



*somewhat
different*

Hannover Re 2010 and beyond

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Chairman-elect of the Executive Board

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hannover **re**[®]

HANNOVER RE'S BUSINESS MODEL IS ROBUST

Relative to the effects of the current crisis

- The financial and economic crisis caused Hannover Re's first after-tax loss in 2008
- This was due to impairments and realised losses on our equity portfolio which were not tax deductible. This problem is behind us with the sale of our equity portfolio.
- The underwriting performance was favourable both in Life/Health and Non-Life as was the ordinary investment income
- Our market position was not impaired by the events of 2008 but rather improved as evident by our growing business in 2009

2008 problems are behind us

THE CRISIS ALSO HAS POSITIVE EFFECTS

- The financial crisis has resulted in an increased demand for reinsurance
- The financial crisis has reduced the capital base of the insurance industry and made reinsurance the most attractive way of managing the capital needs of primary insurers
- Due to higher perceived value of the reinsurance products as a result of the crisis, reinsurers are able to push the pricing upwards
- Hannover Re is well positioned to benefit from this increased demand due to its continued strong capitalisation
- Hannover Re's continued good financial strength rating and the stability in our approach to our clients have improved our market position relative to some of our peers

THE FUTURE CHALLENGES ARE MANAGEABLE

Baseline scenario

- Our baseline scenario is the so-called victory scenario which means
 - GDP growth comes back in 2010
 - inflation remains low
 - interest rates will rise

THE FUTURE CHALLENGES ARE MANAGEABLE (CONT'D)

Baseline scenario

→ This will result in:

- rising premiums for insurers which will also help reinsurers' top line
- claims cost will stay within expected parameters which should help the bottom line
- pressure on the OCI due to unrealised losses from the government bond portfolio (we at Hannover Re are actively managing this risk)
- these will, however, be mitigated by higher spreads of the corporate bonds and higher yields on new investments
- on balance, we should see better underwriting performance but lower investment earnings compared with the last 10 years

THE FUTURE CHALLENGES ARE MANAGEABLE (CONT'D)

Alternative scenario/inflation

- It is also possible that we see a sharp increase in inflation
- This would result in higher combined ratios due to increased claims with a time lag before premiums are increased
- Increased interest rates would put pressure on the OCI
- Higher cash flow and investment income on newly invested funds would mitigate the negative effects

THE FUTURE CHALLENGES ARE MANAGEABLE (CONT'D)

Alternative scenario/laggard

- We may have a continued lack of economic growth mid-term
- This would depress the insurance premiums as well as the investment earnings
- Reinsurance demand will stay high due to lack of other sources of capital for insurers and there will be no pressure on the OCI from government bonds as interest rates will be low

EXPECTED DEVELOPMENT NON-LIFE

- For the first time since 2002, we again see growth in our Non-Life top line which we expect to continue in 2010 and 2011
- This is due to the increased demand for reinsurance and our good market position
- Growth from surplus-relief transactions but also from our specialty lines and non-U.S. liability business
- We expect combined ratios around 97.5% as we expect a continued favourable reinsurance pricing environment
- We will write less nat. cat. exposed business in order to reduce the volatility of the business and due to lack of availability of retrocession capacity
- We will see continued retention ratios above 90%

EXPECTED DEVELOPMENT NON-LIFE (CONT'D)

- Long-term the business will remain cyclical
- The tendency for increased retention of the insurers may come back and suppress the growth of Non-Life reinsurance
- In order to safeguard our continued success we will further develop specialty lines (such as Agro and ReTakaful)
- We will also develop our expertise of the primary insurance business to be able to exploit insurance opportunities in collaboration with our insurance company clients
- Investment return will continue to be relatively low but this will be offset by a better underwriting performance
- No acquisition planned

EXPECTED DEVELOPMENT LIFE/HEALTH

- The acquisition of the ING portfolio marked a major step forward in the development of Hannover Life Re
- Not only did we acquire a profitable block of U.S. mortality business but we also bought the tools to exploit opportunities in the mortality business in the USA and beyond
- The financial crisis resulted in a substantial increase in reinsurance demand which we are well positioned to exploit
- In Europe, we have very good growth opportunities in the pension-buyout and enhanced annuity market which we have pioneered since the mid 90s
- With the recent set-up of our Hannover Life Re branches in China and Korea and our partnership agreements in India and Brazil, we have built the basis to grow in these important areas

THE VARIOUS EFFECTS OF THE RECESSION. . .

. . .on Hannover Re's Life/Health book of business

Life/Health Reinsurance	Effects on	
	Volume	Profitability
Financial Solutions	↑	↑
New Markets	↗	→
Bancassurance	↗	→
Multinationals	↗	→
Conventional Risk-R/I	↑	↓

FAVOURABLE DEVELOPMENT OF OUR LIFE/HEALTH BUSINESS

→ We expect:

- a top line growth of 12 to 15%
- a C/R (incl. funds withheld) in the region of 97%
- an EBIT margin of 6.5 to 7.5%

→ We will continue to look for suitable acquisitions but are currently not working on a concrete opportunity

ASSUMPTIONS FOR INVESTMENT MANAGEMENT. . .

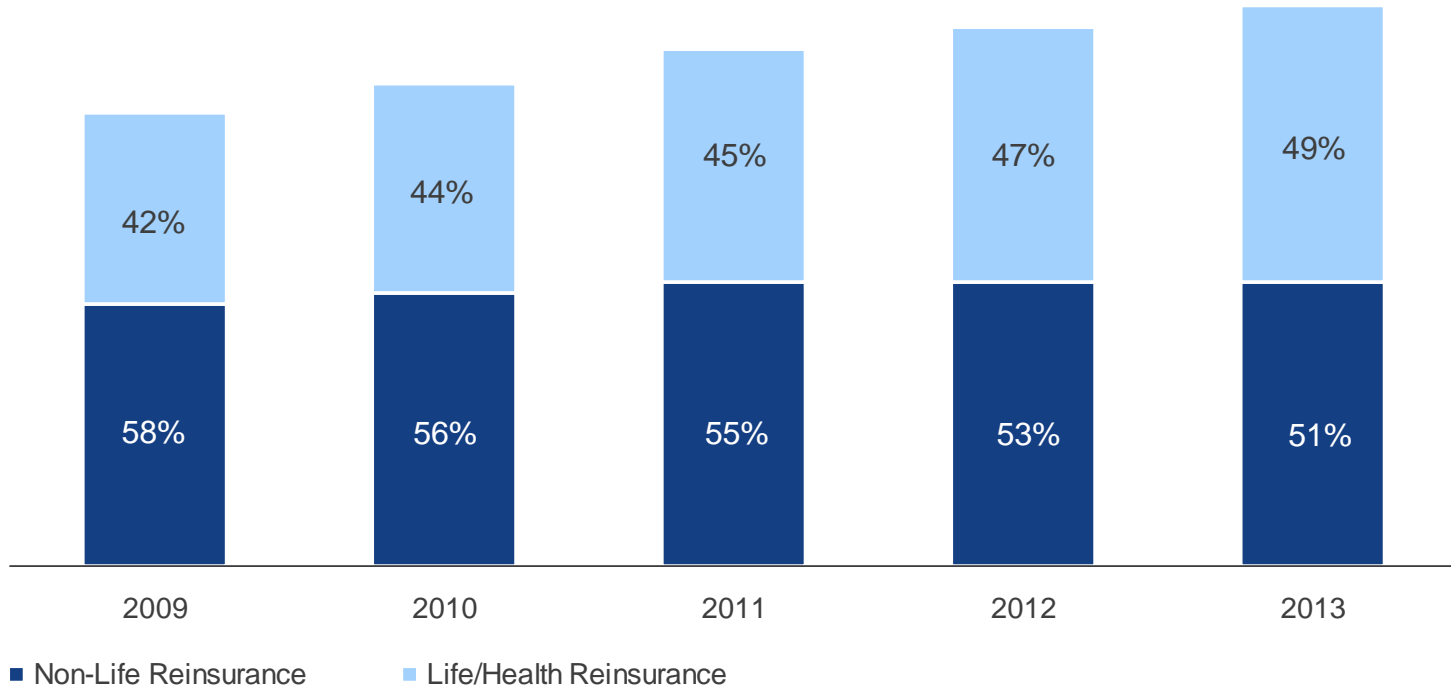
. . .reflect our conservative approach

- Investment growth 6%: We expect a continued positive cash flow which should result in a significant growth of our investments under own management
- Reinvestment in equities: We will consider to invest in equities by end of 2009 which should result in a notable involvement in 2010 and 2011
- We will continue with efforts of increasing our investments in real estate up to 5% of our total investments
- This will lead to a reduced allocation of fixed-income securities
- In the next 2 to 3 years we expect a return on investments between 3 to 4% rising to around 4% by 2013

What can we expect during the next 5 years?

GROWING LIFE/HEALTH COMPONENT AT THE TOP LINE

in % of gross written premium



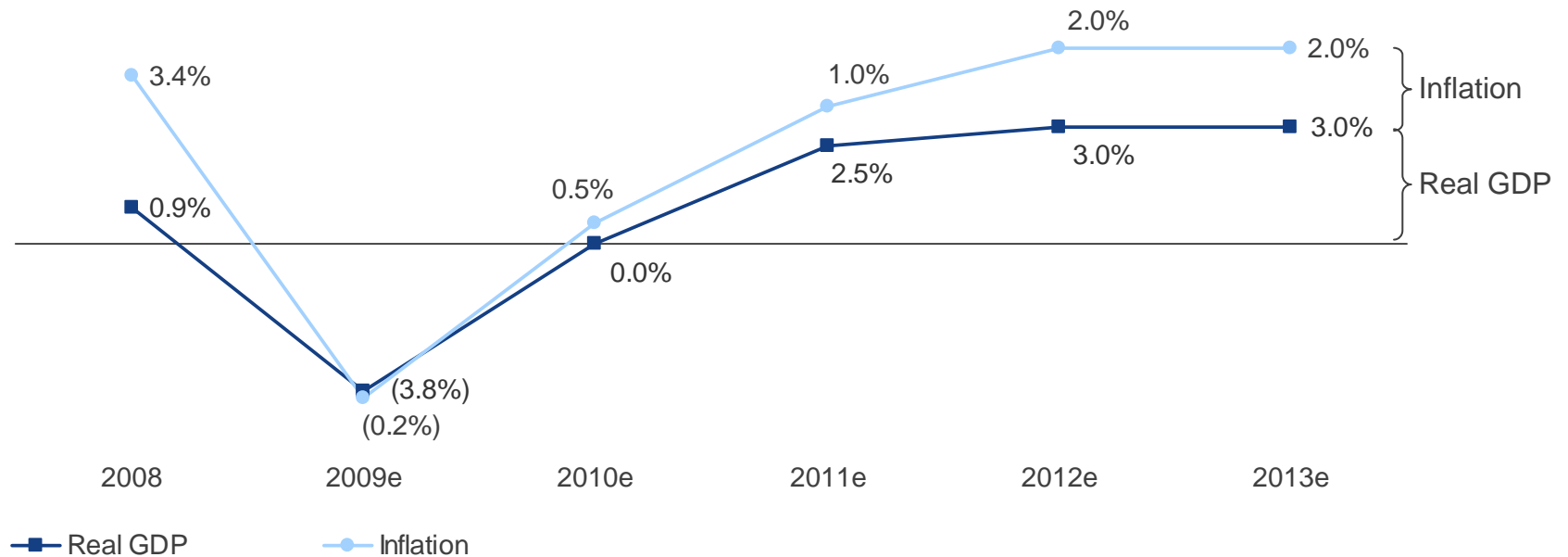
Hannover Re reduces volatility

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What can we expect during the next 5 years?

ASSUMPTION FOR ECONOMIC DEVELOPMENT

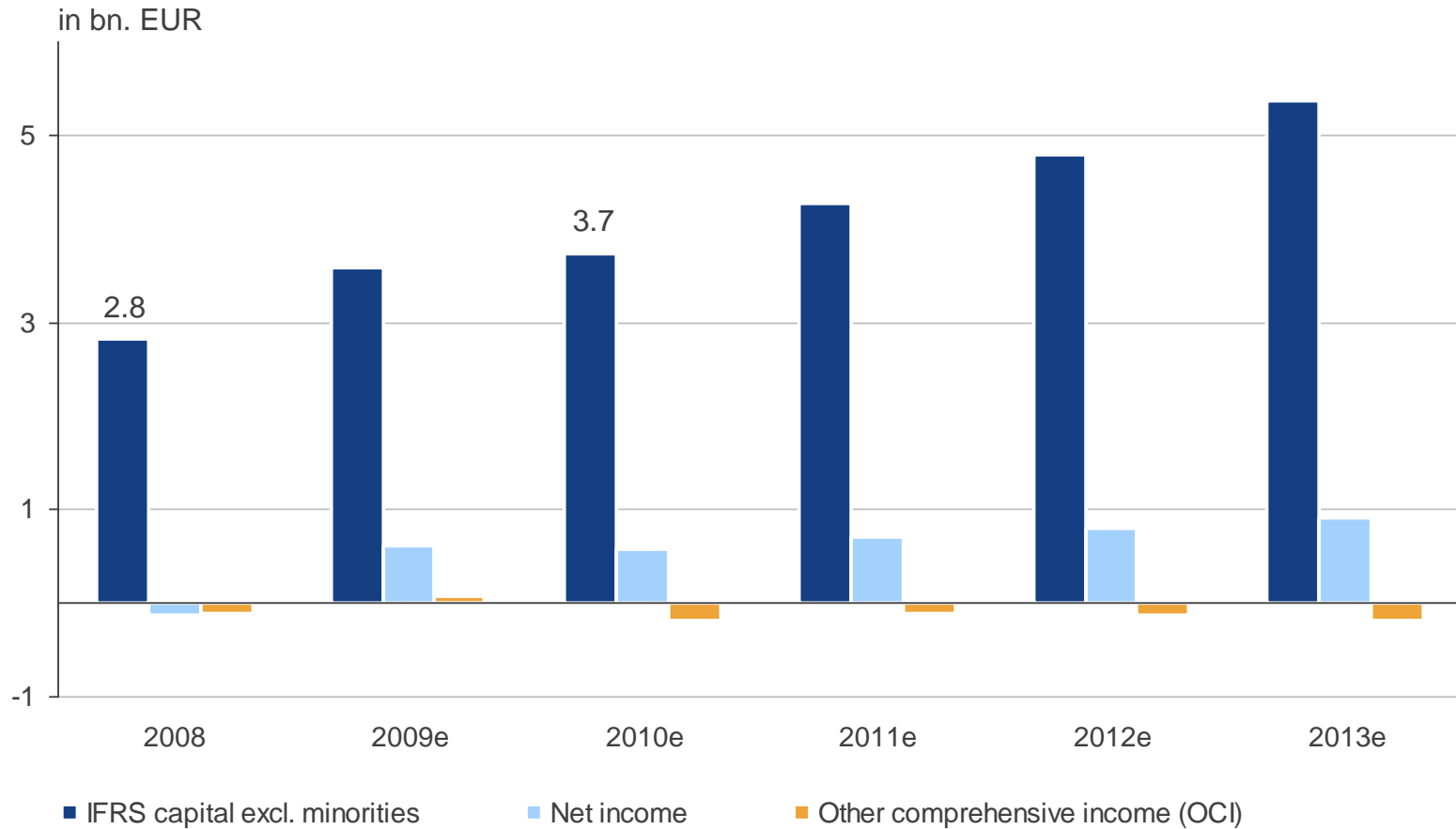
Victory scenario



What can we expect during the next 5 years?

EQUITY GROWTH IMPACTED BY NEGATIVE OCI

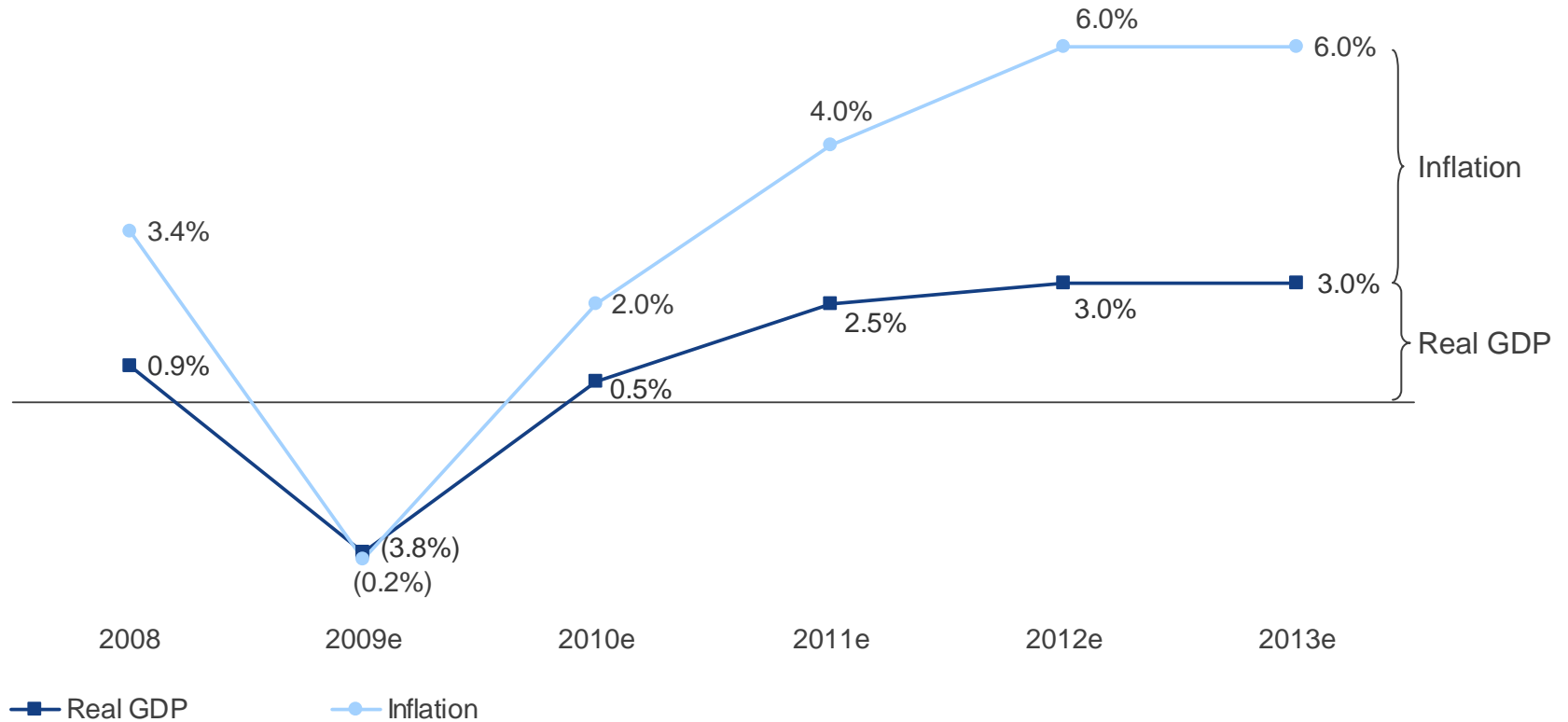
Victory scenario: Hannover Re Group



What can we expect during the next 5 years?

ASSUMPTION FOR ECONOMIC DEVELOPMENT

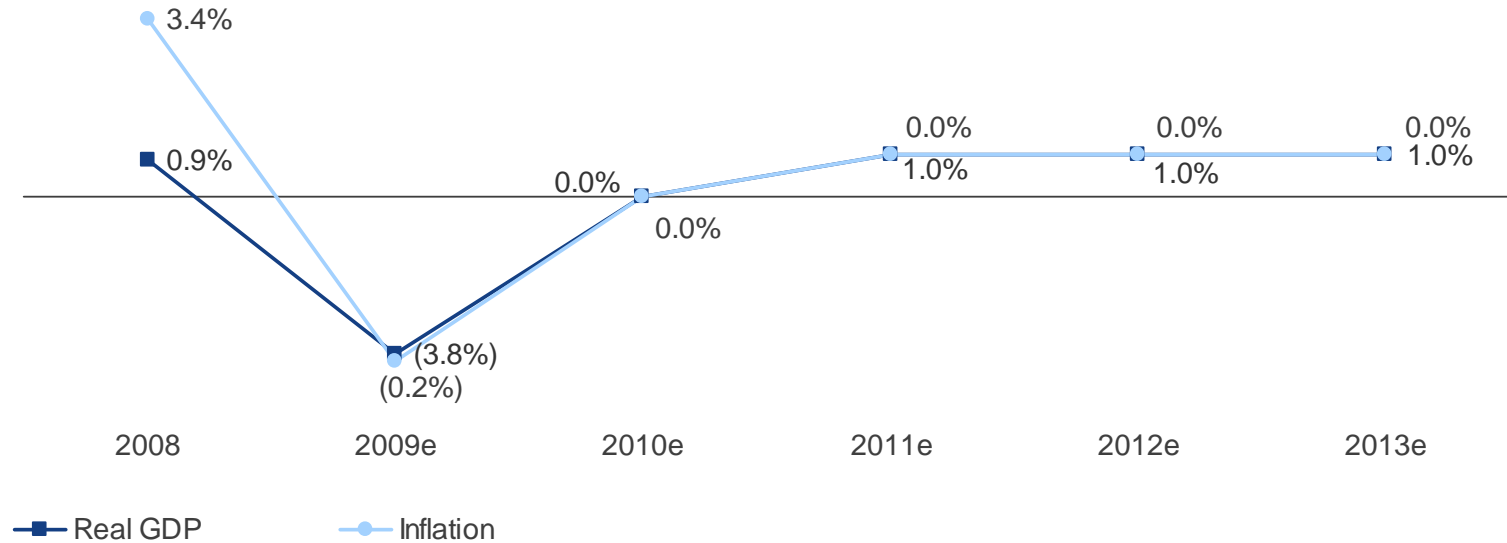
Inflation scenario



What can we expect during the next 5 years?

ASSUMPTION FOR ECONOMIC DEVELOPMENT

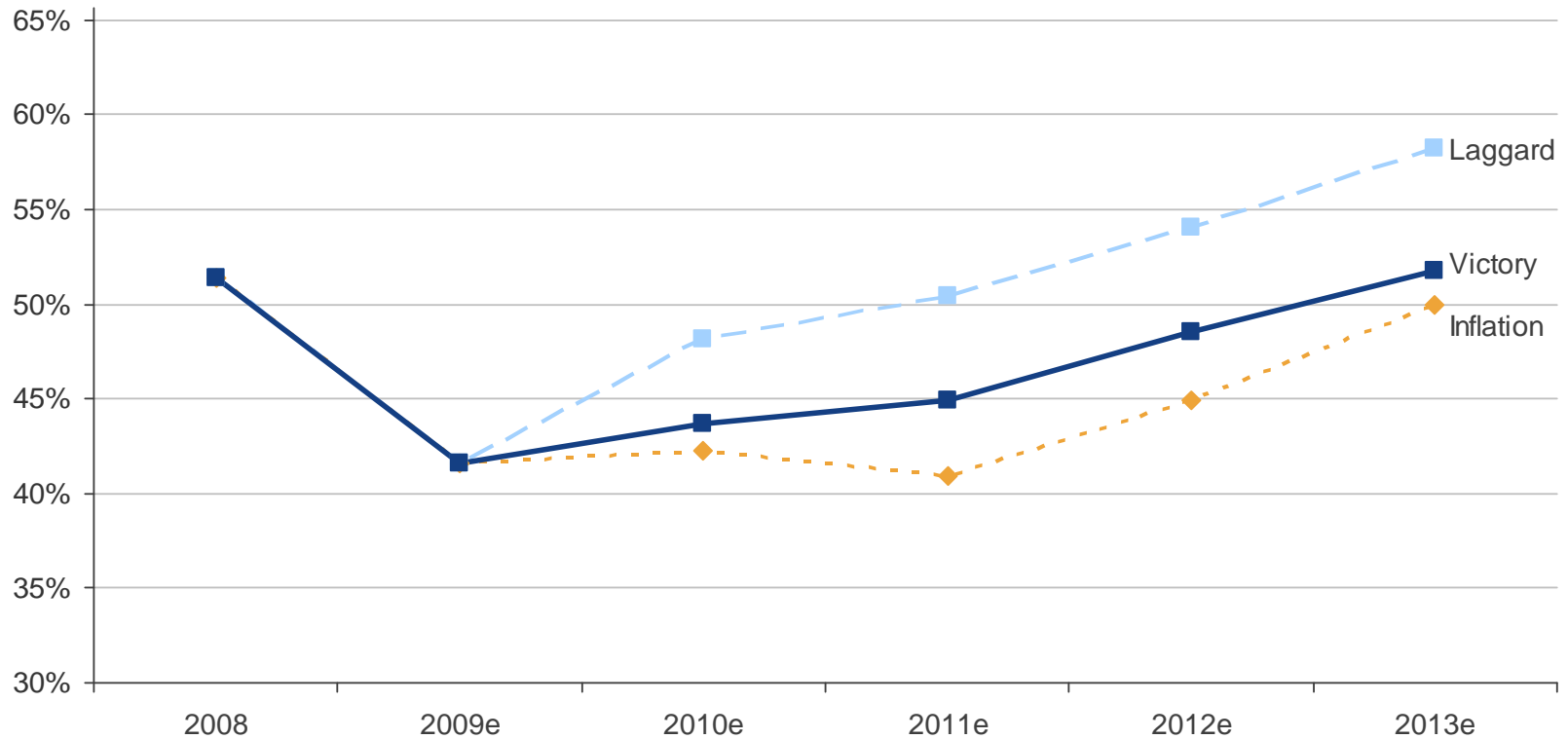
Laggard scenario



What can we expect during the next 5 years?

POSITIVE TREND IN EACH SCENARIO. . .

. . .proves solid business model



Shareholders' equity in % of net premium earned

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