



somewhat  
different

## Pursuing the outperformance journey

Jean-Jacques Henchoz, Chief Executive Officer  
22<sup>nd</sup> International Investors' Day  
Frankfurt, 23 October 2019

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# Agenda

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- 1 Our position in the reinsurance market
  - 2 Our business model: successful being "somewhat different"
  - 3 Outlook: outperforming tomorrow
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**Our position in the  
reinsurance market**

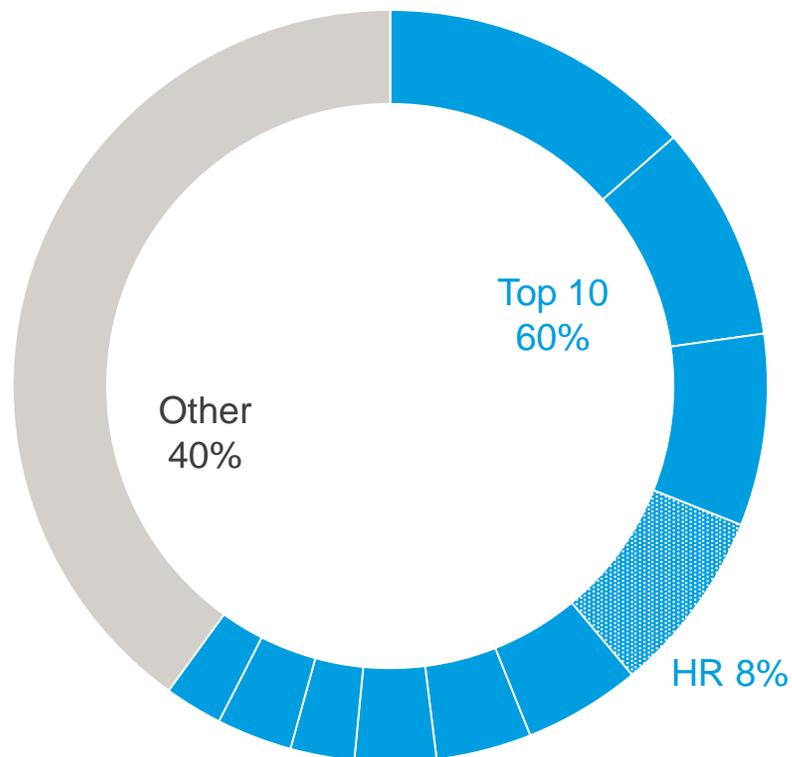


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# Property and Casualty reinsurance market

## Hannover Re outperforms the market with profitable growth

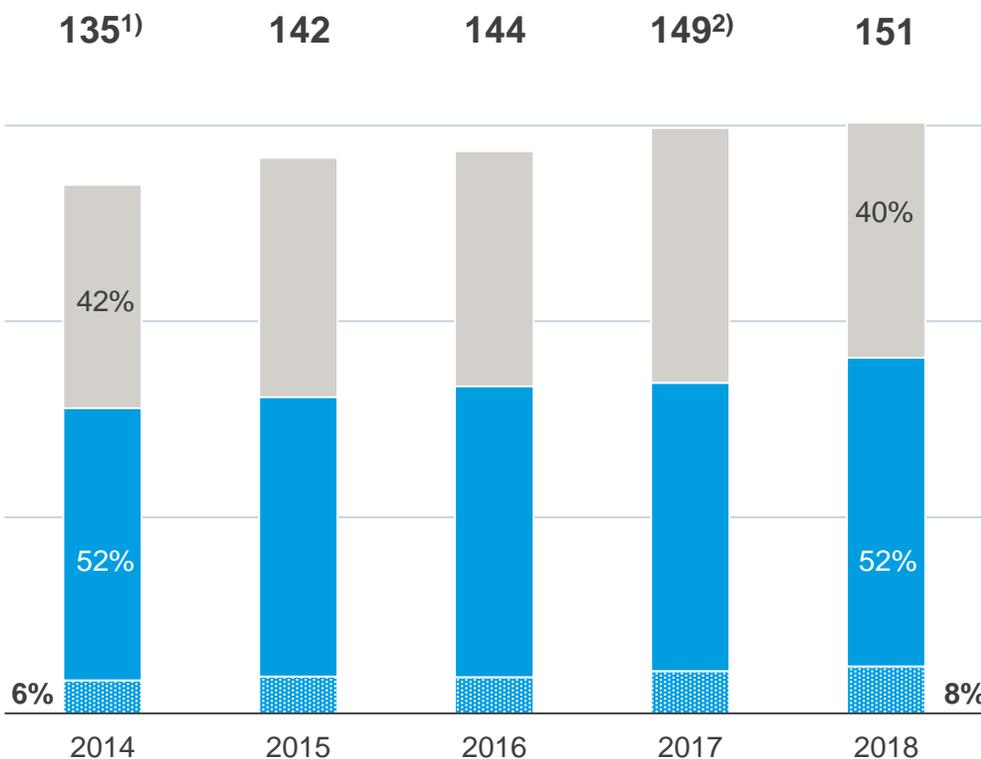
### Market size and concentration 2018



Source: own research as at May 2019  
 Top 10 in 2018: MR, SR, Lloyd's, HR, Berkshire Hathaway, SCOR, Everest Re, GIC India, XL Group, Alleghany  
 Top 10 ranking for each year  
 1) F/x adjusted (2015 rates)  
 2) Berkshire Hathaway excl. AIG deal

in bn. EUR

4-year CAGR



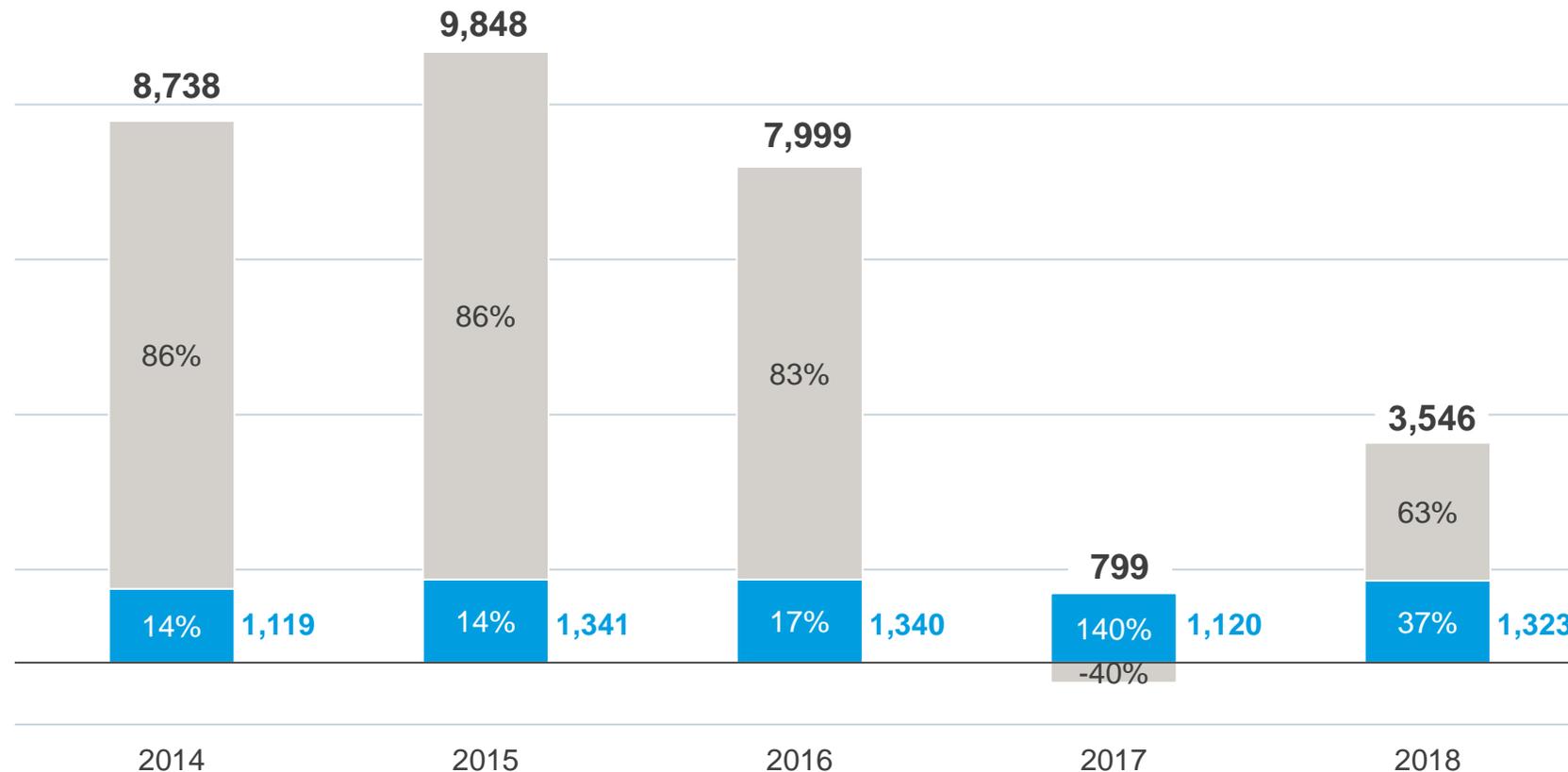
Category	4-year CAGR
Market	+2.9%
Other	+1.6%
Top 10	+3.8%
HR	+9.4%

# Strong and steady P&C EBIT contribution across market cycles

## Hannover Re with stable earnings despite losses in 2017 and 2018

Market share of peer group Property & Casualty EBIT

in m. EUR



### CAGR of EBIT (absolute)

Total	-20.2%
Peers	-26.3%
Hannover Re	+2.7%

Source: own research as at May 2019  
Peers: Munich Re, Swiss Re, SCOR, Everest Re

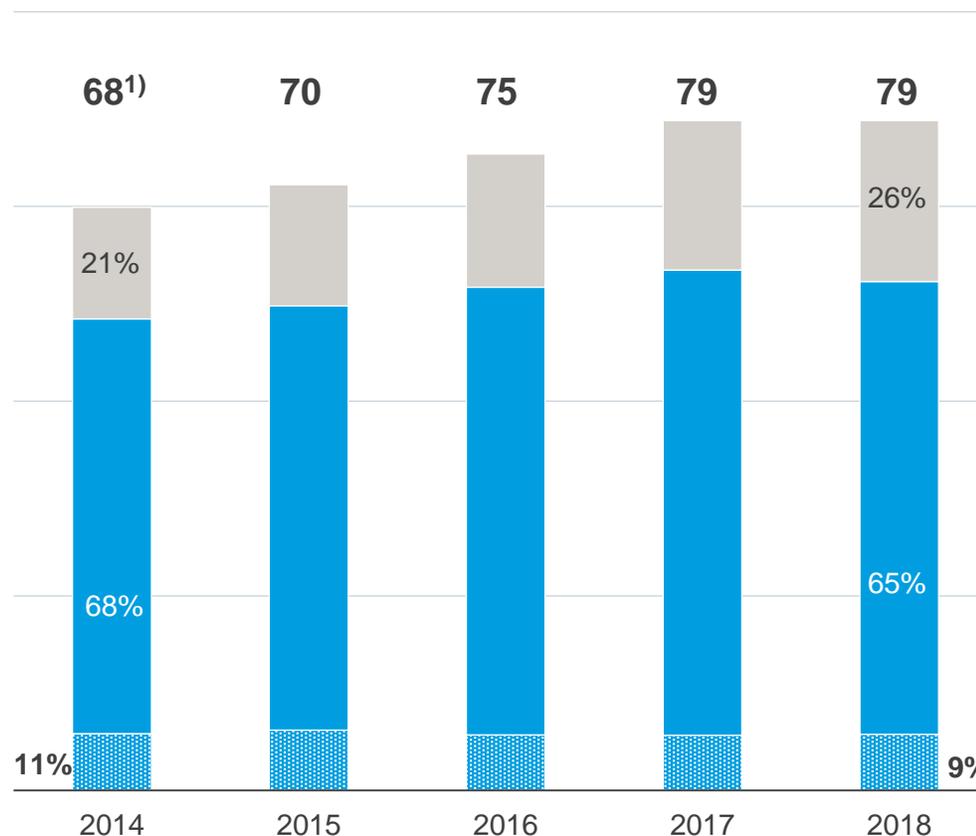
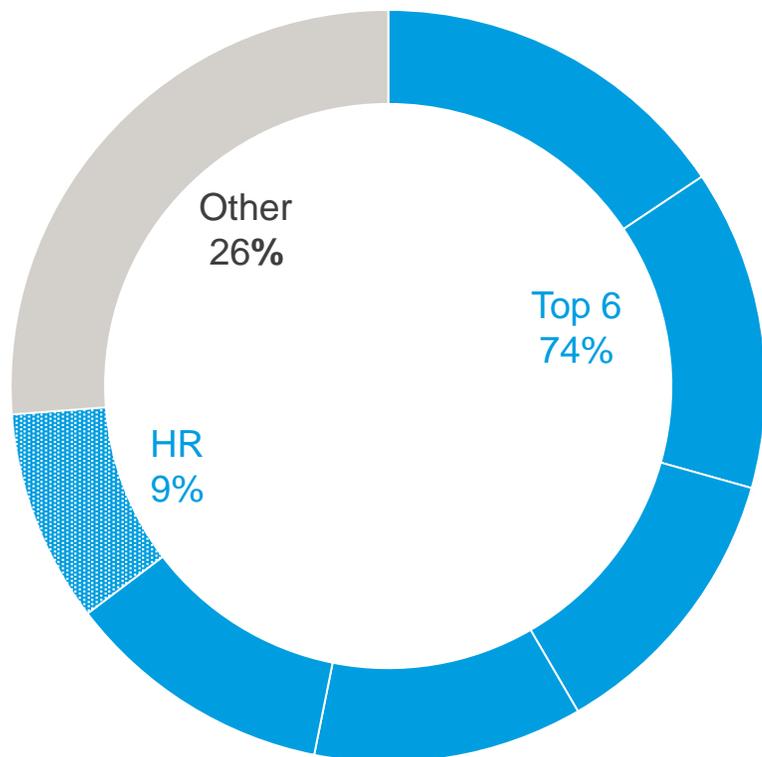
# Life and Health reinsurance market

## HR's market share reflects conservative approach to commoditised segments

### Market size and concentration 2018

in bn. EUR

4-year CAGR



Segment	4-year CAGR
Market	+3.9%
Other	+9.6%
Top 6	+2.2%
HR	-0.4%

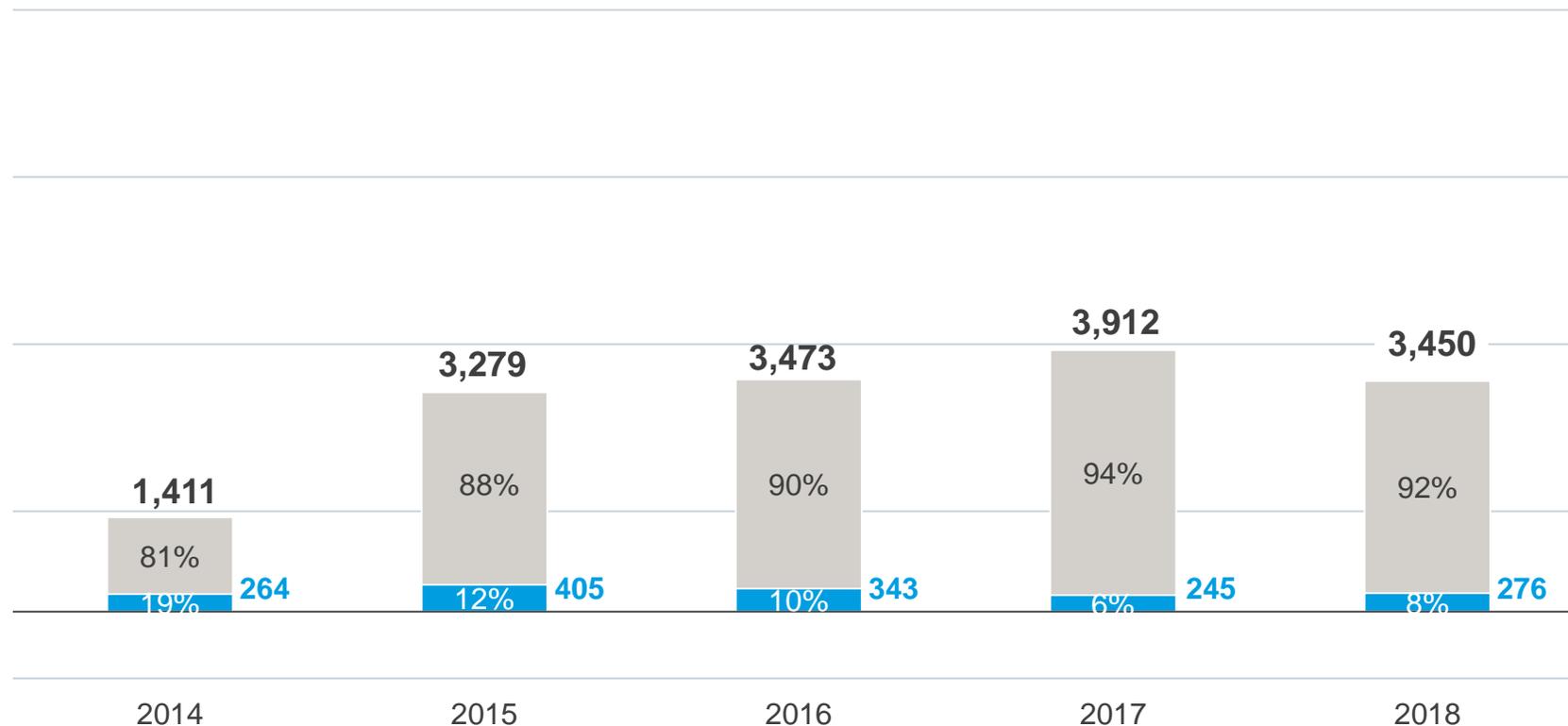
Source: own research as at May 2019  
 Top 6 in 2018: Swiss Re, Munich Re, RGA, SCOR, Grest-West Lifeco, Hannover Re  
 Top 6 ranking for each year  
 1) F/x adjusted (2015 rates)

# Solid EBIT contribution in Life & Health

US mortality market has been a source of earnings volatility

Market share of peer group Life & Health EBIT

in m. EUR



## CAGR of EBIT (absolute)

Total	+25.1%
Peers	+29.0%
Hannover Re	+1.1%

Source: own research as at May 2019  
Peers: Munich Re, Swiss Re, SCOR, RGA

# Reinsurance is an attractive market with earnings growth potential ... ... whilst offering us the opportunity to create value for our clients

## Demand drivers



### Global trends

- Value concentration
- Protection gap
- Demographic change

### New products/markets

- Emerging markets
- Digitalisation/Cyber
- Emerging risks

### Capital requirements

- Regulatory changes
- Risk-based capital models
- Ratings, local GAAP, IFRS

### Volatility

- Earnings expectations from shareholders

## Impact on insurance



- **New risks** lead to volatility and require additional know-how
- **Capital requirements** are challenging/**cost of capital** needs to be competitive
- **Earnings volatility** needs to be managed

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- **Strong capital base** and **diversified portfolio**
- **Services** to assess new risks or move into new markets
- **Solutions** to
  - reduce cost of capital
  - meet capital requirements
  - manage earnings volatility

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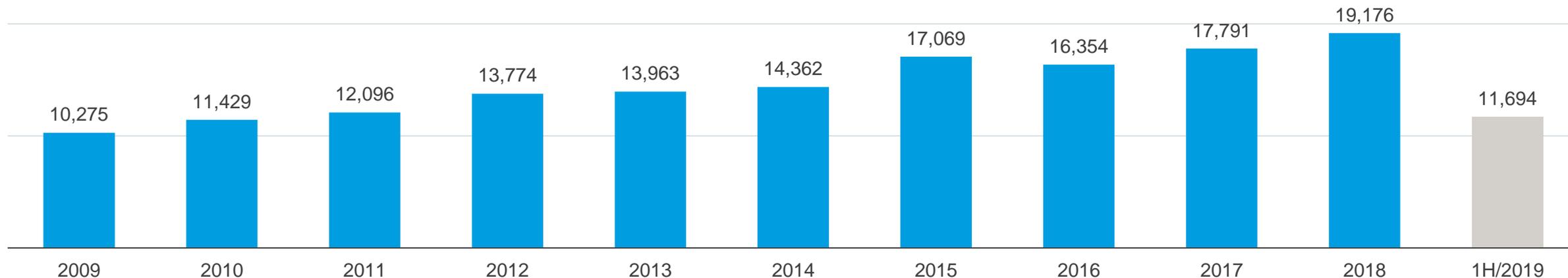
**Our business model:  
successful being  
"somewhat different"**

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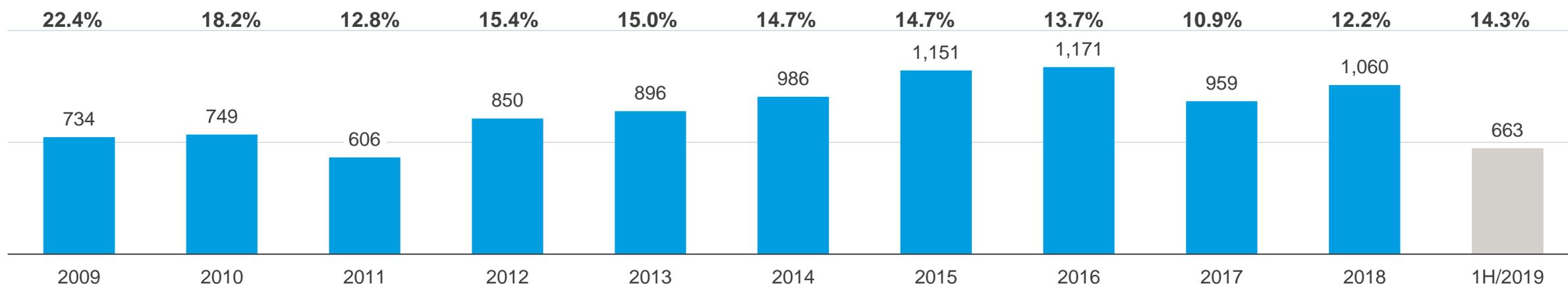
# Our “somewhat different” approach is highly effective

## Business model continuity is key to further success and outperformance

### Gross written premium

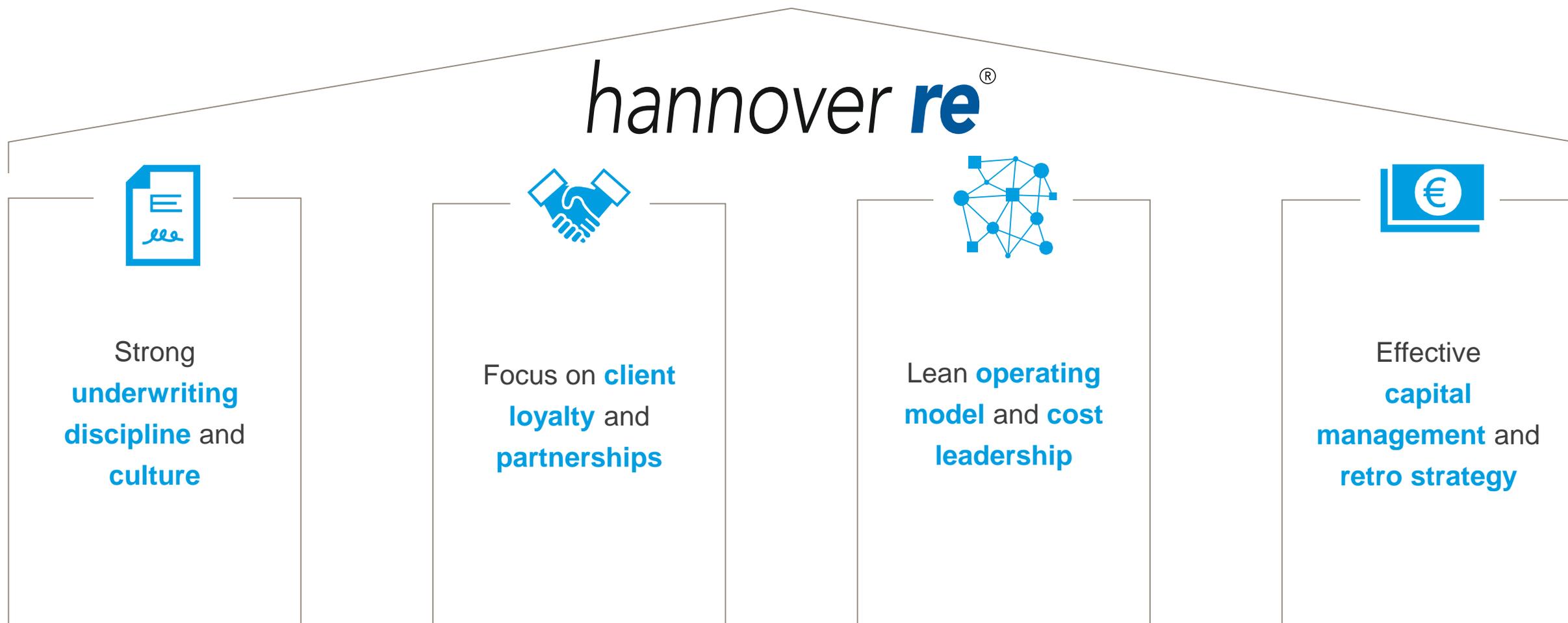


### Group net income/Return on equity



# Hannover Re's strengths lie in its corporate culture and operating model

## Four competitive advantages we need to maintain and strengthen



# Superior return with relatively low volatility

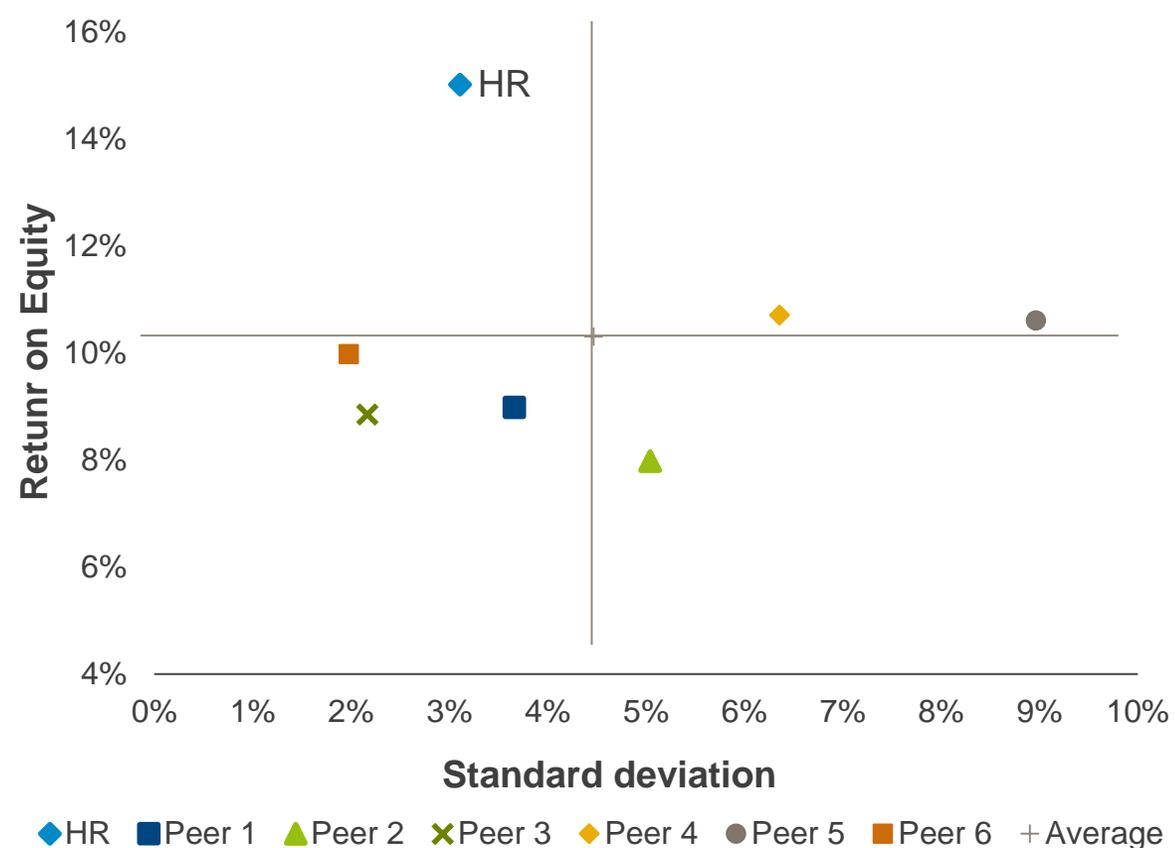
## Hannover Re's RoE outperformance

5 years (2014 – 2018 annualised)

in %

10 years (2009 – 2018 annualised)

in %



1) Peers in alphabetical order: Everest Re, Munich Re, Renaissance Re, RGA, Scor, Swiss Re; own calculation based on annual reports, RGA excl. effect from US tax reform in 2017

# Successful execution of our strategy 2018 – 2020

## Hannover Re's Group target matrix

Business group	Key figures	Strategic targets	2018		1H/2019	
Group	Return on investment <sup>1)</sup>	≥ 2.7% / ≥ 2.8%	3.2%	✓	3.5%	✓
	Return on equity <sup>2)</sup>	≥ 9.4%	12.2%	✓	14.3%	✓
	Earnings per share growth (y-o-y)	≥ 5%	10.5%	✓	19.3%	✓
	Economic value creation <sup>3)</sup>	≥ 6.4%	8.1%	✓	n.a.	
	Solvency ratio	≥ 200%	245.7%	✓	248.8% <sup>4)</sup>	✓
Property & Casualty R/I	Gross premium growth <sup>5)</sup>	3 - 5%	16.2%	✓	18.4%	✓
	Combined ratio <sup>6)</sup>	≤ 96% / ≤ 97%	96.5%		96.7%	✓
	EBIT margin <sup>7)</sup>	≥ 10%	12.2%	✓	11.0%	✓
	xRoCA <sup>8)</sup>	≥ 2%	9.0%	✓	n.a.	
Life & Health R/I	Gross premium growth <sup>9)</sup>	3 - 5%	4.6%	✓	7.4%	✓
	Value of New Business (VNB) <sup>10)</sup>	≥ EUR 220 m.	EUR 290 m.	✓	n.a.	
	EBIT growth <sup>11)</sup>	≥ 5%	12.5%	✓	30.3%	✓
	xRoCA <sup>8)</sup>	≥ 2%	-2.4%		n.a.	

1) Excl. effects from ModCo derivatives

3) Growth in economic equity + paid dividend; target: 600 bps above 5-year average return of 10-year German government bonds

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

7) EBIT/net premium earned

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

11) Annual average growth over a 3-year period

2) After tax; target: 900 bps above 5-year average return of 10-year German government bonds

4) According to our internal capital model and Solvency II requirements as of 31 March 2019

6) Incl. large loss budget of EUR 875 m.

8) Excess return on allocated economic capital

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

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Outlook:  
outperforming  
tomorrow

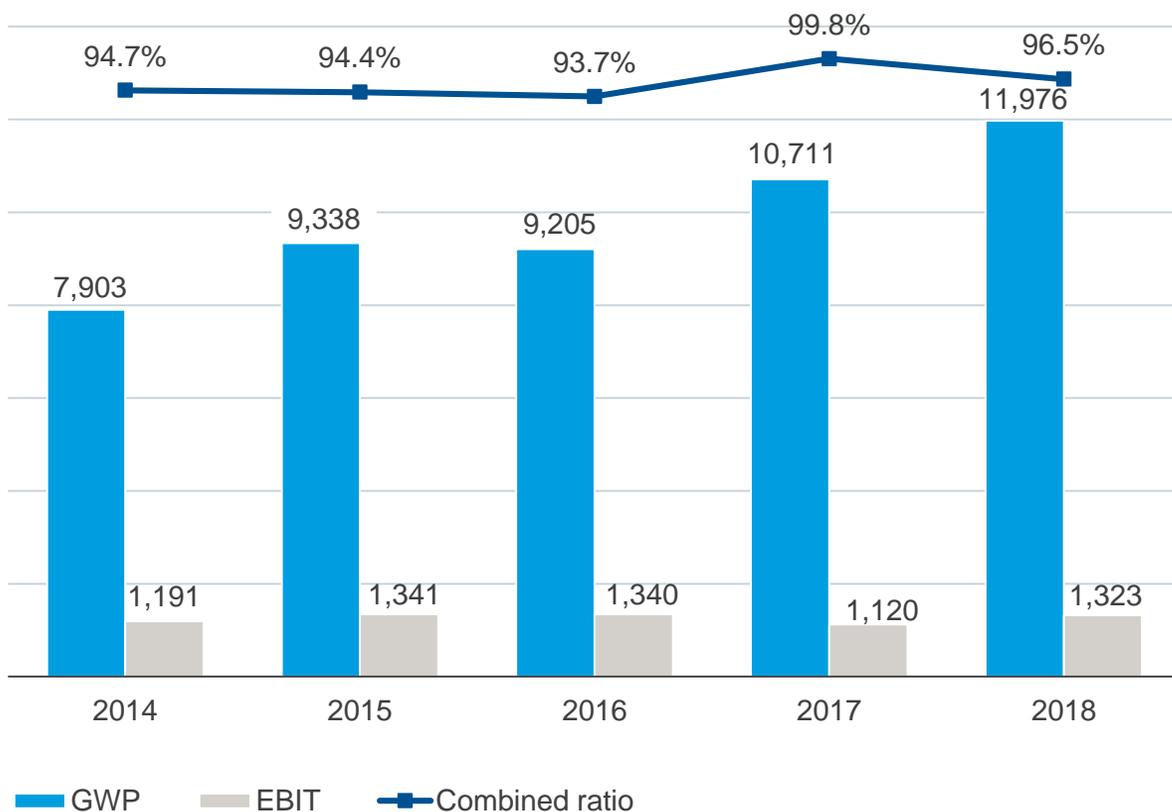


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# Our strategy will continue to build on our competitive strengths

## Property & Casualty reinsurance

**Property & Casualty GWP and EBIT development**  
in m. EUR



- Strong **market franchise** combined with **broker distribution channel** offer continuous growth as preferred partner
- Leading position and continued profitable growth potential in our core markets **Europe** and **North America**
- Excellent reputation and growth outlook in **Specialty lines** and **Cyber reinsurance**
- Well-positioned to benefit from the growing importance of **Structured Solutions**
- Strict **adherence to margin requirements** and **conservative reserving**

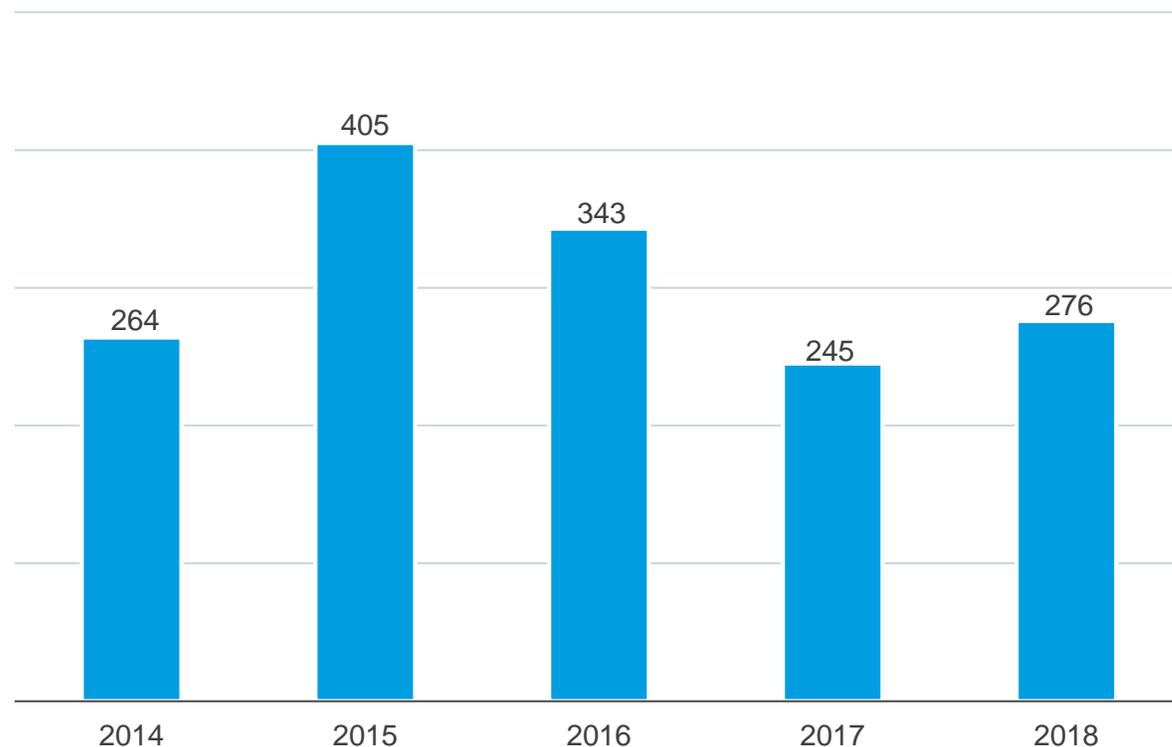
**Continued profitable growth and underwriting discipline**

# Our strategy will continue to build on our competitive strengths

## Life & Health reinsurance

### L&H EBIT development

in m. EUR



- Strong **global network** offering solutions to support our clients' **underwriting** and **product development**
- Building on **core competencies** and **client partnerships**
- Leading position in **Financial Solutions** and continued growth in **Longevity**
- Stringent monitoring of **in-force portfolios** and continued focus on management of **US mortality book**
- Gaining momentum with **innovation** and **digital partnerships**

**Expanding market position with strong in-force management**

# Some additional key success factors will be required for Hannover Re to outperform in the future



Accelerate our **Asia-Pacific growth strategy**



Foster **digital innovation** to broaden revenue base and strengthen partnerships



Seek leadership in **customer centricity** and broaden client relationships



Win the **competition** for talents and **develop key talents**

## Accelerate our Asia-Pacific growth strategy

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- Share of **global insurance premiums** continuously shifting to the APAC region (45% by 2027)
- **New target framework** based on systematic analysis of potentials
- **Strengthening regional footprint** to support long-term earnings growth
- **Lean structures** with **empowered management** to secure speed of execution
- **Increase our market share** without compromising on profitability in this competitive region

# Foster digital innovation to broaden revenue base and strengthen partnerships



- Enhancing data analytics capabilities and developing new solutions for our clients
- Current examples include Personal Lines in Asia, ReFlex, hr | equarium, es | Tmatik, Perseus
- Aspiration to further expand cooperation with selected new market entrants and InsurTechs
- Active participation in industry initiatives like Rüschtikon, RITA, B3i
- Continued focus on writing new risks such as Cyber reinsurance

## Seek leadership in customer centricity and broaden client relationships



- Unlock potentials with existing and new clients
- Further expand holistic customer-centric approach
- Continue to live culture of cooperation and knowledge sharing for the benefit of the client
- Utilise cross-selling potential across markets
- Adapt ourselves to the clients' organisational and purchasing requirements in an efficient way

## Win the competition for talents and develop key talents



- Secure effective **talent sourcing and recruitment** and further strengthen the candidate's journey
- **Foster mobility** across markets and functions
- Further develop **leadership skills and competencies**
- **Strengthen succession plans** and prepare the new generation of underwriters

# Our ambition for the next strategy cycle

## Striving for performance at full potential

The recognised **client-centric reinsurer**



The profitably growing, consistent **industry outperformer**



The **go-to partner** for insurers, brokers and new entrants



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