

## Corporate news

# Hannover Re generates quarterly profit of EUR 264 million despite substantial losses and confirms earnings guidance

- **Gross premium up by 13.9% adjusted for exchange-rate effects**
- **Major losses in property and casualty reinsurance above budgeted level for the first quarter**
- **Additional provision for possible losses from the war in Ukraine in the low triple-digit million euro range**
- **Pandemic-related losses in life and health reinsurance within the expected range**
- **Gratifying return on investment of 3.1%**
- **Group net income reaches EUR 264 million**
- **Return on equity beats minimum target at 9.3%**
- **Earnings guidance for 2022 confirmed**

Hannover, 4 May 2022: Hannover Re posted a quarterly profit of EUR 264 million in the first three months and confirms its full-year earnings guidance. That was despite sizeable natural catastrophe claims, further pandemic-related losses in life and health reinsurance and additional strengthening of provisions for possible losses resulting from the war in Ukraine.

"While we are all appalled by the suffering that Russia has unleashed in its war on Ukraine, it is not yet possible to put a concrete figure on the economic impact at this point in time," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "Along with the potential implications of the war in Ukraine, we faced numerous natural catastrophes and further pandemic-related strains in life and health reinsurance in the first three months of the year. Against this backdrop, we again demonstrated the quality of our risk and capital management and stood shoulder-to-shoulder with our clients as a reliable partner."

Hannover Re's capital adequacy ratio at the end of March was 242% and therefore remained comfortably above the limit of 180% and threshold of 200%.

### **Gross premium booked by Hannover Re grows by 19.5%**

The gross written premium booked by Hannover Re increased by 19.5% as of 31 March 2022 to EUR 9.3 billion (EUR 7.8 billion). Growth would have reached 13.9% adjusted for exchange rate effects. Net premium earned rose by 17.9% to EUR 6.7 billion (EUR 5.7 billion). Growth of 12.4% would have been booked at constant exchange rates.

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## **Group net income reaches EUR 264 million**

Operating profit (EBIT) reached EUR 396 million (EUR 404 million) despite the losses incurred in the first quarter. Group net income fell by 13.8% to EUR 264 million (EUR 306 million). Earnings per share stood at EUR 2.19 (EUR 2.54).

## **Property and casualty reinsurance: Major losses higher than expected**

Hannover Re was satisfied overall with the renewal of its property and casualty reinsurance portfolio as of 1 January 2022. 62% of the treaties in traditional property and casualty reinsurance were renegotiated on this date. The inflation- and risk-adjusted price increase amounted to 4.1%, with the biggest gains recorded in Europe.

Gross written premium grew by 26% as of the end of March to EUR 7.1 billion (EUR 5.7 billion); they would have risen by 19.5% adjusted for exchange rate effects. Net premium earned was up by 24% to EUR 4.8 billion (EUR 3.9 billion); the increase would have been 18.0% at constant exchange rates.

Expenditures for major losses reached a total of EUR 336 million (EUR 193 million) and thus exceeded the budgeted amount of EUR 284 million for the first quarter. The largest individual losses were the floods in Australia caused by heavy rainfall with net expenditure of EUR 186 million, the windstorm events Ylenia/Zeynep in Europe at a cost of EUR 124 million and the sinking of the cargo ship "Felicity Ace" following a fire with a loss of EUR 14 million.

Hannover Re established an additional general provision in the low triple-digit million euro range in the first quarter for possible losses from the war in Ukraine.

The combined ratio in property and casualty reinsurance increased to 99.5% (96.2%) and thus exceeded the target level of no more than 96%. The underwriting result for property and casualty reinsurance including interest on funds withheld and contract deposits came in well below the previous year's level at EUR 26 million (EUR 147 million). Despite the substantial losses, it was possible to generate an operating profit (EBIT) of EUR 284 million (EUR 312 million). Net income in property and casualty reinsurance amounted to EUR 177 million (EUR 261 million).

## **Life and health reinsurance sees decline in pandemic-related losses**

In life and health reinsurance Hannover Re continued to expand its financial solutions business, especially in China. Demand for solutions to protect against longevity risks also showed further growth worldwide. Interest here was still particularly strong in the United Kingdom, but also extended to the United States and Canada. The environment for life and health reinsurance was satisfactory on the whole.

The impact of the pandemic remained the dominant issue, especially in relation to mortality covers. As expected, further pandemic-related losses of EUR 123 million were incurred, although these diminished progressively over the course of the quarter.

Gross written premium increased by 3.2% to EUR 2.2 billion (EUR 2.1 billion), corresponding to a decrease of 1.2% adjusted for exchange rate effects. Net premium earned rose by 5.4% to EUR 1.9 billion (EUR 1.8 billion); growth of 0.8% would have been booked at constant exchange rates.

The operating result (EBIT) increased by 23% to EUR 113 million (EUR 92 million). Net income in life and health reinsurance grew by 78% to EUR 101 million (EUR 57 million).

### **Very pleasing investment income despite persistent low interest rate environment**

The portfolio of assets under own management was stable relative to year-end 2021 with a volume of EUR 56.2 billion.

Ordinary investment income excluding interest on funds withheld and contract deposits totalled EUR 397 million (EUR 310 million) and was thus clearly higher than in the comparable period. Positive profit contributions from inflation-linked bonds again played a part here. The net balance of gains realised on disposals contracted to EUR 42 million (EUR 90 million) and was primarily attributable to sales connected with portfolio maintenance, realisations in the real estate sector as well as regrouping moves in the equity portfolio. Impairments of EUR 15 million (EUR 21 million) were taken. Interest on funds withheld and contract deposits retreated to EUR 55 million (EUR 131 million), principally due to a special effect recorded in the comparable quarter.

In total, investments under own management generated income of EUR 429 million (EUR 311 million). This produced an annualised return on investment of 3.1% that was well above the full-year target of at least 2.3%. Net investment income including interest on funds withheld and contract deposits grew by 9.7% to EUR 484 million (EUR 441 million).

### **Return on equity remains above minimum target**

The shareholders' equity of Hannover Re dropped by 10.0% as at 31 March to EUR 10.7 billion (31 December 2021: EUR 11.9 billion). Primarily reflecting the rise in interest rates, unrealised losses on fixed-income securities amounted to EUR 1.0 billion at the end of March. This contrasted with unrealised gains of EUR 1.4 billion as at 31 December 2021. The annualised return on equity stood at 9.3% (31 December 2021: 10.8%) and thus continued to outperform the target level of 900 basis points above the risk-free interest rate.

### **Guidance for 2022 confirmed**

It is still too soon to put a definitive figure on losses for global insurance and reinsurance markets resulting from the war in Ukraine. Hannover

Re has temporarily stopped writing new risks or renewal of treaties with clients in Russia and Belarus until further notice.

"Even though it will take some time before the impact of the war on insurers and reinsurers can be precisely quantified, we have taken the precaution of establishing additional provisions in the first quarter," Henchoz said. "Despite all the uncertainties, I remain confident that we can achieve the goals we have set ourselves for the full year thanks to our considerable resilience and robust profitability."

Hannover Re renews business in the Asia-Pacific region, North America as well as parts of the specialty business as of 1 April 2022. The negotiations resulted in significant growth at improved prices. Premium volume increased by 17.4%. The inflation- and risk-adjusted price increase for the renewed business amounted to 3.7%.

In life and health reinsurance Hannover Re expects further pandemic-related losses, although these will drop sharply over the course of the year.

On the Group level it remains Hannover Re's expectation that net income of EUR 1.4 billion to EUR 1.5 billion will be generated for the 2022 financial year. This assumes that major loss expenditure does not materially exceed the budgeted level of EUR 1.4 billion, the Covid-19 pandemic does not have a significant unexpected impact on the result in life and health reinsurance and no unforeseen developments occur on capital markets. The return on investment should reach at least 2.3%.

Hannover Re continues to aim for an ordinary dividend that is higher than in the previous year or at least remains stable. This will be supplemented by a special dividend provided the capitalisation exceeds the capital required for future growth and the profit target is achieved.

The virtual Annual General Meeting of Hannover Rück SE is also being held on today's date. As already announced, the Executive Board and Supervisory Board have proposed a dividend of EUR 5.75 per share for the 2021 financial year. This is composed of an unchanged ordinary dividend of EUR 4.50 per share plus a special dividend of EUR 1.25 per share.

**Hannover Re**, with gross premium of more than EUR 27 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 170 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

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