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Teaming up to create opportunities

Update on Group strategy

Jean-Jacques Henchoz, Chief Executive Officer
24th International Investors' Day 2021
Hannover, 14 October 2021

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Agenda

- 1 Our position in the reinsurance market
 - 2 Update on strategy cycle 2021 - 2023
 - 3 ESG strategy
 - 4 Outlook 2022
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Our position in the reinsurance market

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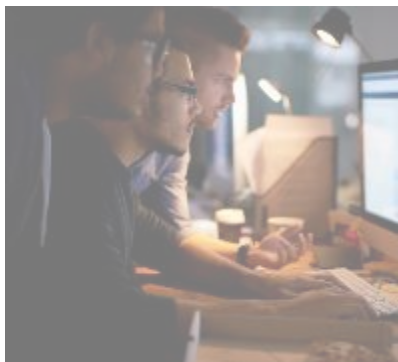
Successful execution of our Group strategy in a challenging environment

Review of strategy cycle 2018 - 2020

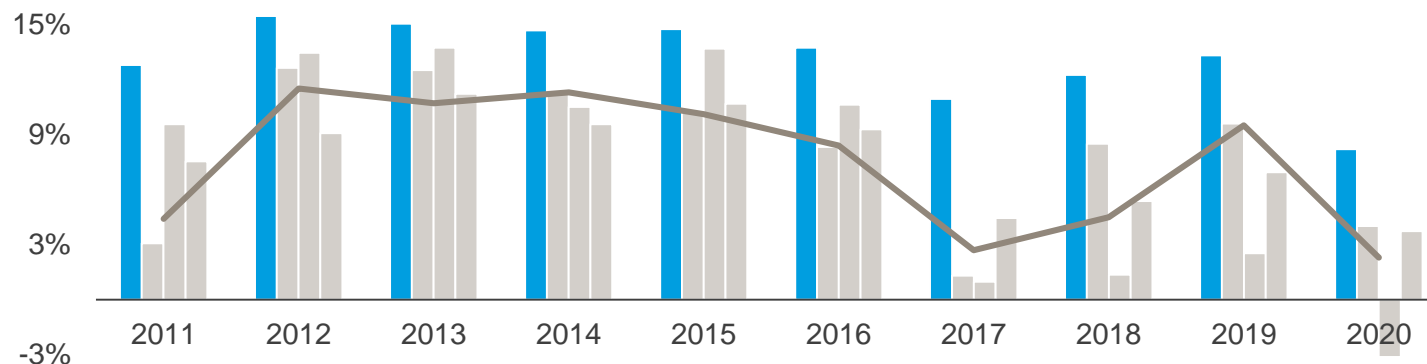
		Target attainment						
Metrics		Targets	2020	2019	2018	Ø 2018 - 2020		
	Group	Investment return	≥ 2.7%	3.0%	3.4%	3.2%	3.2%	✓
		Return on equity	900 bps above risk-free	8.2%	13.3%	12.2%	11.1%	✓
		Solvency ratio	≥ 200%	235.2%	250.7%	246.0%	243.6%	✓
	Property & Casualty R/I	Gross premium growth	3 - 5%	15.8%	20.4%	16.2%	17.5%	✓
		Combined ratio	≤ 97%	101.6%	98.2%	96.5%	99.0%	
		EBIT margin	≥ 10%	5.9%	10.0%	12.2%	9.1%	
	Life & Health R/I	Gross premium growth	3 - 5%	4.7%	6.7%	4.6%	5.3%	✓
		Value of New Business	≥ EUR 220 m.	EUR 778 m.	EUR 663 m.	EUR 290 m.	EUR 557 m.	✓
		EBIT growth	≥ 5%	-32.5%	106.6%	12.5%	16.2%	✓

Consistent outperformance – independent of market cycles

10-year average RoE of 13.1%; 5.6%p above sector average



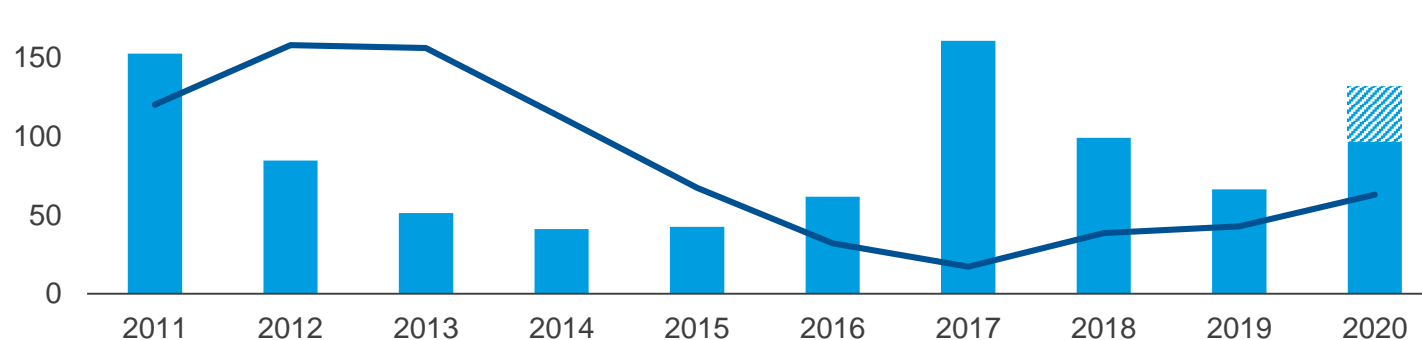
Return on equity (RoE)



10-year average

Hannover Re	13.1 %
Peer 1	8.1 %
Peer 2	7.8 %
Peer 3	7.3 %
Sector average ¹⁾	7.5 %

Insured losses and pricing development

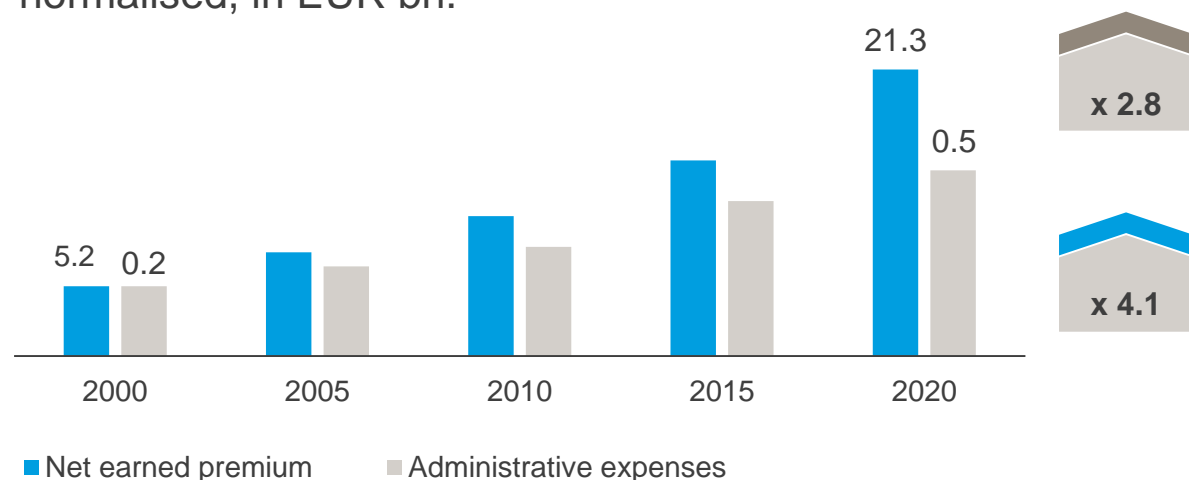


Covid-19 losses in bn. USD ²⁾
Insured losses from catastrophes in bn. USD ³⁾
Guy Carpenter Global Property Catastrophe Rate-On-Line Index

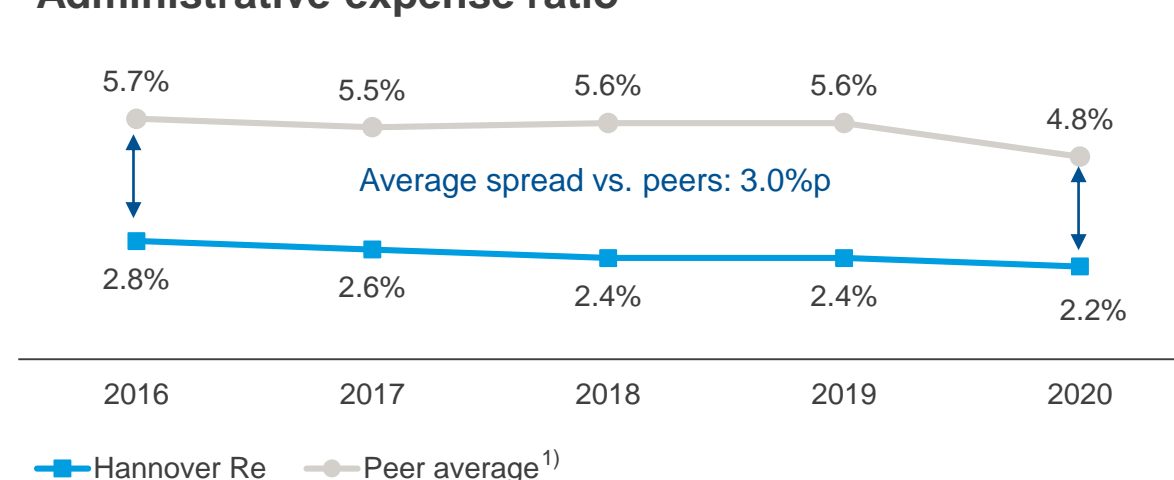
1) Aon Reinsurance Aggregate 2) HSBC claims tracker 3) Swiss Re Sigma Explorer
RoE: on own calculation based on company reports

Lean operating model remains a key competitive advantage

normalised, in EUR bn.



Administrative expense ratio



- Business model is highly scalable
- Investments and services are connected to future profits
- Cost leadership is based on mix of cultural and organisational factors that are hard to replicate
- Continued focus on organisational simplicity and efficient decision-making

1) Peers: Munich Re, Swiss Re, SCOR; own calculation

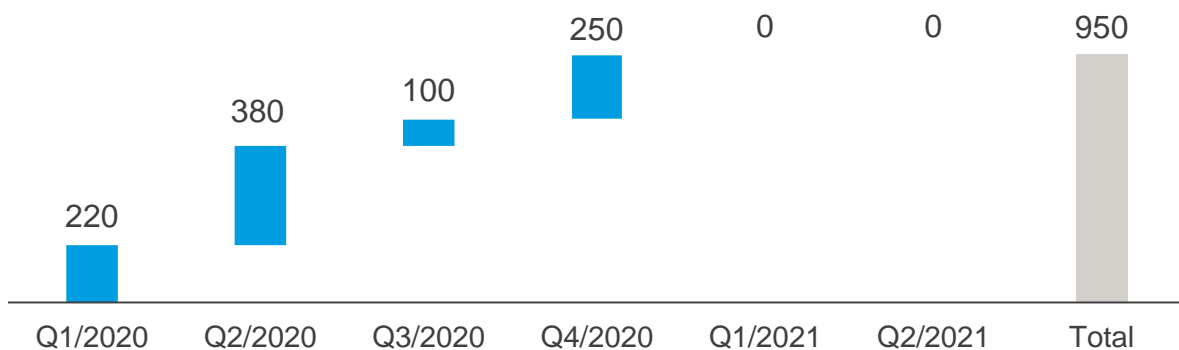
P&C Covid-19 net loss estimate unchanged since December 2020

L&H losses expected to decline with vaccination progress



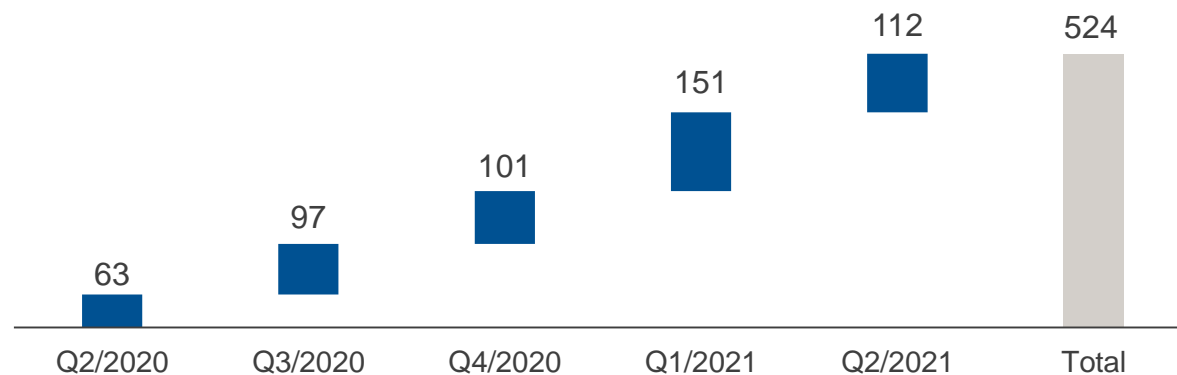
P&C Covid-19 net claims estimate

in m. EUR



L&H Covid-19 net claims estimate

in m. EUR



- Main impact in business interruption, event cancellation and Credit & Surety
- Retrocession relief mainly in property / business interruption
- IBNR 54% as at Q2/2021

- Main impact from excess mortality in the US, Latin America and South Africa
- Loss development expected to decline as vaccination programs continue to progress
- Retro protection via extreme mortality cover

The global reinsurance market continues to grow

Opportunities ahead

Global reinsurance market (2020)¹⁾



~ 280 EUR bn.
Gross written premium



7.3%
5-year CAGR
(2016 - 2020)

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24.7 EUR bn.
Gross written premium



9.7%
5-year CAGR
(2016 - 2020)

Global NatCat protection gap (2020)²⁾



~ 84 EUR bn.
Insured losses



~ 150 EUR bn.
Uninsured losses

GWP of Top 50 World's Largest Reinsurance Groups according to A.M. Best. All figures converted from USD to EUR with annual average FX-rates. Market share based on A.M. Best.

1) Source: ©A.M. Best Europe – Information Service Ltd. – used by permission 2) Source: Aon – Weather, Climate & Catastrophe Insight Annual Report 2020

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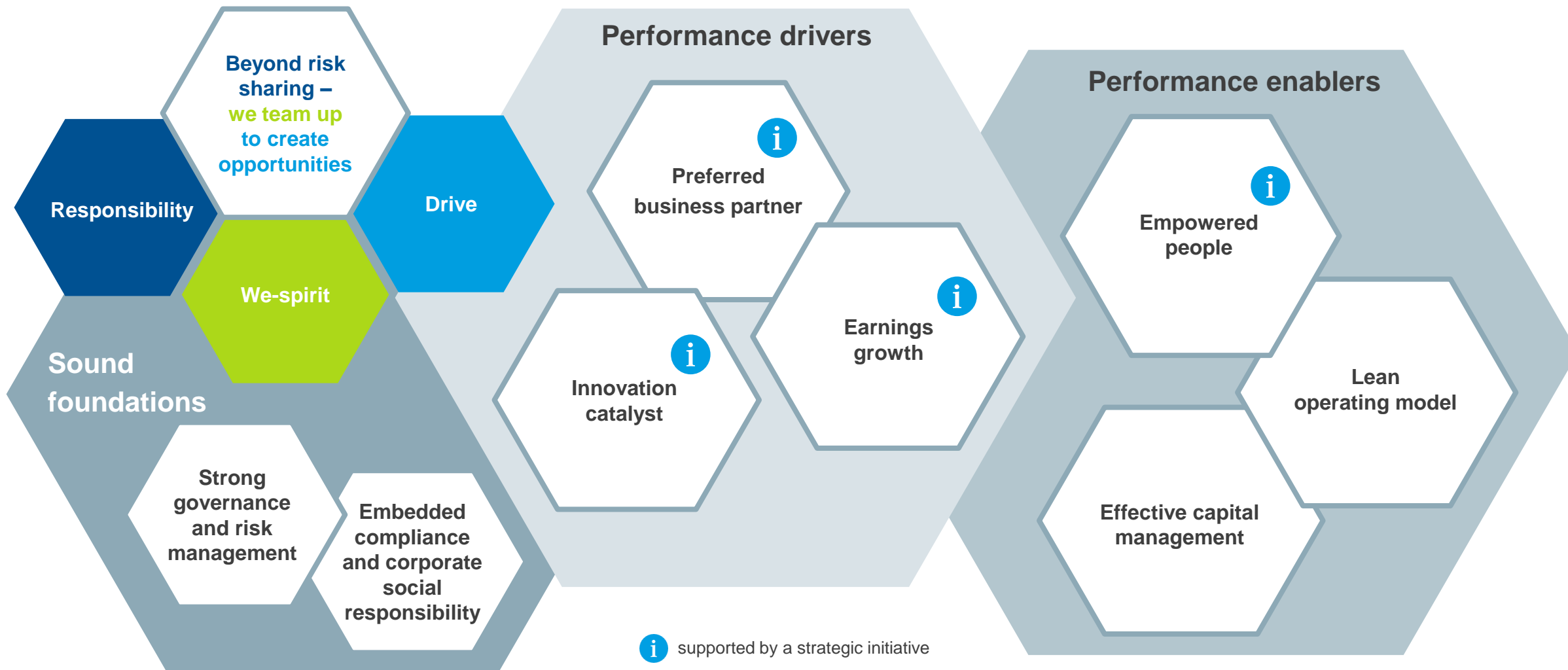
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Update on strategy cycle 2021 - 2023

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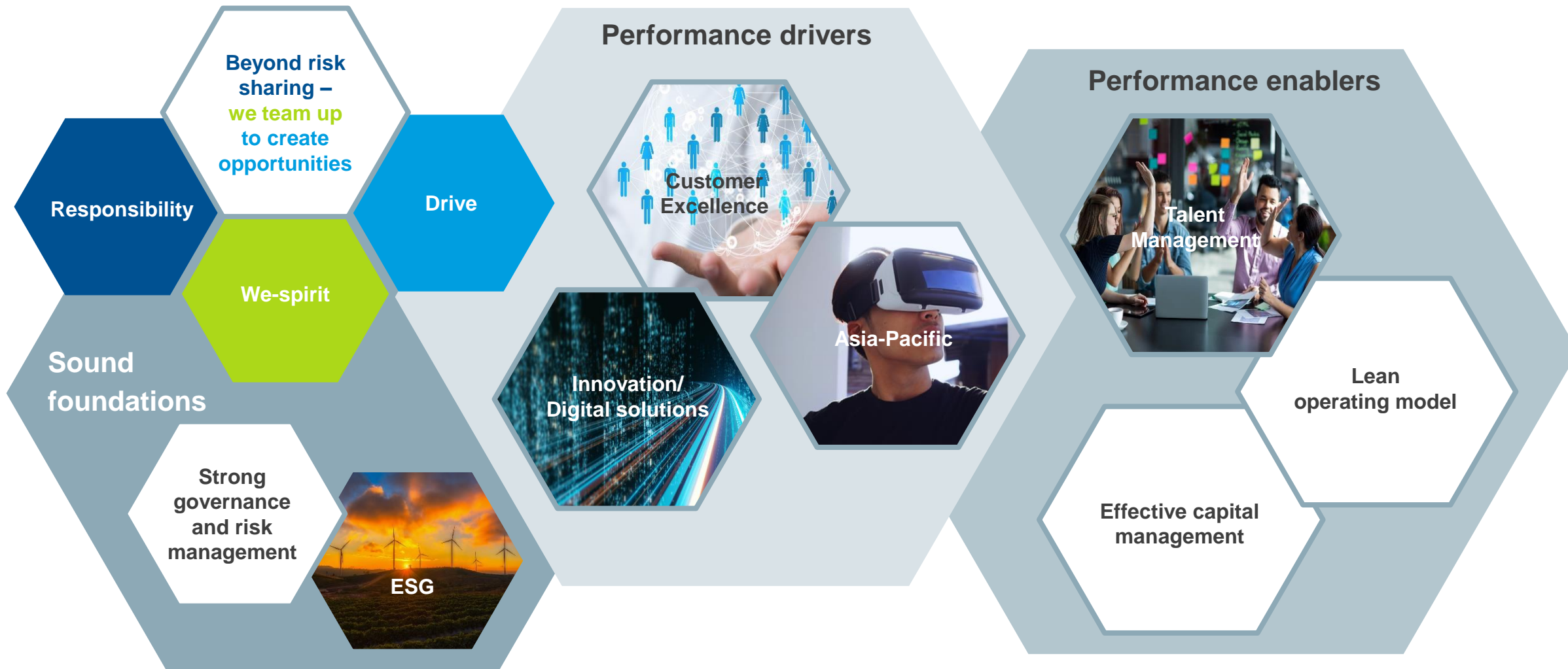
Group strategy 2021 - 2023

Building on strong business model to pursue outperformance journey



Group strategy 2021 - 2023

Building on strong business model to pursue outperformance journey

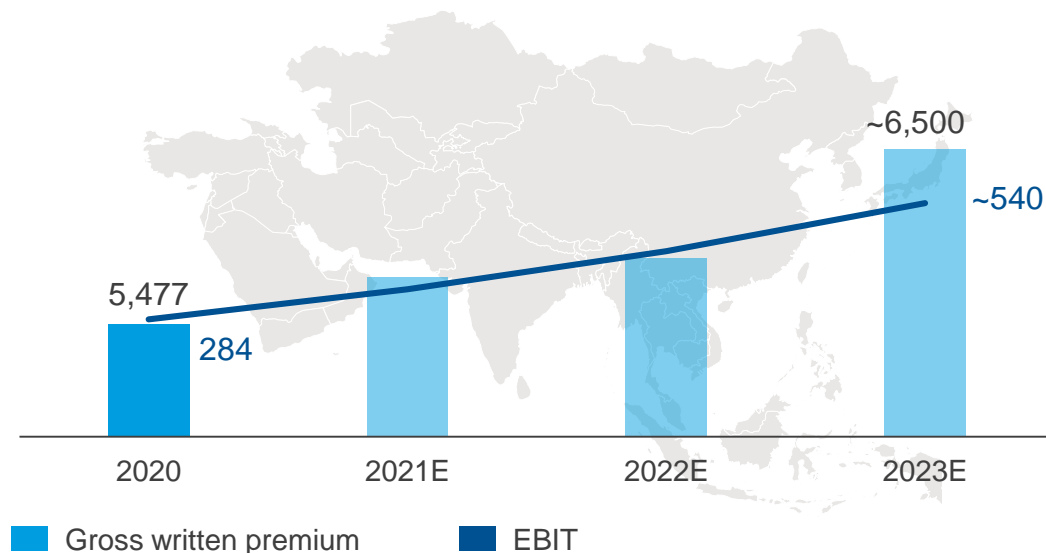


Asia-Pacific

We are successfully expanding our footprint in the region

Expected business development

in m. EUR



Ambition: EUR +140 m. additional EBIT by 2023

Well-defined growth initiatives with flexible responses to market and regulatory changes

- ✓ EBIT growth on-track to hit 2023 ambition

Life & Health

- ✓ Financial Solutions outperforming targets
- ✓ Selective U/W in Short-Term Health & Critical Illness

Property & Casualty

- ✓ Increased proximity to clients opens up new opportunities and strengthens partnerships
- ✓ Rising primary market penetration benefits growth in reinsurance



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- EBIT growth ambition and underwriting focus
- Focus on the business in which we have particular expertise
- Strong market knowledge – Delegated responsibility to empower our regional hubs

Innovation & Digital Strategy

We have defined two main themes to enable future growth

Digital health data

Provide cedents with leading digital health technology solutions



- Connected devices create new pools of data whose implications are barely considered
- (Re)insurers use this data to build deeper insights into behavior and risk
- Example: **VeoSens**

Direct digital distribution

Support cedents in acquiring digitally distributed business



- Rapid shift in product distribution from physical to virtual environment
- (Re)insurers provide capacity for digital companies
- Example: **parametrix**
insurance



Ambition: EUR +60 m. additional EBIT by 2023



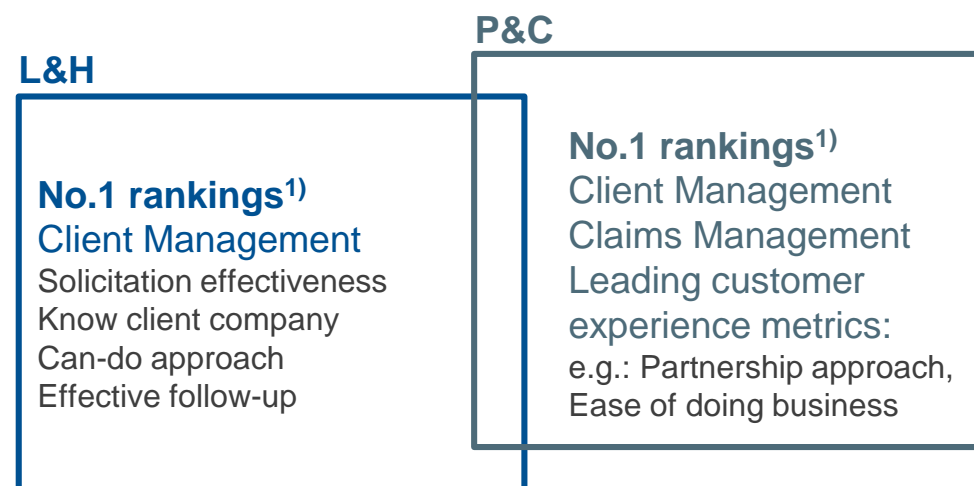
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- Committed to reinsurance – Focus on supporting digital ventures through our core business
- Selective investments – Clearly geared towards improving our core competencies

Client Excellence

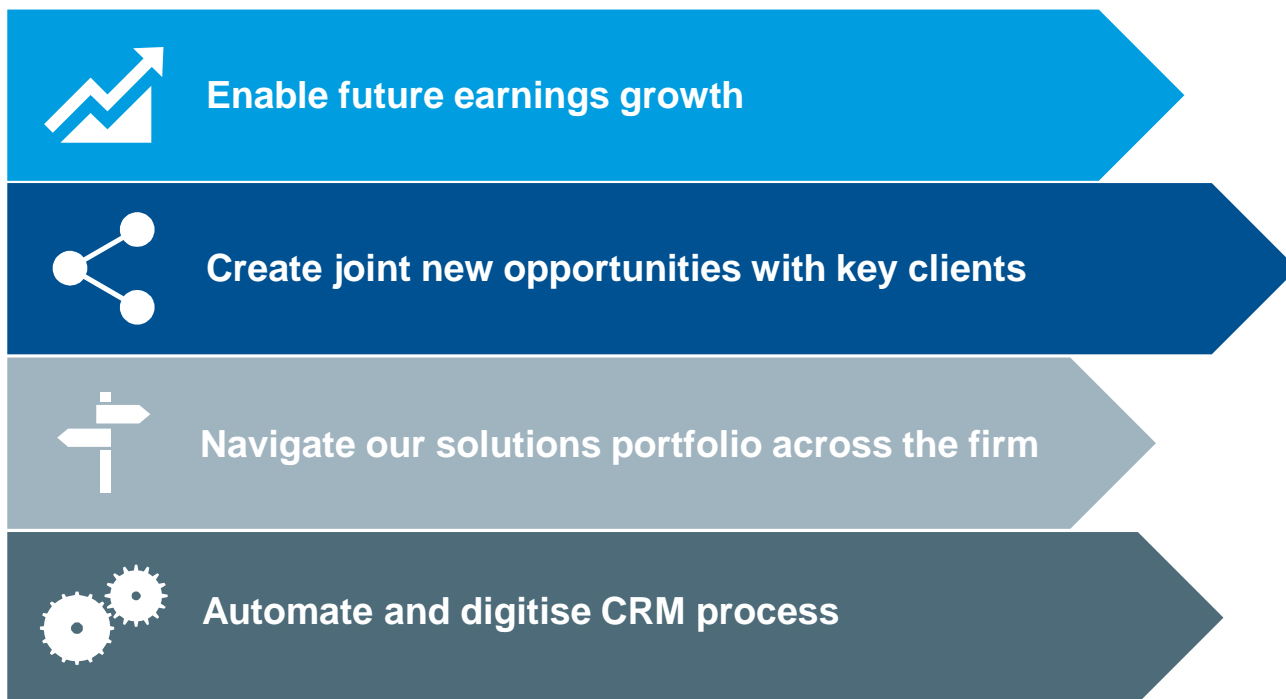
Creating today the infrastructure to manage growing client relationships tomorrow

Today ...



 **Ambition:** EUR +100 m. additional EBIT by 2023

... we master tomorrow's excellence for our clients



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- Driven by our underwriting expertise and client-centric culture
- Individualised rather than 'one-size-fits-all' approach
- Staying true to our lean operating model

¹⁾ NMG Global L&H Reinsurance Study 2020 (Target Markets) and NMG P&C Reinsurance Study 2021

Client Excellence

NMG global studies¹⁾ confirm strong customer loyalty

Life & Health

Best-in-class perceptions
No. 1 – Longevity

Business Capability Index (BCI) – Global
No. 1 – Key decision makers, Hannover Re leading partners

L&H
1,500 interviews
> 50 countries



P&C:
feedback from
> 2,000 individuals
across > 100 countries

Property & Casualty

Business Capability Index (BCI) – Global
No. 1 - All Insurers (Treaty Business)

No. 1 ranking regarding relationship importance – Global – all insurers - significant, positive trend over the years 2019, 2020 and 2021

Brand Associations



Brand Associations



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- The study confirms our client-centric culture and position as preferred business partner
- P&C: Our strong position with regard to brokers was confirmed and helps us access attractive opportunities
- L&H: Recognised market leader in longevity and No. 1 in various sub-categories

1) NMG Global L&H Reinsurance Study 2020 (Target Markets) and NMG P&C Reinsurance Study 2021

Talent Management

Purpose and value-driven leadership nurtures highly-skilled talent base



Ambition

Attract, develop and retain a skilled and dedicated workforce across the globe



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- Foster healthy performance culture
- Facilitate career moves across locations and functions
- Build strong succession plans at all levels

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ESG strategy

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ESG topics have gained unprecedented global awareness... ...and reflect the need to act decisively



Our ESG strategy

How we evolved in the past 18 months

Initiatives and commitments



- Participant in UN Global Compact
- Recognition of ILO core labour standards
- Human rights policy



- Signatory to UN Principles for Sustainable Insurance (PSI)
- Signatory to UN Principles for Responsible Investment (PRI)

ESG governance structure



- Strengthened ESG governance structure
- Regular Executive Board reviews



- Completion of ESG manual for facultative business

Climate action



- Execution of phased exit strategy for thermal coal



- Execution of climate strategy for asset management

2H/2021

Set net zero targets and participation in Net-Zero Insurance Alliance

Net zero targets

Comprehensive goal setting in core business and own business operations



Asset Management

- Climate strategy:
 - Decarbonisation: -30% of CO₂ footprint by 2025¹⁾
 - Active investment in sustainable assets
 - Engagement; via proxy voting
- Application of specific exclusion criteria – e.g. thermal coal, oil sands
- Negative screening / active divestment since 2012



Underwriting

- Exit from all risks connected with thermal coal and related infrastructure by 2038 in the entire P&C portfolio
- Participation in Net-Zero Insurance Alliance
- Application of specific exclusion criteria



Own business operations


- Carbon neutral at Head Office since 2016
- Certified according to ISO 14001 and publication of annual EMAS-III statements
- Extension of measures to further locations currently developed (e.g. expansion of data recording to at least 75% of the global workforce; compensation of all CO₂ emissions recorded by 2023)

¹⁾ Corporates, covered bonds and equities; compared to base year 2019

We have strengthened our ESG approach and visibility

Steady improvements confirm progress


ESG ratings 2021



ENVIRONMENTAL QUALITYSCORE
HIGHEST RANKED BY ISS ESG

Scale: 1 (best) – 10 (worst)

Rating: **1**



Corporate ESG Performance

RATED BY **ISS ESG**

Prime


Scale: A+(best) – D- (worst)

Rating: **C+**



Index name: FTSE4Good


Listed since: **2015**



SOCIAL QUALITYSCORE
HIGHEST RANKED BY ISS ESG

Scale: 1 (best) – 10 (worst)

Rating: **1**



MSCI ESG RATINGS

Scale: AAA – CCC

Rating: **A**



Index name: DAX 50 ESG

Listed since: **2020**

Ratings as at published on Investors' Day 2021
MSCI [disclaimer statement](#)

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Outlook 2022

Target Matrix

Strategy cycle 2021 - 2023

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

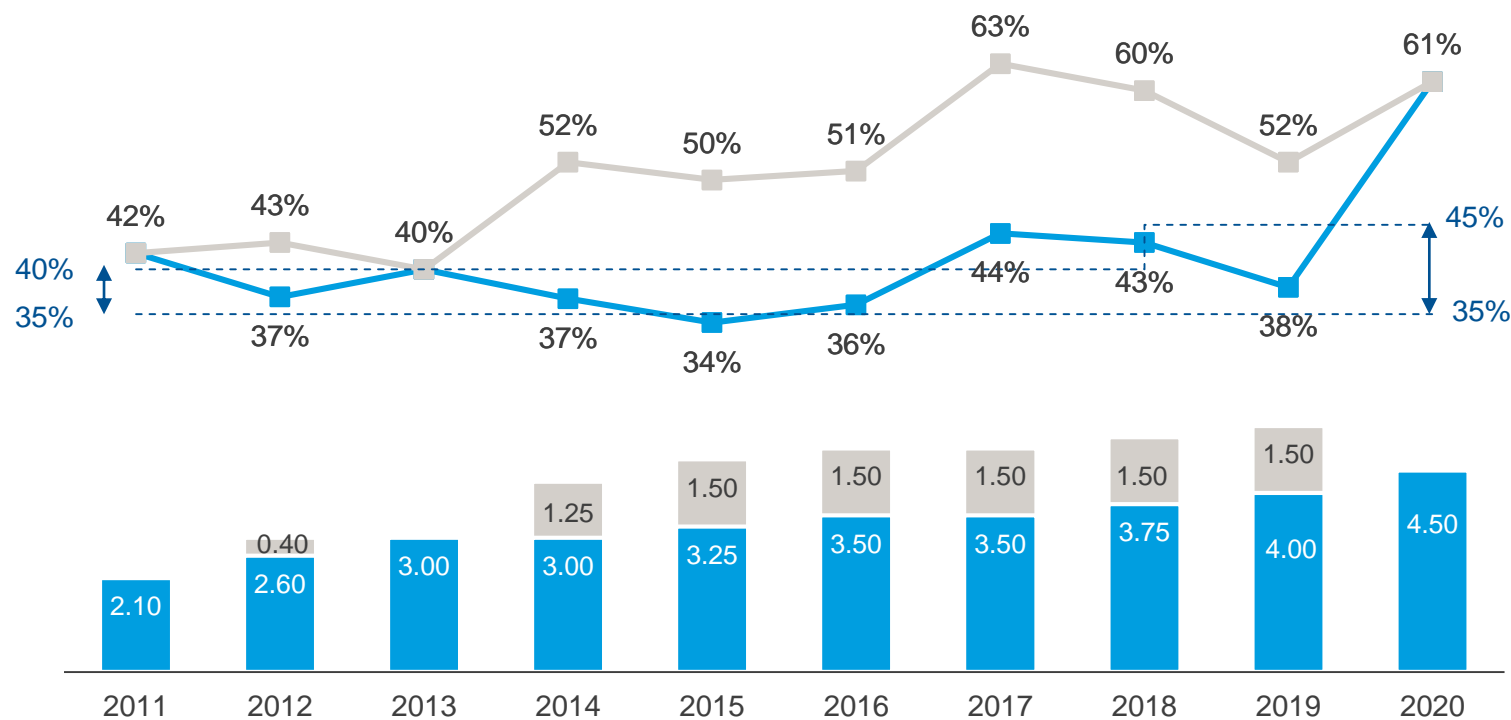
6) Based on Solvency II principles; pre-tax reporting

Stronger emphasis on continuity of ordinary dividend distribution

Continued use of special dividend for efficient and flexible capital management

Dividend per share

in EUR



■ Ordinary dividend per share ■ Payout ratio ordinary dividend per share
■ Special dividend per share
■ Total payout ratio dividend per share - - - - Target payout ratio

New dividend metric

Ordinary DPS ≥ prior year
 +
Special dividend

if capitalisation exceeds capital requirements for future growth and profit targets are achieved

- ➔ Continuity of ordinary dividend now more explicit
- ➔ Payout ratio target discontinued

Key takeaways



Enhanced growth through strategic initiatives



We are well on-track with our 2023 ambitions

- ✓ Asia-Pacific
- ✓ Innovation & Digital solutions
- ✓ Client Excellence
- ✓ Talent Management

ESG



- Underwriting, asset management and own business operations committed to net zero targets
- Steady ESG rating improvements
- Member of Net-Zero Insurance Alliance

Capital management



- Commitment to ordinary dividend continuity
- Flexibility through special dividends subject to capitalisation and performance

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