hannover re®

Corporate news

Hannover Re posts further double-digit growth and confirms profit target

- **Gross premium up by 16.8% adjusted for exchange rate effects**
- **No new pandemic-related losses in property and casualty reinsurance**
- **Life and health reinsurance still impacted by pandemic; losses expected to relax appreciably from the second quarter onwards**
- **Return on investment reaches 2.5%**
- **Group net income rises by 1.7% to EUR 305.9 million**
- **Return on equity beats minimum target at 11.1%**
- **Profit target for 2021 confirmed**

Hannover, 5 May 2021: Hannover Re again posted double-digit growth in premium income in the first quarter and at the same time delivered modestly improved Group net income.

"We are off to a good start in the current financial year," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "Hannover Re is superbly placed to benefit from the sustained improvements in prices and conditions in our market. Even though the pandemic has now been with us for more than a year, our robust capital resources remain unchanged thanks to our outstanding risk management."

Hannover Re's capital adequacy ratio at the end of March was 252% and hence continues to be comfortably above the limit of 180% and threshold of 200%.

Group gross premium shows further double-digit growth
The gross written premium booked by Hannover Re rose by 11.9% as at 31 March 2021 to EUR 7.8 billion (EUR 7.0 billion). Adjusted for exchange rate effects, growth would have amounted to 16.8%. Net premium earned climbed by 11.7% to EUR 5.7 billion (EUR 5.1 billion). Growth would have reached 16.4% at constant exchange rates.

The operating profit (EBIT) contracted by 5.3% to EUR 403.8 million (EUR 426.6 million). Group net income increased by 1.7% to EUR 305.9 million (EUR 300.9 million). Earnings per share amounted to EUR 2.54 (EUR 2.49).

Sharply improved profitability in property and casualty reinsurance
Hannover Re was thoroughly satisfied overall with the renewal of its property and casualty reinsurance portfolio as at 1 January 2021. Roughly two-thirds of the treaties here were renegotiated on this date. The average price increase amounted to 5.5%, reflecting further

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improvements in prices and conditions that varied in scope across all lines and regions.

Gross written premium grew by 14.2% as at the end of March to EUR 5.7 billion (EUR 5.0 billion); the increase would have been 20.1% adjusted for exchange rate effects. Net premium earned was up by 15.7% at EUR 3.9 billion (EUR 3.3 billion); at constant exchange rates, it would have risen by 21.5% .

Net expenditure on major losses was lower than in the previous year at EUR 193.2 million (EUR 283.6 million). No further net strains were incurred here in relation to Covid-19. The largest individual losses included the outbreak of extreme winter weather in the US state of Texas with net expenditure of EUR 75.4 million, an industrial loss in Germany at a cost of EUR 34.8 million as well as flooding in Australia amounting to EUR 19.5 million. Overall, the combined ratio improved substantially to 96.2% (99.8%).

The underwriting result for property and casualty reinsurance including interest on funds withheld and contract deposits came in well above the previous year's level at EUR 147.3 million (EUR 7.2 million). The operating profit (EBIT) in property and casualty reinsurance climbed by 6.3% to EUR 324.0 million (EUR 304.7 million). Net income in property and casualty reinsurance amounted to EUR 269.2 million (EUR 207.3 million) as at 31 March 2021 despite appreciable exchange rate losses.

Pandemic-related losses in life and health reinsurance largely offset by special effect

Life and health reinsurance saw continued strong demand worldwide, especially in the area of financial solutions. Solutions for the coverage of longevity risks similarly showed increasing demand, especially in the United Kingdom but also of late in Germany. All in all, the environment for life and health reinsurance was favourable. Additional strains were nevertheless incurred from the Covid-19 pandemic in an amount of EUR 151 million, although these were largely offset by positive one-time income of EUR 129.3 million from restructuring in US mortality business. The burden of losses caused by the pandemic will likely already start to recede appreciably from the second quarter onwards as immunisation rates rise with ongoing vaccination campaigns.

Gross written premium grew by 6.1% to EUR 2.1 billion (EUR 2.0 billion), corresponding to an increase of 8.6% adjusted for exchange rate effects. Net premium earned was up by 4.0% at EUR 1.8 billion (EUR 1.8 billion); it would have risen by 6.7% at constant exchange rates.

The operating result (EBIT) for life and health reinsurance contracted by 35.6% to EUR 80.1 million (EUR 124.2 million). Net income in life and health reinsurance fell sharply by 55.7% to EUR 48.8 million (EUR 110.2 million).

Very pleasing investment income despite protracted low interest rate environment
The portfolio of assets under own management grew to EUR 52.5 billion in the first quarter (31 December 2020: EUR 49.2 billion). Ordinary investment income excluding interest on funds withheld and contract deposits amounted to EUR 313.2 million (EUR 326.3 million). Net gains on disposals came in somewhat lower at EUR 90.2 million (EUR 101.9 million).

Impairments totalled EUR 21.1 million (EUR 28.6 million). Altogether, income of EUR 313.5 million (EUR 386.1 million) was generated from assets under own management. This produced an annualised return of 2.5%, slightly higher than the full-year target of 2.4%.

Interest on funds withheld and contract deposits surged appreciably to EUR 130.5 million (EUR 85.6 million). Total net investment income including interest on funds withheld and contract deposits contracted as expected by 5.9% to EUR 444.0 million (EUR 471.7 million).

Return on equity beats minimum target at 11.1%
The shareholders' equity of Hannover Re increased slightly by 0.4% as at 31 March 2021 to EUR 11.0 billion (31 December 2020: EUR 11.0 billion). The annualised return on equity reached 11.1% (31 December 2020: 8.2%), thus beating the target of 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 91.57 (31 December 2020: EUR 91.17).

Profit target for 2021 confirmed
"The first quarter puts in place a solid basis for achieving the goals that we have set ourselves for the full 2021 financial year," Henchoz said. "Hannover Re already dealt with the bulk of the expected pandemic-related strains in the 2020 financial year. With increasingly widespread vaccinations we will be able to progressively return to a more normal life. For us, as a reinsurer, this means that we only need to anticipate further losses from the pandemic on a manageable scale. As an additional factor, prices and conditions in property and casualty reinsurance are continuing to improve. All this gives me confidence that we will achieve our full-year targets."

On the Group level Hannover Re continues to expect net income in the range of EUR 1.15 billion to EUR 1.25 billion for the 2021 financial year. The return on investment is anticipated to be roughly 2.4% and Group gross premium is forecast to show growth in the upper single-digit percentages adjusted for exchange rate effects. The net major loss budget for 2021 is set at EUR 1.1 billion (EUR 975 million). This adjustment was prompted primarily by the growth in the underlying business.

Hannover Re renews business in Japan and to a lesser extent in Australia, New Zealand, Asian markets and North America as at 1 April. Building on the 1 January 2021 renewals, these negotiations concluded favourably. The premium volume grew by altogether 7.4%. The price increase for the renewed business amounted to 5.0%.

Hannover Re envisages an unchanged payout ratio for the ordinary dividend in the range of 35% to 45% of its IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend subject to a continued comfortable level of capitalisation and Group net income within the bounds of expectations.

Going forward, sustainability considerations will exert an even greater influence on the selection and composition of Hannover Re's investments. In conformity with the Paris Agreement on climate change, Hannover Re is actively reducing the carbon intensity of its investments. What is more, Hannover Re is increasingly investing in – among other things – sustainable infrastructure investments and impact investment funds, the goal of which is to generate not only a favourable financial return but also and above all measurably positive effects on the environment and society.

The virtual Annual General Meeting of Hannover Rück SE is also being held on today's date. The Executive Board and Supervisory Board have proposed an ordinary dividend of EUR 4.50 per share for the 2020 financial year.