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# Striving for sustainable outperformance

Jean-Jacques Henchoz, Chief Executive Officer  
23<sup>rd</sup> International Investors' Day 2020  
Hannover, 21 October 2020

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# Agenda

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1	Our starting point: excellent position in today's reinsurance market	3
2	Our Group strategy 2021 - 2023: striving for sustainable outperformance	8
3	Outlook: improving market momentum	21

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1

Our starting point: excellent position in  
today's reinsurance market

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# Top tier market leader in profitability, earnings growth and cost efficiency (1/2)

## Hannover Re's consistent track record of outperformance

### Attractive premium growth (GWP)

#### Hannover Re

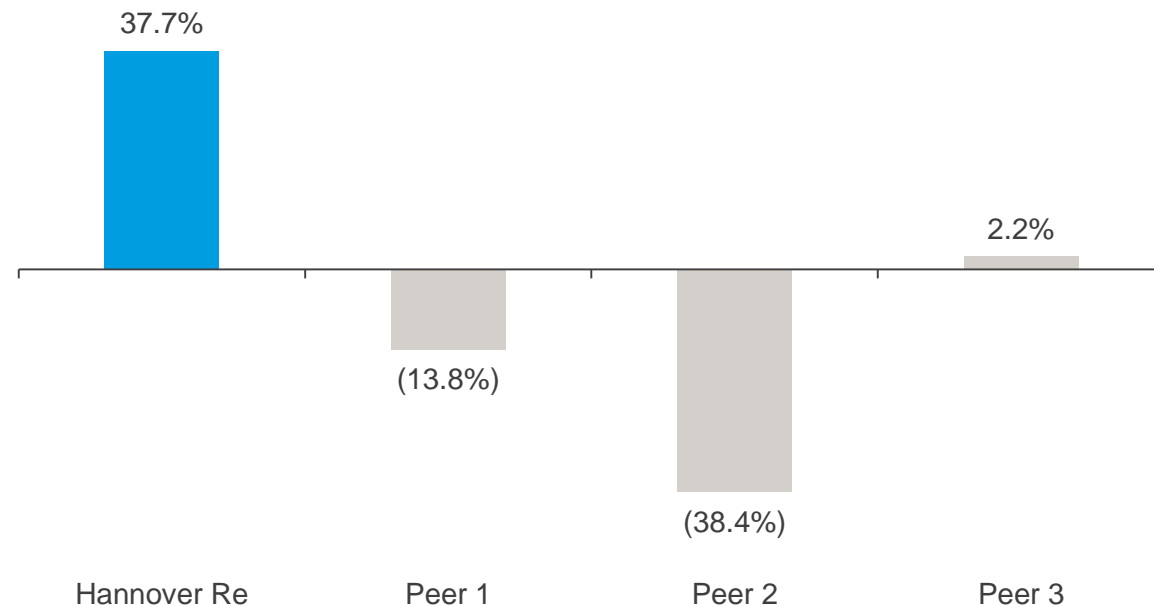


#### Top 10 reinsurers<sup>1)</sup>



### Outstanding earnings growth

Net income growth European reinsurers<sup>2)</sup> total 2015 - 2019 vs. total 2010 - 2014



1) A.M. Best "Segment Report" (Sept 2020/2016)

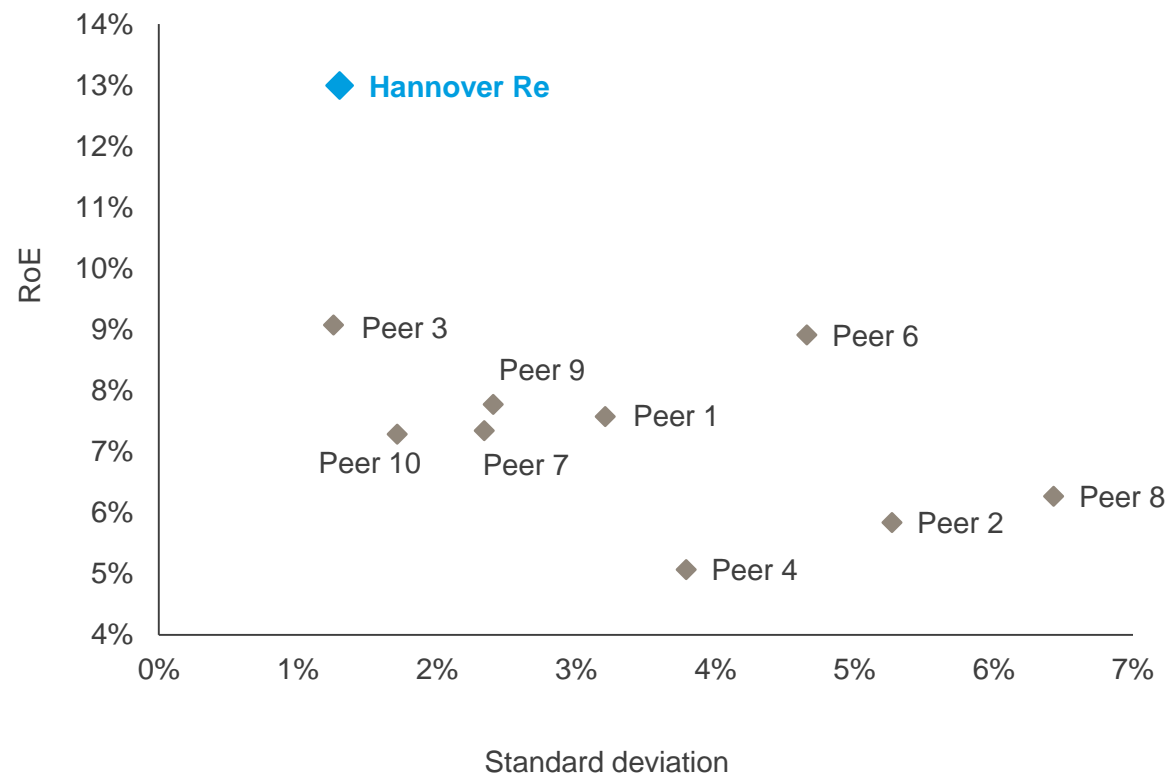
2) Peers in alphabetical order: Munich Re, Scor, Swiss Re; own calculation based on company data

# Top tier market leader in profitability, earnings growth and cost efficiency (2/2)

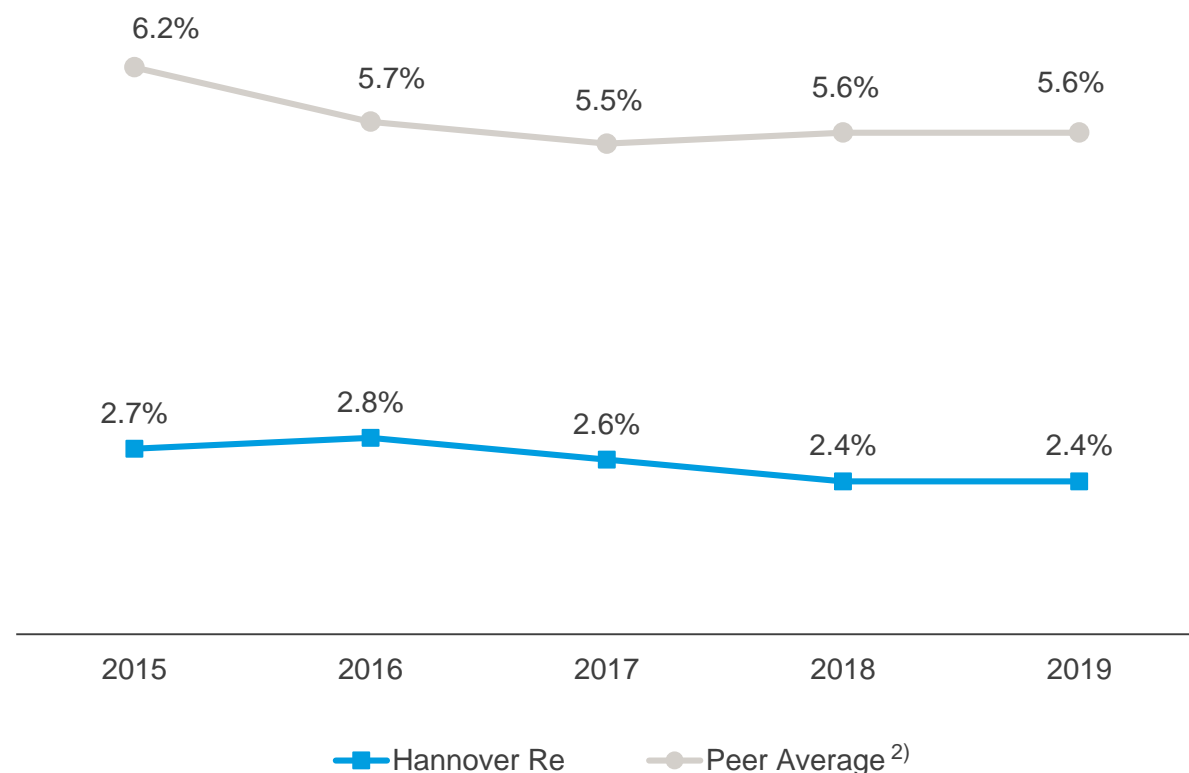
## Hannover Re's consistent track record of outperformance

### High return on equity with low volatility

Ø 2015 - 2019<sup>1)</sup>



### Competitive administrative expense ratio

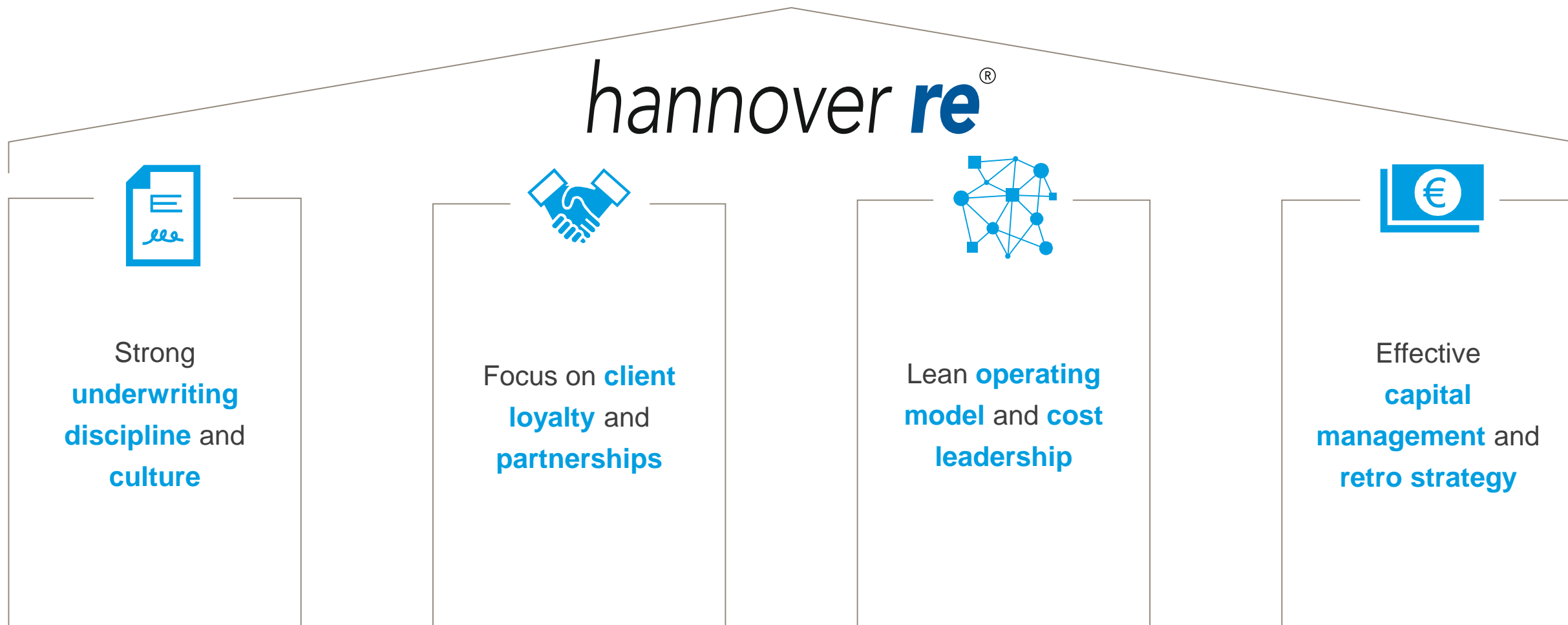


1) Top 10 of the Global Reinsurance Index (GloRe); own calculation based on company data (RGA excl. one-off effect from US tax reform in 2017)

2) Peers: Munich Re, Scor, Swiss Re

# Strategic imperatives will remain cornerstones of our model

Our competitive strengths lie in our corporate culture and operating model

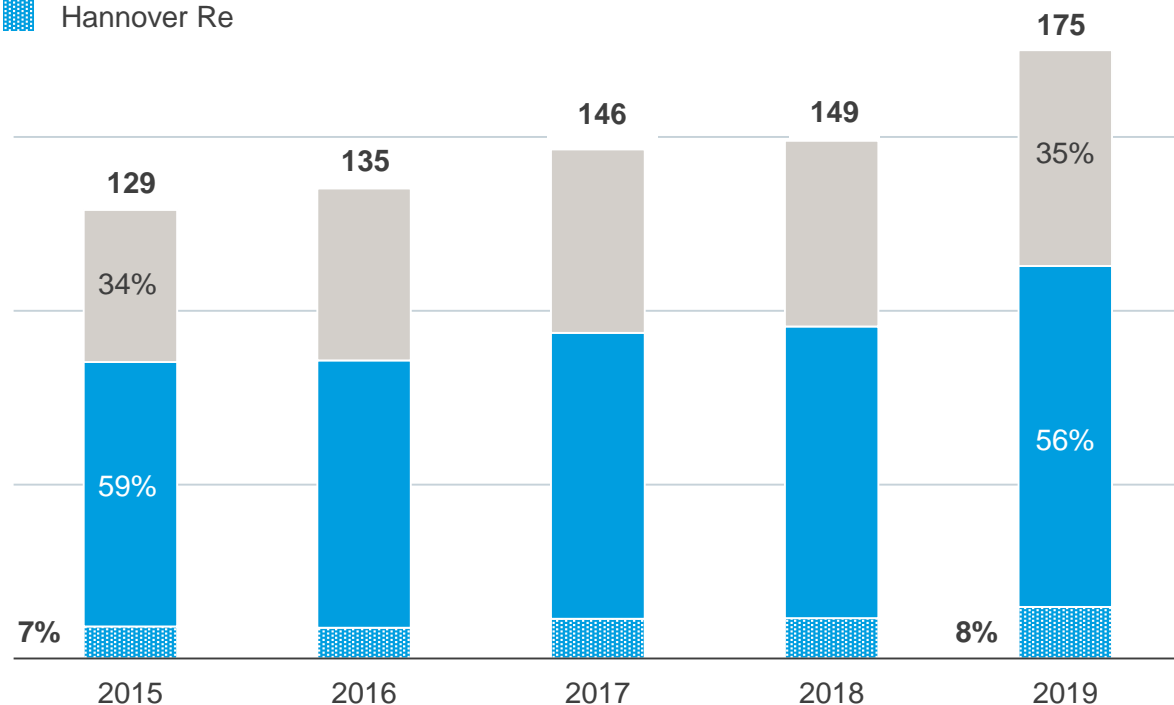


# Hannover Re is well positioned to deliver growth

## Market size P&C reinsurance

GWP in bn. EUR

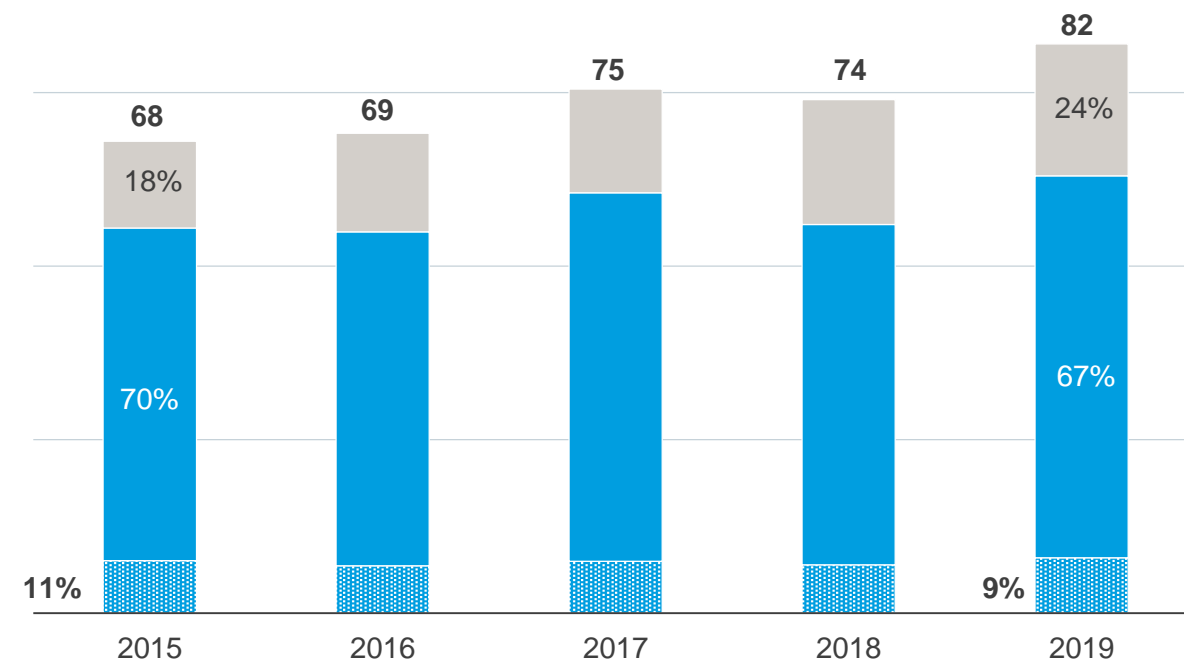
- Other
- Top 10
- Hannover Re



## Market size L&H reinsurance

GWP in bn. EUR

- Other
- Top 6
- Hannover Re



Market: Sum of Non-life GWP of Top 50 Global Reinsurance Groups according to A.M. Best "Segment Report" (Sept 2020)  
 2017: Berkshire Hathaway excl. AIG deal; Top 10 in 2019: Munich Re, Swiss Re, Lloyd's, Hannover Re, Berkshire Hathaway, SCOR, GIC India, Everest Re, Korean Re, Partner Re; © A.M. Best Europe - Information Services Ltd. - used by permission

Market: Sum of Life GWP of Top 50 Global Reinsurance Groups according to A.M. Best "Segment Report" (Sept 2020)  
 Top 6 in 2019: Swiss Re, Munich Re, RGA, SCOR, Great-West Lifeco, Hannover Re  
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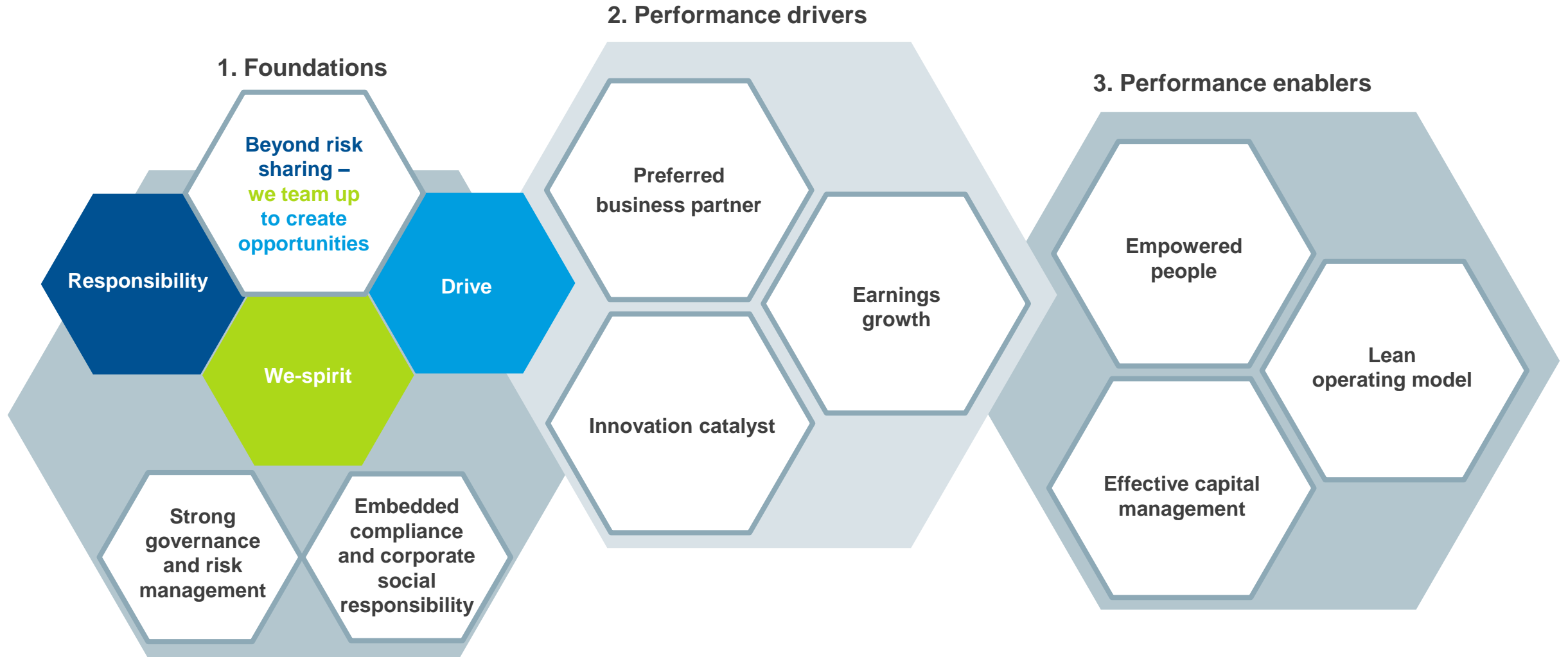
Our Group strategy 2021 - 2023:  
striving for sustainable outperformance

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# Striving for sustainable outperformance

## Group strategy map 2021 - 2023



# Strategy is purpose-driven and relies on a strong corporate culture

## Our purpose statement and values emphasise partnership spirit





# Foundations of our operating model

## Strong capital position and financial flexibility



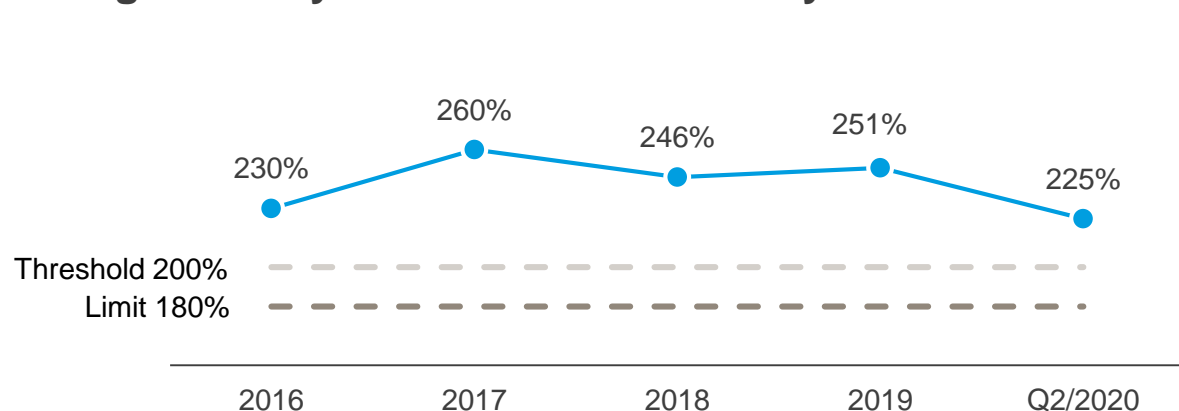
### Excellent financial strength ratings

**Standard & Poors**  
AA- (outlook stable)

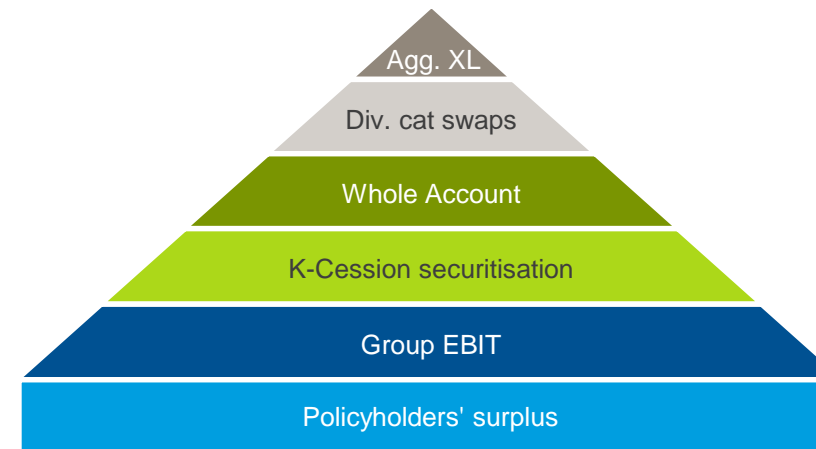
incl. sub-rating 'very strong'  
for our risk management

**A.M. Best**  
A+ (outlook stable)

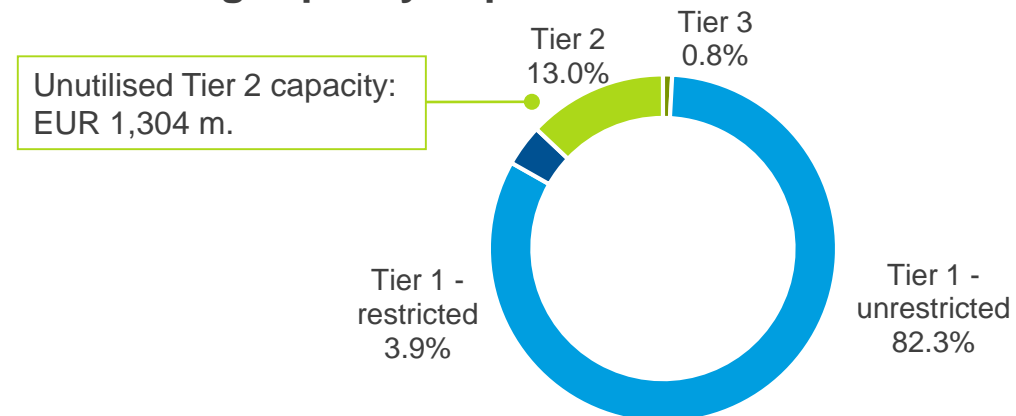
### Strong solvency levels across market cycles



### Proven retrocession strategy



### Flexible and high-quality capital base



# Foundations of our operating model

## Strengthen our commitment to high ESG standards



- Climate change
- Stakeholder dialogue
- Human rights
- Good Governance

- Sustainable protection
- ESG in asset management
- ESG in underwriting

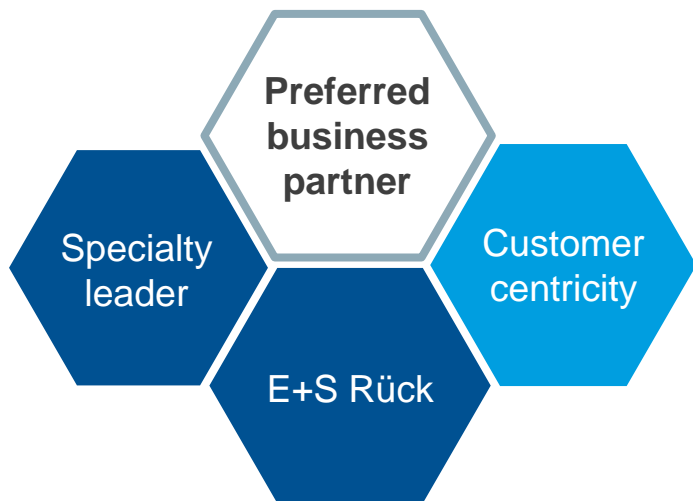


- Attractive employer
- Health and wellbeing
- Learning & development
- Diversity & equal opportunities

- Social engagement
- Environmental management



# We are a preferred business partner



## Proven strengths

- One of the market leaders in **Marine, Aviation and Credit & Surety**
- JV with **HDI Global Specialty** provides attractive growth opportunities

**e+S rück**

- **Unique partnership** and access to German business



## Strategic focus area: customer centricity

### Seek leadership in customer excellence and broaden client relationships

- **Enhance earnings growth**, margin and profit contribution of key clients (EUR 100 m. EBIT contribution by 2023)
- **Introduce** new **CRM system** to drive customer engagement
- **Leverage full potential** with key customers by focusing on cross-business opportunities
- Enhance **capital prioritisation and allocation** based on customer segmentation



# We aim for outperformance in earnings growth



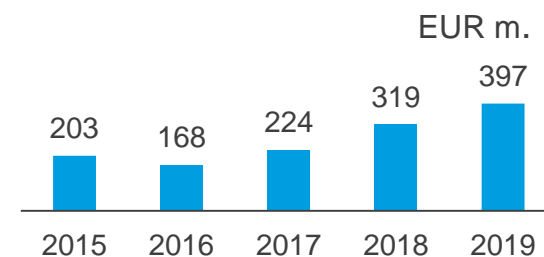
## Strategic focus area: Asia-Pacific (APAC)

Seize opportunities in the world's fastest growing region and offer value to our clients beyond pure risk transfer

- Follow the **demographic development** in APAC region
- **Help to close the protection gap** in countries with low insurance penetration by bringing product know-how to the region
- Take advantage of business opportunities driven by the dynamics of the **digital transformation** in the region

## Proven strengths

EBIT contribution from Financial Solutions 2015-19: **EUR 1.3 bn.**



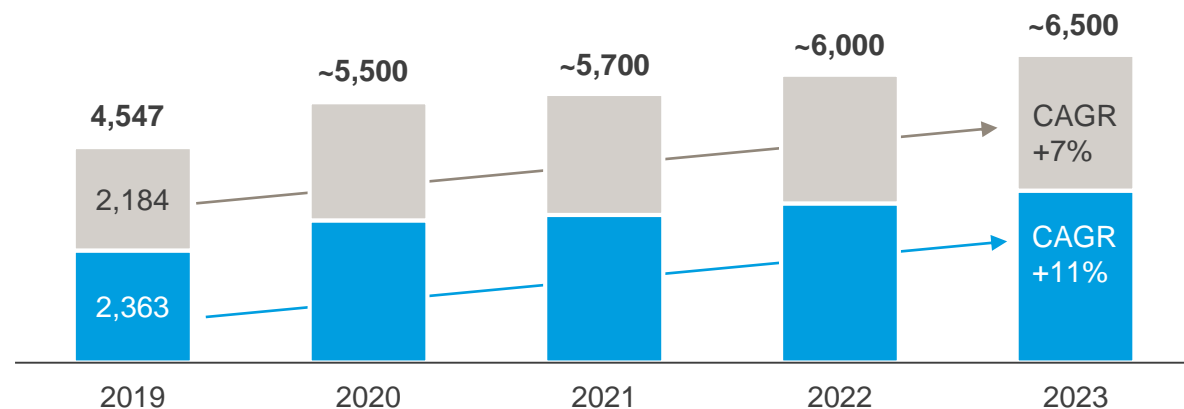
Strong operating cash flow and growing AuM support **successful investment strategy**





# APAC initiative is a catalyst for accelerated earnings growth

APAC: Expected GWP development P&C / L&H in m. EUR



## Key figures APAC

■ P&C	Gross premium growth	11% <sup>1)</sup>
	Combined ratio <sup>2)</sup>	≤96%
■ L&H	Gross premium growth	7% <sup>3)</sup>
	Value of New Business (VNB) <sup>4)</sup>	100 EUR m.

1) On average throughout the R/I cycle at constant f/x rates

2) Incl. large loss budget

3) Organic growth only; target: annual average growth over a 3-year period, at constant f/x rates

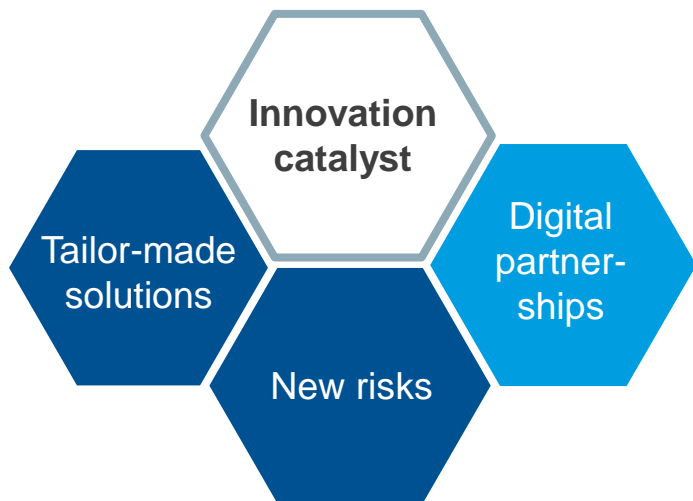
4) Based on Solvency II principles; pre-tax reporting

## APAC initiative: key objectives

- Implement 16 business growth initiatives in P&C and L&H
- Build on long-standing client relationships
- Empower local teams and increase market presence
- Preserve unique Hannover Re culture
- Keep lean operating model and fast decision-making



# Strengthening our capabilities to thrive in the digital world



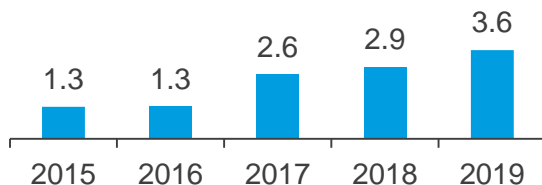
## Strategic focus area: digital partnerships

- “Think bigger” about opportunities: leveraging commercial excellence in our business centres to scale opportunities globally / regionally
- Establish an **agile framework for innovation** that allows fast and flexible decision-making across the Group
- Increase management focus on promising innovation activities and add **new capabilities to accelerate innovation**

## Proven strengths

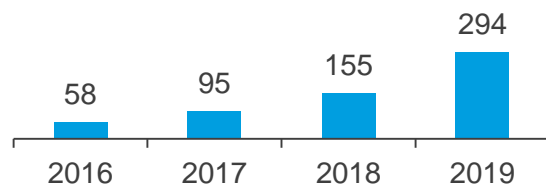
### Go-to-partner for **innovative tailor-made solutions**

GWP Structured R/I and ILS, EUR bn.



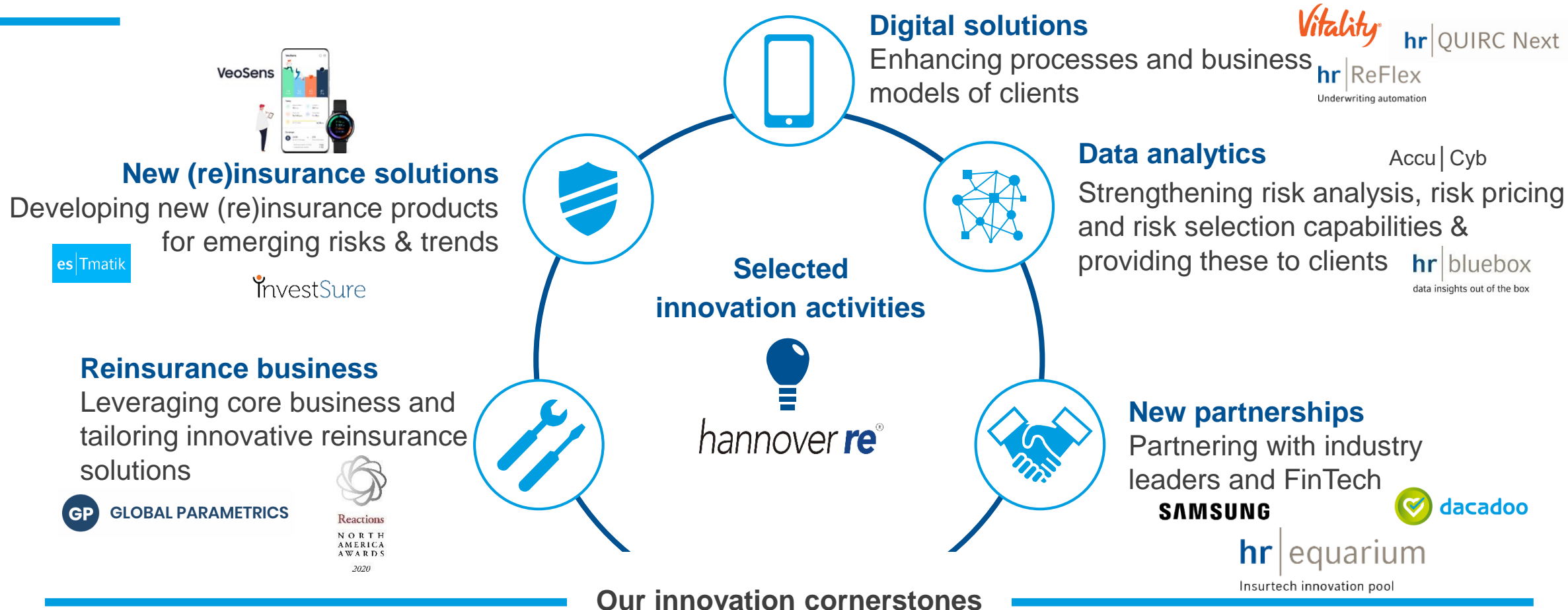
### Strong player in growing **cyber** business

GWP Cyber, EUR m.





# We will build on our track record of innovation to add value to our business partners



Focus on business opportunities

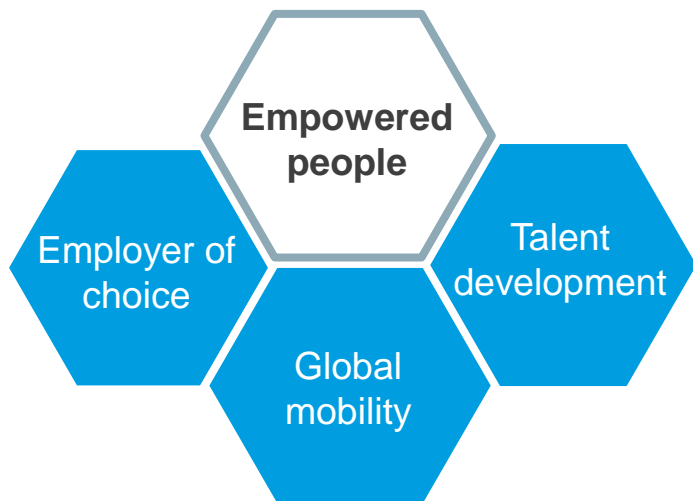
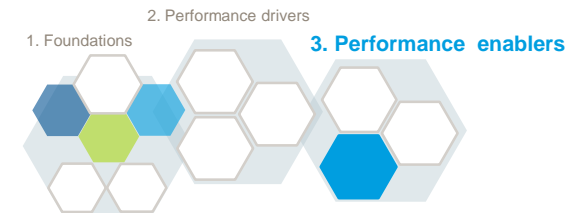


Help clients solve their challenges

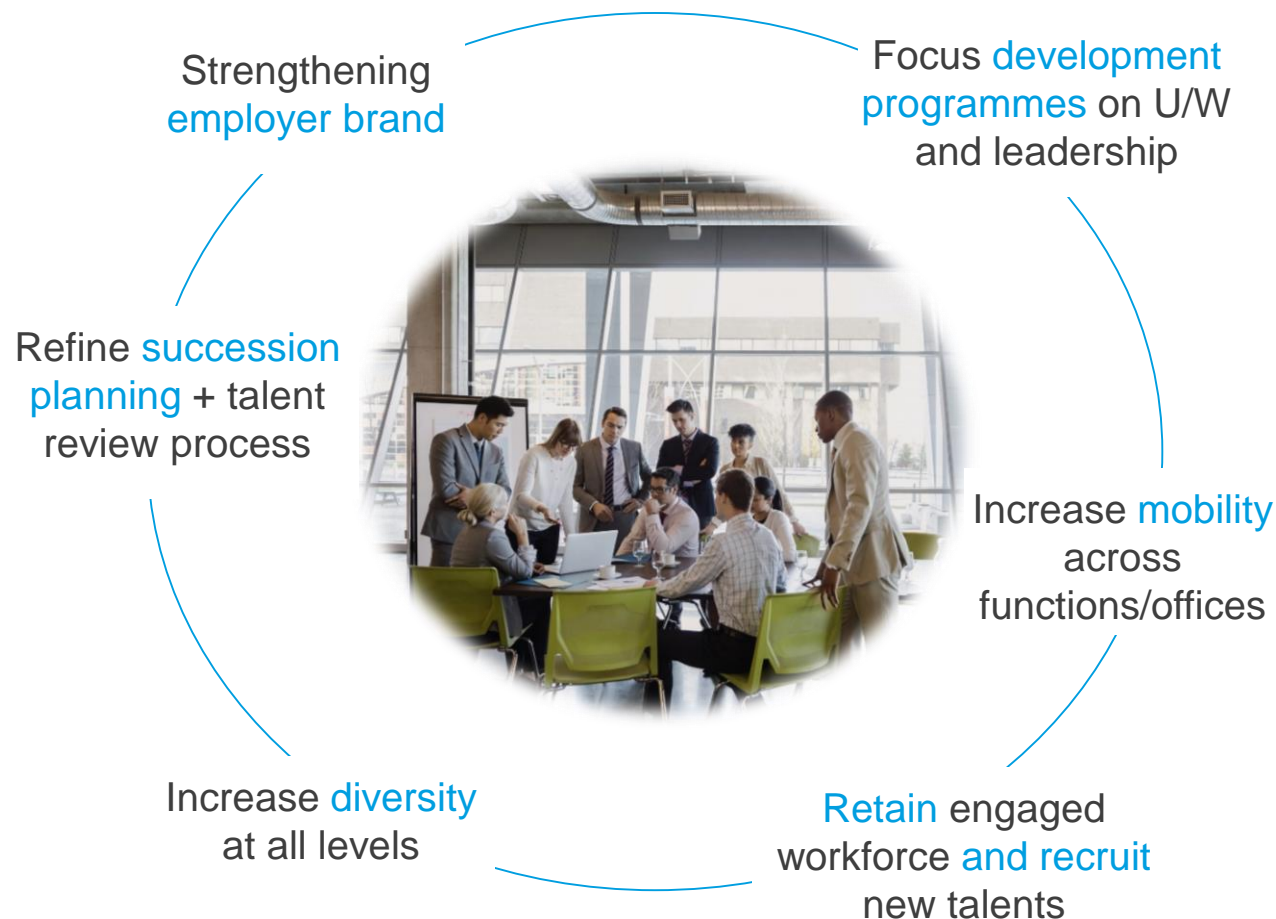


Build new partnerships

# Delegation of responsibilities and accountability are deeply embedded in our company's culture



## Strategic focus area: talent management

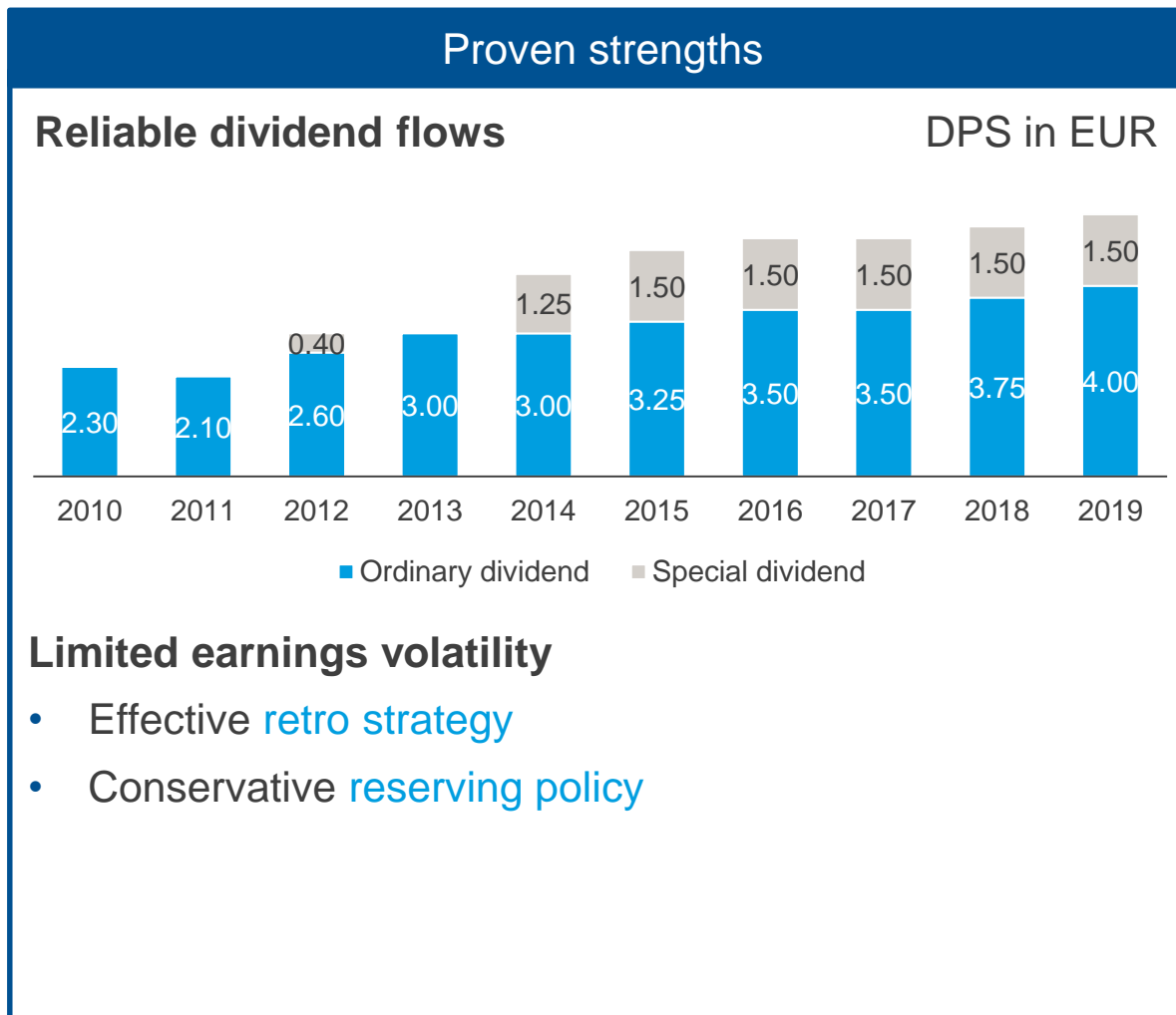
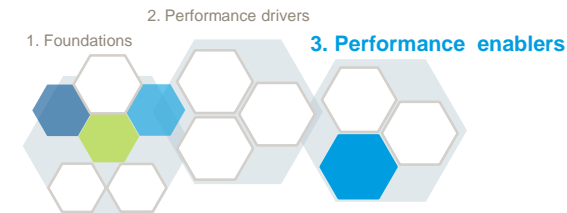


**Proven strengths**


- High level of **delegation** to operating units
- Accountability and ownership are strong part of **company culture**
- High **staff retention and loyalty**



# Our capital management is aimed at ensuring reliable dividends

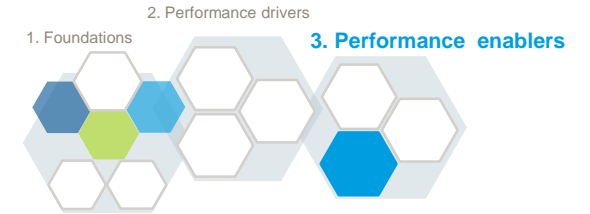
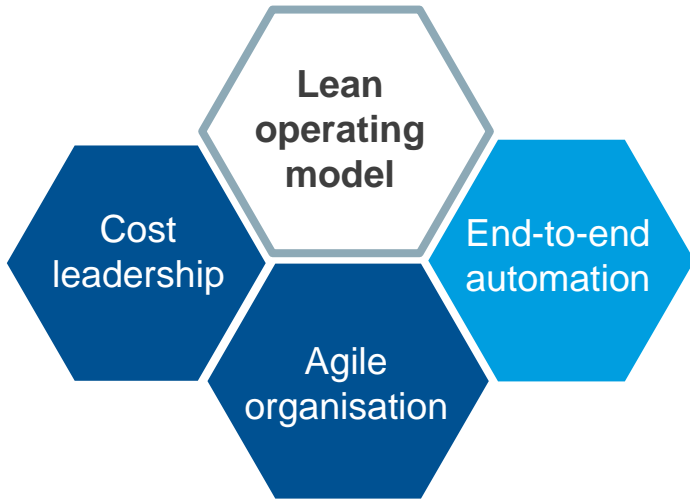


### Strategic focus area: inforce management



Systematic implementation to enhance value of our portfolio and to actively manage value-destroying segments and treaties

# Our lean operating model is an essential competitive advantage



## Proven strengths

### Cost leadership is a tangible competitive advantage

- Mix of cultural and organisational factors that are **hard to replicate**
- **Investments** in strategic focus areas **are always connected to future profits**

## Strategic focus area: end-to-end automation

- We continuously analyse, optimise and automate our core processes end-to-end
- “End-to-end” includes our internal processes as well as the interfaces to our business partners
- Using advanced data analytics technology we exploit opportunities for automated decision-making

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**Outlook: improving market momentum**

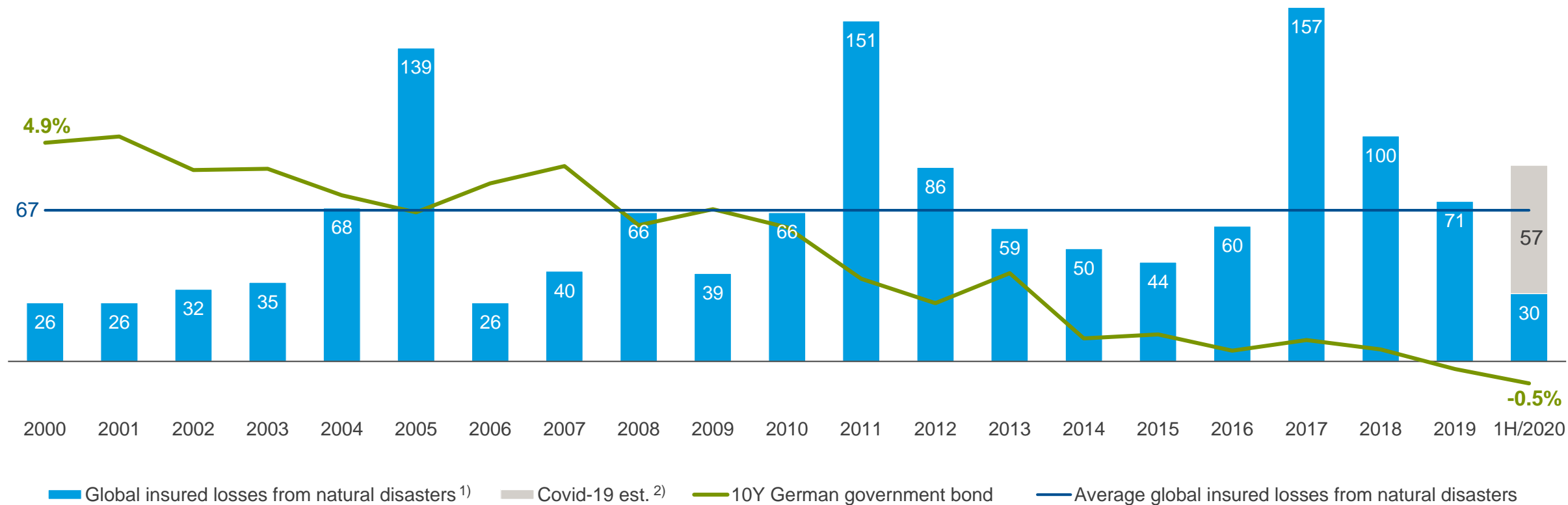
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# Material price increases and further flight to quality expected in P&C

## Driven by Covid-19, drop in interest rates and large losses in the last four years

in USD bn.



1) Source: AON  
 2) Average of mid-point estimates from Autonomous, Barclays, Bank of America, Berenberg, Dowling & Partners, Willis Towers Watson

# Covid-19 impact is material but manageable

## Potential business opportunities are arising in P&C und L&H reinsurance



### Impact Covid-19

#### P&C claims:

- EUR 600 m. estimated impact in 1H/2020
- Additional reserving expected in Q3/2020 (materially smaller than in prior quarters)

#### L&H claims:

- EUR 63 m. impact on mortality and morbidity in 1H/2020
- Expected 2H/2020 impact at least at the 1H/2020 level

### Business opportunities

- Increased demand for reinsurance, additionally supported by flight to quality
- Significant price increases expected in 2021
- Additional demand for balance sheet / solvency relief solutions
- Accelerated digitalisation in insurance
- Development of new products, e.g. parametric solutions

# Target Matrix

## Strategy cycle 2021 - 2023

Business group	Key figures	Strategic targets
Group	Return on equity <sup>1)</sup>	900 bps above risk-free
	Solvency ratio <sup>2)</sup>	≥ 200%
Property & Casualty reinsurance	Gross premium growth <sup>3)</sup>	≥ 5%
	EBIT growth <sup>4)</sup>	≥ 5%
	Combined ratio	≤ 96%
	xRoCA <sup>5)</sup>	≥ 2%
Life & Health reinsurance	Gross premium growth <sup>3)</sup>	≥ 3%
	EBIT growth <sup>4)</sup>	≥ 5%
	Value of New Business (VNB) <sup>6)</sup>	≥ EUR 250 m.
	xRoCA <sup>5)</sup>	≥ 2%

1) After tax; risk-free: 5-year average return of 10-year German government bonds

3) Average annual growth at constant f/x rates

5) Excess return (one-year economic profit in excess of the cost of capital) on allocated economic capital

2) According to our internal capital model and Solvency II requirements

4) Average annual growth; based on normalised EBIT 2020

6) Based on Solvency II principles; pre-tax reporting



## Key take-aways



We are well positioned for continued profitable growth



We will absorb the impact of the Covid-19 pandemic and seize arising opportunities

Our Group strategy 2021 - 2023 will ensure further value creation for our shareholders, clients and employees



- Building on proven strengths and successful business model
- Strategic focus areas are the basis for continued and sustainable success for all our stakeholders

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