

Hannover Re Individual

ANNUAL REPORT

1999

hannover re

hannover re

<i>Figures in EUR million</i>	1999	+/- previous year	1998	1997
Gross written premium	3 611.3	+24.2%	2 907.2	2 608.9
Net premium earned	2 216.5	+19.4%	1 855.8	1 894.6
Technical result	-156.6	+197.7%	-52.6	-58.0
Allocation to the equalisation reserve and similar provisions	53.9	-45.5%	98.9	81.4
Investment result	524.4	+40.1%	374.3	323.3
Profit or loss on ordinary activities before tax	108.8	+52.2%	71.5	68.9
Profit or loss for the financial year	95.8	+100.4%	47.8	42.6
Investments	7 259.9	+21.0%	6 002.3	5 921.6
Capital and reserves incl. surplus debenture (Genussrechtskapital)	406.0	+12.7%	360.3	360.4
Equalisation reserve and similar provisions	746.6	+7.8%	692.7	593.8
Net technical provisions	5 413.8	+18.3%	4 575.7	4 342.6
Total capital, reserves and technical provisions	6 566.4	+16.7%	5 628.7	5 296.8
Number of employees	489	+25	464	428
Retention	61.0%		65.3%	72.1%
Loss ratio*	79.8%		73.8%	68.4%
Expense ratio*	28.4%		29.8%	29.7%
Combined loss/expense ratio*	108.2%		103.6%	98.1%

* excluding life and health reinsurance

Supervisory Board (Aufsichtsrat)

Wolf-Dieter Baumgartl

Chairman

Chairman of the Executive Board of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Other posts*

Chairman of the Supervisory Board

- E+S Rückversicherungs-AG, Hannover
- ASPECTA Lebensversicherung AG, Hamburg
- ASPECTA Versicherung AG, Hamburg
- HDI Lebensversicherung AG, Hamburg
- CiV Lebensversicherung AG, Hilden
- CiV Versicherung AG, Hilden
- HDI Rechtsschutz Versicherung AG, Hannover
- HDI International Holding N.V., The Hague

Member of the Supervisory Board

- PB Versicherung AG, Hilden
- PB Lebensversicherung AG, Hilden

Member of the Administrative Board

- BNC Assicurazioni S.p.A., Rome

Dr. Paul Wieandt

Deputy Chairman

Former Chairman of the Executive Board of BfG Bank AG

Other posts*

Member of the Supervisory Board

- Lentjes AG, Düsseldorf
- HPL Holding B.V., Rotterdam
- Trespa International B.V., Weert

Karola Böhme**

Dr.-Ing. Horst Dietz

Chairman of the Executive Board of ABB AG

Other posts*

Chairman of the Supervisory Board

- ABB Automation Systems GmbH, Eschborn
- ABB Automation Utility GmbH, Mannheim

Member of the Administrative Board

- Asea Brown Boveri AG, Baden

Member of the Supervisory Board

- ABB Automation Products GmbH, Göttingen
- ABB Stotz-Kontakt GmbH, Heidelberg
- ABB Turbinen Nürnberg GmbH, Nuremberg

Dr. Erwin Möller

Member of the Executive Board of HDI

Haftpflichtverband der Deutschen Industrie V.a.G.

Other posts*

Member of the Supervisory Board

- Hannover International Insurance (Nederland) N.V., Rotterdam
- Hannover International AG für Industrierversicherungen, Vienna
- Hannover International (Belgique) S.A., Brussels
- Hannover International España, S.A., Madrid
- HDI International Holding N.V., The Hague
- CiV Lebensversicherung AG, Düsseldorf
- HDI Lebensversicherung AG, Hamburg
- HDI Asset Management GmbH, Hannover
- ASPECTA Lebensversicherung AG, Hamburg
- Euro International Reinsurance S.A., Luxembourg
- BNC Assicurazioni S.p.A., Rome
- PB Lebensversicherung AG, Düsseldorf
- PB Versicherung AG, Düsseldorf
- M.M. Warburg & Co. KGaA, Hamburg

Ass. jur. Otto Müller**

Ass. jur. Renate Schaper-Stewart**

Rudolf Schwan

Former member of the Executive Board of RWE AG

Eberhard Wild

Member of the Executive Board of Bayernwerk AG

Other posts*

Chairman of the Supervisory Board

- Bayernwerk Kernenergie GmbH, Munich
- Deputy Chairman of the Supervisory Board
- Kernkraftwerke Grundremmingen Betriebsgesellschaft mbH, Grundremmingen

Member of the Supervisory Board

- Gesellschaft für Nuklearservice, Essen
- Kraftübertragungswerke Rheinfelden AG, Rheinfelden
- Kraftwerk Laufenburg, Laufenburg
- Bayernwerk Wasserkraft AG, Landshut
- Überlandwerk Unterfranken AG, Würzburg

* Membership of supervisory boards and comparable control boards required by law at other companies in Germany and abroad

**Staff representative

Executive Board (Vorstand)

Wilhelm Zeller

Hannover Re (Chairman),
E+S Rückversicherungs-AG (Chairman),
Talanx AG

Other posts*

- Baltimore Casualty Insurance Company, New York
- CG America Corporation, New York
- Clarendon America Insurance Company, New York
- Clarendon Insurance Group, Inc., New York
- Clarendon Insurance Company Bermuda Ltd., New York
- Clarendon National Insurance Company, New York
- Clarendon Select Insurance Company, New York
- E+S Reinsurance (Ireland) Ltd., Dublin
- Euro International Reinsurance S.A. (EIR), Luxembourg
- Hannover Finance, Inc., New York
- Hannover Life Re of Australasia Ltd, Sydney (Deputy Chairman)
- Hannover Finance (UK) Limited, Virginia Water
- Hannover Life Reassurance (Ireland) Ltd., Dublin (Chairman)
- Hannover Life Reassurance (UK) Limited, Virginia Water (Chairman)
- Hannover Life Services (UK) Limited, Virginia Water (Chairman)
- Hannover Reinsurance (Ireland) Ltd., Dublin (Chairman)
- Hannover Re Advanced Solutions Limited, Dublin (Chairman)
- Hannover Reinsurance Group Africa (Pty) Limited, Johannesburg (Chairman)
- Hannover Reinsurance Africa Limited, Johannesburg (Chairman)
- Hannover Life Reassurance Africa Limited, Johannesburg (Chairman)
- Harbor Specialty Insurance Company, New York
- HDI Reinsurance (Ireland) Ltd., Dublin (Chairman)
- Insurance Corporation of Hannover, Los Angeles (Chairman)
- International Insurance Company of Hannover Ltd., Eastleigh/Southampton
- Lion Holding, Inc., New York
- Hannover Life Reassurance Company of America, Orlando (Chairman)
- Twickenham Insurance Company, New York

Dr. Andreas-Peter Hecker

Hannover Re (Deputy Chairman),
E+S Rückversicherungs-AG

Other post*

- MRS Mediterranean Reinsurance Services Ltd., Athens

Dr. Wolf Becke

Hannover Re,
E+S Rückversicherungs-AG

Other posts*

- ASPECTA Lebensversicherungs-AG, Hamburg
- Hannover Life Reassurance (Ireland) Limited, Dublin
- Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg
- Hannover Life Reassurance Africa Ltd., Johannesburg
- Hannover Reinsurance Africa Ltd., Johannesburg
- ITAS Vita SpA, Trient (Member of the Administrative Board)
- Hannover Life Re of Australasia Ltd, Sydney
- Hannover Life Reassurance Company of America, Orlando
- Hannover Life Reassurance (UK) Limited, Virginia Water
- Hannover Life Services (UK) Limited, Virginia Water
- Hannover Re Sweden Insurance Company Limited, Stockholm (Chairman)
- Hannover Re Gestion de Réassurance France S.A., Paris (Chairman)
- Hannover Re Services Japan, Tokyo

Jürgen Gräber

Hannover Re,
E+S Rückversicherungs-AG

Other posts*

- E+S Reinsurance (Ireland) Ltd., Dublin
- Hannover Reinsurance (Ireland) Ltd., Dublin
- Hannover Re Sweden Insurance Company Limited, Stockholm
- Hannover Re Advanced Solutions Limited, Dublin
- HDI Reinsurance (Ireland) Ltd., Dublin
- Hannover Reinsurance Group Africa (Pty) Limited, Johannesburg

- Hannover Reinsurance Africa Limited, Johannesburg
- Hannover Life Reassurance Africa Ltd., Johannesburg
- Hannover Re Services Japan, Tokyo
- Inter-Ocean Holdings Ltd., Hamilton (Deputy Member)
- Inter-Ocean Reinsurance Company Ltd., Hamilton (Deputy Member)

Herbert K. Haas

Hannover Re,
E+S Rückversicherungs-AG

Other posts*

- Baltimore Casualty Insurance Company, New York
- CG America Corporation, New York
- Clarendon America Insurance Company, New York
- Clarendon Insurance Group, Inc., New York
- Clarendon Insurance Company Bermuda Ltd., New York
- Clarendon National Insurance Company, New York
- Clarendon Select Insurance Company, New York
- E+S Reinsurance (Ireland) Ltd., Dublin
- Hannover Life Re of Australasia Ltd, Sydney
- Hannover Life Reassurance (Ireland) Limited, Dublin
- Hannover Finance (UK) Limited, Virginia Water
- Hannover Life Reassurance (UK) Limited, Virginia Water
- Hannover Life Services (UK) Limited, Virginia Water
- Hannover Reinsurance (Ireland) Ltd., Dublin
- Hannover Services Ltd., London
- HR Services Asia Sdn. Bhd., Kuala Lumpur
- Insurance Corporation of Hannover, Los Angeles
- Intercontinental Reinsurance Inc., Los Angeles
- International Insurance Company of Hannover Ltd., Eastleigh/Southampton
- Harbor Specialty Insurance Company, New York
- Lion Holding, Inc., New York
- MRS Mediterranean Reinsurance Services Ltd., Athens
- Hannover Life Reassurance Company of America, Orlando
- Seven Continents Insurance Ltd., Hamilton
- Twickenham Insurance Company, New York

Udo Schubach

Hannover Re,
E+S Rückversicherungs-AG
(Deputy Chairman)

Dr. Detlef Steiner

Hannover Re,
E+S Rückversicherungs-AG

Other posts*

- Baltimore Casualty Insurance Company, New York
- CG America Corporation, New York
- Clarendon America Insurance Company, New York
- Clarendon Insurance Group, Inc., New York
- Clarendon Insurance Company Bermuda Ltd., New York
- Clarendon National Insurance Company, New York
- Clarendon Select Insurance Company, New York
- Hannover Finance Inc., New York
- HR Hannover Re, Correduría de Reaseguros, S.A., Madrid
- Hannover Re Gestion de Réassurance France S.A., Paris
- Hannover Re Sweden Insurance Company, Stockholm (Deputy Member)
- Hannover Services (México) S.A. de C.V., Mexico City
- Harbor Specialty Insurance Company, New York
- Insurance Corporation of Hannover, Los Angeles
- International Insurance Company of Hannover Ltd., Eastleigh/Southampton
- Lion Holding, Inc., New York
- Twickenham Insurance Company, New York

Dr. Michael Pickel

(Deputy Member from 1.1.2000),
Hannover Re,
E+S Rückversicherungs-AG

* Membership of supervisory boards and comparable control boards required by law at other companies in Germany and abroad

As in the previous year, we have combined parts of the management reports of the Hannover Re Group and the parent company in order to avoid unnecessary repetitions in our reporting. For this reason, the reader is referred to our Group report

for remarks on the following areas:

- Economic climate
- Risk management
- Human resources
- Outlook

Business development

Since 1 January 1997 the parent company has transacted active reinsurance – with the exception of some parts of the business of its principal shareholder – exclusively in foreign markets. All German business is handled by our subsidiary E+S Rück. The geographical balance of the portfolio, which is important for both companies from the point of view of optimal risk spreading, is preserved by means of reciprocal retrocessions.

In the year under review we increased our gross written premium by 24.2% to EUR 3,611 million. The hardening of the retrocession markets led to a rise in our retention in property and casualty reinsurance. As a result of the strong growth in life and health reinsurance, on the other hand, we made greater use of our securitisation instruments and passed pre-financing costs on to the capital markets. The overall result of these opposing effects was a slightly lower retention in percentage terms; net premium earned thus posted a below-average increase of 19.4% to reach EUR 2,217 million. This growth was almost entirely attributable to international life, health and personal accident reinsurance. In regional terms, the most notable growth rates were achieved in the USA, Asia, Latin America and eastern Europe, whereas in other parts of Europe and in Africa our premium volume declined.

In the year under review the intense competitive pressure in property and casualty reinsurance resulted once again in a decline in premium levels, causing the technical result to suffer. Furthermore, for the second consecutive year a large number of catastrophe losses led to a deterioration in loss ratios. In addition to the earthquakes in Turkey, Greece and Taiwan as well as

numerous aircraft crashes and typhoon "Bart" in Japan, the winter storms "Lothar" and "Martin" shortly before year-end contributed to substantially above-average claims levels from natural catastrophes and other major loss events. In life and health reinsurance business we have specialised in treaties containing a financing component. Under German accounting rules, pre-financing costs and single commissions must be written off immediately, with the result that the full amount is debited to the profit and loss account in the year of acquisition. Although we passed on some of these strains to the capital markets by way of our securitisation instruments, the considerable growth in our life and health reinsurance portfolio led to an additional straining of the technical account by such investment-related expenditure. Overall, therefore, the technical result deteriorated markedly from EUR -53 million to EUR -157 million.

As a consequence of the higher loss ratios, the allocation to the equalisation reserve also fell sharply to EUR 54 million (EUR 99 million). On balance, the net technical result declined to EUR -211 million (EUR -151 million).

Against the backdrop of booming stock markets and bond markets burdened by sharp interest rate rises, our ordinary investment earnings – which derive largely from interest on fixed-income securities – nevertheless climbed by 12% from EUR 317 million to EUR 356 million. In our stock portfolio, in particular, we also undertook various regroupings during the year and we realised price gains – in part because of the at times enormous price rises for technology stocks. As a consequence of this we were able to gener-

ate profits on disposals on a par with the high level of the previous year. This item was also affected by a special factor: we combined our two subsidiaries in the United Kingdom under a single UK holding company. This resulted in the release of both companies' hidden reserves, thereby generating extraordinary tax-exempt income of EUR 56.8 million. After making allowance for this factor, profits on disposals more than doubled to reach EUR 226 million. However, this was not achieved at the expense of the reserves in the investments, which increased from EUR 827 million to EUR 878 million. The book values of the investment portfolio again rose sharply overall to EUR 7.3 billion.

Boosted by the aforementioned special factor, the investment result thus increased by 40% to EUR 524 million. In particular due to the higher interest expenditure, other expenses climbed sharply. Overall, the profit on ordinary activities improved substantially by 51% from EUR 72 million to EUR 109 million.

Our tax burden was almost halved in the year under review from EUR 23.7 million to EUR 12.9 million. This reflects the impact of various, sometimes contradictory factors. In the previous year we had made provision for further tax demands from the revenue authorities following a company audit and constituted additional tax reserves. The elimination of this one-off expenditure appreciably eased the strain on the 1999 financial year compared to the previous year. The so-called "Tax Relief Act" introduced by the Federal Government brought into effect a number of new provisions, which were first applicable to the 1999 financial year and which placed a significant load on the insurance industry. Major repercussions of these regulations were the more realistic valuation and the discounting of the loss reserves. Both provisions lead to the earlier realisation of expected run-off profits and capital yields, hence bringing forward the taxation of future earnings. In our profit and loss account for the purposes of commercial law this additional tax expenditure is opposed by corresponding deferred taxes on

the assets side. This item represents, as it were, a "tax prepayment" on future earnings and it is written back in our commercial-law income statement in line with the future realisation of these earnings. Further positive impacts on our tax burden derived both from the tax-exempt income associated with the transfer of our UK subsidiaries and the tax-exempt dividend payments of our subsidiaries.

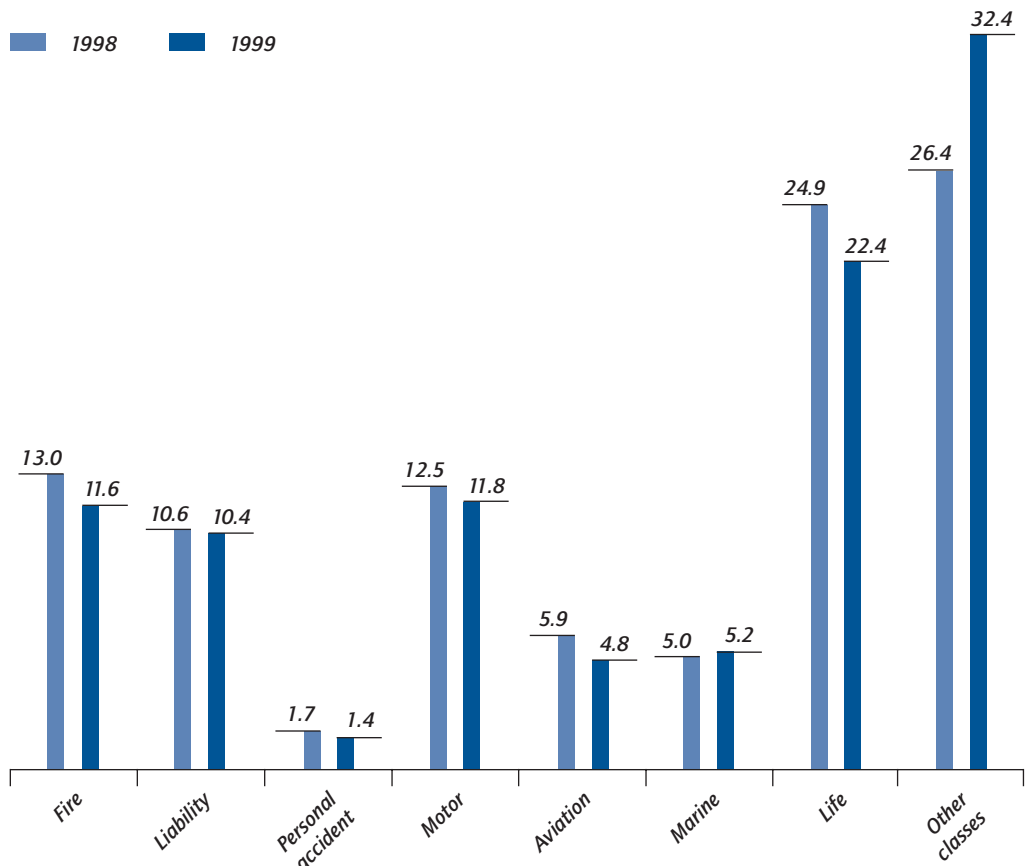
Overall, therefore, the annual profit was exactly double that of the previous year, rising from EUR 48 million to EUR 96 million. We thus recorded our fifth record result in succession. In accordance with our shareholder-friendly dividend policy, we have to date distributed our profit for the year in full to shareholders, as a consequence of which the level of retained earnings is very low. Amongst other things, the disclosure of deferred taxes on the assets side with a full distribution entitlement is linked to the existence of a corresponding level of retained earnings. For this reason, we allocated the earnings realised from the transfer of the UK companies almost entirely (EUR 46 million) to retained earnings in order to maintain the company's real assets and we shall propose to the Annual General Meeting that the operating profit be distributed in full to shareholders as in previous years. The gross dividend distribution increased again to EUR 71 million (previous year: EUR 53 million).

Premium development

Although Hannover Re has transacted active reinsurance solely in foreign markets since 1 January 1997, we received a substantial volume of German business – accounting for 18% of our total portfolio compared to 20.5% in the pre-

vious year – through intergroup retrocessions from our subsidiary E+S Rück. Developments in the German market thus continued to be of relevance to our company.

Development per class of business as % of the total portfolio



Fire

Our portfolio of fire business grew by 10.3%. This growth applied to virtually all regions, although premium increases were most notable in Germany, the United Kingdom and Japan. Only in Latin America did our premium income decline. Whilst Germany continued to be our largest single market in terms of premium volume, we retrocede a large portion of our acceptances here and the retention is therefore relatively low.

Declining rates in industrial fire business were still a hallmark of the German market. The premium level, which remained wholly inadequate, similarly made itself felt on our portfolio; the

technical result again deteriorated sharply. The US fire insurance market was hit by a large number of major losses, leaving results at the unsatisfactory level of the previous year. In Asia, on the other hand, the situation improved markedly and we achieved satisfactory technical results in this market.

Overall, both the loss ratio and the technical result deteriorated appreciably in this class of business. This led to a withdrawal from the equalisation reserve in the amount of EUR 30.3 million.

Fire

<i>in EUR million</i>	1999	1998
Gross written premium	417.9	379.0
Loss ratio (%)	81.8	70.7
Technical result (net)	-26.8	-13.0

Liability

With a premium income increase of 22.8% we substantially expanded our liability business. Most notably in the USA and the United Kingdom, this increase was well in excess of exchange-rate factors and thus constituted real growth in these regions. In the South American market, which had previously been dominated almost exclusively by property insurance, the liability classes of insurance are also developing and we have participated in their growth. Africa was the only territory in which our premium volume declined.

Owing to the fact that the previous year's result was positively influenced by a special ef-

fect, the slight decline in the technical result can nevertheless be assessed as highly satisfactory. Despite sizeable expansion, we made no compromises over pricing. Favourable profit contributions derived, most notably, from the USA, Asia and Latin America.

The good underwriting profit made possible a further allocation of the equalisation reserve in the amount of EUR 46.3 million. In the year under review we strengthened the IBNR reserve by EUR 43.3 million.

Liability

<i>in EUR million</i>	1999	1998
Gross written premium	377.3	307.3
Loss ratio (%)	75.6	66.1
Technical result (net)	2.3	6.0

Personal Accident

Our volume of business in the personal accident class was almost exactly on a par with the previous year's level. This was also largely true of the geographical distribution of our premium income. Growth stemmed from the USA and South America, whereas premiums declined in the United Kingdom.

Personal accident business has been generating stable, satis-

factory profits for a number of years. Since the loss reserves in some cases are run off over quite a protracted period, this class accounts for correspondingly large investment income from the perspective of the business result. The slight technical deficit thus produced a favourable profit contribution overall.

The amount of EUR 3.4 million was allocated to the equalisation reserve.

Personal Accident

in EUR million	1999	1998
Gross written premium	49.3	49.8
Loss ratio (%)	58.9	54.9
Technical result (net)	-1.6	0.8

Motor

Our motor portfolio posted growth of 17.1%. However, since we ceded a larger share of business to retrocessionaires, net premium rose by just 4.2%. Taking into account exchange-rate factors, particularly in the strong growth regions of the United Kingdom and the USA, our participation in this class of business actually decreased in real terms. In South America, on the other hand, we considerably expanded our business volume.

The share of our gross premium income generated by the German market contracted in this class of business. Deregulation coupled with the practice of constantly granting new types of discounts have caused a fall in prices, the full

effects of which were felt in the year under review. Initial indications of a trend reversal have not as yet significantly impacted results. The motor business reinsurance we have written has been increasingly of a non-proportional nature, as a consequence of which our portfolio showed only a slight deterioration in the overall technical result. The performance of business in Japan and the other Asian markets was highly gratifying, while in the USA the prevailing market conditions led to losses.

Due to the further deterioration in the loss ratio, an amount of EUR 2.4 million was withdrawn from the equalisation reserve.

We boosted the IBNR reserve for motor third party liability business by EUR 15.1 million.

Motor

in EUR million	1999	1998
Gross written premium	425.0	362.8
Loss ratio (%)	100.6	97.4
Technical result (net)	-66.1	-53.3

Aviation

We have accorded long-term strategic priority to the expansion of our aviation and space business. Whereas in the previous year the state of the market had prevented any growth in business volume in this class, our premium income in the year under review posted a slight increase of 2.0% – attributable not least to movements in exchange rates. The London market and the USA generate the bulk of our aviation and space business. Our premium growth derived primarily from our commitments in the US market, whereas the business written in the London Market continued to contract markedly.

The fierce competition in aviation insurance makes it virtually impossible to conduct this class of business profitably, and the market results therefore remain inadequate. This situation was exacerbated by the fact that losses in this

class were again high. In addition to several aircraft crashes and satellite losses, the crash of an Egypt Air flight marked the tragic climax to the 1999 claims year. In the reinsurance sector, niche markets, in particular, offered better conditions. We increased the proportion of non-proportional and facultative business and also reinforced our own reinsurance protection, thereby largely enabling us to divorce ourselves from this negative trend.

Our technical result improved; we allocated a further EUR 10.0 million to the equalisation reserve.

Aviation

<i>in EUR million</i>	1999	1998
Gross written premium	174.7	171.2
Loss ratio (%)	64.7	65.9
Technical result (net)	22.7	9.3

Marine

Since we write large parts of our marine portfolio in the USA and the United Kingdom, this class of business too was heavily influenced by exchange rate movements, with growth reaching 29.1%.

The marine market, in common with many other classes, was characterised by overcapacity and intense competition. Favourable developments were recorded by non-proportional business as well as certain classes of primary insurance. How-

ever, these did not suffice to enable us to generate positive income overall. While we succeeded in sharply reducing the technical deficit, we nevertheless closed with a negative technical result; this led to a withdrawal from the equalisation reserve in the amount of EUR 5.6 million.

Marine

<i>in EUR million</i>	1999	1998
Gross written premium	188.8	146.3
Loss ratio (%)	86.3	90.9
Technical result (net)	-10.6	-15.0

Life

We have assigned high strategic priority to the expansion of our life portfolio, which grew by 11.6% in the year under review. In the United Kingdom two major business relationships of the previous year no longer existed: one had been a one-off transaction, while in the other case the company concerned ceased to belong to our group of clients following a change of ownership. Premium income from the United Kingdom therefore declined by almost EUR 100 million. This decrease, however, contrasted with the generally successful expansion of our portfolio – most notably in the United States and Germany.

One reason for the surge in new business in Germany is the growing general uncertainty surrounding the future of state old-age pensions. Most significantly, however, the intensified debate in the second half of 1999 relating to the taxation of life insurance policies brought about a massive rise in new business. In the case of our portfolio this particularly affected unit-linked life insurance, which now generates a sizeable share of total new business market-wide.

In life reinsurance business we have continued to specialise in financing transactions. In addition

to risk transfer, we finance the high initial acquisition costs incurred by life insurers as they build up a portfolio and – especially in the USA – we assume entire portfolios against payment of a single commission by way of so-called block assumption transactions. This pre-financing expenditure accrues to our account as earnings in subsequent years. Our growth in the USA was very much founded on the expansion of these block assumption transactions.

The pre-financing effects associated with such arrangements – which are largely investment-orientated by nature – place an immediate strain on our technical account, thus producing sharply negative results especially in growth regions. On balance, the overall growth generates a technical deficit, although this is counter-balanced by a corresponding increase in the embedded value of our in-force portfolio.

The portfolio of reinsured life insurance developed as follows in the year under review (foreign currency amounts have been converted using the exchange rates as at 31 December 1999):

Life

<i>in EUR million</i>	1999	1998
Gross written premium	808.3	724.6
Technical result (net)	-19.9	11.8

Life reinsurance portfolio (in EUR million)

	1999	1998
Total business reinsured		
■ sum insured	135 609.0	121 805.1
■ of which retroceded	49 532.9	44 052.1
Endowment insurance		
■ sum insured	134 988.0	118 760.6
■ of which retroceded	49 407.2	43 368.9
Annuity and pension insurance		
■ 12 times annual annuity	621.0	3 044.5
■ of which retroceded	125.7	683.2

Other classes

In accordance with German accounting requirements, the following classes of business are shown combined under other classes: health, legal protection, burglary and robbery, water damage, plate glass, windstorm, comprehensive householder's (contents), comprehensive householder's (buildings), hail, livestock, engineering, omnium, credit and surety, extended coverage, nuclear plant property, other property damage, fire loss of profits, engineering and other loss of profits, other pure financial losses and fidelity.

Health insurance, with growth in excess of 120%, was the principal contributor to the increase of 52.7% in gross premium income recorded by the other classes of insurance. This expansion derived almost exclusively from the USA, where we supported our subsidiary Hannover Life Re of America based in Orlando, Florida, with the assumption of large transactions. The concept of block assumption transactions, which is very successful in the US life insurance sector, was also applied to health insurance. Just as in life insurance, the pre-financing costs incurred in this connection are immediately debited to our profit and loss account and they therefore placed a significant strain on the result in this class of business. Nevertheless, it should be remembered that these burdens also constitute investments, since the financing expenditure will accrue to our account in subsequent years and boost earnings.

In credit and surety business, one of our strategic target classes, we generated premium growth of more than 10% despite a selective underwriting policy, and we have now attained a respectable market position worldwide. Marked by in-

creasingly fierce competition, this class is characterised by a very high degree of concentration among global insurance groups as well as growing globalisation of the various national markets. Despite continuing high insolvency figures, the loss ratios in Germany showed further appreciable improvement following the steps which were taken to restore business to profitability. The claims in international credit and surety business rose slightly, albeit without any significant major losses. We were therefore again able to achieve an overall technical profit in this class of business in the year under review.

The winter storms "Lothar", "Martin" and "Anatol" as well as hurricane "Floyd" and typhoon "Bart" clearly left their mark on windstorm insurance. Compared to the previous year, we had considerably reduced our acceptances in this class of business due to the unsatisfactory market conditions. It is also for this reason that the high number of major windstorm losses impacted our account to a relatively modest extent. Nevertheless, we were unable to entirely divorce ourselves from these negative factors and we therefore showed a technical deficit.

On an overall basis, the result in the other classes deteriorated notably, although this primarily reflected the effects of health and windstorm insurance business. Nevertheless, on balance an amount of EUR 32.6 million was allocated to the equalisation reserve.

Other classes

in EUR million	1999	1998
Gross written premium	1 170.0	766.2
Loss ratio (%)	74.9	66.1
Technical result (net)	-56.6	0.8

Affiliated companies

We received adequate consideration for all transactions with affiliated companies according to the circumstances of which we were aware at the time when the transactions were effected.

We incurred no losses requiring compensation as defined by § 311 (1) of the Stock Corporation Act (AktG). The measures taken did not adversely affect our company.

Proposal for the distribution of profits

We intend to propose to the Annual General Meeting that the disposable profit should be distributed as follows:

	EUR
Payment of a dividend of EUR 2.05 on each currently participating no-par value bearer share	34 292 840.75
Payment of a dividend of EUR 1.28 on each no-par value registered share which has been partially paid up to the extent of 62.5%, and of EUR 1.20 on each no-par value registered share which has been partially paid up to the extent of 58.3%	16 000 000.00
Profit carried forward	7 159.25
	50 300 000.00

Other information

A joint administration arrangement exists between Hannover Re and our subsidiary E+S Rück and extends to all functions of the two companies.

Since 1 July 1999 our investments are managed by HDI Asset Management GmbH.

Tax and real estate matters are largely handled on a central basis for the Group by HDI Haftpflichtverband der Deutschen Industrie V.a.G.

INDIVIDUAL

Accounts

<i>Assets</i> <i>Figures in EUR thousand</i>	1999			1998	
A. Subscribed capital unpaid				12 782	12 782
- called-up capital					
- (1998: -)					
B. Intangible assets:					
Other intangible assets				22 220	33 565
C. Investments					
I. Land and buildings, rights to land and buildings, leasehold			48 663		52 697
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		949 725			642 434
2. Loans to affiliated companies		158 994			125 851
3. Participating interests		111 204			95 237
			1 219 923		863 522
III. Other financial investments					
1. Shares, units in unit trusts and other variable-yield securities		1 221 508			1 229 884
2. Bearer debt securities and other fixed-income securities		1 932 882			1 728 167
3. Mortgages and loans secured on land and buildings		3 050			4 137
4. Other loans					
a) Registered debt securities	295 047				267 945
b) Debentures and loans	98 486				97 200
c) Sundry loans	28 121				28 121
		421 654			393 266
5. Deposits with banks		269 688			299 886
6. Other investments		5			5
			3 848 787		3 655 345
IV. Deposits with ceding companies			2 142 481		1 430 760
				7 259 854	6 002 324

Liabilities
Figures in EUR thousand

1999

1998

A. Capital and reserves				
I. Subscribed capital			75 493	75 493
II. Capital reserve			201 794	201 794
III. Retained earnings				
1. Statutory reserve		511		511
2. Reserve for own shares				
as at 1.1.1999	272			
Withdrawal	-42	230		272
3. Other retained earnings				
as at 1.1.1999	5 557			
Allocation	45 745	51 302		5 557
			52 043	6 340
IV. Disposable profit			50 300	47 806
				379 630
B. Surplus debenture (Genussrechtskapital)				76 694
C. Technical provisions				
I. Provision for unearned premiums				
1. Gross		422 025		386 811
2. Less: reinsurance ceded		105 348		92 757
			316 677	294 054
II. Life assurance provision				
1. Gross		1 485 704		1 231 038
2. Less: reinsurance ceded		479 473		412 473
			1 006 231	818 565
III. Provisions for outstanding claims				
1. Gross		5 515 993		4 238 691
2. Less: reinsurance ceded		1 464 099		834 210
			4 051 894	3 404 481
IV. Provision for bonuses and rebates				
1. Gross		2 268		3 062
2. Less: reinsurance ceded		937		1 636
			1 331	1 426
V. Equalisation reserve and similar provisions			746 637	692 718
VI. Other technical provisions				
1. Gross		63 098		69 663
2. Less: reinsurance ceded		25 429		12 485
			37 669	57 178
				6 160 439
				5 268 422

Assets

Figures in EUR thousand

1999

1998

D. Receivables				
I. Accounts receivable arising out of reinsurance operations			684 811	700 414
- from affiliated companies:				
78 167 (1998: 106 984)				
II. Other receivables			59 174	57 557
- from affiliated companies:				
54 686 (1998: 48 560)				757 971
E. Other assets				
I. Tangible assets and stocks			7 734	7 795
II. Current accounts with banks, cheques and cash in hand			66 098	72 857
III. Own shares			230	272
Nominal or par value:				
8 (1998: 8)				80 924
F. Prepayments and accrued income				
I. Accrued interest and rent			52 636	46 994
II. Other accrued income			885	942
				53 521
				47 936
G. Probable tax relief in subsequent financial years in accordance with § 274 (2) of the Commercial Code (HGB)				
				45 746
				-
				8 212 170
				6 935 502

Liabilities

Figures in EUR thousand

1999

1998

D. Provisions for other risks and charges				
I. Provisions for pensions and			19 330	17 231
II. Provisions for taxation			88 808	52 227
III. Other provisions			43 522	41 382
			151 660	110 840
E. Deposits received from retrocessionaires			846 308	513 995
F. Other liabilities				
I. Accounts payable arising out of reinsurance operations			505 773	534 183
- to affiliated companies:				
242 156 (1998: 206 537)				
II. Liabilities to banks			–	13 458
III. Miscellaneous liabilities			86 792	80 837
- from taxes:				592 565
270 (1998: 309)				
- for social security :				
524 (1998: 485)				
- to affiliated companies :				
61 658 (1998: 49 493)				
G. Accruals and deferred income			4 874	5 640
			8 212 170	6 935 502

<i>Figures in EUR thousand</i>	1999		1998
I. Technical account			
1. Earned premiums, net of retrocession			
a) Gross written premiums	3 611 278		2 907 192
b) Retrocession premiums	1 408 931		1 008 808
		2 202 347	1 898 384
c) Change in the gross provision for unearned premiums (+/-)	11 896		-72 485
d) Change in the provision for unearned premiums, retrocessionaires' share (+/-)	2 285		29 940
		14 181	-42 545
			2 216 528
2. Allocated investment return transferred from the non-technical account, net of retrocession			95 582
3. Other technical income, net of retrocession			3
4. Claims incurred, net of retrocession			-
a) Claims paid			
aa) Gross	2 269 405		1 379 245
bb) Retrocessionaires' share	833 239		502 914
		1 436 166	876 331
b) Change in provisions for outstanding claims			
aa) Gross	-755 371		-728 109
bb) Retrocessionaires' share	549 157		389 041
		-206 214	-339 068
			1 642 380
5. Changes in other technical provisions, net of retrocession			
a) Net life assurance provision		-206 814	-163 789
b) Other net technical provisions		-833	598
		-207 647	-163 191
6. Bonuses and rebates, net of retrocession		866	196
7. Operating expenses, net of retrocession			
a) Gross acquisition expenses		1 147 646	872 684
b) Less: commissions and profit commissions received on retrocession		532 603	294 904
			615 043
8. Other technical charges, net of retrocession			2 785
9. Subtotal			-156 608
10. Change in the equalisation reserve and similar provisions			-53 919
11. Net technical result			-210 527

Balance brought forward:				-210 527	-151 496
II. Non-technical account					
1. Investment income					
a) Income from participating interest		58 717			39 448
- affiliated companies:					
54 143 (1998: 35 468)					
b) Income from other investments					
- affiliated companies:					
46 813 (1998: 14 834)					
aa) Income from land and buildings, rights to					
land and buildings, leasehold	4 833				4 756
bb) Income from other investments	292 413				272 827
		297 246			277 583
c) Appreciation on investments		28 504			1 100
d) Gains on the realisation of investments		225 703			102 501
			610 170		420 632
2. Investment charges					
a) Investment management charges,					
including interest		10 278			8 765
b) Depreciation		47 008			22 108
- extraordinary depreciation					
in accordance with § 253 (2) item 3					
of the Commercial Code (HGB)					
3 168 (1998: 3 191)					
c) Losses on the realisation of investments		28 461			15 473
			85 747		46 346
			524 423		374 286
3. Allocated investment return transferred					
to the technical account			-108 910		-65 420
				415 513	308 866
4. Other income			52 685		31 748
5. Other charges					
a) Special allocation to provisions for					
outstanding claims		58 387			54 810
b) Miscellaneous charges		90 507			62 838
			148 894		117 648
				-96 209	-85 900
6. Profit or loss on ordinary activities before tax				108 777	71 470

Balance brought forward:				108 777	71 470
7. Taxes on profit and income		8 792			15 828
plus allocation for group assessment		3 134			7 295
			11 926		23 123
8. Other taxes		1 058			714
plus allocation for group assessment		-52			-123
			1 006		591
				12 932	23 714
9. Profit or loss for the financial year				95 845	47 756
10. Profit brought forward from previous year				158	50
11. Withdrawal from retained earnings:					
a) from the reserve for own shares				42	-
b) from other retained earnings				-	272
12. Allocation to retained earnings:					
a) to the reserve for own shares				-	272
b) to other retained earnings				45 745	-
13. Disposable profit				50 300	47 806

Valuation of assets

The valuation was carried out in accordance with the provisions of §§ 341 ff. of the Commercial Code (HGB). The methods have been retained unaltered.

Other intangible assets were valued at the acquisition costs less scheduled depreciation in accordance with the normal operational useful life or the average period of the underlying contracts.

Property has been valued at the purchase or construction cost less permitted depreciation under tax law.

Shares in affiliated companies and participations were valued on a purchase cost basis. Special write-offs were included.

Loans to affiliated companies are valued at nominal value less amortisation taking into account write-downs to going-concern value.

Shares, units in unit trusts and other variable-yield securities as well as bearer debt securities and other fixed-income securities are valued according to the strict principle of cost or market value – whichever is lower – in accordance with § 341b (2) in conjunction with § 253 (3) of the Commercial Code (HGB).

The valuation of derivative instruments was carried out on a Mark-to-Market basis.

We valued mortgages and loans secured on land and buildings, registered debt securities, debentures and loans at nominal value taking into account amortisation and depreciation.

Write-ups were effected in accordance with § 280 (1) of the Commercial Code (HGB).

Deposits with banks, cash in hand, deposits and accounts receivable arising out of reinsurance operations and other debts were valued at nominal amounts. Valuation adjustments were set up for default risks.

Fixed assets and stock are valued at the purchase cost less straight-line or declining-balance depreciation. Low-value items were written off in the year of purchase.

Valuation of liabilities

We always entered the provision for unearned premiums, life assurance provision, provisions for outstanding claims, provisions for bonuses and rebates and other technical provisions as liabilities according to the information provided by the ceding companies.

The basis for the valuation of the provision for unearned premiums is the reinsurance premium less 92.5% of the reinsurance commission in accordance with the NRW order dated 29 May 1974. In marine insurance the provision for unearned premiums and the provisions for outstanding claims were regarded as one unit and shown as provisions for outstanding claims. It was determined on the basis of the so-called English system. The provision is replaced by a provision established in accordance with general principles no later than three years after the year following the year of subscription.

Where the provisions indicated by the ceding companies are not expected to be adequate, we have increased them by appropriate additional amounts. Where no information was available from cedants, the provisions were estimated in the light of the business experience to date. The results of new treaties were at least neutralized. In some cases, provisions have been determined on an actuarial

basis. If necessary, additional or complete estimates of the corresponding portfolio or profit elements were carried out where ceding company accounts with substantial premium income were missing. Missing ceding company accounts with a low premium income were included in the following year. The estimated gross premium income is less than 3% of the total volume.

In the Liability and Motor Third Party Liability classes we set up IBNR claims reserves for excess of loss treaties. The calculation was largely carried out in accordance with statistical mathematical methods.

The shares of retrocessionaires in the technical reserves were determined on the basis of the reinsurance contracts.

The equalisation reserve was set up in accordance with the annex to § 29 of the regulation on the presentation of insurance company accounts (RechVersV); the similar provisions were constituted in accordance with § 30 of the regulation on the presentation of insurance company accounts (RechVersV).

The provision for pensions was established according to the fractional value method as per § 6a of the Income Tax Act (EStG). The standard tables of Dr. Klaus Heubeck were used as a basis for this with an accounting interest rate of 6%.

In our opinion, the provisions for taxation and other provisions take into account all identifiable risks and uncertain liabilities. In the case of tax expenditure which relates to the financial year under the provisions of tax law, but for which probable tax relief will arise in subsequent years, an item on the assets side was established in accordance with § 274 (2) of the Commercial Code (HGB). This relates to corporation tax based on a rate of taxation of 40%, the German reunification charge and trade earnings tax.

Other liabilities are valued at nominal amounts.

Currency conversion

We converted the assets and liabilities entered in the balance sheet and the expenses and profit shown in the profit and loss account, which were carried in foreign currencies, into Euros at the average exchange rates for the respective balance sheet date.

Balance sheet items taken over from the previous year were also converted into Euros at the average exchange rates as at the end of the year. In order to reduce currency risks as far as possible, we have endeavoured to ensure that there is congruent cover for liability elements by setting up corresponding asset elements in the different currencies. In the case of foreign currencies in which we hold investments, we allocated the profits arising out of revaluation – after offsetting against losses within the financial year – to the reserve for currency risks as unrealised profits. Exchange-rate losses from these investment currencies were – where possible – neutralised by releases from the reserve. In addition, this reserve is written back on a year-by-year basis.

Miscellaneous

The technical interest results in the main from the interest earned on an investment on the basis of the life assurance provision. Standard methods were used for the calculation.

Notes on assets

The change in asset items B., C.I. to C. III. was as follows during the 1999 financial year:

<i>Figures in EUR thousand</i>	<i>Book values 31.12.1998</i>	<i>Additions</i>	<i>Transfers</i>	<i>Disposals</i>	<i>Write-ups</i>	<i>Deprecia- tion</i>	<i>Book values 31.12.1999</i>
B. Intangible assets:							
Other intangible assets	33 565	3 359	–	2	–	14 702	22 220
C.I. Land and buildings, rights to land and buildings, leasehold	52 697	384	–	2 270	–	2 148	48 663
C.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	642 434	509 118	–	207 703	5 876	–	949 725
2. Loans to affiliated companies	125 851	46 322	–	13 179	–	–	158 994
3. Participating interests	95 237	18 220	–	488	38	1 803	111 204
4. Total C.II.	863 522	573 660	–	221 370	5 914	1 803	1 219 923
C.III. Other financial investments							
1. Shares, units in unit trusts and other variable-yield securities	1 229 884	282 252	–	282 906	8 247	15 969	1 221 508
2. Bearer debt securities and other fixed-income securities	1 728 167	1 381 982	9 973	1 175 084	13 566	25 722	1 932 882
3. Mortgages and loans secured on land and buildings	4 137	–	–	1 087	–	–	3 050
4. Other loans							
a) Registered debt securities	267 945	52 645	-9 973	15 570	–	–	295 047
b) Debentures and loans	97 200	12 419	–	11 133	–	–	98 486
c) Sundry loans	28 121	–	–	–	–	–	28 121
5. Deposits with banks	299 886	–	–	30 198	–	–	269 688
6. Other	5	–	–	–	–	–	5
7. Total C.III.	3 655 345	1 729 298	–	1 515 978	21 813	41 691	3 848 787
Sum total	4 605 129	2 306 701	–	1 739 620	27 727	60 344	5 139 593

Land and buildings and rights to land and buildings

On 31 December 1999 the company had at its disposal five developed properties with business and other buildings, one property with residential buildings, one floor of offices and shares of EUR 18,270 thousand in two developed properties.

Shares in affiliated companies and participations

A complete list of shareholdings has been compiled separately in accordance with § 287 of the Commercial Code (HGB) and is deposited with the Hannover Commercial Register under HRB 6778.

<i>Name and registered office of the company Figures in currency units of 1 000</i>	<i>Participation (in %)</i>	<i>Capital and reserves (\$266 (3) Commercial Code)</i>	<i>Result for the last financial year</i>
shares in affiliated companies			
Companies resident in Germany			
E+S Rückversicherungs-AG, Hannover/Germany	50.09	EUR 120 281	EUR 9 800
■ holds 45.00% of the shares in:			
GbR Hannover Rückversicherungs-AG/ E+S Rückversicherungs-AG- Grundstücksgesellschaft, Hannover/Germany		EUR 30 245	EUR 807
■ holds 100.00% of the shares in:			
E+S Reinsurance (Ireland) Ltd., Dublin/Ireland		EUR 170 916	EUR 15 796
■ holds 33.33% of the shares in:			
Hannover Re Advanced Solutions Ltd., Dublin/Ireland		EUR 461	EUR 89
■ holds 50.00% of the shares in:			
Hannover Life Re of Australasia Ltd, Sydney/Australia		AUD 140 268	AUD 11 307
■ holds 56.93% of the shares in:			
Hannover Finance, Inc., Wilmington/USA		USD 172 314	USD -1 038
■ holds 25.00% of the shares in:			
WeHaCo Unternehmensbeteiligungs-AG, Hannover /Germany		DEM 110 125	DEM 34 688
GbR Hannover Rückversicherungs-AG/ E+S Rückversicherungs-AG- Grundstücksgesellschaft, Hannover/Germany	45.00	EUR 30 245	EUR 807
GGA Großgemeinschafts-Antennenanlagen Lizenz- und Betriebs-GmbH, Hannover/Germany	100.00	EUR -8 197	EUR -543
HDI Immobilienfonds Nr. 4 Nürnberg Bucher KG, München/Germany	99.77	EUR -2 453	EUR -325
shares in affiliated companies			
Companies resident in Germany			
Hannover Life Reassurance (Ireland) Ltd., Dublin/Ireland	100.00	EUR 100 048	EUR 48
Hannover Reinsurance (Ireland) Ltd., Dublin/Ireland	100.00	EUR 225 278	EUR 40 021

<i>Name and registered office of the company</i> <i>Figures in currency units of 1 000</i>	<i>Participation</i> <i>(in %)</i>	<i>Capital and reserves</i> <i>(\$266 (3)</i> <i>Commercial Code)</i>		<i>Result for</i> <i>the last</i> <i>financial year</i>	
Hannover Re Advanced Solutions Ltd., Dublin/Ireland	33.33	EUR	461	EUR	89
Hannover Life Re of Australasia Ltd, Sydney/Australia	50.00	AUD	140 268	AUD	11 307
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa	69.68	ZAR	291 075	ZAR	52 560
■ holds 100.00% of the shares in:					
Hannover Reinsurance Africa Ltd., Johannesburg/South Africa		ZAR	278 768	ZAR	106 812
■ holds 100.00% of the shares in:					
Hannover Life Reassurance Africa Ltd., Johannesburg/South Africa		ZAR	20 000	ZAR	5 000
■ holds 100.00% of the shares in:					
Lireas Holdings (Pty) Ltd., Johannesburg/South Africa		ZAR	1 735	ZAR	-3 378
■ holds 100.00% of the shares in:					
Indoc Holdings S.A., Luxembourg/Luxembourg		CHF	5 865	CHF	60
■ holds 100.00% of the shares in:					
Hannover Reinsurance Mauritius Ltd., Port Louis/Mauritius		MUR	184 306	MUR	46 531
Hannover Life Reassurance Company of America, Orlando/USA	100.00	USD	81 807	USD	-9 821
Insurance Corporation of Hannover, Chicago/USA	100.00	USD	217 968	USD	5 187
Hannover Finance (UK) Limited, London/UK	100.00		–		–
■ holds 100.00% of the shares in:					
Hannover Life Services (UK) Ltd., Virginia Water/UK		GBP	50	GBP	3
■ holds 100.00% of the shares in:					
International Insurance Company of Hannover Ltd., London/UK		GBP	56 950	GBP	1 800
■ holds 100.00% of the shares in:					
Hannover Life Reassurance (UK) Ltd., Virginia Water/UK		GBP	19 113	GBP	-2 785
■ holds 100.00% of the shares in:					
Hannover Services Ltd., London/UK		GBP	125	GBP	11

<i>Name and registered office of the company Figures in currency units of 1 000</i>	<i>Participation (in %)</i>	<i>Capital and reserves (\$266 (3) Commercial Code)</i>	<i>Result for the last financial year</i>
Hannover Re Sweden Insurance Company Ltd, Stockholm/Sweden	100.00	SEK 122 912	SEK -7 347
Hannover Finance Inc., Wilmington/USA	43.07	USD 172 314	USD -1 038
■ holds 100.00% of the shares in:			
Lion Holding, Inc., Wilmington/USA		USD 276 578	USD 30 582
■ holds 100.00% of the shares in:			
C G America Corporation, Wilmington/USA		USD 275 470	USD 52 666
■ holds 100.00% of the shares in:			
Clarendon Insurance Group, Inc., Wilmington/USA		USD 284 841	USD 33 839
■ holds 100.00% of the shares in:			
Clarendon National Insurance Company, Trenton/USA		USD 235 432	USD 49 915
■ holds 100.00% of the shares in:			
Clarendon America Insurance Company, Trenton/USA		USD 64 654	USD -813
■ holds 100.00% of the shares in:			
Clarendon Select Insurance Company, Tallahassee/USA		USD 19 093	USD 3 180
■ holds 100.00% of the shares in:			
Harbor Specialty Insurance Company, Trenton/USA		USD 19 007	USD 4 860
■ holds 100.00% of the shares in:			
Lion Insurance Company, Tallahassee/USA		USD 4 375	USD -53
Participations			
HANNOVER Finanz GmbH, Beteiligungen und Kapitalanlagen, Hannover/Germany	32.91	DEM 120 550	DEM 13 989
WeHaCo Unternehmensbeteiligungs-AG, Hannover/Germany	25.00	DEM 110 125	DEM 34 688
Heizkraftwerk Römerbrücke ZWO GmbH & Co., Betriebs OHG, Saarbrücken/Germany	26.32	DEM -17 335	DEM 4 630
ITAS Vita S.p.A., Trient/Italy	43.74	ITL 59 633 145	ITL 1 995 951
ITAS Assicurazioni S.p.A., Trient/Italy	43.74	ITL 91 137 953	ITL 905 574

Other investments

Assets with a balance sheet value of EUR 623,977 thousand (EUR 561,061 thousand) were blocked as security for ceding companies. Security deposits were sometimes made available to banks for security loan transactions in favour of third parties.

Due to the Tax Relief Act of 24 March 1999, increased valuations of special write-downs from previous financial years were effected in the amount of EUR 27,727 thousand.

Current values pursuant to § 54 RechVersV

The current values of land and buildings were largely determined using a combined asset value and gross rental method (1998). In individual cases book values were used.

Income values were determined for shares in affiliated companies and participating interests, and in the case of life insurance companies embedded values were calculated.

Shares, units in unit trusts, bearer debt securities and other securities were valued at market value. In the case of special investments for which no stock exchange price was available, valuation was made at cost of acquisition or net asset value (NAV).

The current values of the sundry loans were determined on the basis of yield curves, taking into account the creditworthiness of the specific debtor and the currency of the loan.

Other investments were valued at nominal values.

*Current values pursuant to § 54 RechVersV
of asset item C.I. to C. III.
for the 1999 financial year
Figures in EUR thousand*

*Book values
31.12.1999* *Current values
31.12.1999* *Difference
31.12.1999*

	<i>Book values 31.12.1999</i>	<i>Current values 31.12.1999</i>	<i>Difference 31.12.1999</i>
C.I. Land and buildings, rights to land and buildings, leasehold	48 663	82 165	33 502
C.II. Investments in affiliated companies and participating interests			
1. Shares in affiliated companies	949 725	1 264 405	314 680
2. Loans to affiliated companies	158 994	158 994	–
3. Participating interests	111 204	172 993	61 789
4. Total C.II.	1 219 923	1 596 392	376 469
C.III. Other investments			
1. Shares, units in unit trusts and other variable-yield securities	1 221 508	1 650 320	428 812
2. Bearer debt securities and other fixed-income securities	1 932 882	1 961 578	28 696
3. Mortgages and loans secured on land and buildings	3 050	3 050	–
4. Other loans			
a) Registered debt securities	295 047	301 667	6 620
b) Debentures and loans	98 486	101 647	3 161
c) Sundry loans	28 121	29 141	1 020
5. Deposits with banks	269 688	269 688	–
6. Other investments	5	5	–
7. Total C.III.	3 848 787	4 317 096	468 309
Sum total	5 117 373	5 995 653	878 280

Other receivables

Figures in EUR thousand

1999

1998

Receivables from affiliated companies	54 686	48 560
Receivables from the revenue authorities	1 803	1 639
Receivables from representative offices	877	371
Interest and rent due	660	291
Receivables from advance payments	598	1 940
Other receivables	550	1 137
Receivables from redemption arrears	–	3 619
Total	59 174	57 557

Own shares

By a resolution of the Annual General Meeting of Hannover Re adopted on 30 July 1999, the company was authorised to acquire own shares of up to 10% of the share capital existing on the date of the resolution in the period until 31 December 2000.

As at 31 December 1999 the company was in possession of 3,000 own fully paid-up, no-par value shares. This corresponds to a proportion of 0.0102% of the share capital. Purchases and sales were effected in order to support the price.

The details of the portfolio development in 1999 are as follows:

	<i>Number of purchases/sales</i>	<i>Proportion in %</i>	<i>Share capital in EUR thousand</i>	<i>Purchase/sales price in EUR thousand</i>
Portfolio as at 31.12.1998	3 000	0.0102	15	
Cumulative purchases	9 000	0.0305	45	755
Cumulative sales	9 000	0.0305	45	801
Portfolio as at 31.12.1999	3 000	0.0102	15	

Accruals and deferred income

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
Accrued interest and rent	52 636	46 994
Deferred premium on bonds	874	931
Other accrued income	11	11
Total	53 521	47 936

Probable tax relief in subsequent financial years in accordance with § 274 (2) of the Commercial Code (HGB).

A deferred item was established in the financial year for the probable tax relief in subsequent financial years in accordance with § 274 (2) of the Commercial Code (HGB) in the amount of EUR 45,746 thousand. Of this amount, EUR 28,352 thousand was attributable to corporation tax and EUR 17,394 thousand to trade tax.

Notes on liabilities

Subscribed capital

The composition of the subscribed capital as at 31 December 1999 was as follows:

	<i>Number</i>	<i>Proportion of share capital in EUR thousand</i>	<i>Paid-up amount in EUR thousand</i>
Registered shares	4 800 000	12 271	7 158
Registered shares	8 000 000	20 452	12 783
Bearer shares	16 730 215	42 770	42 770
		75 493	62 711

Authorised capital of EUR 767 thousand with a time limit of 31 August 2002 is available for the issue of employee shares. Additional authorised capital of EUR 20,000 thousand is available until 1 July 2004.

Surplus debenture (Genussrechtskapital)

The surplus debenture issued in 1993 amounting to EUR 76,694 thousand has a term of 10 years. The interest is 7.55%.

Provision for unearned premium

<i>Insurance class</i> <i>Figures in EUR thousand</i>	<i>1999</i>		<i>1998</i>	
	<i>gross</i>	<i>net</i>	<i>gross</i>	<i>net</i>
Fire	91 480	66 807	80 479	60 926
Liability	85 066	67 724	62 668	49 883
Personal accident	6 537	4 633	5 851	4 361
Motor	40 030	27 474	31 086	21 031
Aviation	39 652	29 210	34 235	25 851
Life	39 384	32 078	58 983	46 612
Other classes	119 876	88 751	113 509	85 390
Total	422 025	316 677	386 811	294 054

Life assurance provisions

<i>Insurance class</i> <i>Figures in EUR thousand</i>	<i>1999</i>		<i>1998</i>	
	<i>gross</i>	<i>net</i>	<i>gross</i>	<i>net</i>
Life	1 485 704	1 006 231	1 231 038	818 565

Provisions for outstanding claims

<i>Insurance class</i> <i>Figures in EUR thousand</i>	<i>1999</i>		<i>1998</i>	
	<i>gross</i>	<i>net</i>	<i>gross</i>	<i>net</i>
Outstanding loss reserve				
Fire	495 271	278 620	370 015	217 767
Liability	2 035 669	1 795 730	1 745 553	1 568 447
Personal accident	67 534	53 801	58 671	49 782
Motor	746 333	625 301	627 046	572 029
Aviation	272 165	164 659	236 576	163 433
Marine	284 078	198 568	204 979	162 220
Life	350 606	235 905	280 759	188 863
Other classes	1 257 808	692 841	709 522	476 407
	5 509 464	4 045 425	4 233 121	3 398 948
Provision for annuities				
Liability	442	410	384	352
Personal accident	1 305	1 304	1 092	1 091
Motor	4 782	4 755	4 094	4 090
	6 529	6 469	5 570	5 533
Total	5 515 993	4 051 894	4 238 691	3 404 481

Equalisation reserve and similar provisions

<i>Insurance class Figures in EUR thousand</i>	<i>Position at 1.1.1999</i>	<i>Addition</i>	<i>Withdrawal and release</i>	<i>Position at 31.12.1999</i>
Equalisation reserve				
Fire	100 244	–	30 273	69 971
Liability	132 576	46 548	–	179 124
Personal accident	7 185	3 412	–	10 597
Motor	34 830	–	2 399	32 431
Aviation	49 181	10 067	100	59 148
Marine	53 376	755	6 385	47 746
Other classes	294 808	65 949	33 411	327 346
	672 200	126 731	72 568	726 363
Provisions which are similar to the equalisation reserve – major risks –				
Liability	3 276	–	284	2 992
Other classes	17 242	40	–	17 282
Total	692 718	126 771	72 852	746 637

Other technical provisions

<i>Type of provisions Figures in EUR thousand</i>	<i>1999</i>		<i>1998</i>	
	<i>gross</i>	<i>net</i>	<i>gross</i>	<i>net</i>
Profit commission	54 897	29 765	63 019	50 432
Commissions	5 302	5 015	4 610	4 714
Premium cancellation	2 780	2 770	2 030	2 028
Lay-up reserve	91	91	–	–
Road traffic accident victim assistance	28	28	4	4
Total	63 098	37 669	69 663	57 178

Technical provisions – total

<i>Insurance class</i> <i>Figures in EUR thousand</i>	<i>1999</i>		<i>1998</i>	
	<i>gross</i>	<i>net</i>	<i>gross</i>	<i>net</i>
Fire	666 089	419 706	558 657	384 789
Liability	2 332 378	2 072 380	1 980 792	1 786 846
Personal accident	86 243	70 413	73 040	62 523
Motor	826 305	691 950	699 383	634 261
Aviation	373 964	245 838	322 870	237 529
Marine	332 967	247 256	259 201	216 305
Life	1 878 368	1 276 207	1 573 421	1 056 089
Other classes	1 739 411	1 136 689	1 154 619	890 080
Total	8 235 725	6 160 439	6 621 983	5 268 422

Provisions for other risks and charges

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
Provisions for pension and similar liabilities	19 330	17 231
Provision for taxation	88 808	52 227
Sundry provisions		
Provisions for currency risks	16 463	21 141
Provisions for interest and similar charges	16 177	11 504
Provisions for outstanding payments	3 836	3 943
Provisions for annual accounts costs	3 287	1 311
Provisions for suppliers' invoices	1 723	–
Provisions for litigation risks	383	383
Provisions for securities and forward exchange business	373	–
Provisions for costs of legal action	72	2 247
Other provisions	1 208	853
	43 522	41 382
Total	151 660	110 840

Miscellaneous liabilities

<i>Figures in EUR thousand</i>	1999	1998
Liabilities in respect of affiliated companies	61 658	49 493
Liabilities from the acquisition of participations	11 344	–
Liabilities from interest on surplus debenture	5 790	5 790
Liabilities in respect of permanent establishment	5 354	951
Liabilities from deliveries and services	1 238	897
Liabilities from overpayments	273	22 135
Liabilities from outstanding social security contributions	524	485
Liabilities in respect of the revenue authorities	270	309
Liabilities from land and buildings	214	90
Liabilities from portfolio acquisitions	–	525
Other liabilities	127	162
Total	86 792	80 837

Deferred items

<i>Figures in EUR thousand</i>	1999	1998
Disagio	3 478	4 069
Long-term tenancy rights	1 291	1 413
Other accruals and deferred income	105	158
Total	4 874	5 640

Contingent liabilities

We provided security for a surplus note in the amount of USD 400.0 million issued by our subsidiary Hannover Finance, Inc., Wilmington/USA, by way of a guarantee.

Notes on the profit and loss account

Figures in EUR thousand	Gross premiums written		Gross premiums earned		Net premiums earned		Technical result for own account	
	1999	1998	1999	1998	1999	1998	1999	1998
Fire	417 856	378 946	417 249	371 685	208 234	207 036	3 501	10 009
Liability	377 274	307 297	362 286	294 881	271 042	215 499	-43 944	-46 984
Personal accident	49 317	49 836	49 991	49 444	35 705	36 535	-5 041	-4 649
Motor	424 980	362 818	420 004	350 384	253 923	243 586	-63 685	-53 586
Aviation	174 692	171 191	174 929	151 059	94 728	89 428	12 774	84
Marine	188 828	146 300	188 828	146 300	105 209	93 296	-4 971	-1 977
Other insurance classes	1 170 016	766 212	1 173 944	741 240	622 625	472 646	-89 282	-66 220
Total property and casualty insurance	2 802 963	2 182 600	2 787 231	2 104 993	1 591 466	1 358 026	-190 648	-163 323
Life	808 315	724 592	835 943	729 714	625 062	497 813	-19 879	11 827
Total insurance business	3 611 278	2 907 192	3 623 174	2 834 707	2 216 528	1 855 839	-210 527	-151 496

Total insurance business

Figures in EUR thousand	1999	1998
Gross claims incurred	3 024 776	2 107 354
Gross operating expenses	1 147 646	872 684
Reinsurance balance	-508 353	-207 991

Expenses for personnel

Figures in EUR thousand	1999	1998
1. Wages and salaries	24 478	22 125
2. Social security payments and expenses for welfare	4 192	4 096
3. Expenses for old-age pension scheme	1 773	1 367
4. Total expenses	30 443	27 588

Expenses for investments

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
Fixed-income securities	46 707	10 239
Shares, units in unit trusts	22 544	21 444
Administrative expenses	7 725	6 568
Deposit and bank fees	2 553	1 159
Shares in affiliated companies and participations	2 157	1 861
Land and buildings	2 148	3 669
Deposits	1 913	77
Registered debt securities, debentures and loans	–	1 329
Total	85 747	46 346

Other income

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
Amounts realised	23 659	3 229
Exchange rate gains	14 983	16 030
Profit from services	6 204	4 088
Allocated investment return	4 886	5 287
Release of non-technical provisions	1 084	728
Cancellation of value adjustments	481	1 388
Income from repayments	364	–
Other income	1 024	998
Total	52 685	31 748

Other expenses

<i>Figures in EUR thousand</i>	<i>1999</i>	<i>1998</i>
Allocations to the provisions for outstanding claims	58 387	54 810
Exchange rate losses	32 354	28 188
Deposit interest	24 089	15 427
Interest charges from clearing transactions	8 293	436
Expenses for the whole company	7 670	4 782
Separate value adjustment on accounting debts	7 570	8 471
Interest charges on surplus debenture (Genussrechtskapital)	5 790	5 790
Financing interest	5 481	1 992
Allocation to interest provisions	4 686	–
Expenses from services	4 620	4 028
Expenses for letters of credit	1 588	1 577
Interest charges on old-age pension scheme	1 057	955
Depreciation on other assets	55	40
Interest charges on the acquisition of participations	–	2 865
Interest charges on portfolio acquisitions	–	2 572
Other interest and expenses	582	821
	162 222	132 754
Less: Technical interest	13 328	15 106
Total	148 894	117 648

Other information

The names of the members of the Supervisory Board and Executive Board are listed on pages 1, 2 and 3.

Emoluments of EUR 179 thousand were received by the Supervisory Board and EUR 1,971 thousand by the Executive Board in the year under review. The emoluments of former directors and their surviving dependants amounted to EUR 269 thousand, and a liability of EUR 4,021 thousand was entered.

The following loans which are secured on mortgages or by land charges have been granted to board members:

<i>Figures in EUR thousand</i>	<i>Position at 1.1.1999</i>	<i>Addition</i>	<i>Amortisation</i>	<i>Deduction transfer</i>	<i>Position at 31.12.1999</i>	<i>Interest rate %</i>
Supervisory Board	50	–	50	–	–	5,5
Executive Board	70	–	70	–	–	5,5

The company has not entered into any contingent liabilities for members of the boards.

The average number of employees was 479 in the financial year.

HDI Haftpflichtverband der Deutschen Industrie V. a. G., Hannover, informed us that it holds a majority interest (§ 16 (1) of the Stock Corporation Act (AktG)) in our company. The figures from our annual accounts are included in its consolidated annual accounts. The consolidated annual accounts are deposited with the Commercial Register at Hannover county court.

Hannover, 18 May 2000

Executive Board



Zeller



Dr. Hecker



Dr. Becke



Gräber



Haas



Schubach



Dr. Steiner



Dr. Pickel

Certification by the Independent Auditors

We audited the annual financial statements together with the bookkeeping system and the management of the Company Hannover Rückversicherungs-Aktiengesellschaft for the business year from January 1 to December 31, 1999. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German Commercial Law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual and consolidated financial statements together with the bookkeeping system, and on the management report and the group management report based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 HGB ("Handelsgesetzbuch: German Commercial Code") and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (in Deutschland) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and consolidated financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of internal control system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the management and group report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and consolidated financial statements and management group report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. On the whole the management and group report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Hannover, 19 May 2000

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Geib Kollenberg
Auditor Auditor

We supervised the management of the company regularly during 1999 on the basis of written and verbal reports from the Executive Board and we took the decisions required of us at four meetings and twice by way of written resolutions in accordance with § 10 section 5 of the Articles of Association. The audit mandate for the 1999 annual financial statements was awarded by the Supervisory Board. The audit report was distributed to all members of the Supervisory Board, and the auditor participated in the meeting of the Supervisory Board held to discuss the annual financial statements. We received quarterly written reports from the Executive Board on the course of business and the position of the company. All in all, we were involved in decisions taken by the Executive Board as required by our statutory responsibilities and those placed upon us by the company's Articles of Association. The development of our major subsidiaries and participations was also included in our consultations.

As part of the implementation of important individual projects, we again considered the continued expansion and optimisation of the Group's worldwide infrastructure. The Supervisory Board consented to the establishment of a life reinsurance company in Dublin/Ireland and the extension of our Malaysian branch office's licence to include the writing of life reinsurance business. Due to the rapid expansion of business at our US subsidiary Hannover Life Reassurance Company of America (HLR US), Orlando/USA, we authorised a capital increase at this company in order to boost its solvency and competitiveness. We also considered, inter alia, the outsourcing of our investment management to HDI Asset-Management GmbH (AMG).

The accounting, the annual financial statements and the Executive Board's report were examined by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG DTG), Hannover. This audit gave no grounds for objection, and an unqualified audit certificate was therefore issued. The Supervisory Board has no comment to make on the auditors' report, and we agree with their findings.

The Executive Board's report on the company's relations with affiliated companies has likewise

been examined by KPMG DTG and given the following unqualified audit certificate:

"Having audited the report in accordance with our professional duties, we confirm that

1. its factual details are correct,
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high,
3. in the case of the measures specified in the report, there are no circumstances which would point to an assessment which differs significantly from that of the Executive Board."

We examined both the Executive Board's report and the auditors' report on the company's relations with affiliated companies, and we found everything to be in order. In the light of our examination, we have no objections to the statement by the Executive Board at the end of its report on relations with affiliated companies.

Nor have we any objection to the Executive Board's overall report; we agree to the 1999 annual financial statements, which are hereby duly confirmed. We approve the Executive Board's proposal for the distribution of the disposable profit for 1999.

With effect from 1 September 1999, Jürgen Gräber was appointed a full member of the company's Executive Board for the remainder of his term of office until 31 August 2002. With effect from 1 January 2000 Dr. Michael Pickel was appointed a deputy member of the Executive Board for a period of three years. Dr. Pickel initially bears regional responsibility for the German, Austrian and Swiss markets and is also responsible for the areas of Legal Affairs and the Claims Service.

Hannover, 5 June 2000

For the Supervisory Board

Baumgartl
Chairman

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