum in Hannover.

1991 was a turning point in the history of the company. Within 25 years the Hannover Re Group had grown to become the second-largest German reinsurer. This unparalleled success story had gone hand-in-hand with a continuity of leadership that is almost impossible in this day and age: Claus Bingemer led the company for a quarter of a century. Under his auspices, a reinsurance market leader of international calibre had emerged with patience and stamina from the humblest of beginnings with just a handful of staff. Bingemer's retirement in December 1991 marked the end of an era. In commemoration of Hannover Re's early days and in honour of its founding father, Hans Faber, Claus Bingemer departed with the old miner's greeting "Good luck!"

The "man of the first hour" – at once role model and source of inspiration. Claus Bingemer successfully guided the story of Hannover Re from 1966 to 1991.



"Dear Mr. Bingemer, please accept our thanks, our simple appreciation. You have given us, and by us I mean your colleagues, your staff and the companies, everything that a person can give in their professional life: ego, character, strength and fearlessness."

Chartered Engineer and Mine Assessor Adolf Morsbach, then Chairman of the Supervisory Board, bids farewell to Claus Bingemer on 6 December 1991

Adolf Morsbach,
Mine Assessor

New paths, new structures

At the beginning of 1992 Dr. Michael Reischel stepped into Claus Bingemer's shoes and took over the leadership of the company. A graduate in economics, he had previously climbed the career ladder with HIR before joining Hannover Re's Executive Board in 1990. Yet his term of office was a short one: in the spring of 1995 personal problems drove Reischel to take his own life.

This tragic event dealt a serious blow to Hannover Re. At a critical moment the company found itself without a chief executive officer: for just a few months earlier it had taken the boldest step in its history towards change by going public.

The initial public offering

The background to the IPO goes back quite some years: when ATR was established in 1966 its share capital stood at just DM 5 million. The company's dynamic growth subsequently necessitated repeated adjustments to the share capital. As the sole shareholder HDI shouldered capital increases of DM 72 million in the years up to 1992, as a result of which nominal capital of altogether DM 77 million was available by 1993, DM 52 million of which was paid up. Hannover Re also had additional paid-in capital and retained earnings totalling DM 302 million. Of this, an amount of DM 225 million – along with the dividend of 9 percent – was distributed in 1993 as a special payment to HDI. In the period from establishment until the end of 1993 DM 411 million was allocated to the claims equalisation reserves. Despite these increases, shareholders' equity was always scarce because the volume of business grew disproportionately strongly.

Yet equity resources were in short supply not only at Hannover Re but also at the parent company HDI on account of rapid growth. After all, HDI had come up with the various capital increases at Hannover Re and, as a successful primary insurer, also needed to fund its own expansion. As a mutual insurer it had no access to the capital market. The complete sale of Hannover Re was also out of the question, however, because that would have directly impacted HDI's reinsurance coverage.

As early as the late 1980s the idea was first contemplated of floating initially 25 percent of Hannover Re's shares on the stock market and additionally selling HDI's majority stake in Eisen und Stahl Rück to Hannover Re. The value of Eisen und Stahl Rück's shares had risen sharply over the years. Consequently, HDI could have gained profits and liquidity on a considerable scale for its own equity resources from the two transactions. Yet for a while there was reluctance to make such a move. Reservations about giving too much autonomy to the subsidiary Hannover Re, which by premium income was now in fact larger than its parent, played a role here.

It was not until 1994, after HDI's new Chief Executive Officer Wolf-Dieter Baumgartl had taken over the reins as Chairman of Hannover Re's Supervisory Board, that the problem of raising capital was resolved and the initial public offering brought to fruition. Hannover Re's shareholders' equity was boosted through a number of measures from DM 77 million to DM 141 million. Of this, bearer shares worth DM 35,310,755.00 were floated on the stock market in October 1994 by a consortium of banks lead-managed by Commerzbank AG jointly with Nord LB. HDI retained an interest of a little more than 75 percent in Hannover Re. An admission to listing for the remaining shareholding, which served to maintain the controlling influence, was not initially envisaged.

1994

As early as October 1996 the company's share capital was increased by another DM 4 million to nominally DM 145 million. At the same time, further bearer shares worth altogether DM 46 million were admitted to trading on the Hannover and Frankfurt stock exchanges. Responsibility for handling the admission to trading of these shares was entrusted to the banking consortium that had handled the first listing.

At virtually the same time the relations between Hannover Re and Eisen und Stahl Rück were put on a new footing. Effective 1 January 1995 Hannover Re acquired the majority stake in Eisen und Stahl Rück. This did not affect the minority interests held in the company by German mutual insurers.

Hannover Re's initial public offering and the sale of the majority stake in Eisen und Stahl generated a cash inflow of EUR 770 million for HDI. The problem of raising capital was thus resolved for the time being. Similarly, Hannover Re's capital base was also stabilised by the stock market flotations. Last but not least, with the acquisition of the majority interest in Eisen und Stahl Rück the reinsurance sub-group was now structured in such a way that the task areas handled by the two reinsurers could be sensibly reorganised.

Announcement of the going public: "Nobody can eliminate risks – but with us they can protect against them"

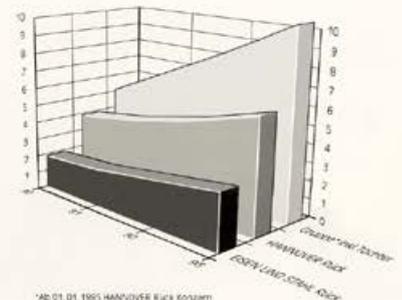
Risiken kann keiner abschaffen – aber mit uns absichern

Das Going
Public '94
HANNOVER
Rück-Aktien
heute
zeichnen

Zum Aktienverkaufsangebot:

Als Rückversicherer garantieren wir mit unserer Kapitalkraft die Leistungsfähigkeit von Versicherungsgesellschaften. Der Anstieg unserer Garantiemittel auf über 10 Mrd DM in der Gruppe ist Zeichen für verantwortungsbewusste Geschäftspolitik und gesundes Wachstum. In den letzten 3 Jahren haben wir das Beitragsaufkommen von 2,5 Mrd DM auf 5,5 Mrd DM mehr als verdoppelt und den Jahresüberschuss von 500 Mio DM auf 1,2 Mrd DM gesteigert. Wir sind ein erfolgreiches Team. Die HANNOVER Rück arbeitet seit Jahren als Zeichnungsgemeinschaft mit der EISEN UND STAHL Rück eng zusammen. Jetzt soll es werden, was in der täglichen Arbeit schon lange zusammengewachsen ist: Mit Kapital aus der heutigen Aktienemission erlangt die HANNOVER Rück zum 01.01.1995 mehrheitlich die EISEN UND STAHL Rück. Als Rückversicherungskonzern stoßen wir damit in eine neue Größenordnung vor, werden Deutschlands zweitgrößter Rückversicherer und belegen international Platz fünf.

Garantiemittel in Mrd DM



*ab 01.01.1995 HANNOVER Rück Konzern

Mit der Zeichnung von HANNOVER Rück Aktien beteiligen Sie sich am künftigen HANNOVER Rück Konzern. Diese Emission ist für Aktionäre die Chance zum Einstieg in den expandierenden Rückversicherungsmarkt. Seit 1961 gab es kein Going Public eines Rückversicherers mehr.

Das Aktienverkaufsangebot

Vom 18. bis einschließlich 22. November 1994 werden nominal 35.516.755 DM auf den Inhaber lautende Stammaktien der HANNOVER Rückversicherungs-Aktiengesellschaft unter Führung der Commerzbank AG und Mitführung der Norddeutschen Landesbank zum Verkaufserlös von 75 DM je Aktie zu nominal 5 DM zusätzlich der üblichen Effektenprovision freibleibend angeboten. Die Aktien sind für das Geschäftsjahr 1994 zu einem Viertel dividendenberechtigt und zum antizipierten Handel an den Wertpapierbörsen in Frankfurt am Main und Hannover zugelassen. Die Aufnahme des Börsenhandels erfolgt voraussichtlich am 30. November 1994. Kaufanträge nehmen entgegen: Commerzbank AG - Norddeutsche Landesbank - Bayerische Vereinsbank AG - Berliner Handels- und Frankfurter Bank - BFC Bank AG - CS First Boston Effektenbank AG - DG BANK - Goldman, Sachs & Co. - HFG - IKB Deutsche Industriebank AG - Kleinwort Benson Ltd. - Schweizerische Bankgesellschaft (Deutschland) AG - M. M. Warburg & CO. - Westdeutsche Landesbank

HANNOVER Rückversicherungs-Aktiengesellschaft
Karl-Weichert-Allee 50, 30625 Hannover, Fax: 05 11 56 04-188



HANNOVER RÜCKVERSICHERUNGS-AKTIEGESELLSCHAFT



Chairman of the Executive Board Wilhelm Zeller



“The rather unsuccessful initial public offering necessitated two priorities: proper external communication, in other words no more hiding the company’s qualities under the bushel of Lower Saxon modesty, and a focus on sustainable profitability – hence the new motto ‘volume is vanity, profit is sanity’.”

1995



Dr. Andres-Peter Hecker, Interim Chief Executive Officer of Hannover Re, at the first General Meeting in the summer of 1995



Wilhelm Zeller takes over as Chief Executive Officer

As a first step, however, following Dr. Reischel's death Hannover Re needed a new CEO who could deliver fresh strategic impulses in this time of transition and put a face on the stock market newcomer for investors. As an interim measure, Dr. Andreas-Peter Hecker took over at the helm of the company and in the summer of 1995 chaired the first publicly held General Meeting and the subsequent press conference on the annual results at Hannover Congress Centrum.

On 1 January 1996 Wilhelm Zeller was appointed as Chief Executive Officer of Hannover Re. He had previously served for many years on the Board of Executive Directors of Cologne Re. His arrival heralded a new era in Hannover.

Zeller's first decision was to end the joint underwriting arrangements existing between Hannover Re and Eisen und Stahl Rück and to reallocate the reinsurance activities. Now that Hannover Re had acquired the majority of Eisen und Stahl Rück's shares, the latter was its subsidiary. Instead of writing the business jointly, as had been the case to date, it was systematically

carved up: Eisen und Stahl Rück became the dedicated reinsurer for the German market. From now on, operating under the slogan "Der Rückversicherer für Deutschland", the company applied to German business the specialist know-how that it had acquired not least as the principal reinsurer of its shareholders from among the ranks of mutual insurers. At the same time, Hannover Re withdrew from the German market – in which it always struggled anyway due to reservations associated with its close ties to HDI – and concentrated on international business.

By way of retrocessions the two reinsurers then participated to a certain extent on a reciprocal basis in international and German business. Thus, Hannover Re initially accepted a 70 percent retrocession of the business written by Eisen und Stahl Rück, provided it did not originate from the shareholding companies. Conversely, Eisen und Stahl Rück assumed 20 percent of Hannover Re's German and international portfolio by way of retrocession.

Börsen-Zeitung, 20. Oktober 1995

Nachfolge bei Hannover Rück gelöst



Wilhelm Zeller –
his arrival heralded a
new era in Hannover.

lie – Wilhelm Zeller, Vorstandsmitglied der Kölnischen Rückversicherungs-AG, wird voraussichtlich zum Jahreswechsel neuer Vorstandsvorsitzender der Hannover Rückversicherungs-AG. Dies bestätigte die Kölnische Rück auf Anfrage der Börsen-Zeitung. „Kein Kommentar“ heißt es hingegen bei der Hannover Rück; dies wohl, weil der Personalwechsel noch von diversen Gremien bestätigt werden muß. Zeller tritt damit wohl die Nachfolge von Dr. Michael Reischel an, der im Juni dieses Jahres verstorben ist.

Seitdem führt interimistisch der stellvertretende Vorstandsvorsitzende Dr. Andreas-Peter Hecker den Vorstand. Die Kölnische Rück hat zum 4. Oktober Franklin Montross und Richard Hincheliff, beide Vertreter des US-Mehrheitsaktionärs General Reinsurance Corp., in den Vorstand berufen, die zum Teil die bisherigen Bereiche von Zeller übernehmen. Montross betreut die zentrale Vertragsabteilung sowie die Sektoren Transport, Meerestechnik und Luftfahrt.

Hincheliff, seit 1978 bei der General Re und zuletzt Chief International Underwriter im Stammhaus, zeichnet für Haftpflicht- und Kraftfahrt-Rückversicherungen und die Region Skandinavien verantwortlich. Die bislang von Zeller geführte Marktabteilung Deutschland übernimmt Hans-Peter Gerhardt, der seit Jahresbeginn dem Vorstand angehört.

“We just couldn’t think of anything better. That’s why in the end we stayed with this catchy abbreviation.”

Wilhelm Zeller on the abbreviation “E+S Rück”

Zeller also charted a new course when it came to the name “Eisen und Stahl Rück”: in the modern reinsurance landscape this seemed alienating and prone to misunderstandings. The search began for a new name. As a working title, so to speak, the abbreviation “E+S Rück” was adopted along the lines of the insurer R+V (Raiffeisen- und Volksbanken-Versicherungsgesellschaften). Looking back on the decision, Mr. Zeller recalls: “We just couldn’t think of anything better. That’s why in the end we stayed with this catchy abbreviation.”

HDI’s reinsurance group was thus operating on a restructured basis. The long history of cautious rapprochement between the two reinsurers under the umbrella of HDI was complete. Initially, the minority shareholders of E+S Rück did not view the transformation without mistrust. For business purposes, though, the new retrocession agreements made no difference to the previous joint underwriting arrangements. Not only that, the German shareholders were able to draw on Hannover Re’s international’s know-how while at the same time accessing a specialist German reinsurer for coverage of their own risks.

Following the stock market flotation and reallocation of shares E+S Rück was now a true subsidiary of Hannover Re. For the first time proper subgroup accounts could be drawn up in which the capital was consolidated.

Wir positionieren uns neu, damit wir auf die Herausforderungen der Zukunft noch individueller eingehen können.

Ihre Hannover Rück-Gruppe

hannover rück

e+s rück

The Executive Board unveiled the restructuring in Baden-Baden in 1996.

Reinsurer in the public spotlight

Yet Zeller's accession to office ushered in the transition to a new era for Hannover Re in another respect, too. To date, it had carried on its business more or less concealed from the public and media gaze. The consistent expansion of the first 25 years had taken place largely without a sound. That was in keeping with the times, since back then reinsurance was a rather secretive business that scarcely made the newspapers. Furthermore, an external profile and contact with the media were of little relevance to Hannover Re, seeing as there were no outside investors who had to be persuaded of their company's merits. A British trade journalist later once referred to the company as a "stealth reinsurer" – doubtless inspired by the American term "stealth bomber". It was a play on the fact that while the company's rapid expansion has been closely monitored by its competitors, outsiders could find no explanation as to how the Hannover-based undertaking had been able to grow so quickly.

After the IPO, however, things changed quickly: the company could no longer operate under cover. As a listed enterprise, Hannover Re suddenly found itself in the glare of the media. It was required to present its business figures and actively court investors. Each unforeseen event took on special significance because it could have a bearing on the share price. The company initially struggled to deal with this new audience. As the share price began to slide after going public and bad news weighed on it in connection with losses on US investments, Hannover Re was forced to respond.

1996

With Zeller in the driving seat, the company's self-image changed radically: he opened up Hannover Re's profile to the outside world and embarked on an aggressive communication strategy. As he saw it, a communication breakdown was at the root of the depressed share price: the strategic task now was to highlight the company's strong points in the media and in the eyes of investors.

In the years that followed a professional Investor Relations department was built up with the support of seasoned PR consultants. Of crucial importance here was the desire to raise the company's international profile and attract the attention of those in responsible positions at the investment banks. Zeller himself played an active role in this campaign, serving as the company's point man in its communications with the outside world. Background briefings with London analysts and interviews with opinion-forming papers such as the "Financial Times" helped to fashion a new image of Hannover Re: as a sort of "rough diamond" of the reinsurance industry that offered investors an enticing reason to buy.

Hannover Re crowned Reinsurance Company of the Year 2003 by "Reactions"

below: Extracts from the book marking the departure of Wilhelm Zeller



Hannover Re had grown strongly for many years and ranked seventh among the world's largest reinsurers by 1995. What Zeller emphasised to analysts and journalists, however, was less the company's premium growth and more its profitability – citing the catchy formula that he had coined "Volume is Vanity, Profit is Sanity." The return on equity became a key strategic performance criterion.

With a view to deeply enshrining the philosophy of a listed enterprise in the workforce as well, a stock option plan was subsequently launched for senior managers (2002). The aim was to stimulate management interest in the share price – and create awareness that the most important indicators and future values are also central to stock market success.

"We want to stop hiding our light under the bushel of typical Lower Saxony modesty", was Zeller's motto. In the years that followed his personal communication talent for captivating listeners became a crucial factor in Hannover Re's success. Cultivating investor relations was a focus of his efforts. Working in tandem with then Chief Financial Officer Herbert K. Haas, Zeller presented the company to international analysts at numerous roadshows, which back then were something entirely new for German stock corporations. They were successful: the company and indeed Zeller himself were recognised with a host of awards from the experts in London. What is more, Hannover Re's share price quadrupled within 18 months.

Hannover Re had finally secured its place on the international stage. It had now embraced its role as a publicly held company after the IPO. Throughout his entire term of office Zeller shaped the company's external image through an aggressive communication strategy. Under his leadership the company continued to grow vigorously – but this time in the public spotlight.

Finanz und Wirtschaft, 14. März 1998

Wilhelm Zeller, Vorstandsvorsitzender der Hannover Rückversicherung, über Strategien und Marktposition

„Wir wollen die Rosinen herauspicken“

Zeitschrift für Versicherungswesen, 1. Oktober 1998

Rückversicherer des Jahres 1998

Die Hannover Rück ist von der englischen Fachzeitschrift „The Review“ zum „Rückversicherer des Jahres 1998“ gewählt worden. Zusätzlich wurde sie mit dem Preis für die „Innovation des Jahres“ ausgezeichnet. Der Preis als „Rückversicherer des Jahres“ wird jeweils der Gesellschaft zugesprochen, die nachhaltig stabile Gewinne erwirtschaftet, ihren Kunden Vertrauenswürdigkeit und Kreativität vermittelt und den langfristigen Nutzen der Rückversicherung steigert hat.

Die Juroren – acht Persönlichkeiten überwiegend aus der internationalen Versicherungs- und Rückversicherungswirtschaft – waren der Ansicht, daß die Hannover Rück diese Kriterien in jeder Hinsicht erfüllt habe. Mit ihrem dritten Rekordjahr in Folge, einem zweistellig gestiegenen Konzernjahresüberschuß und einer Erhöhung der Bruttoausstattung habe die Gesellschaft ihre im Vorhinein öffentlich gemachten Ziele wieder erfüllt. Das Unternehmen habe im Markt deutlich an Profit gewonnen und mit einer Steigerung des Aktienkurses von 139 % in 1997 für ihre Aktionäre einen außerordentlichen Wertzuwachs erwirtschaftet.

Der zweite Preis für die „Innovation des Jahres“ wurde dem Rückversicherer für seine Kreativität im Bereich der Alternativen Risikofinanzierung zuerkannt. Zwar hatten in den letzten Jahren auch Investmentbanken und andere Rückversicherer Versicherungsrisiken in den Kapitalmärkten transferiert. Dabei habe es sich aber ausschließlich um Versicherungsrisiken aus Naturgefahren gehandelt. Die Hannover Rück habe mit ihrer L1-Transaktion den Kapitalmarkt erstmals zum Transfer von Abschlusskosten aus Lebensrückversicherungsverträgen genutzt.

1993 – 1995

Work starts on the third
construction phase
April 1993



below: from left to right:
September 1993
December 1993
February 1994



right: The new
staff canteen under
construction
November 1994

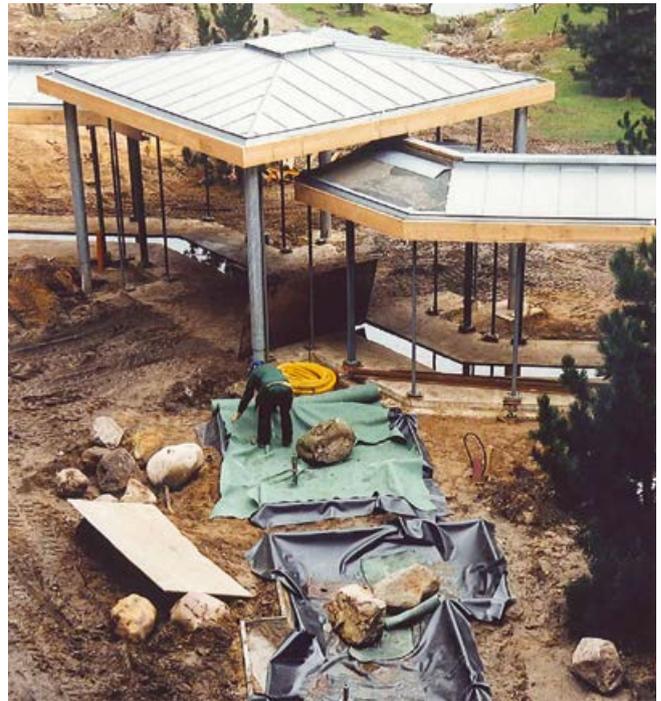


In the 1990s the company's headquarters were again enlarged in order to keep pace with the growth of its workforce. With a third construction phase between 1993 and 1995 the Home Office building took on its current form. The old parking structure was torn down, the canteen, gardens and atrium between the ponds were added.

On the grounds of what is today Concordia's main office building (Karl-Wiechert-Allee 55) there used to be a parking garage that also served as location for holding company parties; it was prepared and decked out for the occasion on a makeshift basis. At the end of each party the same practical problem always presented itself: at the time there was only one mobile phone for calling taxis – and this mobile phone was in the possession of then personnel director Knappe. A good relationship with Human Resources was therefore especially important.



March 1995



Stained glass window
by Georg Meistermann
September 1995



Pioneer of capital modelling

The nineties saw the market experience a new turning point with the devastation wrought by hurricane Andrew in the United States. The tropical storm raged across Florida in August 1992, causing an insured loss of some USD 17 billion market-wide. At the time this was the most costly natural catastrophe ever recorded. The massive burden of losses brought quite a few insurers and reinsurers to their knees. Reinsurance rates in the US for natural perils skyrocketed. Hannover Re was ready for the new hard market, but with its limited capacity it was not in a position to write all the attractive risks.

Back then the company was developing a system that enabled it to assess which business was the most lucrative for it in the prevailing market conditions. How much capital could optimally be used for specific risks? Using its own capital model the company was able to determine exactly the allocation of capital. It was for the first time possible to see the capital required for individual risks. And in this context enormous differences

emerged: the spectrum ranged from 8 percent (German motor quota shares with few fluctuations) up to 550 percent (earthquake in California). The actuarial modelling team built up around Eberhard Müller made Hannover Re a market pioneer with this new system.

Yet the system had essentially been borne out of pure necessity: Hannover Re had long been unable to obtain additional capital through its parent HDI. Prior to the IPO it had also not been in a position to turn to the capital market. The company had to generate all its capital itself. This compelled it to handle its capital – as a scarce resource – optimally and adopt effective capital management.

1992



Hurricane Andrew ushered in a protracted hard market phase in the United States between 1993 and 1997.

Hurricane Andrew ushered in a protracted hard market phase in the United States between 1993 and 1997. Hannover Re made the most of this cyclical upheaval and benefited from the high profit level. Once again it was evident that highly developed cycle management was one of the most vital factors in entrepreneurial success. A popular saying caught on in Hannover: “The skill is to enter and exit a market 18 months earlier than the competition.”

Hannover Re is like a pirate that strikes in certain segments of the market and then disappears with its spoils.

Identifying the cycles as accurately as possible is thus crucial to success. If it can be done, measurable added value is created over time: Hannover Re’s loss ratio at that time was more than three percentage points better than that of its rivals. This difference was ultimately pivotal in the company’s particularly strong profitability. Systematic cycle management is illustrated by an image that the company’s senior management conjured up at a retreat: “Hannover Re is like a pirate that strikes in certain segments of the market and then disappears with its spoils.”

Another shift in the reinsurance market also supported Hannover Re’s steady rise: for many years the market, especially in continental Europe, had traditionally been dominated by proportional business, which benefited the large old-established reinsurers with their decades-long relationships with primary insurers. From the 1990s onwards, however, non-proportional business enjoyed a vigorous upsurge. The old ties between insurance and reinsurance became more fragile, and numerous long-standing reinsurance names disappeared from the market in a major wave of consolidation.

Hannover Re made the most of this upheaval, stepping up its acceptances of non-proportional business. Its focus here was not on the primary layer, but rather on second loss layers under excess-of-loss covers. Over time non-proportional business came to be a major growth driver.

Pioneer of alternative risk transfer

Hurricane Andrew led to another change in the reinsurance market too: the market for retrocessions had been thrown into crisis following this catastrophic major loss and capacity had contracted sharply. Back then the first moves were made towards the capital market in order to generate additional capacity for catastrophe risks. Hannover Re took on a pioneering role here, securing direct access to the capital market through this novel form of “alternative risk transfer”. In 1994, in cooperation with Citibank, it was the first reinsurer ever to securitise a portion of its catastrophe risks. The volume of the transaction, designated “Kover (K)”, amounted to USD 85 million. Since then Hannover Re has been one of the most active players when it comes to risk transfer to the capital market. With a broad spectrum of successful securitisations the one-time pioneer now ranks among the top providers in this market, the significance of which has increased steadily since the mid-nineties.

The expansion of life reinsurance

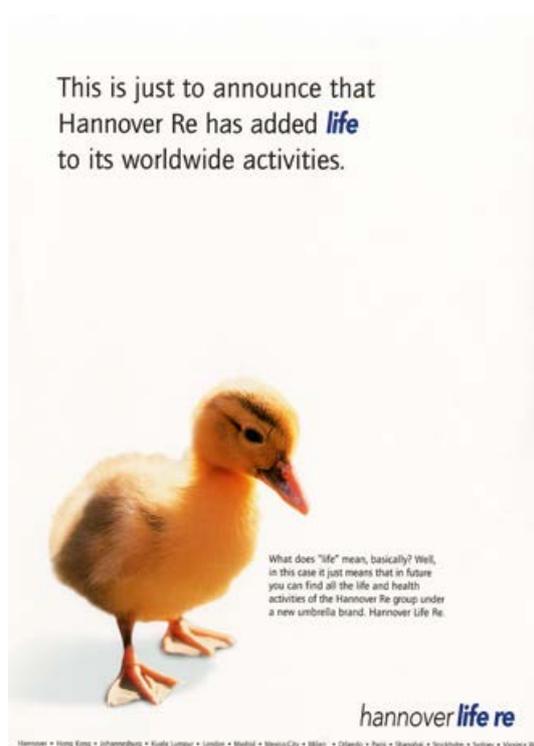
With the acquisition of HIR in 1990 Hannover Re had taken the first step towards enlarging its life and health reinsurance business group. Thereafter, the stated strategic objective was to expand life and health reinsurance over the long term and create a counterweight to the significantly more volatile non-life reinsurance business that had hitherto largely dominated Hannover Re's portfolio. In 1990 the premium volume in life reinsurance amounted to altogether just DM 180 million. At the time the company's total premium volume was DM 1.7 billion.

Back then, unit-linked life insurance was considered to be something of a "grubby street urchin" by the market leaders in primary insurance and reinsurance.

Under the leadership of Dr. Wolf Becke, who had come to Hannover from HIR, a strategic plan was drawn up which, rather than copying the large life reinsurers, envisioned that the company would chart its own course. The German market had been largely carved up at this time, offering a newcomer little realistic prospect of entry. One possible avenue was, however, available in the form of unit-linked life insurance – a product that was not very common in those days. The market leaders back then on the insurance and reinsurance side were committed to traditional endowment business and saw it as a sort of street urchin – a dubious product that according to the prevailing opinion should not in fact be reinsured.

Dr. Wolf Becke

below: The first ad motif for Hannover Life Re



Following the opening of the GDR border two-stroke Trabants swathed in a haze of smoke stream over the A9 towards Hof so that their occupants can pick up the DM 100 "welcome money" available to every East German citizen.



Opportunities in a niche market

As an outsider to the market Hannover Re was unimpressed by such prejudices. It systematically targeted its market opportunities in niche business. The special circumstances of the time were to its benefit: after reunification in 1989 German life insurers enjoyed an unprecedented boom in new business in the five new federal states on the territory of the former GDR. Against this backdrop, unit-linked policies, which were sold first and foremost through large sales companies, also posted very strong growth rates. As a result, the need for reinsurance solutions to cover this still relatively new product variant also grew sharply.

As a further factor, the boom in new business caused acquisition costs to skyrocket. Quite a few insurers struggled to financially absorb so much new business because acquisition costs had to be written off immediately. In other words, they were taken as a charge to the results posted by life insurers in these boom years. In 1991/92 Hannover Re wrote an extensive quota share treaty with a major life insurer that ranked among the market leaders for unit-linked products. In 1995 it assumed as lead life reinsurer the newly launched unit-linked business of one of the market's well-established life insurers.

The guiding principle for the business written in Germany was to present proposals for new product ideas to potential clients, rather than trying to tell primary insurers how they should conduct their business. Hannover Re thus established itself as an

innovative reinsurer that offered coverage for those life insurance risks which the market tended to neglect. Through continuous growth in this niche the company advanced to become a major player in the market.

A core principle behind the company's life reinsurance business can also be explained by its role as a newcomer: it never makes sense to try to conquer a market through pricing. The market leaders will always strike back, and ultimately margins are ruined and nobody wins. To this day it remains Hannover Re's strategy that it would rather relinquish business than engage in price wars.

The expansion of life and health reinsurance was also of key strategic interest to the parent company HDI, which since 1993 had been led by its Chief Executive Officer Wolf-Dieter Baumgartl. In 1992 the latter founded HDI Leben and in 1996 it took over Transatlantische Leben (later Aspecta Leben) from Lloyds Bank in the UK. In 1996 it also acquired what was then KKB Leben from Citibank, hence enabling HDI to enter the high-growth and lucrative bancassurance market. These acquisitions generated considerable new business for Hannover Re.

Yet Hannover Re did not restrict its role as an innovative niche player merely to the German market: "We are on the lookout for attractive but neglected niche segments in all world markets", thus the motto for the international strategy of expansion. As it strove to grow its international portfolio Hannover Re benefited greatly from its financial strength and at the time AAA rating.



Wolf-Dieter Baumgartl,
Chief Executive Officer of
the parent company HDI

1991

Innovations in foreign markets

In international business Hannover Re made a name for itself as an innovative reinsurer with new product concepts. In 1991/92, for example, it offered coverage in the UK for the specialty product known as a “Home Income Plan”, by means of which seniors were able to convert the property they owned into an immediate lifetime annuity. In 1995 it took a trailblazing path in the UK market by launching annuity products for persons with medical conditions (impaired annuities) through a specialty

insurer (PAFS – Pension Annuity Friendly Society, London) established in cooperation with Winterthur Life Re – thereby creating an entirely new class of product. Finally, working with the small insurer Stalwart Assurance, Hannover Re brought to market in 1996 the first “smokers’ annuities” in the UK (single-premium immediate life annuities for smokers with a higher annuity benefit).

Along with its quest for niche markets, the company’s growth strategy also encompassed setting up subsidiaries abroad and acquiring other players. In 1991 the South African subsidiary Holland Life Re was repositioned; over the next ten years it evolved from a marginal niche player to number two in the South African life reinsurance market. In 1993 the leading Australian life reinsurer NRG Victoria Life was acquired from the insolvent Dutch NRG Group.

In 1993 the US life subsidiary RCH based in Orlando, Florida, which had been acquired in 1990, entered into a new type of financing reinsurance arrangement for in-force business. These “block assumption transactions”, as they were known, were a revolutionary concept back then in the US life insurance



Hannover Re was a pioneer on the London Market in many respects.

market: for the first time the embedded value of a life reinsurance treaty was captured and monetised. Previously, portfolios in this line were considered to hold little appeal. This view was fundamentally transformed by the new concept for the “monetising of embedded value”: it was now possible to utilise the cash value of in-force business, while providing additional liquidity and solvency relief for primary insurers and boosting profitability.

The vigorous growth in US life reinsurance business back then derived in large measure from such business; on the part of the reinsurer, however, it necessitated a considerable capital commitment, which took a toll on Hannover Re’s German

Commercial Code balance sheet. Over the long term, though, these block assumptions constituted extremely profitable business. The subsequent application of the concept to the health insurance sector from 1997 onwards proved to be problematic, however, because in this case – unlike in life insurance – the benefits paid and the premiums can change sometimes considerably over time. The business was discontinued in 2001 after initial losses.

Life reinsurance delivered strong growth rates for Hannover Re even in the early years after the acquisition of HIR: the premium income was more than quadrupled within five years to DM 810 million by the end of 1995.



The South African subsidiary Holland Life Re was repositioned in 1991.

Expansion and diversification

International expansion was not limited exclusively to English-speaking markets – and not only to life and health reinsurance. In Asia, too, Hannover Re grew its business. An office was opened in Taipei (1992) and, with the acquisition of HIR, offices were also taken over in Kuala Lumpur and Hong Kong. Jürgen Gräber, back then charged with developing a regional presence in Asia and now a member of Hannover Re's Executive Board with responsibility for, among other things, international non-life reinsurance, recalls the first hesitant steps on the Asian market – which brought a number of surprises for the German newcomer:

“At the opening ceremony for our office in Taipei the lavish gifts of flowers from the guests, which were draped over stands according to national custom, looked like the floral decoration at a German funeral – not exactly an encouraging setting for an opening celebration. Another shock was to follow after the ceremony: again in accordance with the local custom, the drivers of the guests' limousines had to be given generous tips. In the end the amount came to some USD 2,200. I had a few sleepless nights wondering whether Home Office in Hannover would agree to cover such a tip. Needless to say, the amount was paid ...”

In 1997 Hannover Re then took another major step forward in its growth with the acquisition of selected portfolios of Skandia International, Stockholm. In retrospect, this take-over proved to be one of the best investments in the company's history, since in all the years since acquisition the annual profit from this business was generally higher than the purchase price.

Not only did the acquisition generate a considerable increase in facultative business and in the know-how needed in this area, where Hannover Re had hitherto only been cautiously active. It also delivered a sizeable aviation portfolio – especially from areas other than those previously written in Hannover. With the addition of the Skandia portfolio this line now took on greater weight for the company.



“At the opening ceremony for our office in Taipei the lavish gifts of flowers from the guests, which were draped over stands according to national custom, looked like the floral decoration at a German funeral – not exactly an encouraging setting for an opening celebration.”

Jürgen Gräber

Through the acquisition of Skandia International, however, Hannover Re also gained well-established worldwide branches in markets where it had not previously been active – not only in Stockholm but also, for example, in Paris, Madrid and Mexico City. It thus obtained the infrastructure needed to transact international facultative business. Not only that, the acquisition made it possible to diversify the international portfolio, which had previously been concentrated heavily on the volatile US market.

For life and health reinsurance, too, the Skandia acquisition was an important expansionary step. As the sole bidder, Hannover Re was able to cherry-pick the most attractive portfolios. Skandia Reassurance London became the nucleus of Hannover Life Re UK. The growth of the Skandia life and disability portfolio made Hannover Re one of the top 2 life reinsurers in Scandinavia, France and Central America.

In 1999 the service offices in Malaysia and Hong Kong were expanded into branches. The importance attached to Asian life reinsurance activities was boosted substantially through the development of these two regional centres: Kuala Lumpur was assigned responsibility for the ASEAN markets, while Hong Kong handled the markets of the Far East, most notably China.



left: The acquisition of the Stockholm-based Skandia International was a major growth step.



In 1992 an office was opened in Taipei – the first move towards expansion in Asia.

Ultimately, in 1999, Hannover Life Re Ireland was established in Dublin. This was the first “offshore” life reinsurer in the Group with a global mandate. It was set up with an eye to the favourable regulatory conditions in Ireland (no solvency capital required), the attractive tax framework and the use of US GAAP/Irish GAAP as a basis for financial statements. The shareholders’ equity at the time of establishment was EUR 75 million.

Along similar lines to non-life reinsurance, Hannover Re also took on a pioneering role in life and health reinsurance in the field of alternative risk transfer. In 1997, with the “L1” transaction, it became the first reinsurer to securitise acquisition costs associated with life reinsurance on the capital market. At the time an amount

of DM 100 million was transferred in order to fund the vigorous growth in European life reinsurance. By 1998 further securitisations had followed with a total volume of DM 500 million.

On balance, the early development years in life reinsurance business were extremely successful: gross premiums had climbed to EUR 2.2 billion by 1999, having stood at the equivalent of just EUR 90 million in 1990. With the acquisition of HIR in 1990 Hannover Re had advanced within a short space of time to become a major international life reinsurer. This business served as a valuable counterweight to the more volatile non-life portfolio.



The entity in Ireland became an innovative centre for product development in financial reinsurance.

On track towards diversification

Hannover Re pursued a strategy of diversification by other means too: along with non-life reinsurance and life/health reinsurance, financial reinsurance was developed as the company's third strategic pillar in the late nineties. Especially in the United States, "FinRe" – under which the emphasis is on the financing function of the reinsurance arrangement – offered considerable opportunities for growth, for example in serving as an equity substitute or meeting liquidity requirements. Ireland, where Hannover Re was represented by Hannover Re Ireland, evolved into an innovative centre for new product ideas in financial reinsurance.

With a view to further reducing Hannover Re's reliance on the hitherto dominant non-life reinsurance portfolio with its vulnerability to major losses and dependency on market cycles, the company then put in place a fourth strategic pillar in 1999 with its entry into the primary insurance sector in the US. Hannover Re acquired the Clarendon Insurance Group, New York. With a premium volume of USD 1.3 billion, Clarendon was one of the largest providers in so-called program business – the insurance of US specialty risks which included inter alia high-risk customer groups such as mobile home owners or tattoo studios. More than 90 percent of the risks were then ceded by Clarendon, which acted as a managing general agent, to other reinsurers; only a small share of the business was retained for own account. It was thus possible to profit from the high reinsurance commissions paid in the soft US non-life reinsurance market. The acquisition of Clarendon and the vigorous enlargement of the premium volume caused a sharp surge in the US share of Hannover Re's business – to some 45 percent of the total portfolio.

What had once been a traditional reinsurer had, in its own estimation, been transformed into a modern financial group by the end of the nineties. In 1990 91 percent of total business was still attributable to conventional non-life reinsurance, with 9 percent coming from life and health reinsurance. By 2000 the business split had changed sharply: non-life reinsurance accounted for only around 41 percent; life and health reinsurance generated 20 percent; 21 percent was attributable to program business and 15 percent derived from financial reinsurance.

Program business was lucrative, but risky. It was very prone to losses – and it only worked when there were enough reinsurers to take over the policies. As the reinsurance market got into difficulties following the record strains associated with the 2001 attacks on the World Trade Center, so program business also got into difficulties: more and more risks had to be carried for own account because no further capacity was available. Many reinsurers – struggling under the heavy burdens incurred from the terrorist attacks – refused to pay for losses from program business. Expensive lawsuits had to be filed. Heavy losses from natural disasters such as hurricanes in Florida, which hit homeowners especially hard, simply added to the pressure on program business. Given that this business was for the most part strictly regulated by the individual federal states ("admitted business" such as Florida homeowners or workers' compensation), there was no possibility of exiting or at least making commensurate premium increases. Consequently, Clarendon was unable to profit from the hardening of the US market after 2001.

From 2005 onwards, faced with rising losses, Hannover Re withdrew from this market – which in 2004 had still delivered a premium volume of some USD 2.3 billion. Part of the business was concentrated in the hands of the newly established company Praetorian Insurance and subsequently sold at a profit in 2007 to the Australian QBE Insurance Group. The remainder went into run-off and was acquired by the Bermuda-based Enstar Group in 2010.

All eyes on the share price

At the very heart of Hannover Re’s activities since the company’s reorientation after the 1994 stock market flotation was the development of the share price. Not only did the company impress with strong growth rates, but also – and above all – with sharply improved results. From 1995 to 2000 the company booked six record profits in a row. The dividend was raised substantially. The company’s stated policy was to distribute all the profits whenever possible in order to boost the share’s appeal.

At the same time, though, critical voices could be heard in the market that pointed to Hannover Re’s limited equity resources and predicted its rapid demise when the next market crisis hit. An analyst described in these words the exacting demands under which the company had battled its way to the top of the market: “Given its capital resources Hannover Re has virtually no choice but to always generate good results.” As would soon become evident, however, it was also able to withstand massive loss expenditures.

In 1997 the Hannover Re share was promoted to the M-DAX index. A broad range of measures – along with the good results – were intended to cement the share’s appeal to investors. In 1998 the company was the first German insurer to make a changeover in accounting principles from German Commercial Code (HGB) to United States Generally Accepted Accounting Principles (US GAAP). It thereby responded to calls from Anglo-Saxon analysts for better comparability and greater transparency with respect to reserves and equity resources and on this basis was able to show higher profits than under HGB accounting. In 2000 the company switched from bearer shares to registered shares with a view to enhancing its Investor Relations activities. In 2002 it implemented a capital increase from company funds without the issuance of new shares as well as a stock split in the ratio of 3:1 in order to make the shares available to a broader investor community. Finally, in 2004, the parent company HDI/Talanx reduced its stake in Hannover Re from the previous 75 percent to 50.2 percent – a move which significantly enlarged the free float and responded to calls heard from many investors. This marked a major turning point in the public perception of the company among analysts and investors.

By market standards, too, Hannover Re’s share delivered dynamic price gains over time and exceeded – in some instances by a comfortable margin – the performance of the large, long-established reinsurers. More than a few analysts considered the company to be a superior alternative to the traditional blue chips of the insurance sector.

“Queen’s Birthday” at Hannover Re

In 1998 CEO Wilhelm Zeller – a great devotee of all things British – was named British honorary consul in Hannover. A large military review featuring soldiers of the British Army stationed in Lower Saxony was held on Hannover Re’s grounds in June 1999 in honour of Queen Elisabeth’s birthday. Mr. Zeller and the regimental commander major general Reddy Watt inspected the parade.

Zapfenstreich bei „königlicher“ Geburtstagsparty



Die geschmackvollen Hüte der weiblichen Besucher erinnerten ein wenig an Ascot, die feierlichen Klänge der Kings-Division-Waterloo-Band und ihre Garderobe (wenn auch nicht die Kopfbedeckungen) an die Wechsel rund um Buckingham Palace. Keine Frage, beim hannoversch-britischen Empfang anlässlich des Geburtstages der englischen Königin Elizabeth II. dominierte die englische Lebensart. 300 Gäste kamen zu Ehren der Monarchin gestern abend erstmals in die Gartenanlage der hannoverschen Rückversicherungs AG. Und dies hatte seinen Grund. Vor drei Monaten übernahm deren Vorstandsvorsitzender Wilhelm Zeller (oben links) das Amt des Britischen Honorarkonsuls für Niedersachsen. Gemeinsam mit dem Generalmajor Reddy Watt (oben rechts) versprach Zeller, die im Laufe der Jahre gewachsenen freundschaftlichen Beziehungen zwischen Deutschen und Briten weiter zu vertiefen. Engländererfahrungen hat er genügend gesammelt: Das weltweit fünfgrößte Rückversicherungsunternehmen verfügt über zwei Tochterfirmen in London, in denen der Diplombetriebswirt, Aufsichtsratsvorsitzender ist. Für das kommende Jahr kündigte Zeller die Geburtstagsfeier der Queen im britischen Expo-Pavillon an. Watt, Kommandeur der ersten britischen Panzerdivision, erinnerte daran, daß sich jeder vierte seiner Soldaten im Balkan-Einsatz befindet und er sich daher nichts sehnlicher wünsche als Frieden. Der Rest des Abends verlief eher unpölitisch. Ein traditioneller Zapfenstreich beendete den Empfang. tal / Fender (2)

Article in the “Hannoversche Allgemeine Zeitung” of 16 June 1999

Catastrophic years

In 2001 the terrorist attacks by Al-Qaeda sent shockwaves around the world – and through the insurance industry. On 11 September two hijacked passenger jets were flown into New York’s World Trade Center, which was entirely destroyed. Almost 3,000 people lost their lives. Fear of further terrorist attacks was rife across the globe. For insurers, “9/11” was the largest loss event ever recorded to date. At the time nobody had considered the possibility of an event of this nature. Along with property and liability covers, business interruption and life insurance policies were also affected. Subsequently, terrorism risks were normally excluded from policies and covered by means of special insurance solutions, in most cases organised with state support.

The insured losses market-wide totalled some USD 24 billion. Hannover Re was impacted to the tune of EUR 400 million, wiping out the anticipated profit for the year. The dividend for the financial year was cancelled and net income shrank to EUR 11 million. Yet by market standards this was still a good figure: only three of the fifteen largest reinsurers were able to avoid posting a net loss for 2001.

Insurers were affected by this major loss in another respect too: in the aftermath of the terrorist attacks stock market prices around the world plummeted. Panic gripped the markets. The Hannover Re share, too, shed almost half of its value in ten days following the World Trade Center attacks.

“9/11” represented an epochal shift: the years of consistently rising stock market prices and high investment returns were a thing of the past. Slumping share prices tore deep gashes in insurers’ asset holdings; in addition to heavy claims payments, substantial write-downs on investments were also incurred. Quite a few insurers were unable to withstand this double burden and exited the market.

This large loss also brought an abrupt end to the soft market. For many years previously the price level had kept on falling. Hannover Re saw the opportunities offered by a sharp rise in reinsurance prices going forward and implemented a capital increase in November 2001 in order to be able to act aggressively with increased capacity on the market opportunities that were opening up. New shares worth EUR 2.9 million were issued and the



The World Trade Center was a seven-part office complex in New York City; the two most famous structures were the Twin Towers, which were completed in 1970 and 1971 and officially opened in 1973.

2001

company booked a cash inflow of almost EUR 200 million. In the following year Hannover Re was able to benefit from the markedly higher premium level and reported back to the market with a record profit.

Hannover Re's capital base was – as explained – traditionally more limited than that of other major reinsurers. In the wake of the shocking experiences of “9/11” and the decline on capital markets, the capital strength of companies came under increasingly close investor scrutiny. Hannover Re responded with a number of capital measures designed to defend its good rating.

In addition to the capital increase, hybrid capital of EUR 350 million was issued after 2001. Through new risk securitisations the company received a further cash inflow of EUR 230 million. Lastly, in 2004 further hybrid capital was raised: the capital base was boosted through the issue of subordinated debt in the amount of EUR 750 million.

Reorganisation of reinsurance arrangements for HDI business

The experiences of “9/11” also brought about a change in Hannover Re's function as HDI's reinsurer. In earlier years Hannover Re's role had primarily involved covering the parent company's reinsurance needs and passing on its risks in large measure to the retrocession market. After the capital market shock in the wake of “9/11” concerns suddenly arose about the extent to which the considerable claims held by Hannover Re and Clarendon on other reinsurers were actually recoverable. Critical analysts were heard to complain back then that the company had “more receivables than capital”.

From 2002 onwards, therefore, the reinsurance relationship with HDI was put on a new footing: since then Hannover Re has only assumed the business that it retains for net account. As a result, the proportion of HDI business has decreased over time from around 25 percent to just 5 percent. Part of Hannover Re's retrocession department moved over to the parent group Talanx; Protection Re, which was established at this time, then acted as the broker for HDI's reinsurance risks in the world market. This considerably reduced Hannover Re's dependency on the retrocession market, but at the same time it meant that between 2002 and 2008 the company was unable to show any growth in gross premium.



The “National September 11 Memorial & Museum” was dedicated on 15 May 2014.





Storm clouds over the US market

A mere three years after “9/11” reinsurers found themselves facing their next major challenge. A series of hurricanes swept across the United States and the Caribbean in the summer of 2004, causing widespread devastation. Charley, Frances, Ivan and Jeanne, as they were designated, cost the market some USD 36 billion. Hannover Re incurred a loss in the order of EUR 300 million.

After this “annus horribilis” the company was hoping to bounce back with a new record profit in 2005. But it was not to be: the three hurricanes Katrina, Rita and Wilma caused heavy losses in the southern United States in August and September of that year, including severe damage to oil rigs in the Gulf of Mexico.

Hardest hit, however, was New Orleans: large expanses of the city were flooded and had to be evacuated.

The hurricanes in the US took a massive toll in insured losses. Katrina came in as the largest single insured loss in history

2005

left: Hurricane Katrina, which made landfall on the US Gulf Coast in August 2005, went down as the costliest windstorm event in history.

at some USD 75 billion. Altogether, the three storms cost the industry more than USD 100 billion. Hannover Re booked a loss of EUR 800 million – more than the losses from “9/11” and the previous hurricane year of 2004 combined. All profit forecasts became irrelevant; the dividend was cancelled and Hannover Re closed the year with a modest disposable profit of EUR 46 million. This was still a good performance compared to countless other reinsurers who posted a net loss for the year.

The scale of the disaster threw into question the quality of the existing risk models, which had failed to adequately allow for the combined effects of a hurricane and flooding on a major city. The leading providers of catastrophe modelling services were compelled to revise their models in order to ensure that these new risk dimensions could be factored into the pricing.

Hopes of hardening in the market for catastrophe covers after two storm-filled years were fulfilled only partially because considerable new capital flowed in from outside financial investors seeking to profit from the anticipated higher prices for natural perils covers. Scores of new reinsurers were established in Bermuda; capacity was further boosted through so-called “sidecars” and other alternative structures, as a result of which the marked cyclical swing towards a hard market that would traditionally have been expected failed to materialise.

Hannover Re had already become active in Bermuda some years previously, establishing Hannover Re (Bermuda) Ltd. in March 2001. This served as a centre of competence for non-proportional catastrophe reinsurance. As a result, the Group had a presence early in the world’s largest catastrophe reinsurance market and was able to leverage the advantages offered by Bermuda’s particular infrastructure.

Company’s survival not jeopardised by US exposure

While the enormous losses incurred from US natural disasters took a sizeable toll on Hannover Re’s profits, US business did not threaten the company’s very existence – as it did that of some other European reinsurers. Many European players had bought into the US market on a large scale since the 1980s and acquired domestic players. In so doing, however, they had also taken on considerable legacy issues that had to be paid off at great expense over many years and caused more than a few providers massive headaches.



above: Extracts from the book marking the departure of Wilhelm Zeller

Hannover Re, which had also vigorously expanded its US portfolio since the modest beginnings back in the 1970s, benefited from two factors: firstly, it enjoyed the “mercy afforded to those born late”. Asbestos claims, for example, did not cause the company any significant problems. The second factor was the principle of centralised underwriting rigorously applied by Hannover Re in its international business from the very outset. Risks were written not by local subsidiaries, but rather Home Office in Hannover retained full control of the business. In this way it was able to avoid the potential underwriting sins that might be committed by local management and ensure a consistently high standard of underwriting.

Nevertheless, Hannover Re was able to draw on the expertise of regional specialists in its underwriting. It was quicker than other reinsurers to commit to boosting the international dimension of its workforce in Hannover. The industry has since largely followed this pioneering move, and an internationally diversified team of staff has become a key quality criterion for a globally operating company.

International expansion moves forward

Despite the challenges posed by natural disasters, Hannover Re pressed ahead with its international expansion. Portfolios were acquired, new segments were identified and the company's regional presence in additional attractive markets was extended. In 2006 Hannover Re Takaful B.S.C. Bahrain was set up to write worldwide reinsurance business in accordance with Islamic law. In 2008 this was followed by the establishment of Hannover Rückversicherung AG, Bahrain Branch, which takes responsibility for traditional reinsurance business transacted in Arab markets. In 2007 the company was licensed as an admitted reinsurer in Brazil, prompting the opening of the representative office Hannover Re Escritório de Representação no Brasil Ltda.

The international network for life and health reinsurance was enlarged in 2008 with the addition of branches in Seoul and Shanghai; a new subsidiary, Hannover Life Reassurance Bermuda Ltd., was also opened. Not only that, in the same year the company signed a cooperation agreement with the Indian government-owned reinsurer GIC Re regarding the joint

development, marketing and underwriting of life and health reinsurance in India. In 2009 the Chinese regulator approved an expansion of the licence granted to the Hannover Re branch in Shanghai, allowing non-life reinsurance to be written in addition to life and health reinsurance.

In the very same year a sizeable portfolio expansion was also achieved in life and health reinsurance: as part of a reinsurance transaction the company took over the ING US individual life portfolio of Scottish Re Group, Cayman Islands. This encompassed four million individual risks and an annual premium of USD 1.2 billion; further parts of the portfolio were subsequently acquired in 2011.

The company blazed new trails in the securitisation of insurance risks, an area where Hannover Re had been a driving force since its pioneering moves in 1994: in 2007 reinsurance recoverable were for the first time transferred to other insurers/reinsurers on the capital market. The volume of the transaction was EUR 1 billion.

Hannover Re enjoyed similar success on the German market: its subsidiary E+S Rück profited from the close relations with shareholders from the ranks of German mutual insurers. The withdrawal of traditional German reinsurers from the market, either because they had discontinued their business or had been taken over by foreign players, opened up new business opportunities which the company made the most of: the premium volume booked by E+S Rück surged by 62.5 percent between 1995 and 2009 to some EUR 2.6 billion.

In 2008 a work of great visibility to the company's outside surroundings was added to Hannover Re's art collection: the Berlin-based sculptor Rolf Szymanski installed his statue "Grosse Synagoge" ("Large synagogue") in the area near the fountain at the building's entrance on Karl-Wiechert-Allee. For Szymanski, the six-metre-high bronze sculpture symbolises the loss of humankind's holistic integrity and the threat to our very survival.

Article in the "Hannoversche Allgemeine Zeitung" of 26 September 2009



A new corporate motto for the Group

From the very outset Hannover Re was a special reinsurer that set itself apart from the market in many respects.

The Global Management Forum of 2005 offered a more intimate venue in which to focus on a strategic review. Inspired by true events on which they reported, the senior executives in attendance came up with our claim to be “somewhat different”. The claim stands for a quick, flexible and undogmatic approach to doing business.

Henceforth it was featured in the HR intranet, with the image rotated through 180° and two letters of the claim itself shown inverted. The umbrella brand campaign of the years 2005 to 2007 was also based on the newly adopted claim. In 2012 the Corporate Design was modified to reflect the new brand architecture. The claim “somewhat different” has been retained to this day.

2005

The claim “somewhat different” stands for a quick, flexible and undogmatic approach to doing business.



The first advertisement from 2005 featuring the new corporate claim and the image rotated through 180°



The “blowball dandelion” was one of the new key visuals unveiled in 2012. It stands for agility and inventiveness.

somewhat different

In the shadow of the financial crisis

The first decade of the new millennium had put reinsurers under considerable strain not only with the major losses in the US, but also with the stock market crash. Yet the succession of challenges was not yet over. Since 2007 the US subprime crisis – and the murky financial derivatives taken out on such high-risk (“subprime”) mortgages – had been sending ripples of anxiety through the banking sector. Ultimately, the crisis extended its grip to the entire financial industry. When the investment bank Lehman Brothers declared insolvency in September 2008, the problems snowballed into a global financial meltdown. Share prices around the world plummeted, bonds went crazy. AIG, the largest insurer in the world, had insured the risky mortgage derivatives on a grand scale and could only be saved from bankruptcy by an enormous rescue package from the US government to the tune of USD 200 billion.

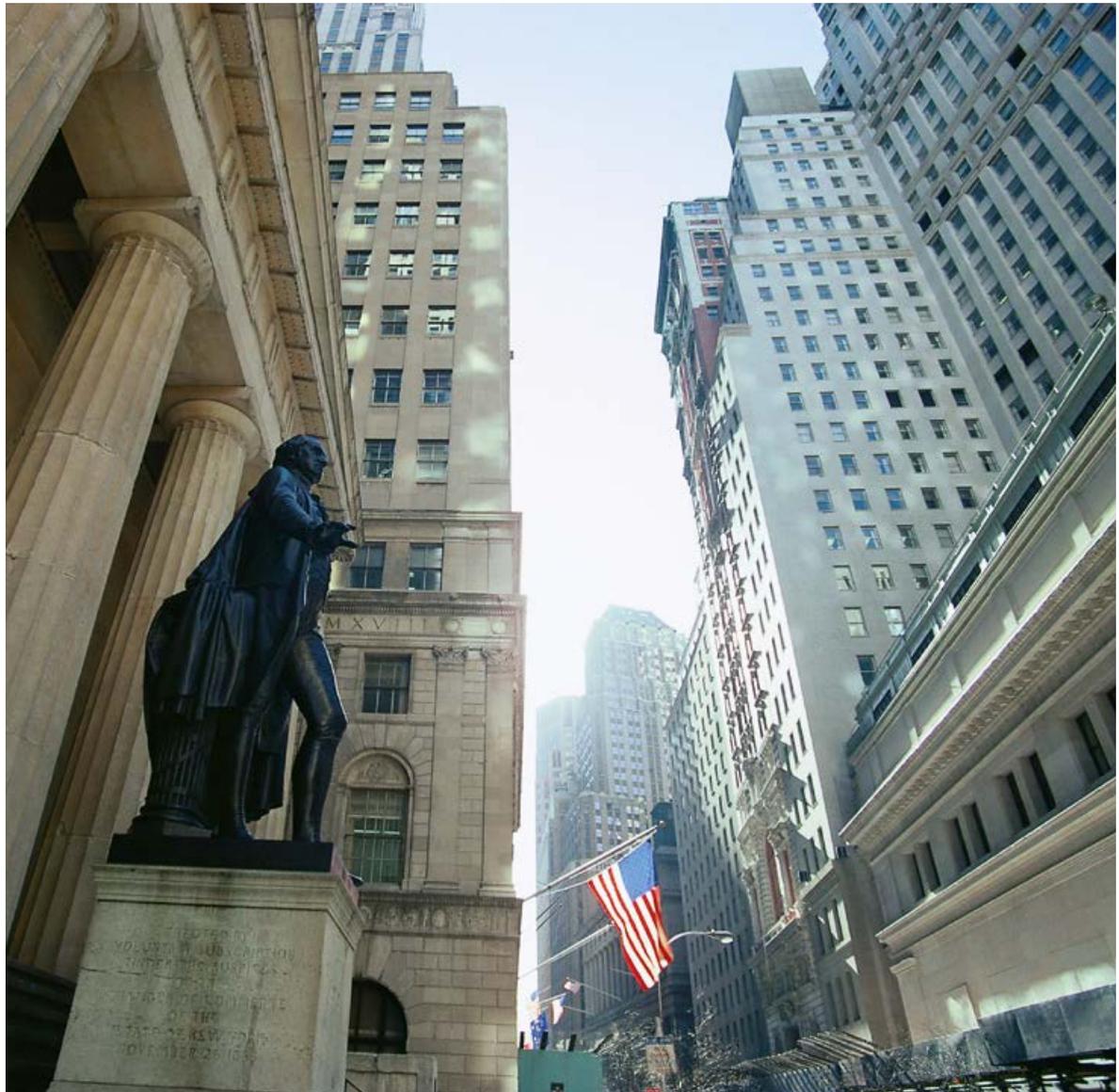
Unlike some of its major rivals, Hannover Re had scarcely any exposure to high-risk business with subprime US mortgage derivatives and hence it was not in fact directly affected by the

2008

crisis at all. But it was hard hit by the collapse of stock markets around the world: following the Lehman bankruptcy the company’s own share fell by 20 percent on a single day. Similarly, its investments suffered heavily amidst the tide of falling prices on markets. In October 2008 Hannover Re took a radical step and sold its entire holding of equities. The resulting impairment losses totalled some EUR 360 million.

As a result, in 2008 Hannover Re closed a financial year with a deficit for the first time in its history. Following the posting of another record profit of EUR 722 million in the previous year, a loss of EUR 127 million was reported in 2008. However, with this one loss-making year the company was already able to put the direct strains of the financial crisis behind it.

The US subprime crisis and in particular the use of opaque financial derivatives caused turmoil in the banking sector.





The perfect gift for a big fan of Formula 1



Hannoversche Allgemeine Zeitung, 15. Januar 2009

Kinder erobern geräumige Kita

Von Steffen Krenn

Nun ist es offiziell: Das moderne Kita-Gebäude auf dem hinteren Parkplatz der Hannover Rückversicherung in der Kaiser-Wilhelm-Strasse ist fertig. „Hängt wurde es von der Versicherung in einem feierlichen Akt an den Trägerverein „Hannover ReKids“ übergeben. Von diesem Januar an können in der Groß-Buchholzer Übersicht insgesamt 29 Kindern in zwei hellen Gruppenräumen und einem geräumigen Spielplatz toben, kochen und werben. Betreut werden die Klassen von mehreren qualifizierten Erziehern.
Die Kindertagesstätte sieht nicht nur

Versicherungen beteiligen sich an einem Neubau in Gross-BUCHHOLZ.

den Angehörigen der Rückversicherung und der gegenüberliegenden Chiesewitz Versicherungsgruppe – die sich finanziell am Bau beteiligten und künftig einen Teil der Instandhaltungskosten des Gebäudes tragen – zur Verfügung. Sie kann auch von Kindern aus dem gesamten Stadtbezirk Buchholz-Kleinfield genutzt werden. Darunter ist die Nachfrage überaus groß: bereits seit Monaten sind alle Plätze belegt und es gibt schon eine Warteliste.

Da viele einjährige Kinder angemeldet sind, konnten zunächst nicht mehr als 24 aufgenommen werden. „Die betriebliche Ansicht ist verständlichen Anmerkungen für 2009 spiegelt die besonderen Bedürfnisse beschäftigter Eltern wider“, betonte Natalie Anshaus, Vorstandsdirektorin des Trägervereins, während der Übergabe. Demen Eltern, so unterstrich Wilhelm Zeller, Vorstandsvorsitzender der Rückversicherer, solle durch den Bau der Kita der Wiedereinstieg in das Berufsleben erleichtert werden. Ein Platz mit ganztägiger Betreuung vom 7.30 Uhr bis 17.30 Uhr einschließlich Mittagstisch kostet maximal 300 Euro. Hinzu kommt noch der Versicherungsbeitrag von 100 Euro pro Jahr.

2009

On 30 June 2009 Chief Executive Officer Wilhelm Zeller retired at the age of 65. Such was the irony of history that the very man who throughout his term of office had systematically geared the company towards shareholder value and profitability, who had set new standards in communicating the company's strengths to the public at large, was ultimately compelled to announce Hannover Re's first net loss for a financial year: what is more, it was at precisely the moment in March 2009 when the Hannover Re share moved up into the German DAX share index – albeit merely temporarily until September 2009 and only because other DAX-listed enterprises had suffered so heavily under the crisis. Nevertheless, it clearly demonstrated just how far a strict orientation towards the capital market had brought the company.

In the 13 years of the “Zeller era” Hannover Re became one of the most profitable reinsurers on the market. Between 1995 and 2007 premium income was boosted by an average of 8.6 percent a year. Yet net income surged even more strongly by an average 32 percent per year. While many large, old-established European reinsurers had long since ceased to exist, Hannover Re had fought hard in times of considerable market challenges to secure its place as the fourth-largest reinsurer in the world. The ascent of its life and health reinsurance business group to become one of the top international players in these lines is unparalleled in the reinsurance industry. At the same time, though, through E+S Rück the Group also maintained its deep roots in the German insurance market, even as the storms of the global market raged across it.

All set for the kindergarten routine – the “Hannover ReKids” take over their new space.

The international perspective



In view of the progressively more international dimension of the company's business operations, the dialogue with colleagues from the various locations and divisions took on increasing significance. The Representatives Meeting, which was initiated in 1990, served as the most important forum for this dialogue. To this day, senior executives from all over the world assemble once a year for the Global Management Forum. The following pages present two progress reports from international managers in the United States and Australia.

2000

At the Berlin meeting we engaged with topics as varied as health-related annuity insurance, revolutionary underwriting approaches to life insurance and reinsurance as a capital substitute. Each of these concepts made a vital contribution to Hannover Re's profitable growth. Through this sharing of ideas with colleagues from Europe, Asia, Australia, Africa and America not only ideas were born, but also the Hannover Re family. Our success and the success of our clients could only be achieved through the targeted use of Hannover Re's worldwide resources. As was so often remarked: "It is astounding what can be achieved when everyone gets the credit." We left the meeting having gained the insight that Hannover Life Re is more than a team, we are a family.

1. A testament to international dialogue

"The First Annual Strategic Conference took place in the spring of 2000 in Berlin and was attended by all senior executives in international life and health reinsurance business. The beginning of a new millennium in a city that was just experiencing a tremendous renaissance was the perfect meeting place for the executives of Hannover Life Re who were exploring how we could boost our customers' success in covering their policyholders' life and health insurance needs all around the world.

At the same time Hannover Re reorganised its international meetings for the teams on both the Life & Health and Property & Casualty side. In the years 1990 to 2000 the Representatives Meeting had been held over the summer in Hannover. During the last meeting of this type the Hannover Re team had an opportunity to attend Expo 2000 in Hannover. Given that the Representatives Meeting additionally encompassed the meetings of the foreign subsidiaries' supervisory boards, there were also opportunities to explore strategic issues and exchange views with colleagues from all around the world.

The first strategy meeting involving all the senior managers in Hannover Re's international life and health reinsurance operations took place in the year 2000 in Berlin.

“For me, above and beyond the strategic and intercultural debates, these meetings always offered two highlights that are traditionally associated with the opening Welcome Dinner and the closing event on the last evening.”

Peter Schaefer



Everything changed with the first meeting of the Global Executive Group in Hannover in October 2001. Taking place in the shadow of the tragic events of 11 September in the United States, the mood was sombre. All reinsurers had incurred heavy losses from this act of terrorism and the meeting was dominated by the question of the company's future course. The need for reinsurance would never be greater because the risk created by the terrorist attacks had taken on hitherto inconceivable dimensions. We left the Global Executive Group meeting with the firm resolve that Hannover Re would be part of the insurance solution to support financial and economic reconstruction.

It was out of this Global Executive Group meeting that the Global Management Forum evolved. No longer including the supervisory board meetings of the subsidiaries, we were able to concentrate on Group-wide issues and develop relationships that spanned not only national borders but also different lines of business. For me, above and beyond the strategic and intercultural debates, these meetings always offered two highlights that are traditionally associated with the opening Welcome Dinner and the closing event on the last evening.

First, there is the team-building exercise: such as a scavenger hunt crowned with the performance of a rap song composed by the group, Viking boat racing, driving a Trabant (we were initially unaware of the legend that the car was partially made out of paper) and building a racing car. Each of these activities revealed a “somewhat different” perspective on all our colleagues, including the members of the Board.

The closing event on the final evening is devoted to those of our colleagues attending the GMF who are retiring. In their role as Group CEO Wilhelm Zeller and subsequently Ulrich Wallin have traditionally asked the soon-to-be retirees up on stage and told the assembled audience a little about their career and interests outside the everyday office routine. The individuals who had been singled out for this distinction then had an opportunity to expand on just what their time with Hannover Re had meant to them. I always left these gatherings full of inspiration, respect for our past and optimism about our future.”

Peter Schaefer
President & CEO, Hannover Life Reassurance
Company of America

2. The Australian story

“Following careful observation of the Australian market in the years 1982 to 1984 by then Chief Executive Officer Claus Bingemer and the head of the responsible treaty department, Dietmar Stenzel, the decision was taken in 1984 to establish a branch in Australia. Dieter Pfaffenzeller, the Board member responsible at that time for the Australian market, and Hildegard Stuke, who worked in the Legal Department, handled the preparations. Ross Littlewood was engaged to assist with management tasks in Australia.

After an exchange of countless documents and extensive written correspondence, primarily by airmail and courier service, Hannover Re was finally licensed on 28 June 1985 to conduct insurance operations in Australia. The operating assets back then totalled AUD 12 million. Today, the amount is in excess of AUD 1 billion.

From 1985 until his retirement in 1992 my father, Neville Littlewood, served as the Agent of the Sydney branch. In addition, from 1992 until his passing in 1994 he was a member of the supervisory board of HLRA (prior to its acquisition by Hannover Re). It was at this time that I too joined the company. My father attended the first Representatives Meeting in Hannover in 1990 and I subsequently took part in all further meetings from 1992 onwards after taking over the role of Agent.

The 1992 Representative Meeting was turned upside down by Hurricane Andrew. In August of that year the tropical storm swept across Florida and left the market with a total insured loss of around USD 17 billion, also taking a heavy toll on Hannover Re.

Back then the meeting was held in August/September. There was, however, no truth to the rumour that hotel rooms were cheaper at that time of year. What is more, it can get very hot sometimes in Lower Saxony! On one occasion there was a problem with the reservations: it seemed like every hotel in Hannover was sold out, and we ended up in a rather down-market establishment where you could touch the opposite walls of your room with outstretched arms.

The most striking change compared to those days is of course the size of today’s Global Management Forum (GMF). Back then the Rep Meetings were only attended by our colleagues from the foreign branches, which were still relatively few in number. All the meetings were held in Hannover, in the conference room on the fourth floor where the stained glass panel nowadays installed on the ground floor could be seen.

1992



Steve Murphy, former Representative of the Hollandia Group South Africa, Hidetomo Watanabe, Representative of Hannover Rück Services Japan K.K, and Neville Littlewood at the first Rep Meeting in 1990

“After the meal the guests were invited to the ‘Hannover Room’, which – for one night only – had been transformed into the coolest dance club in Sydney.”

Ross Littlewood

I can clearly recall the terrific sense of community and unfailingly obliging, generous and thoughtful care provided by the team in Hannover. On one occasion we were invited to a performance of the Circus Roncalli – a wonderful event – and in 1995 I was delighted to receive a special distinction and a gift to recognise the 10th anniversary of my service to the company.

The celebrations held in Sydney to mark the tenth anniversary of the Australian branch on 3 October 1995 were a particularly memorable event for many colleagues and clients alike. Obviously, it would not be enough just to offer cocktails or dinner, although Hannover Re had already made a name for itself as an attentive and generous – albeit rather infrequent – host! The preparations were already fully underway when we received the sad news of the passing of Dr. Michael Reischel, who had succeeded Claus Bingemer; we were thus faced with the decision of whether to carry on with the festivities, postpone them or cancel them altogether.

In 1994 Ross Littlewood took on the challenge of drinking a so-called “Lüttje Lage” – beer and corn schnapps at the same time.

below: Jürgen Gräber in control of any situation



The supervisory board members Dr. Wolf Becke and Dirk Lohmann took responsibility, in concert with Jürgen Gräber, for the event – which went down in history. It was the party to end all parties, featuring acrobats, illusionists and musicians and as a culinary highlight the teppanyaki feast. After the meal the guests were invited to the “Hannover Room”, which – for one night only – had been transformed into the coolest dance club in Sydney. And to top it all off, there was a mobile ice bar at which everyone could have their favourite treats put together. It was truly a “somewhat different” anniversary and will never be forgotten by all those who had the good fortune to be present.

Thanks to the efforts of those I have already singled out by name and countless others too numerous to mention both at our branch and at Hannover Re Bermuda, Hannover Re today ranks as one of the top reinsurers in Australia.

For us Littlewoods, and for me personally, it has always been a matter of great good fortune over the past 30 years to work with Hannover Re and to be able to experience the kindness and professionalism of so many fellow colleagues. I calculate that I have spent an entire year of my life in Hannover and I have come to regard the city as a second home – one in which I have many friends who themselves – and indeed now even their children – undertake the long journey between Hannover and Sydney.”

Ross Littlewood

Agent and Attorney of the Australian Branch in Sydney and participant in the Representatives Meetings and the Global Management Forum





Chairman of the Executive Board Ulrich Wallin



“In three of the eight years from 2001 to 2008 we were unable to pay a dividend owing to the volatility of our results. As the new Chief Executive Officer, I therefore considered it important to reduce volatility and restore a consistent, attractive dividend payment. These goals were successfully achieved in the years that followed.”

Charting a steady course into profitable waters

On 1 July 2009 Ulrich Wallin took the wheel as Chief Executive Officer of Hannover Re. He had already been with the company since 1984, serving on the Executive Board for the previous eight years with responsibility for specialty lines, property and casualty reinsurance in the UK and Ireland, retrocessions and insurance-linked securities. His appointment went hand-in-hand with a reallocation of the areas of Board responsibility in property and casualty reinsurance: a three-way split was now made into “Target markets” (Board member Dr. Michael Pickel), “Specialty lines worldwide” (Board member Jürgen Gräber) and “Global treaty and facultative reinsurance” (Board member André Arrago). Roland Vogel had already taken over as Chief Financial Officer in April 2009.

In the years since 2001 the market had been impacted by a number of extreme events around the world (attack on the World Trade Center, Hurricane Katrina and other natural disasters, the financial crisis), which had taken a heavy toll on the balance sheets of reinsurers. Hannover Re had similarly felt the effects of these events, and its bottom line experienced considerable volatility: on three occasions shareholders were not paid a dividend. The primary objective, therefore, was to reduce earnings volatility going forward and generate stable profits to the benefit of shareholders.

The range of strategic measures initiated to minimise these fluctuations included optimising risk management, increasing reserve redundancies, enhancing diversification and adopting a more risk-averse investment policy. In the ensuing years a conservative asset allocation delivered stable earnings, even in an increasingly strained capital market environment. Capital optimisation continued to be one of Hannover Re’s key corporate objectives in the years that followed. It was made possible in part by the ongoing issuance of hybrid securities, which brought in EUR 500 million each in the years 2010, 2012 and 2014, for example.

Another vital element of the strategy designed to reduce volatility was the move to further boost the diversification of the portfolio. New areas such as agricultural risks, covers for energy-saving measures and microinsurance products in previously all but untapped markets such as India enlarged the book of

business. The stepping up of activities in attractive markets such as Australia and in emerging economic regions such as Asia and Latin America generated a substantial volume of new business and delivered dynamic growth. What is more, the sizeable expansion of life and health reinsurance, which experiences less volatility, significantly changed Hannover Re’s portfolio mix and thereby also helped to stabilise profitability.

At the same time, greater emphasis was placed on the shareholders’ equity. Hannover Re had been growing vigorously for decades, but it had not always been possible to align the capital base with this growth. Over the next few years this changed substantially: shareholders’ equity climbed from EUR 2.8 billion in 2008 to EUR 8.1 billion in 2014. The company’s solvency ratios were better than those of the market leaders. Finally, Hannover Re was no longer the newcomer viewed by many with suspicion, but rather a market heavyweight setting standards when it came to capitalisation and reserve ratios.

Further diversification – agricultural insurance products protect crop yields against natural disasters.



2009

The year 2011 proved to be a litmus test for the strategy – could it maintain continuity of results even under exceptional circumstances? First of all, an earthquake in New Zealand caused insured losses of EUR 16.5 billion in February. In March, Japan was hit by a severe earthquake. The resulting massive tsunami laid waste to whole stretches of coastline and led to a core meltdown at the Fukushima nuclear plant. This devastating disaster cost 15,800 lives and resulted in an insured loss of altogether USD 40 billion. With total economic losses in the order of USD 210 billion, this event was the most expensive natural catastrophe to date.

In the autumn of that same year severe flooding in Thailand crippled many of the country's PC hard drive makers, prompting major shortages in the supply chain owing to the close interconnectedness of the world's IT manufacturers. The insured losses came to around USD 16 billion.



Awards won by Hannover Re

Year	Award
2015	Reinsurance Company of the Year (Reactions London Market Awards)
2015	Ulrich Wallin "Reinsurance CEO of the Year" (Reactions London Market Awards)
2015	Best Reinsurer in Colombia (Reactions)
2014	Middle East Award: Best Reinsurer for Client Service (Intelligent Insurer)
2014	Best Argentina Reinsurer (Reactions Latin America Awards)
2014	Best Reinsurer in the rest of South America incl. Peru, Ecuador, Bolivia, Uruguay and Paraguay (Reactions Latin America Awards)
2014	Hannover ReTakaful "Best International ReTakaful Operator of the Year, ReTakaful CEO of the Year: Mahomed Akoob (International Takaful Summit)
2013	Ulrich Wallin "CEO of the Year" (Obermatt/Zurich)
2013	Ulrich Wallin "Outstanding Contributor of the year - Risk" (Insurance Insider)
2012	Reinsurance Company of the Year (Insurance Day)
2012	London Market Award: Reinsurance Company Team of the Year Casualty and Aviation (Reactions)
2011	Global Reinsurance Award: Best Global Reinsurance Company for Specialty Lines (Reactions)
2011	London Market Award: Reinsurance Company of the Year (Reactions)
2011	Best International ReTakaful Operator of the Year, ReTakaful Leader of the Year: Mahomed Akoob (International Takaful Summit)
2010	Broker Survey: Best Overall Reinsurer (Flaspoehler Research Group)
2010	Best Global Reinsurance Company/Specialty Lines (Reactions)
2010	Life Reinsurance Company of the Year (The Review)
2009	Best Global Reinsurance Company and Best Global Reinsurance Company for Specialty Lines (Reactions)
2009	(Re)insurer/Sponsor of the Year (Trading Risk)
2008	Reinsurer of the Year; CEO Wilhelm Zeller is awarded the „Lifetime Achievement Award“ (The Review)
2008	Overall Best Reinsurer in North America (Flaspoehler Research Group)
2008	Best Reinsurer in Russia (12. Russian Reinsurance Conference)
2006	Best Reinsurer in North America (Flaspoehler Research Group)
2005	Wilhelm Zeller CEO of the Year in the Reinsurance Industry (Reactions)
2004	Reinsurer of the Year (The Review)
2004	Overall Best Reinsurer in North America (Flaspoehler Research Group)
2004	Germany's Best Employers
2003	Reinsurer of the Year (Reactions)
2001	Reinsurer of the Year (The Review)
2000	Investor Relations Award (Capital)
2000	Wilhelm Zeller Personality of the Year (The Review)
1998	Innovation of the Year: Alternative Risk Transfer (The Review)

A steady stream of awards testify that Hannover Re is charting the right course.

Many reinsurers saw their profits contract – in some instances sharply – in the annus horribilis of 2011. Hannover Re was also heavily impacted by these extreme loss events: with major loss expenditure amounting to EUR 981 million, 2011 was the second-most costly year for large losses after 2005. Yet the company – aided in part by a tax effect – generated a profit of EUR 606 million and a return on equity of 12.8 percent. It was in the crisis-ridden year of 2011 that the company demonstrated how it had indeed significantly reduced the volatility of its results. The UK trade publication “Insurance Day” crowned Hannover Re “Reinsurance Company of the Year” in 2012 because in the disastrous year of 2011 it posted the lowest catastrophe loss ratio – at 14 percent – among all professional reinsurers.

In 2012 Hannover Re followed up with record net income of EUR 858 million and an increased distribution of 42 percent to its shareholders. This was despite the fact that another spectacular major loss had occurred that year in the shape of Hurricane Sandy. In late October the hurricane left a trail of destruction in its wake, ultimately making landfall as a “superstorm”

on the US East Coast and hitting New York City particularly hard: the resulting insured losses amounted to USD 29.5 billion. Hannover Re took a net charge of some EUR 258 million. Another large loss that stayed in the headlines for weeks was the capsizing of the Costa Concordia cruise ship off the Italian coast in January.

In 2013 profits rose again to some EUR 895 million. This record figure came about in part because the major loss experience was very benign on international markets and a one-off tax effect was also recorded. The German market presented a rather different picture, however: severe flooding in June, massive hail losses in July and two major storms at year-end combined to produce a record level of losses. Hannover Re incurred net loss expenditure of EUR 99.8 million purely from hailstorm Andreas in July; the floods, which also caused considerable damage in other European countries, cost the company EUR 92.5 million. Altogether, the burden of major losses in 2013 totalled EUR 678 million. Driven higher by these large losses, the premium level in German motor and homeowners' insurance surged sharply market-wide in 2014, and underwriting results also improved appreciably.

The goal of substantially boosting shareholders' equity had been achieved through the outstanding profits of the last few financial years. In 2014 Hannover Re's capitalisation – with shareholders' equity of EUR 7.6 billion – was higher than the defined level of required capital. For this reason, a special dividend of EUR 1.25 per share was paid out to shareholders in that year as an active capital management measure.

2013



Massive flooding, hail damage and two powerful storms at year-end made 2013 a year of record losses in Germany.

The reinforcement of shareholders' equity and stabilisation of earnings on a high level were not, however, accompanied by a contraction in premium volume at Hannover Re. Quite the contrary: in keeping with the strategic motto of "profitable growth", gross written premium soared from EUR 10.27 billion in 2009 to EUR 14.36 billion in 2014 – an increase of almost 40 percent.

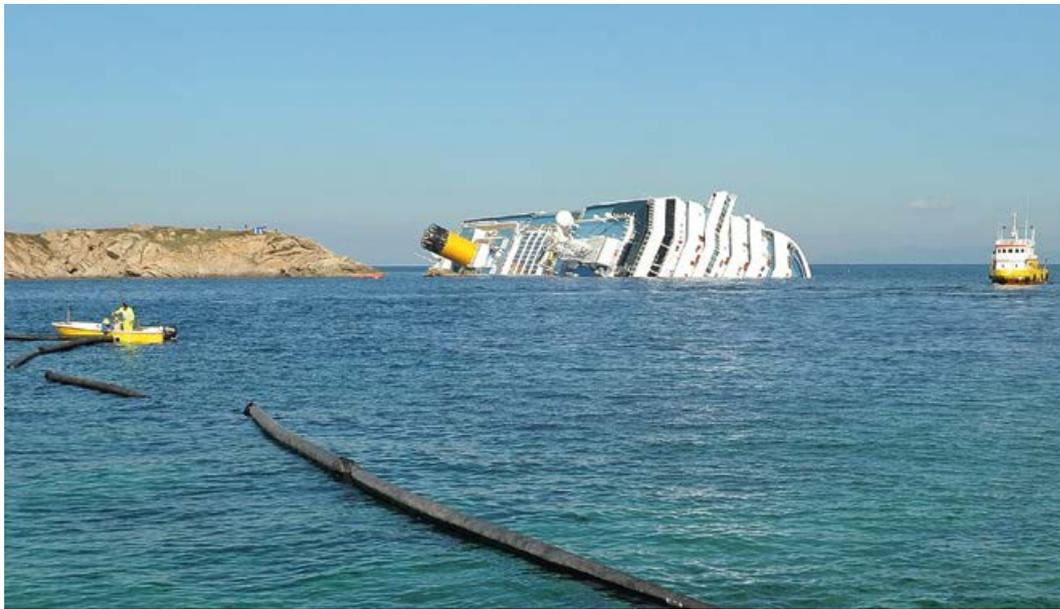
Between 2003 and 2008, on the other hand, growth rates had been negative. The withdrawal in connection with Clarendon and the further contraction in the Group's own HDI business were the primary reasons here. By 2014 Group business accounted for only around 4 percent of the premium volume – with the trend expected to continue downwards. Bearing in mind that for many years after it was first established Hannover Re had in fact only been responsible for the reinsurance coverage of the parent company HDI, it is plain to see how fundamentally the company's business has changed up to the present day.

Growth driver: Life and health reinsurance

Life and health reinsurance has been a major engine of growth. It was continuously expanded as part of the diversification strategy. The acquisition of Scottish Re's US ING portfolio in 2009 not only boosted the premium volume in life reinsurance by around EUR 1.2 billion; Hannover Re also took over the workforce and infrastructure of Scottish Re and this gained a good platform for expanding its new business in the United States, where the company had hitherto been underrepresented in the risk-oriented reinsurance segment. Another portfolio of Scottish Re was subsequently acquired in 2011. This transaction marked a milestone in US life and health reinsurance business.

Business was similarly expanded in the United Kingdom, where Hannover Re had established itself as one of the most innovative life reinsurers and evolved into the market leader for enhanced annuities – a product in which it had played a pioneering role. From 2010 onwards the company stepped up its acceptances of longevity risks. In the years that followed it assumed large-volume portfolios of UK pension funds and life policies. These "block transactions" encompassed a volume of altogether more than GBP 4 billion and provided for stable premium inflows with relative little equity investment. In 2014 an initial block of longevity risks from the French market was written with a volume of roughly EUR 750 million.

Particularly vigorous growth was also recorded in China. Here, too, Hannover Re was once again successful in its role as a market pioneer: it was the first reinsurer to write liquidity-affecting financing contracts. Equipped with a licence as an admitted reinsurer, the company generated growth of more than 50 percent in China in 2010.



On 13 January 2012 the “Costa Concordia” struck a rock off Giglio Island in the Mediterranean, began to take on water and – having lost power to its propulsion systems – was blown by the wind towards the coast, where it grounded and over time listed; the accident cost 32 lives.

The strategic expansion of life and health reinsurance as a counterbalance to the more volatile property and casualty reinsurance was an unqualified success. Within a good 20 years the proportion of Hannover Re’s total portfolio attributable to life and health business climbed from virtually zero to around 45 percent. At the end of 2011 Dr. Wolf Becke, the man who had been instrumental in driving the development of life and health reinsurance business, retired. His area of Board responsibility is overseen today by Claude Chèvre and Dr. Klaus Miller.

A challenging market environment

Since 2013 the pace of Hannover Re’s growth has slowed just as it has on the market as a whole. In property and casualty reinsurance it stood at 3.5 percent in 2013. In 2014 – contrary to a downward market trend – an increase of 1.2 percent was recorded. Altogether, the premium income booked by Hannover Re in 2013 grew by 1.4 percent Group-wide; in 2014 the increase amounted to 2.9 percent.

The modest growth has its roots in a market environment that is undergoing significant changes. A benign loss experience and surplus capacities in traditional reinsurance are depressing prices. In addition, low interest rates are prompting an ever-increasing flow of alternative capital into the market (above all into catastrophe reinsurance). Pension and hedge funds are on the lookout for new investment opportunities. The available supply of reinsurance clearly outstrips demand, thereby further exacerbating competitive intensity. Since it can be assumed that in the absence of transformational events this market situation will persist in the coming years, Hannover Re has responded to these challenges with a revised strategy.

In 2014 it refined the existing strategy under the motto “Long-term success in a competitive business”. At its core is a striving for lasting success from a medium- and long-term perspective. To quote the corporate strategy: “We are passionate about reinsurance and chart our own course. We are quick, flexible and independent; striving for excellence in our actions. We enlarge

the scope of our business by creating new business opportunities from emerging risks. And being organised for efficiency we offer our business partners an attractive value proposition.”

Diversifying the portfolio continues to be at the very heart of the strategy: “By assuming risk through the largely uncorrelated activities of our Property & Casualty and Life & Health business groups in all lines of business based on our global presence we enjoy optimal diversification. Besides our capital management, this is the key to our comparatively low cost of capital.”

2015 the best financial year in company history

Hannover Re closed the 2015 financial year with record net income of EUR 1.15 billion and thus comfortably beat its profit target of EUR 950 million. Despite the generally challenging environment in reinsurance business, the company grew its gross premium by 19 percent – 9 percent adjusted for exchange rate effects – to EUR 17.1 billion. Net premium earned increased to EUR 14.6 billion. Hannover Re boosted the previous year’s already very good operating result (EBIT) by a further 20 percent to EUR 1.8 billion.

This outstanding performance was driven by a strong underwriting result in property and casualty reinsurance – assisted by low major loss expenditure –, a very favourable experience in life and health reinsurance and healthy investment income. Group net income consequently surged 17 percent to EUR 1,150.7 million. This is the highest figure in the company’s history. It is envisaged that Hannover Re’s shareholders will also share in this pleasing business development with a total distribution of EUR 4.75 per share.



With a population of more than 1.292 billion (2015) India is the second most populous country in the world after China (1.373 billion).

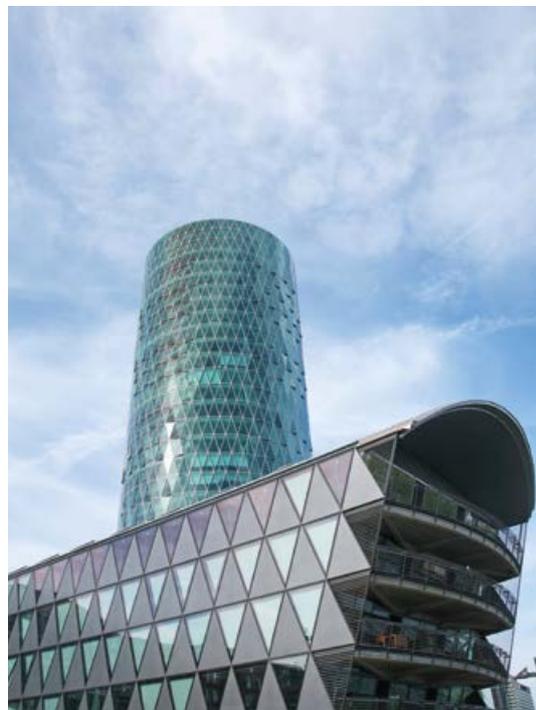
Even as one of the market leaders still

“somewhat different”

For many years Hannover Re had positioned itself as a newcomer in the market that did things differently to the established market players. Over time, however, the company had itself become one of the market leaders through its vigorous growth, while many of the long-standing companies of past decades no longer even existed. These days, Hannover Re ranks as the number 3 among the largest international reinsurers. E+S leads the market in Germany (together with Deutsche Rück). Under these conditions, being “somewhat different”, as the company’s motto proclaims, presents a greater challenge because owing to its size the company inevitably now reflects market movements much more closely than it did in earlier years.

A willingness to act on opportunities even if such an approach is anticyclical and to enter markets when many other reinsurers are pulling out continues, however, to be a cornerstone of the strategy. In the aftermath of the 2008 financial crisis, for example, Hannover Re stepped up its involvement in credit reinsurance. The portfolio was more than doubled in size at a time when numerous competitors were abandoning the market; in 2009 it subsequently profited from substantial rate increases. The company even sought out its opportunity in the problematic area of Australian group covers for superannuation funds for the disability and mortality risk. It significantly expanded its market position when most rivals were withdrawing and went on to enjoy rate increases of 100 percent.

As one of the driving forces behind the creation of “Solvency II”, Hannover Re’s specialists spent years working in close cooperation with EIOPA (photo: EIOPA headquarters).



Being “somewhat different” also means developing new types of coverage and tapping into new business segments. The Business Opportunity Management (BOM) unit was set up in 2009 to systematically foster innovation. Tasked with developing new business ideas, it gathers suggestions and ideas from members of staff all over the world in order to – ideally – translate them into new concepts and products. The entry into Indian health insurance business, for example, was motivated by an idea from Business Opportunity Management, as was the development of an insurance solution for energy-saving warranties provided to German industrial enterprises – by means of which Hannover Re devised a product concept that was new to Germany. The identification and cultivation of new business segments makes a major contribution to the strategy of diversification.

When it came to passing on risks to the capital markets and making use of alternative forms of capital, Hannover Re remained true to its pioneering role and went on to consistently close further large deals. Along with catastrophe business, life reinsurance business was also transferred to the capital market.

Hannover Re is similarly charting innovative territory with an investment vehicle that is entirely new to the market. The company uses this to acquire interests in managing general agents and specialised primary insurers in order to thereby obtain corresponding portions of the reinsurance business. In this way, Hannover Re secures for itself further growth and attractive business. Around EUR 400 million in additional premium volume has been generated to date through this vehicle.

Since the 1990s Hannover Re has been one of the trailblazers when it comes to modelling risks in the market. It was one of the first companies to systematically steer its business on the basis of economic indicators. The know-how gained in this area proved particularly valuable for the creation of the new European prudential regime known as Solvency II. Hannover Re has been one of the main drivers in Germany behind the creation of this new regulatory framework; the reinsurer’s specialists worked together in a close dialogue with regulators on the project. In the spring of 2015 official approval was sought from regulators for the company’s internal model; it went live for the launch of Solvency II on 1 January 2016.



The United Kingdom is one of the most deregulated economies in the world. The country has the sixth-largest gross domestic product (GDP) worldwide and the third-largest in Europe after Germany and France.

There was a special consideration associated with the creation of the company’s own model: the parent company Talanx also has its own internal group model for Solvency II. In the context of the Omnibus II Directive it was agreed with regulators that there can be another internal model for Hannover Re in addition to the one for the Talanx Group. This ensures that going forward the company’s risk management can be tailored individually and entirely to the specificities of the business – as it is at the other major reinsurance players.

The entire financial sector around the world has come under closer scrutiny from politicians and regulators since the 2008 financial crisis. Insurers and reinsurers have also found themselves subject to more stringent regulation. Supervisory agencies want to be certain that the insurance industry has its risks under control. Companies have since come to attribute vastly greater importance to risk management. No wonder, then, that the Group Risk Management division has grown more than any other area of Hannover Re in recent years.

Contemporary art exhibition 2014 featuring the work of masterclass students

Hannover Re's activities relating to art and its own collection are not limited merely to preserving, adding to and making available its existing works of art. Contemporary art is also in the company's focus, and in this context its cultural involvement extends inter alia to the advancement of young artists from the Lower Saxony region.

To this end, a series of exhibitions was initiated in 2014 in cooperation with Braunschweig University of Art that profiles the institution's students on an annual rotating basis. Current works by four young artists taking the masterclass course are displayed in Hannover Re's foyer. This gives the students an opportunity during their education to present their works to the public gaze and confront the range of responses. At the same

time, tours are offered for the workforce during the period of the exhibition. This cooperation thus serves to support young artists and foster a mutual dialogue. Catalogues are produced to accompany each exhibition; for the students, these constitute an important launchpad for their future artistic career.

The 2014 exhibition of masterclass students featured works by the following young artists:

- Sebastian Bartel (born in 1982, studied under the tutelage of Prof. Wolfgang Ellenrieder),
- Heehyun Jeong (born in 1984, studied under Prof. Olav Christopher Jenssen),
- Christian Retschlag (born in 1987, studied under Prof. Dörte Eißfeldt),
- Lisa Seebach (born in 1981, studied under Prof. Thomas Rentmeister).



Hannover Re's Environmental Management System has been certified since 2012



Hannover Re goes to great lengths to minimise the adverse environmental impacts of its business operations.

Growth and internationalisation

The brisk growth recorded in the years 2009–2014 prompted considerable expansion of the workforce. The number of staff employed throughout the Group climbed from altogether 2,069 in 2009 to 2,568 in 2015. The overriding condition for growth: it should not cause an undue increase in Hannover Re's expense ratio, which traditionally has been considerably lower than that of other major reinsurers. The expense ratio has been maintained to this day: personnel growth aligned with the company's earnings performance, so goes the motto. At the same time Hannover Re has become a significantly

Success in sustainability

Hannover Re's strategy is geared to sustainable success. It was therefore only logical that in 2011 the company adopted a sustainability strategy. This ensures that economic success is pursued in harmony with the needs of staff and the company and giving due consideration to environmental protection and the conservation of natural resources. The sustainability strategy is revised every three years in keeping with the Group strategy. In 2013 a GRI (Global Reporting Initiative GRI 3.1) report was published for the first time on progress made in the field of sustainability.

Hannover Re goes to great lengths to minimise the adverse environmental impacts of its business operations. The reduction of CO₂ emissions is at the heart of these efforts. The goal was to be doing business on a climate-neutral basis at Hannover Home Office by the year 2015. With this in mind, an environmental management system was implemented and has since been successfully certified. Electricity has been supplied from exclusively renewable sources since 2012. From 2012 onwards the major suppliers to the Facilities Management and Information Technology divisions have been required to comply with environmental and social standards in their day-to-day business operations. In 2014 Hannover Re was included in the FTSE4Good international sustainability index. By taking these steps the company ensures that investors and analysts are also able to factor non-financial aspects – which are growing increasingly significant – into their enterprise valuations.

On 15 July 2014 Barbara Seelmann was the first member of staff to celebrate 40 years of service to the company. Many long-time colleagues as well as more senior staff took up her invitation and joined her at Karl-Wiechert-Allee 57 to mark the occasion. The Seelmann family is now represented by a second generation at Hannover Re, since son Dirk joined the company's IT division in April 1999.



From left to right: Thomas Scheithauer, Frank Bergemann, Barbara Seelmann, Olaf Brock, Josef Varnhorst, Otto Müller

2013

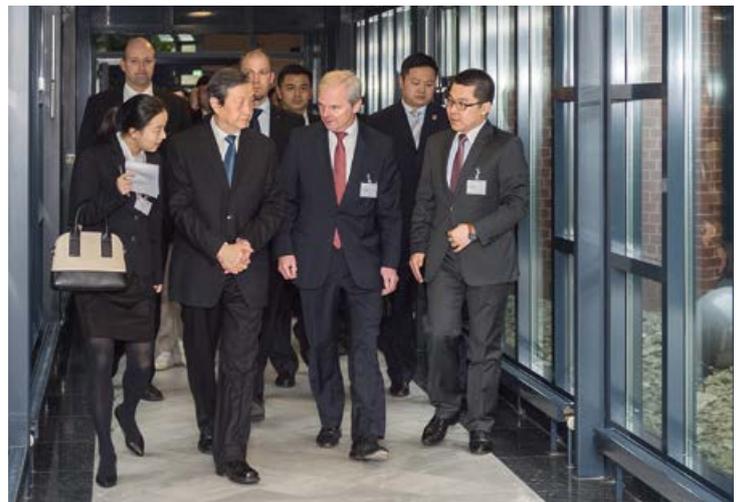
more international company: some 90% of business now derives from foreign markets and almost half the workforce is employed abroad. Increasing importance attaches to the local underwriting of risks; more and more underwriting authority has been assigned to international offices – in part also for tax reasons. Central steering and management functions nevertheless remain in Hannover.

Property and casualty reinsurance in the United States, the world's leading market by volume, also continues to be written from Germany. Hannover Re is the largest reinsurer to conduct its business in the US through brokers and has no need to establish its own subsidiary there. In many US states the company has now been granted the status of "eligible reinsurer", which enables it to write business in those jurisdictions with lower collateral requirements than those applicable to other foreign reinsurers. The requirements for life and health reinsurance have also since been eased.

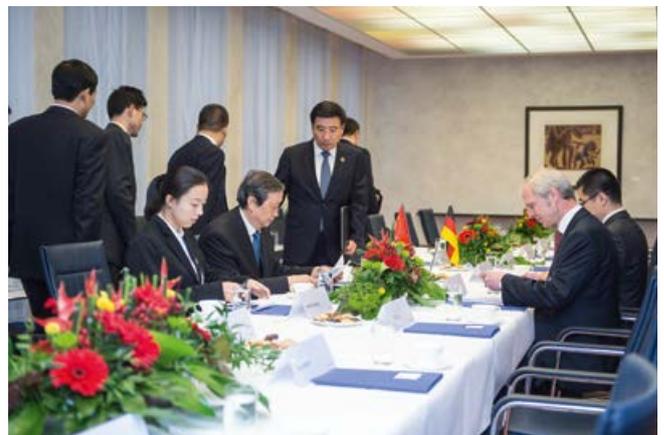
As part of this ongoing internationalisation Hannover Rück AG converted its legal form to a European Company or Societas Europaea (SE) in 2013 and has since traded under the name Hannover Rück SE. The transformation to this European legal form for stock companies reflects the growing significance of the international book of business. It will also enable the company to respond flexibly in future, as necessary, to local regulatory requirements.

Visit to Hannover by the Chinese Vice Premier

The considerable status enjoyed by Hannover Re in the Chinese market was borne out by the visit of Chinese Vice Premier Ma Kai on 15 March 2015 to the company's Home Office in Hannover. As part of his visit to Germany Ma Kai found time for an exchange of views with Ulrich Wallin. They discussed the development of the Chinese insurance and reinsurance market and the significance of the "10-point programme" from 2014, by means of which the Chinese government is seeking to improve provision for the country's population.



Entry in the company's guest book



The delegations discuss the development of the Chinese insurance and reinsurance market and the significance of the "10-point programme".

The company's international expansion continues to move forward: in 2009 Hannover Re strengthened its presence in China and opened a branch for property and casualty reinsurance in Shanghai.

The vigorous growth of the workforce left Hannover Re short of space, just as it had before in the nineties. Further expansion of Hannover Home Office was considered. In the end, though, the decision was taken in 2011 to purchase an office building at Karl-Wiechert-Allee 57, diagonally opposite the company's headquarters. This solution was more cost-effective than putting up a new building and it also spared the staff at Home Office the strain and inconvenience associated with several years of construction. Since then the company has operated out of two locations in Hannover, with around 40 percent of the German workforce currently housed in the newly acquired building. According to current plans, the capacity offered by the two buildings should be sufficient until 2030.

Around 40 percent of the Hannover workforce is currently housed in the newly acquired premises. According to current plans, the capacity offered by the two buildings should be sufficient until 2030.



The office building at Karl-Wiechert-Allee 57 purchased in April 2012

Outlook

Hannover Re's fiftieth anniversary comes at a time when market conditions for the international reinsurance industry are challenging: interest rates on capital markets have sunk to unprecedented lows; capital is increasingly flowing into the market – not only from the traditional reinsurance sector but also from capital market players such as pension and hedge funds. As a result, the available supply of reinsurance far exceeds demand and competition has become considerably more cutthroat.

Yet in the past, too, we have repeatedly seen phases with difficult market conditions that put Hannover Re's business model to the test. Over the past 50 years it has successfully withstood these challenges. The foundation upon which the company stands in 2016 is more robust than ever: premium income has grown at a stronger pace than the market average in recent years, the capital base has been substantially reinforced and profits have soared to new record highs.

The foundations have thus been put in place for further sustainable success in the coming years. The portfolio is broadly diversified – by lines of business and also in terms of its international positioning. By writing risks from the largely uncorrelated business groups of Property & Casualty and Life & Health reinsurance in all lines and on the basis of its global presence, the company achieves an optimal risk balance.

Hannover Re transacts its insurance business with a lower cost of capital and administrative expense ratio than its rivals. This enables it to generate above-average profits and at the same time offer its clients reinsurance protection on competitive terms and conditions. In order to cement its financial strength on an enduring basis, the company manages its portfolio with a view to preserving a capital base that goes hand-in-hand with the long-term orientation of its business opportunities. It achieves this goal through rigorous risk management so as to minimise the volatility of its results.

Safeguarding sustainable success also calls for a willingness, such as it has shown in the past, to break new ground and create innovative products. With E+S Rück serving as its robust platform in the German market and equipped with the international network of a true global player, Hannover Re is well placed – going forward as it has in the past – to master the challenges of a competitive market and write the next chapters of this corporate success story.

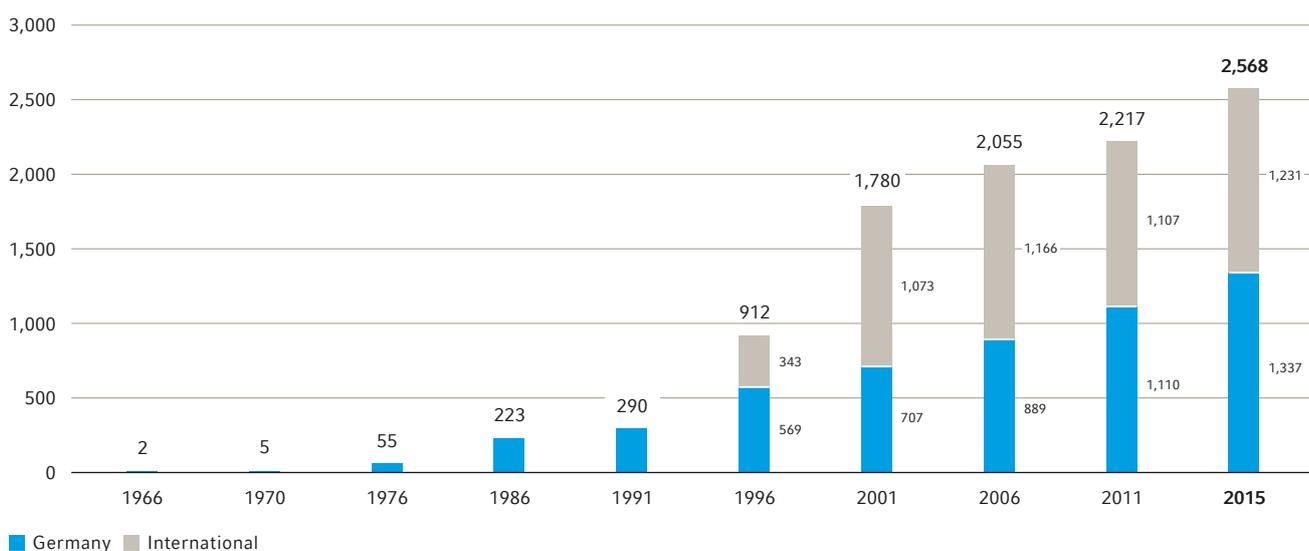


The Executive Board in 2015 – from left to right:
Roland Vogel, Ulrich Wallin, Claude Chèvre, Dr. Klaus Miller,
Sven Althoff, Dr. Michael Pickel, Jürgen Gräber

50 years

in facts and figures

Development of number of employees 1966–2015

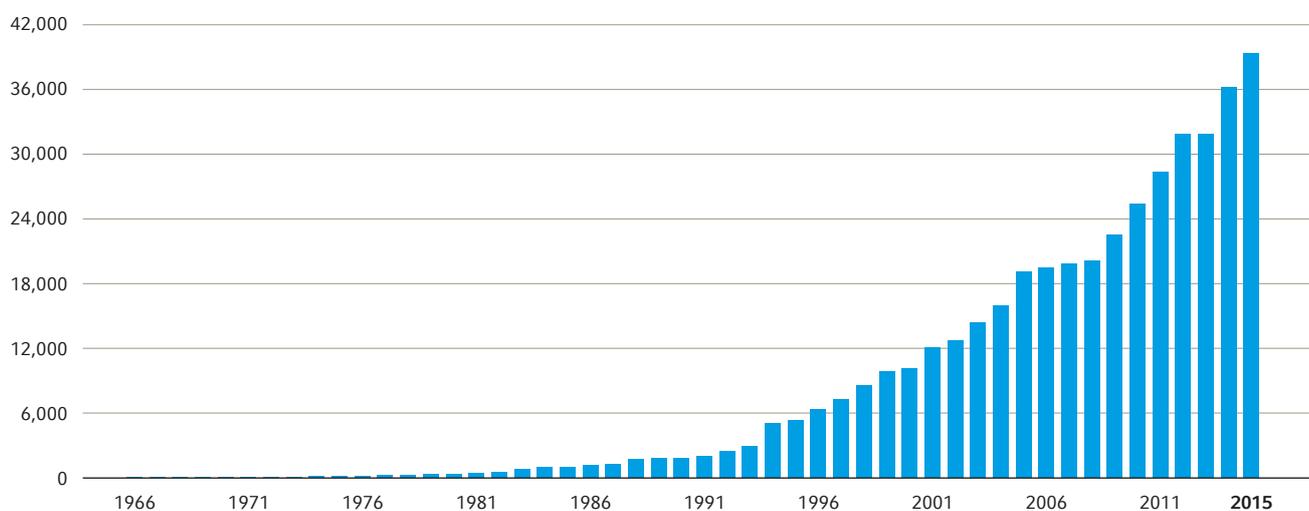


1966–1995: average number of employees of Hannover Rückversicherungs-AG (individual company)

1996–2015: year-end number of employees Group worldwide

Development of assets under own management 1966–2015

in EUR million



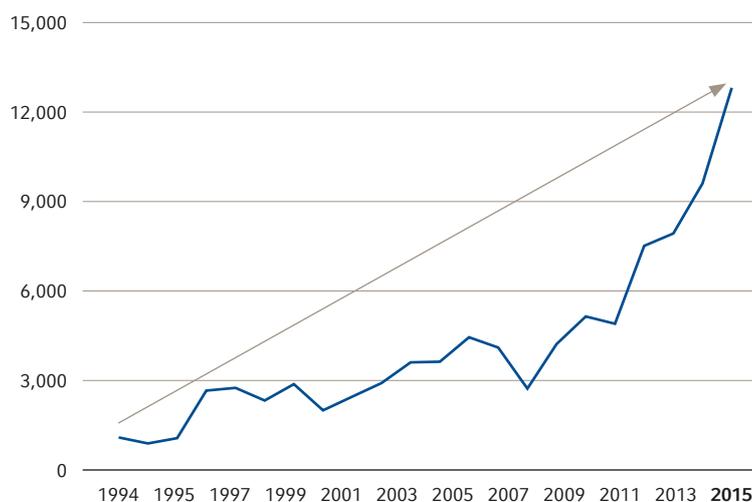
Based on local GAAP/HGB (1966–1997), US GAAP (1998–2003) and IFRS (as of 2004)

1966–1993: individual company figures (Hannover Rückversicherungs-AG)

As of 1994: worldwide Group figures

Value creation since the IPO on 30 November 1994
in EUR million

Figures as at 31 December

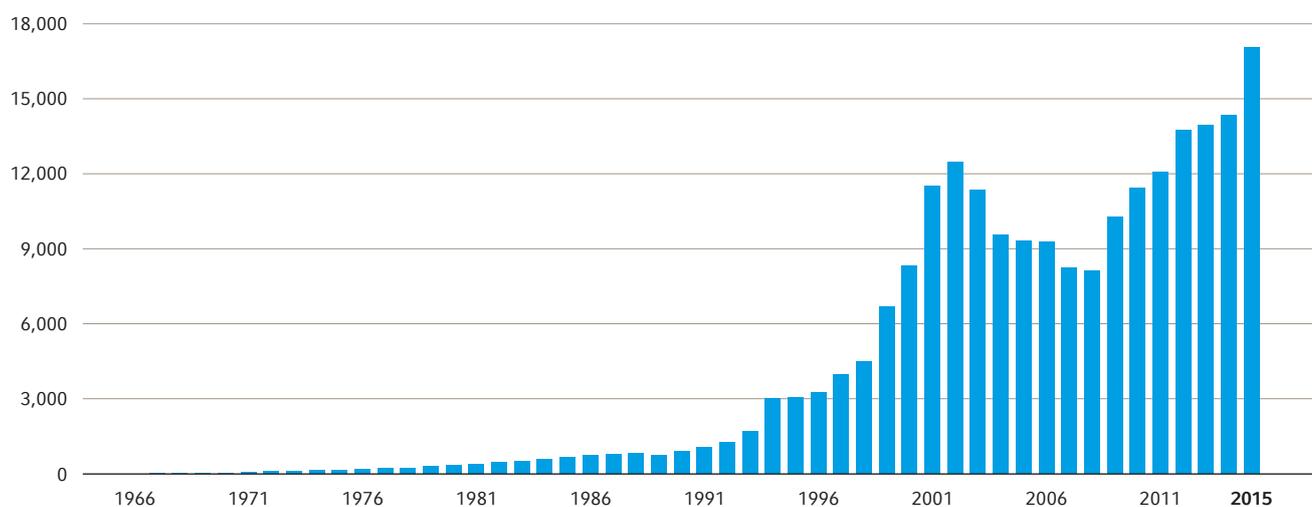


- Annual shareholder return of 13.0%
- Value creation as at 31 December 2015 +1.192%

in EUR million	2015
Market capitalisation as at 31.12.	12,741
- Market capitalisation at IPO (November 1994)	1,084
+ Dividend payments	3,162*
- Capital increases (1996, 1997, 2001, 2003)	811
Value creation since IPO	14,008

* Dividend payment for 2015 not yet included

Gross written premium development 1966–2015
in EUR million



Based on local GAAP/HGB (1966–1997), US GAAP (1998–2003) and IFRS (as of 2004)
1966–1993: individual company figures (Hannover Rückversicherungs-AG)
As of 1994: worldwide Group figures

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Corporate Communications
Karl-Wiechert-Allee 50
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Fax +49 511 5604-4343
www.hannover-re.com

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