



somewhat
different

1 Jan 2013 Non-Life Treaty Renewals

Hannover, 4 February 2013

hannover **re**[®]

Important note

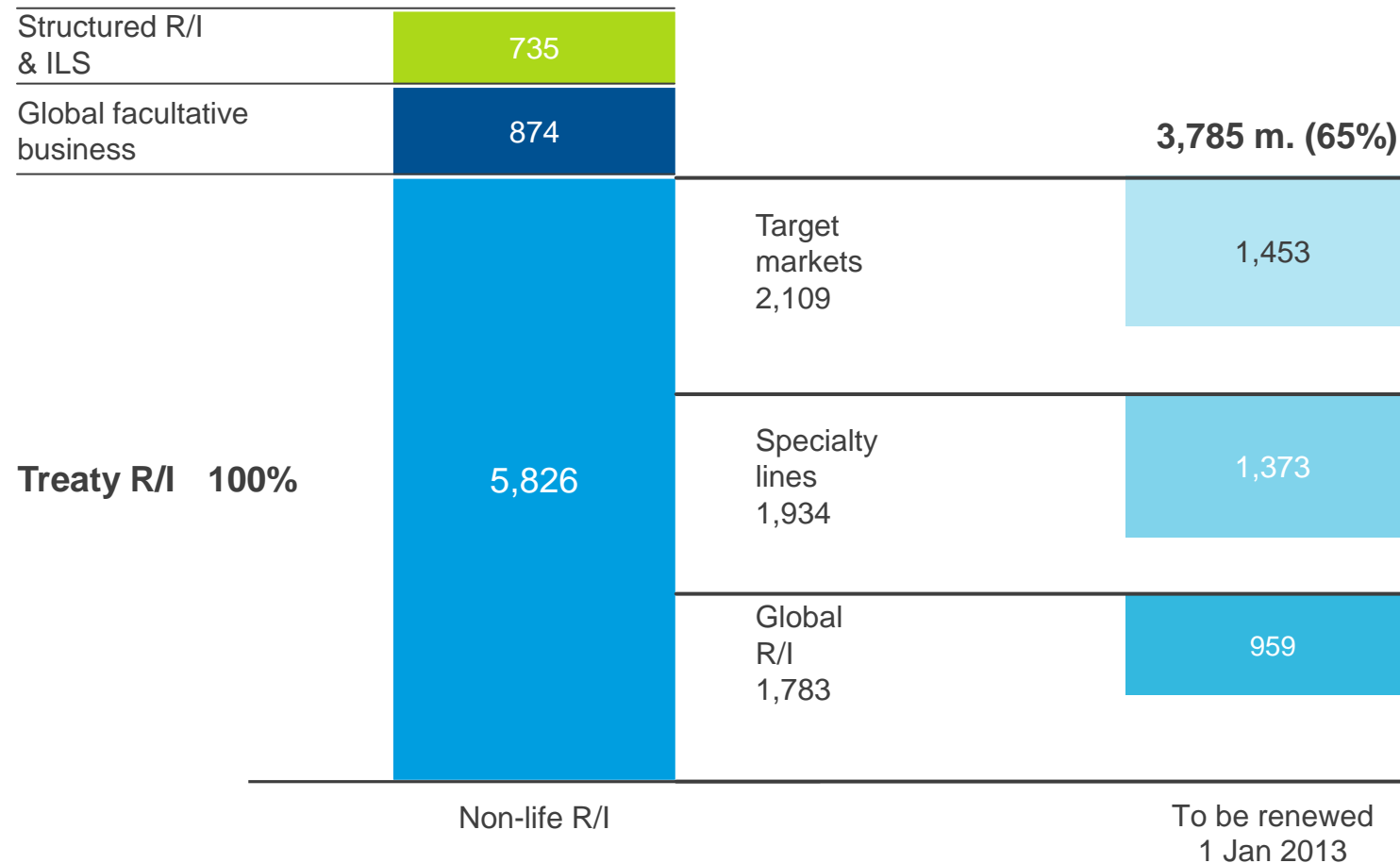
- ▶ Unless otherwise stated, the **renewals part** of the presentation is based on **underwriting-year (U/Y) figures**. This basis is only remotely comparable with calendar-year (C/Y) figures, which are the basis of quarterly and annual accounts.
- ▶ The situation shown in this presentation exclusively reflects the developments in **Hannover Re's portfolio**, which may not be indicative of the market development.
- ▶ Portfolio developments are measured at **constant foreign exchange rates** as at 31 December 2012.

65% of treaty reinsurance (R/I) renewed in 1 January 2013

Equates to 51% of the total non-life premium

Estimated premium income U/Y 2012

in m. EUR



Solid but competitive renewal session

Reinsurance market highlights

- ▶ Rates increased for loss-impacted treaties
 - Sandy-affected treaties up to +30%
 - Marine +15% to +25%
- ▶ Prices for loss-free programmes remained stable or saw minimal reductions
- ▶ Reinsurers strengthened their capital, alternative capital still entering the market
- ▶ Oversupply of reinsurance capacity → increased competition
- ▶ Clients tend to retain more business net
- ▶ Large clients tend to buy reinsurance on group level
- ▶ Increased technical margin requirements due to lower interest rate environment

Abundant capacity prevented significant price increases

We strictly followed our profitability-orientated U/W approach

Competitive markets and low interest rates required high underwriting discipline

- ▶ All business lines experienced competitive market conditions
- ▶ Overall, premium increase slightly lower than expected, but 6.4% growth of non-proportional business offering higher margins
- ▶ Superior rating enabled us to sustain high-quality business mix
 - Our raised A.M. Best rating to A+ supported showing of profitable long-tail business
- ▶ Solid terms and conditions
- ▶ Underwriting decisions to reduce shares when terms and conditions are not risk-adequate proved active cycle management

Consistent margin requirement approach ensures earning in excess of CoC

At an MtCR of ~96% we earn 900 bps above risk free

MtCR reduced in 2013 mainly due to interest rate effects

NPE	+	Economic revaluation	-	MRC	=	MtCR
Net premium earned		Discount effect on non-life net loss reserves (% of NPE)		Minimum Return on Capital spread (% of NPE)		Maximum tolerable Combined Ratio
2012: 100%	+	4.4%	-	6.4%	=	98.0%
2013: 100%	+	3.6%	-	7.5%	=	96.1%

In the light of a more challenging MtCR, the renewals were quite successful

Growth differs significantly by line of business

1 Jan renewals up by 1%

Non-life reinsurance		1/1/2012		1/1/2013
Division	Business centre	Premium ¹⁾	Variance	Premium ¹⁾
Target markets	North America ²⁾	498	+14%	566
	Germany ²⁾	955	-2%	941
Specialty lines	Marine (incl. energy)	167	+7%	179
	Aviation	208	+16%	241
	Credit, surety & political risks	412	-1%	409
	Structured R/I & ILS	Not reported		
	UK, London market & direct	586	-13%	508
Global R/I	Global treaty ²⁾	826	+1%	832
	Global cat XL	133	+11%	147
	Global facultative	Not reported		
Total 1 Jan renewals		3.785	+1%	3.824

1) Premium estimates in m. EUR, development in original currencies can be different

2) All lines of business except those stated separately

Modest price increases on increased prices of 2012

Realised price changes at a risk-adjusted level

Non-proportional		1/1/2012	
Division	Business centre	Total premium ¹⁾	Price changes
Target markets	North America ²⁾	345	0.9%
	Germany ²⁾	189	-1.8%
Specialty lines	Marine (incl. energy)	106	5.0%
	Aviation	47	-2.7%
	Credit, surety & political risks	49	-3.1%
	Structured R/I & ILS		
	UK, London market & direct	64	1.2%
Global R/I	Global treaty ²⁾	254	1.3%
	Global cat XL	133	0.2%
	Global facultative		
Total 1 Jan renewals		1.187	0.5%

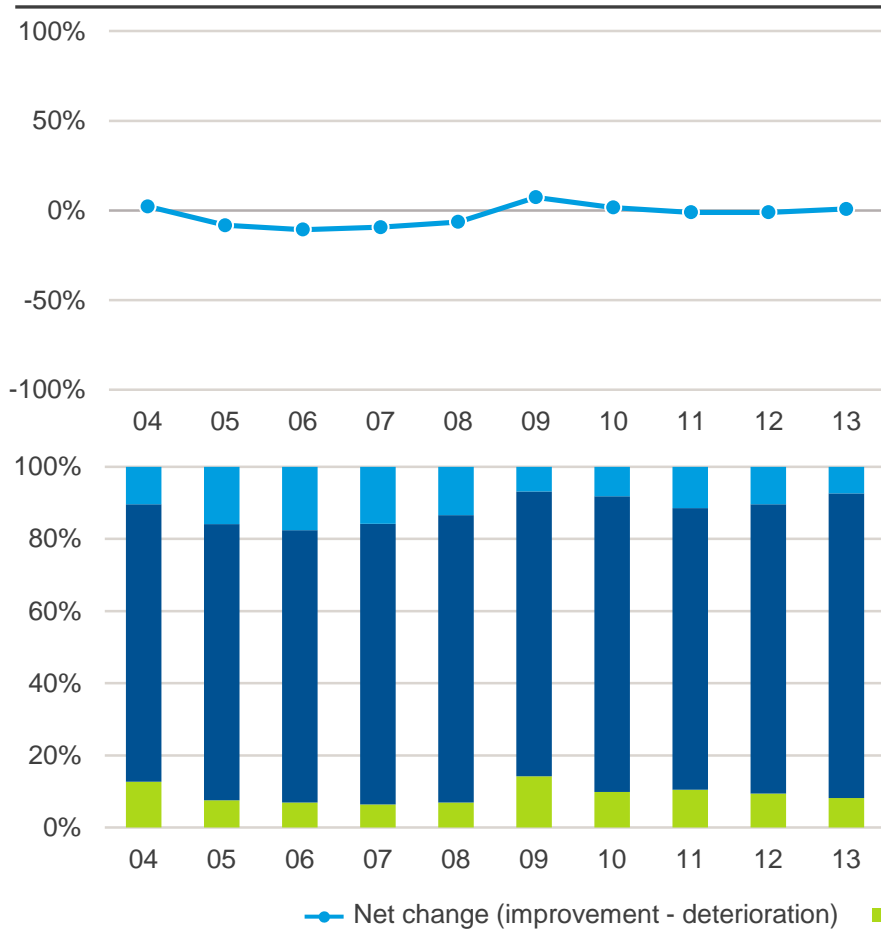
1) Premium estimates in m. EUR, development in original currencies can be different

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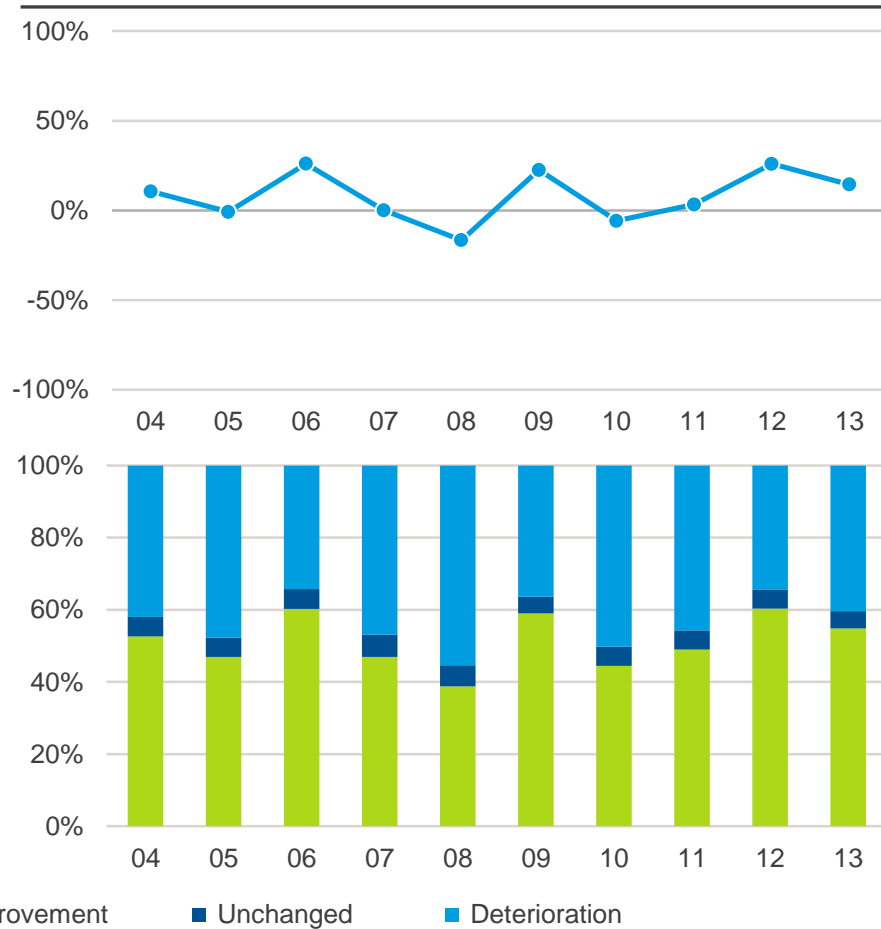
Conditions for Hannover Re still favourable

Continued improvements in non-proportional

Proportional¹⁾



Non-proportional²⁾



1) Comparison of commission

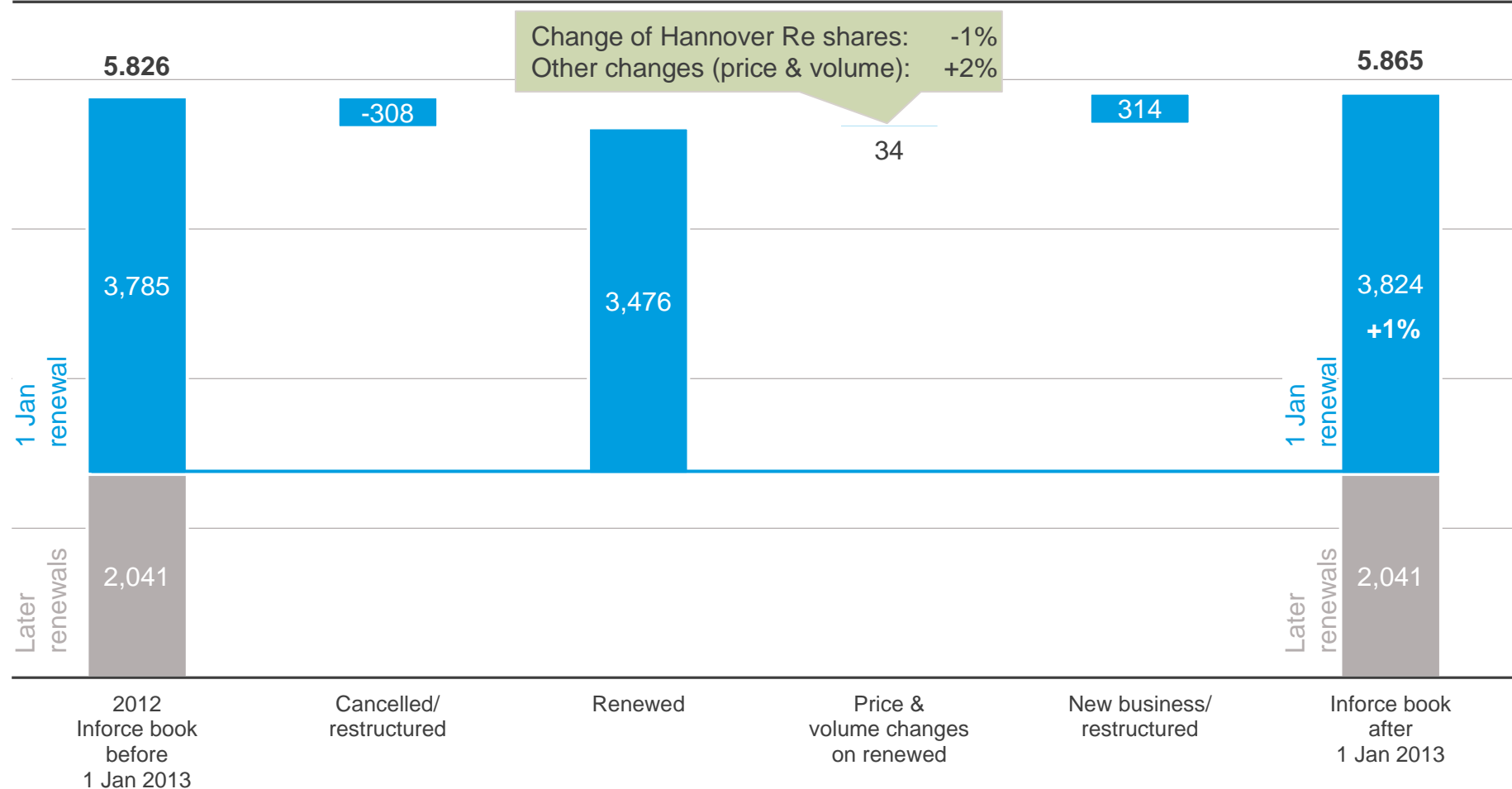
2) Comparison of Rate on Line (RoL)

Margin-oriented portfolio steering

Underwriting discipline was essential

Total treaty R/I

in m. EUR

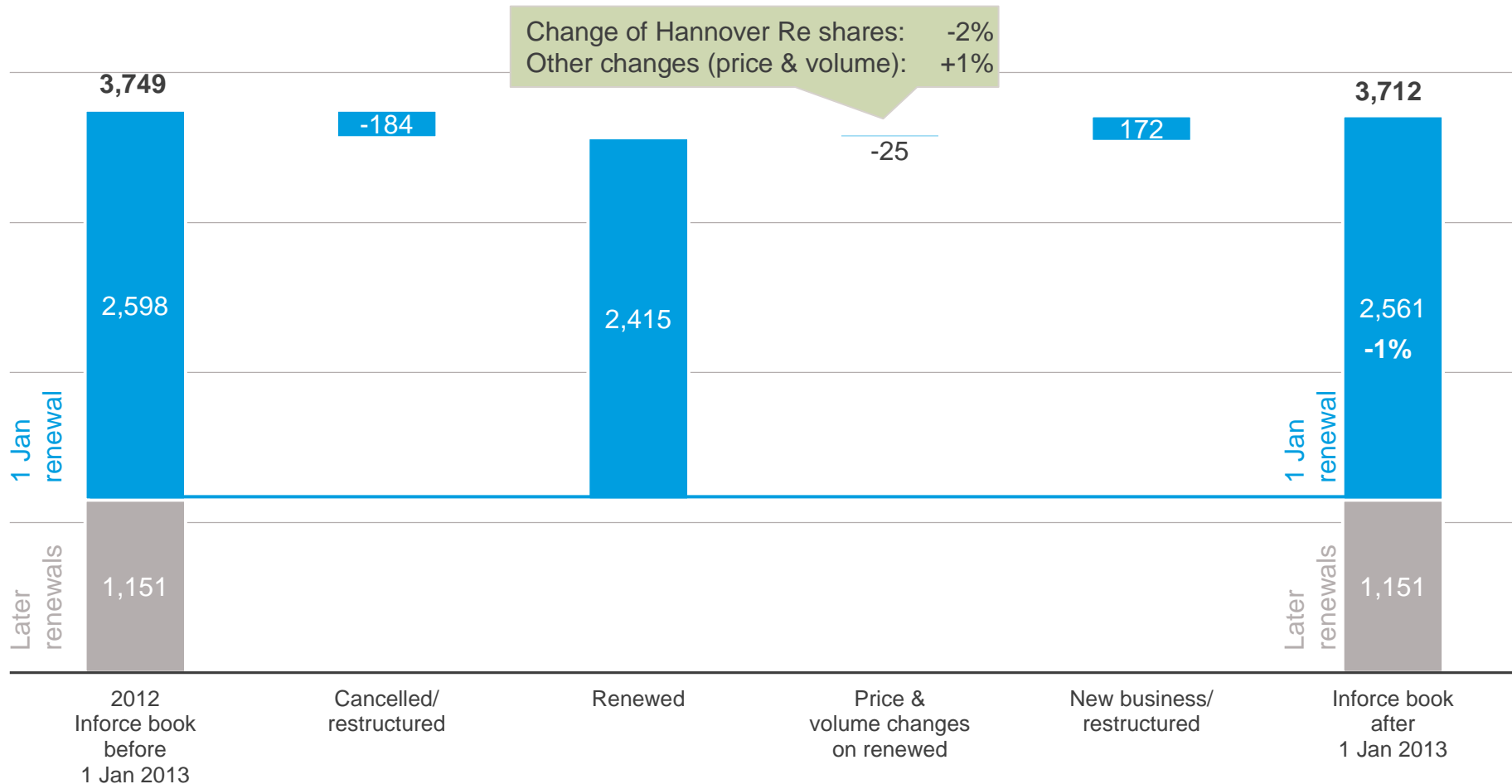


Selective underwriting

Non-renewal of some large treaties with marginal profitability

Treaty R/I - proportional

in m. EUR

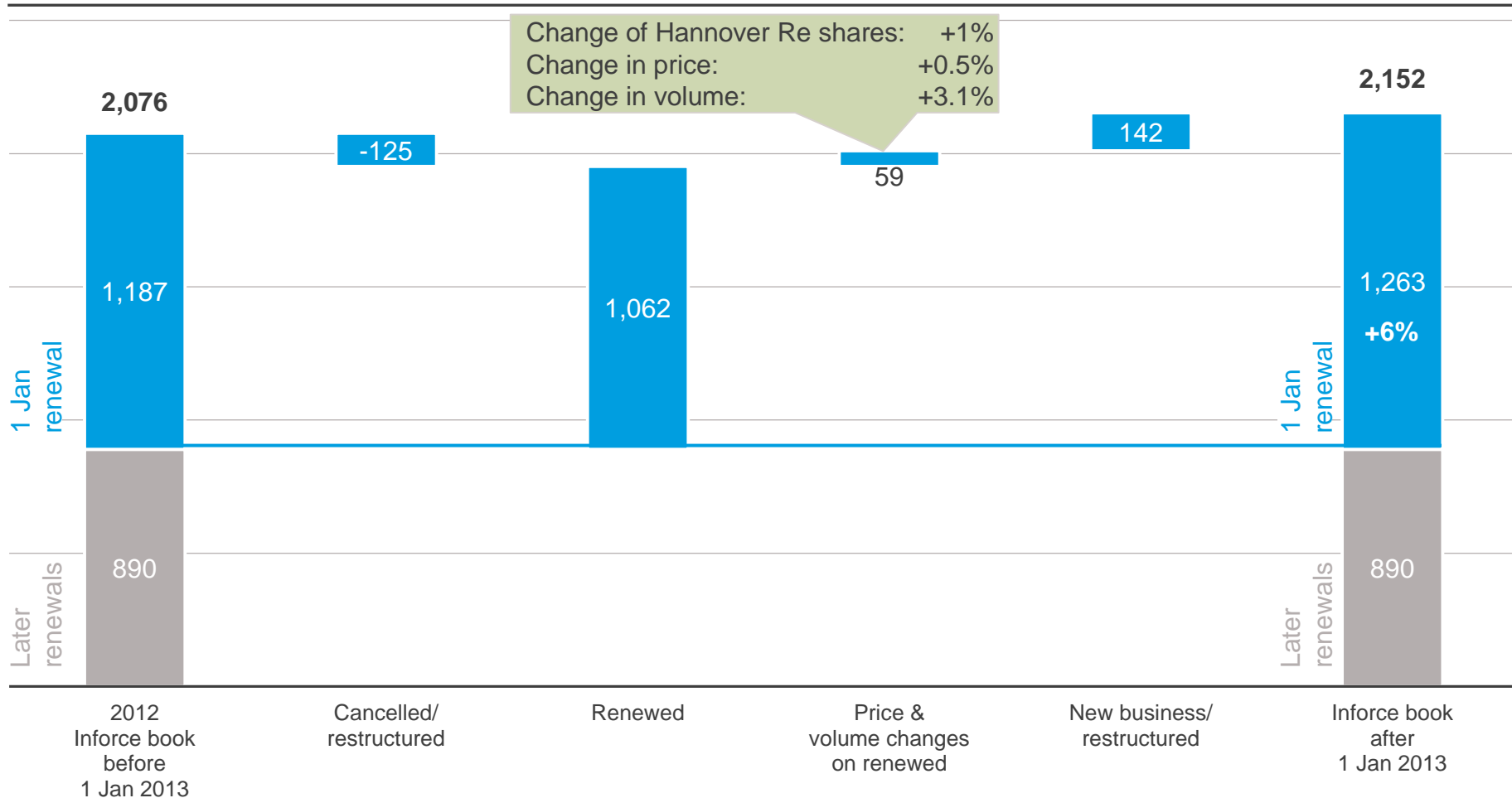


Benefiting from better terms and conditions

Overall pleasing development (+6%) with improved rates

Treaty R/I – non-proportional

in m. EUR

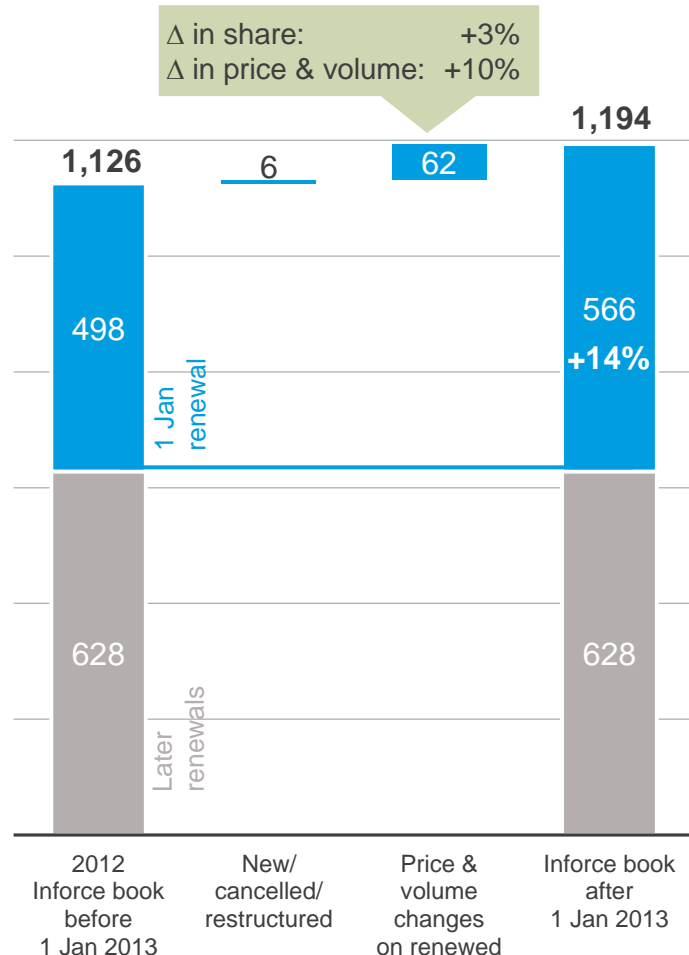


Stronger increase in property biz due to higher pricing level

14% total growth

North America

in m. EUR



▶ US Property: positive market environment

- Premium volume double-digit up partly due to higher shares authorised
- Rate increases in Sandy-affected areas (+10% - +30%)

▶ US Casualty: continued upward trend

- Standard casualty: not as soft as it had been
- Special casualty: slight increase in premium - better conditions due to primary price development
- Professional and indemnity: primary rates increasing on non-medical treaties

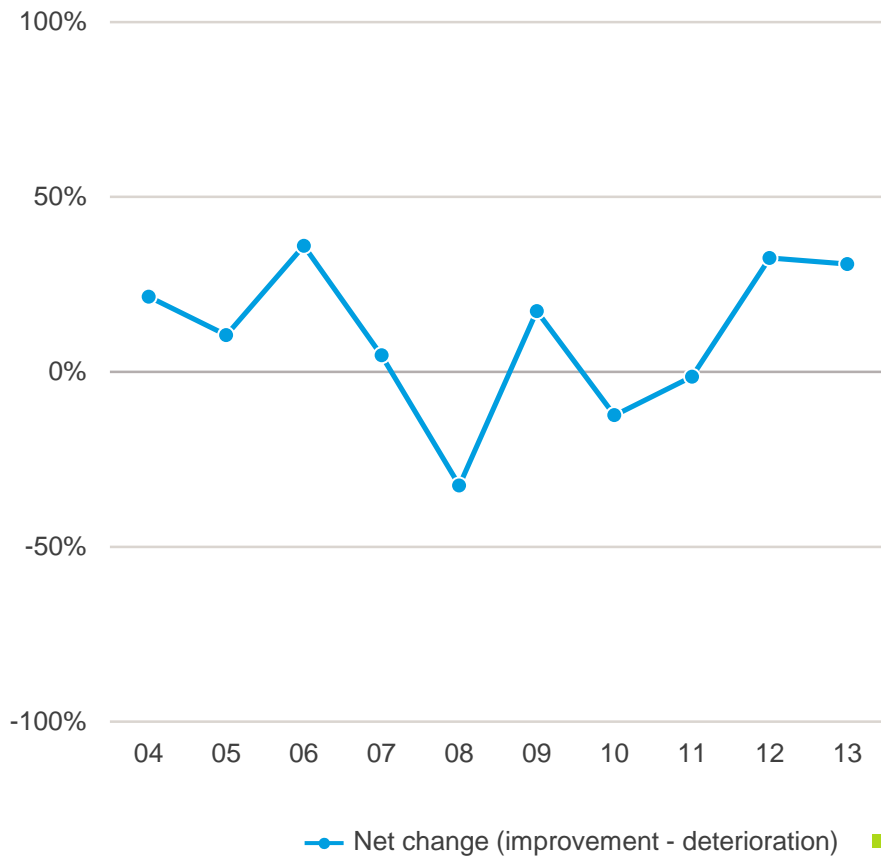
▶ Canada: clear signs of further improvements

- Property: non-proportional +10%
proportional +20%
- Casualty: marginal increases in bottom layers

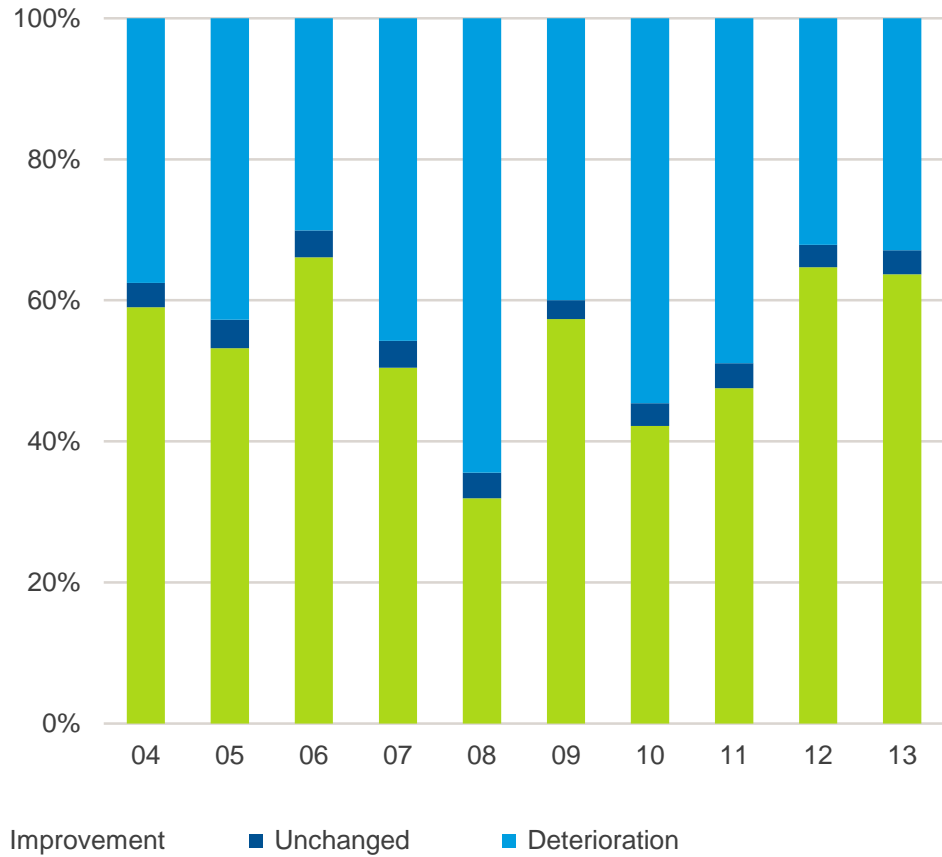
Cycle barometer witnesses further improvement

Not a hard market but advancing

North America – non-proportional



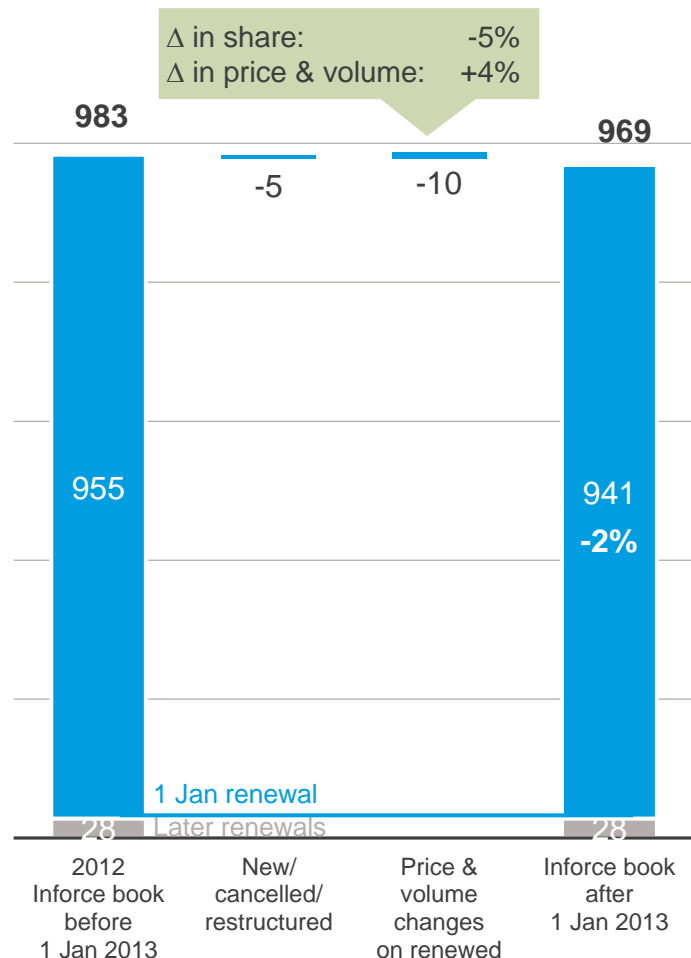
Comparison of Rate on Line (RoL)



We kept our position in the second largest R/I market

Premium decreases by 2% as expected

Germany in m. EUR

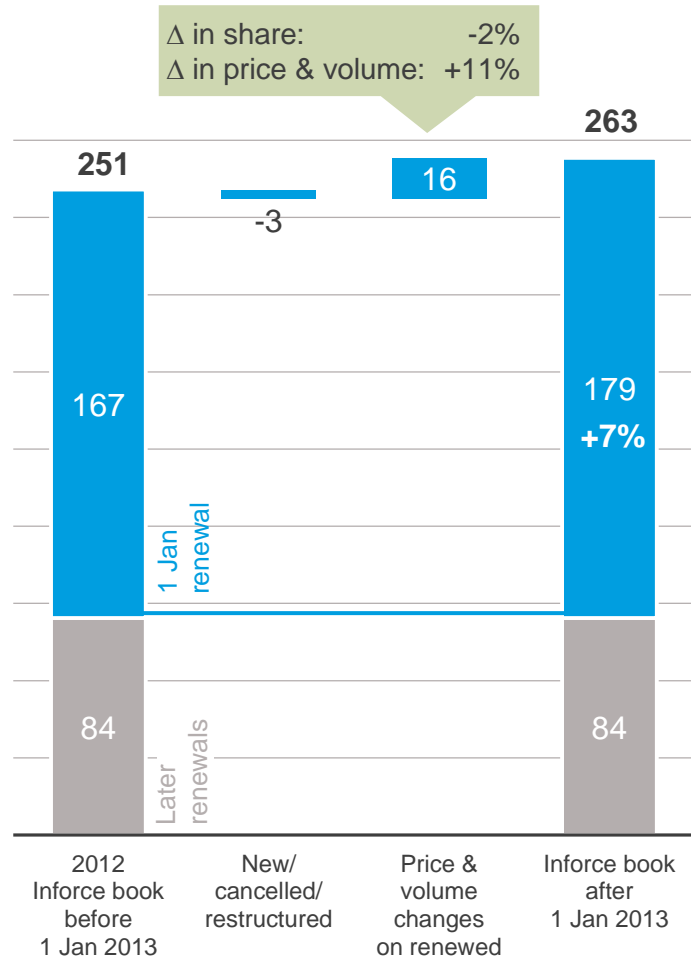


- ▶ Clients restructured their portfolios and kept higher retention levels
- ▶ Enhanced close relationship with certain partners brought new business
- ▶ Motor XL
 - Higher original rates for second consecutive year
 - Improved terms and conditions as expected
- ▶ Motor proportional: recovering of original rates
- ▶ Commercial liability: stable & sufficient rates but less premium ceded

Significant harder rates after the major losses in 2012

+7% growth

Marine (incl. Energy) in m. EUR



► Average increase in

- loss-affected lines +25% to +40%
- otherwise +10%

► Expansion in Asia, especially in China

► Heterogeneous picture with very hard Lloyds market in contrast to other markets

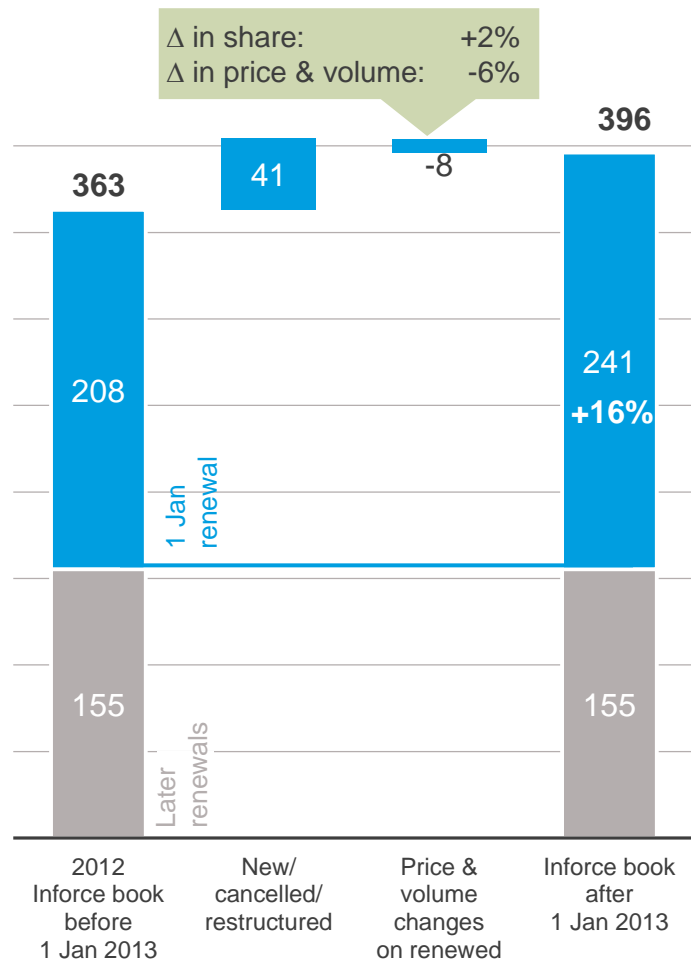
► Came off programmes in such markets which became too competitive

► Continued to be seen as a major market leader for marine XL business

Premium increase in a sustained profitable business line

16% growth

Aviation in m. EUR

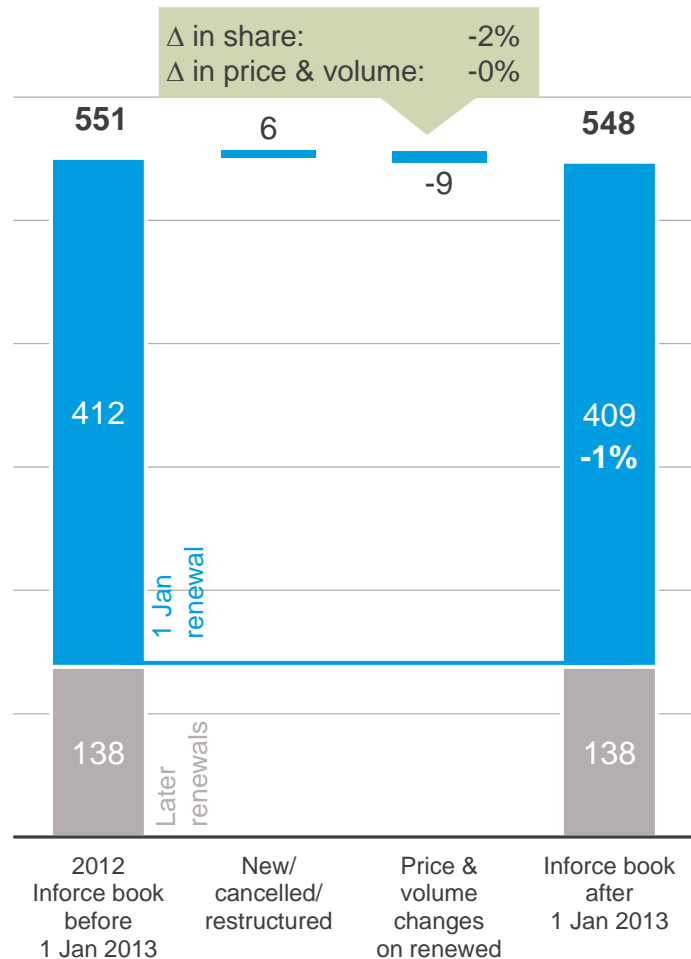


- ▶ Maintained market position despite difficult market circumstances
- ▶ Price reductions accepted as long as risk-adequate
- ▶ Higher net retentions by some clients
- ▶ Secured new strategic partnerships with proportional reinsurance

Uneventful 1 Jan renewal after some years of growth

Pricing and volume flat

Credit, surety & pol. risks in m. EUR

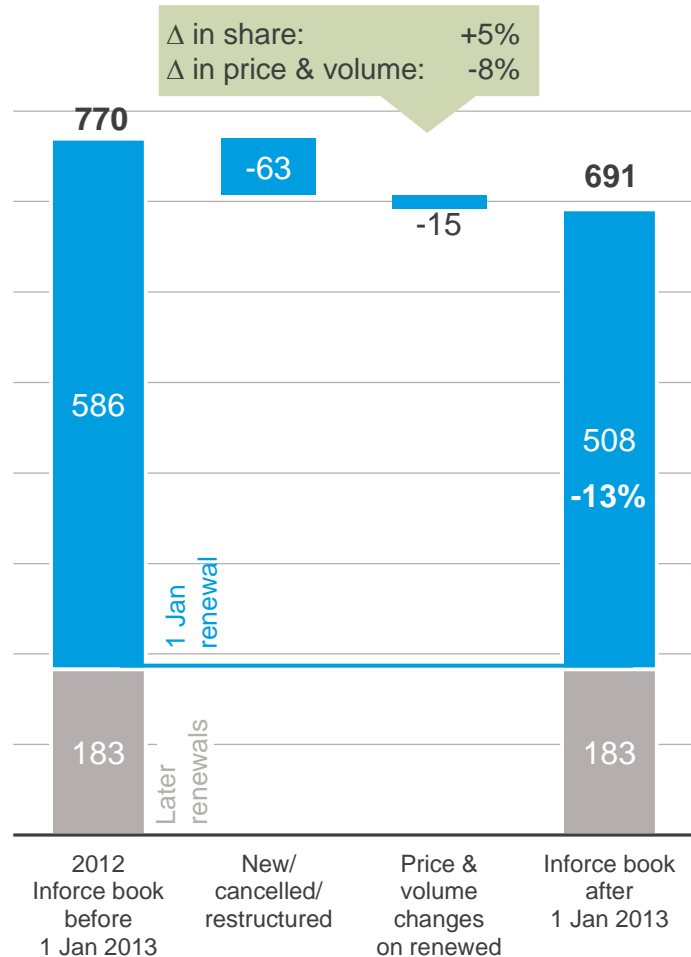


- ▶ Reinsurance cessions as well as terms and conditions stable to slightly decreasing
- ▶ Double-digit market share sustained despite large overcapacities
- ▶ Showing nearly 100%; signing ratio >95%
- ▶ Credit: signed lines as expiring, because of adequate pricing
- ▶ Surety: reduced shares where conditions were unacceptable
- ▶ Political risks: double-digit volume increase and more demand expected

Measures taken show strong underwriting discipline

Profitability of the book has been strengthened

UK, London market & direct in m. EUR

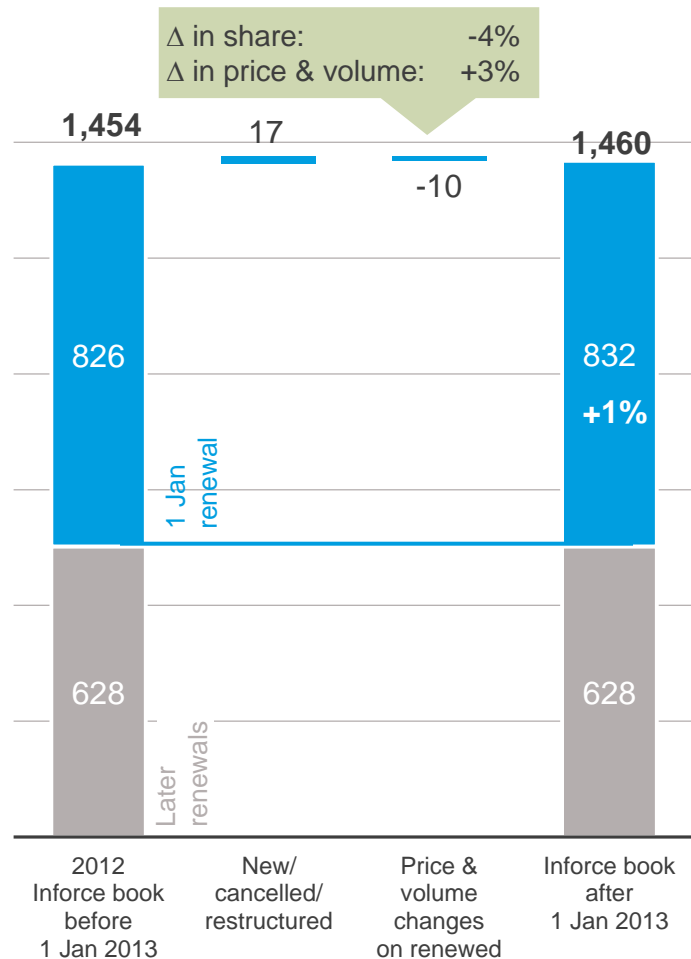


- ▶ Business shifted from traditional to non-traditional due to the nature of the business; no effect at group level
- ▶ Strong rate increase in UK motor XL +30% to +35% for the second consecutive year
- ▶ Discontinued business of one large account and planned reduction in proportional motor due to rate decreases in primary market
- ▶ Opposing to the above we expanded our line in one large Lloyds syndicate

Stable volume with an improved portfolio mix

Large volume (43%) will be renewed later

Global treaty in m. EUR



▶ Western Europe:

- Decreased premium due to profit-orientated underwriting in a highly competitive market resulting in reduced prices

▶ CEE:

- Profitable growth opportunities in a softer market

▶ Latin America:

- Favourable growth with differing development in the individual markets
- Better diversified due to new treaties

▶ Australasia:

- Pricing firm to slight increases (most treaties renew later)

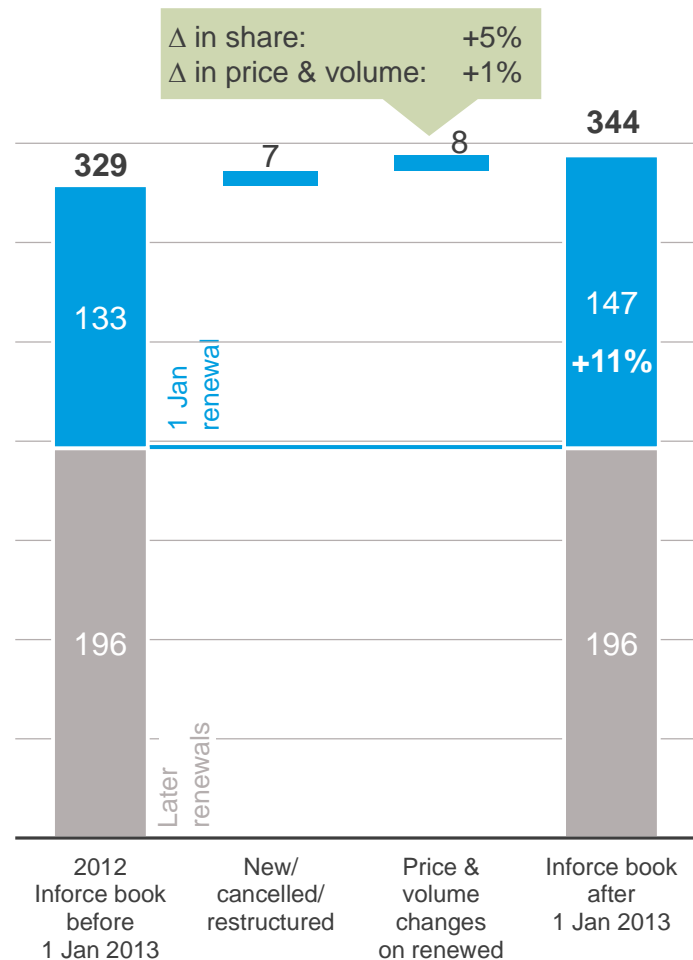
▶ Asia

- Stable rates after strong increase last year;
- Insufficient rates in China led us to reduce volume -20%

Attractive growth of 11%

Effects from hurricane "Sandy" in later renewals

Global catastrophe XL in m. EUR

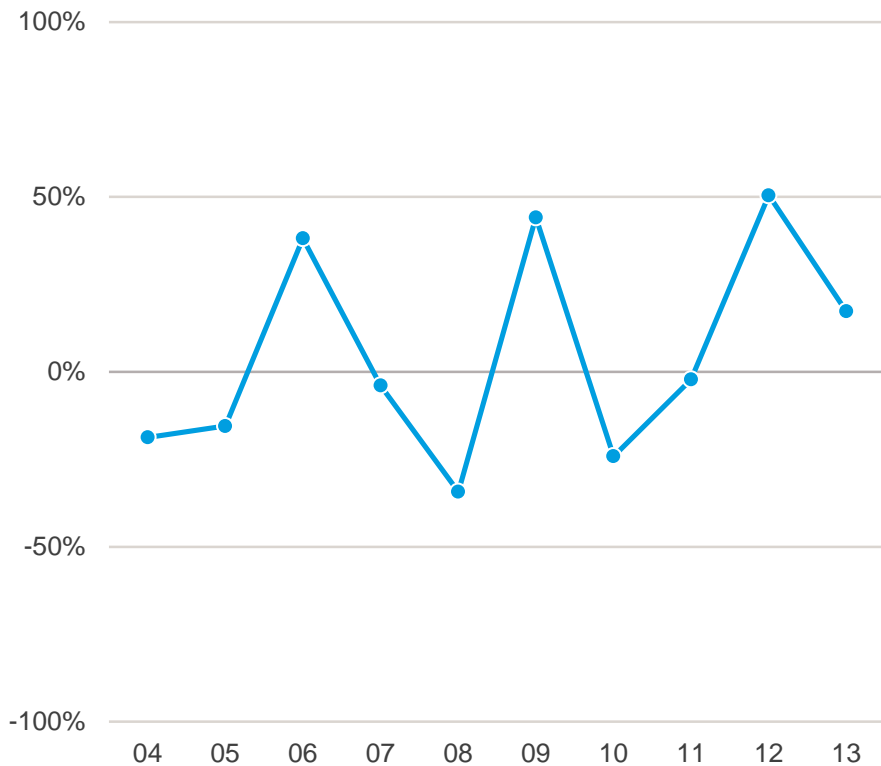


- ▶ Significant capacity meets unchanged demand
- ▶ Pricing is flat with a slight uptick driven by losses or loss developments
- ▶ Good showing due to high standard of security and service
- ▶ Europe - rates in general down
- ▶ US
 - Loss-affected programmes +15%
 - Loss-free programmes flat to +5%
- ▶ 60% to be renewed and reported later

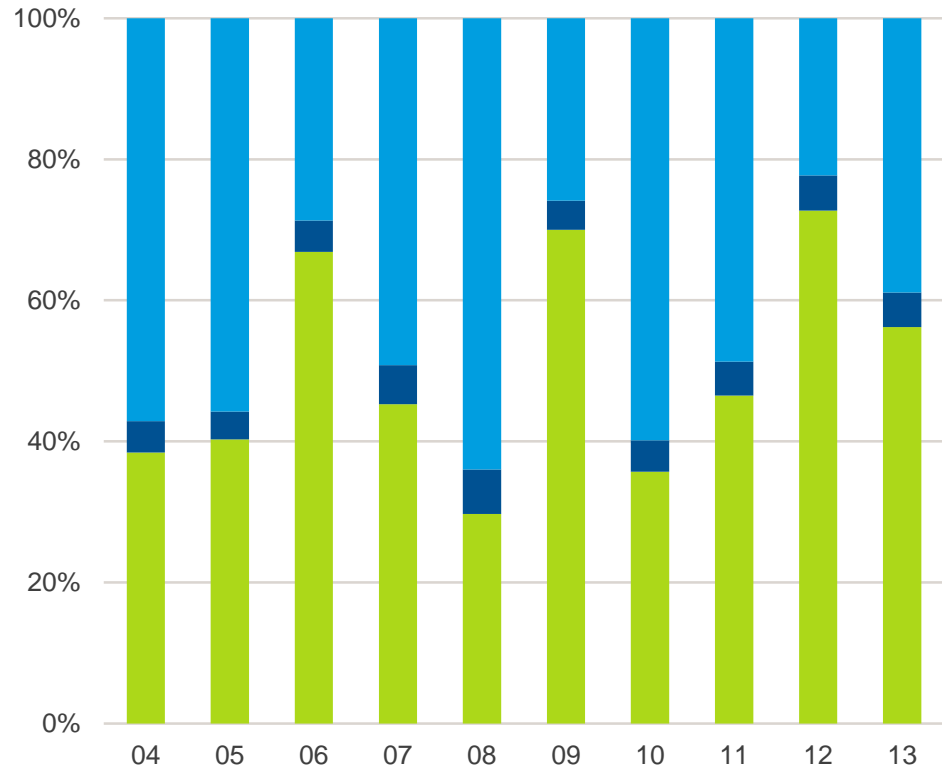
RoL further improved but at a reduced pace

Reflects a benign major loss year

Global catastrophe XL



Comparison of Rate on Line (RoL)



—● Net change (improvement - deterioration) ■ Improvement ■ Unchanged ■ Deterioration

Outlook 2013

Continued modest growth and satisfying profitability expected

Development of non-life reinsurance lines of business (2013e)

Divisions	Lines of business	Volume ¹⁾	Profitability ²⁾
Target markets	North America ³⁾	↗	+
	Germany ³⁾	↘	+/-
Specialty lines	Marine (incl. energy)	↗	+
	Aviation	↗	+
	Credit, surety & political risks	→	+
	Structured R/I & ILS	→	+/-
	UK, London market & direct	↘	+/-
Global reinsurance	Global treaty	→	+/-
	Global cat XL	↗	+
	Global facultative	↗	+

1) In EUR, development in original currencies can be different

2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)

3) All lines of business except those stated separately

Target matrix for 2013

Business group	Key figures	Strategic targets
Group	Return on investment ¹⁾	≥3.4%
	Return on equity	≥9.7% ²⁾
	Earnings per share growth (y-o-y)	≥10%
	Value creation per share ³⁾	≥10%
Non-life reinsurance	Gross premium growth ⁴⁾	3% - 5%
	Combined ratio ⁵⁾	≤96%
	EBIT margin ⁶⁾	≥10%
	xRoCA ⁷⁾	≥2%
Life and health reinsurance	Gross premium growth ⁸⁾	5% - 7%
	Value of New Business (VNB) growth	≥10%
	EBIT margin ⁶⁾ financing and longevity business	≥2%
	EBIT margin ⁶⁾ mortality and health business	≥6%
	xRoCA ⁷⁾	≥5%

1) Excl. inflation swap and ModCo

3) Growth of book value + paid dividends

5) Incl. expected net major losses of EUR 625 m.

7) Excess return on the allocated economic capital

2) 750 bps above 5-year rolling average of 10-year German government-bond rate ("risk free"), after tax

4) In average throughout the cycle

6) EBIT/net premium earned

8) Organic growth only

Guidance for 2013

Hannover Re Group

- ▶ Gross written premium (GWP)¹⁾ _____ ~ +5%
 - Non-life reinsurance¹⁾ _____ ~ +3% - +5%
 - Life and health reinsurance¹⁾²⁾ _____ ~ +5% - +7%
- ▶ Return on investment³⁾⁴⁾ _____ ~ 3.4%
- ▶ Group net income³⁾ _____ ~ EUR 800 m.
- ▶ Dividend pay-out ratio⁵⁾ _____ 35% - 40%

1) At unchanged f/x rates

2) Organic growth

3) Subject to no major distortions in capital markets and/or major losses in 2013 not exceeding approx. EUR 625 m.

4) Excluding effects from inflation swaps

5) Related to group net income according to IFRS

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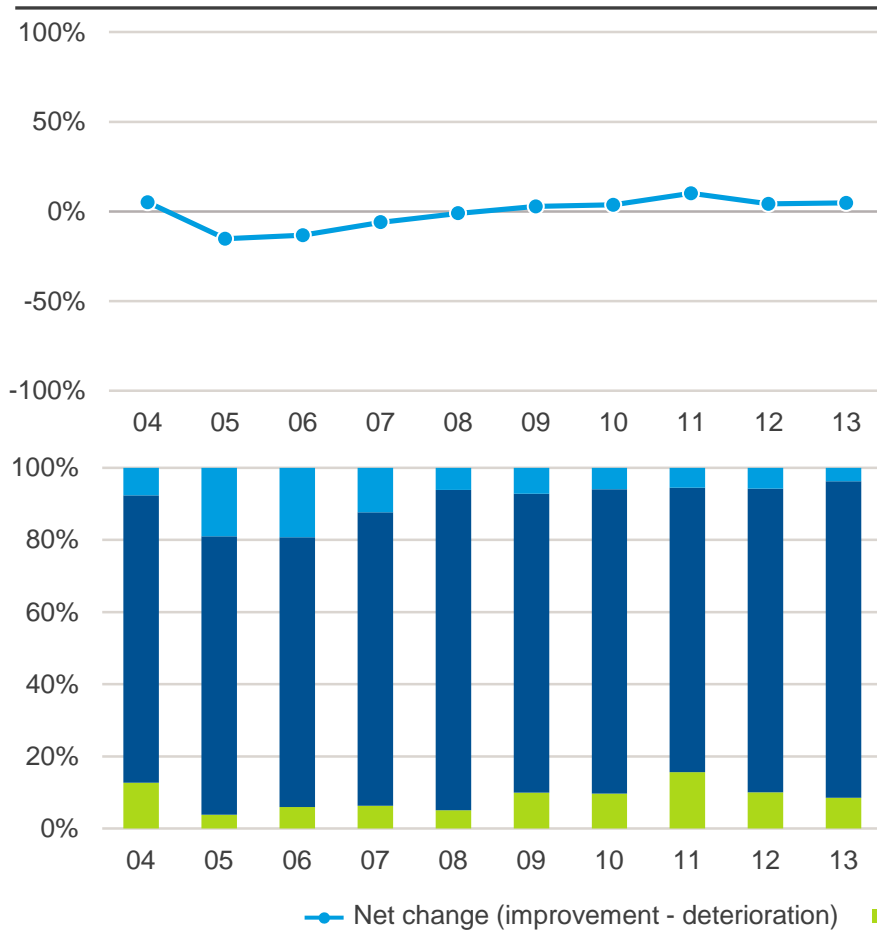
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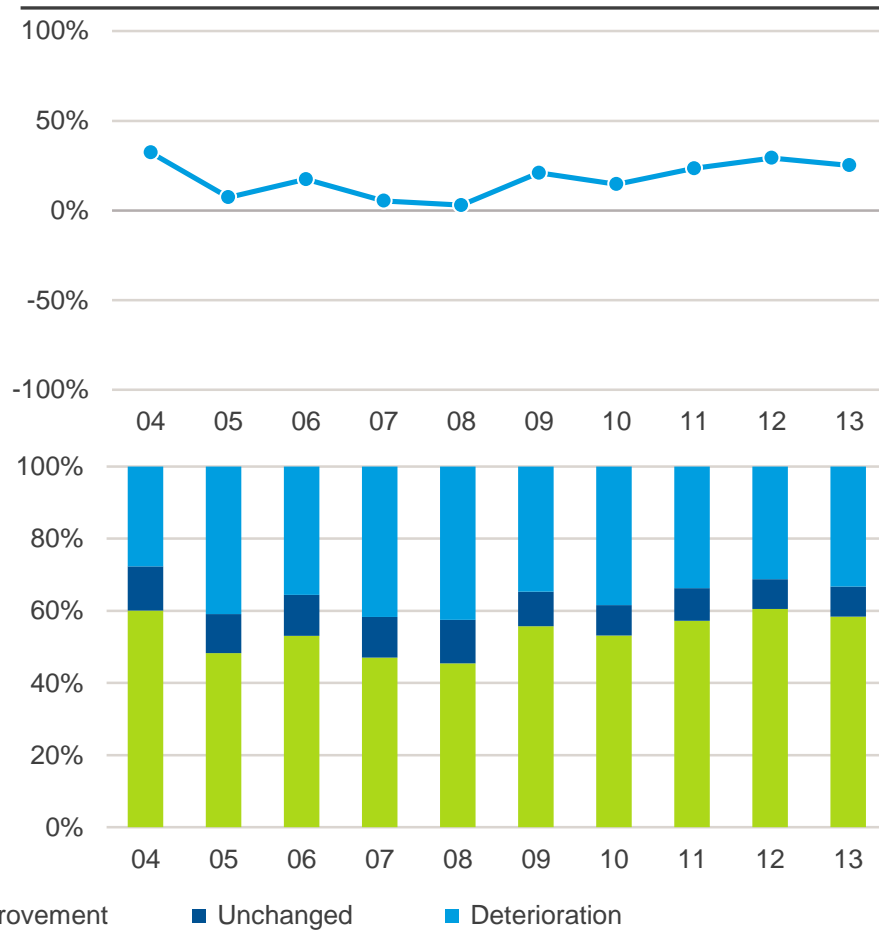
Appendix

Improvement in non-proportional business Germany

Proportional¹⁾



Non-proportional²⁾



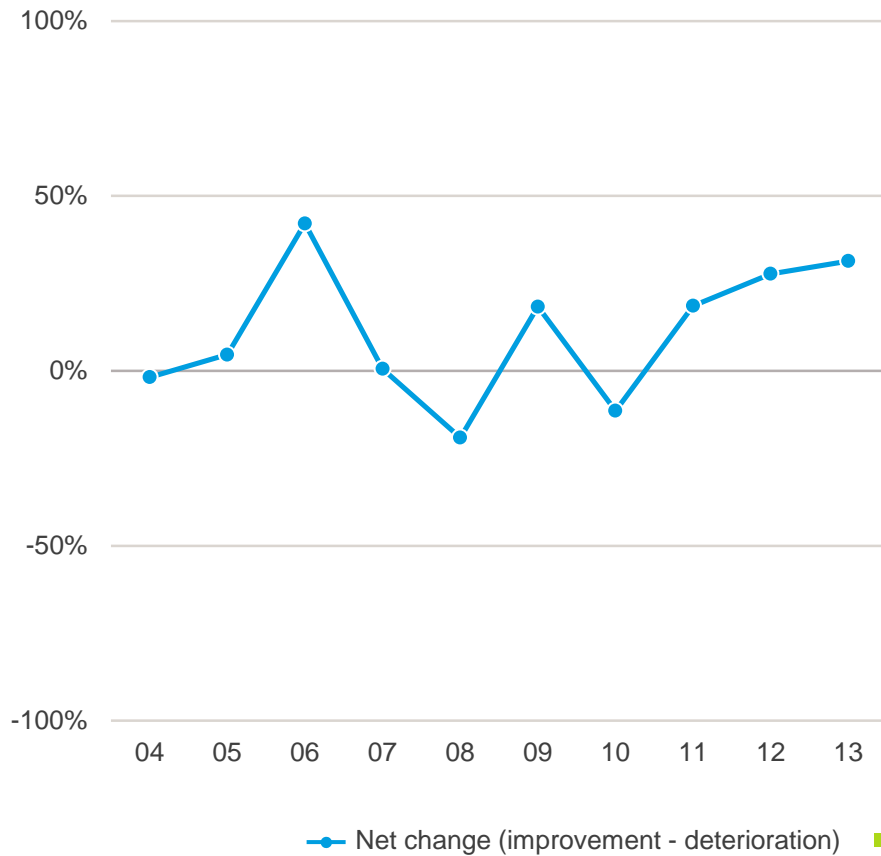
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

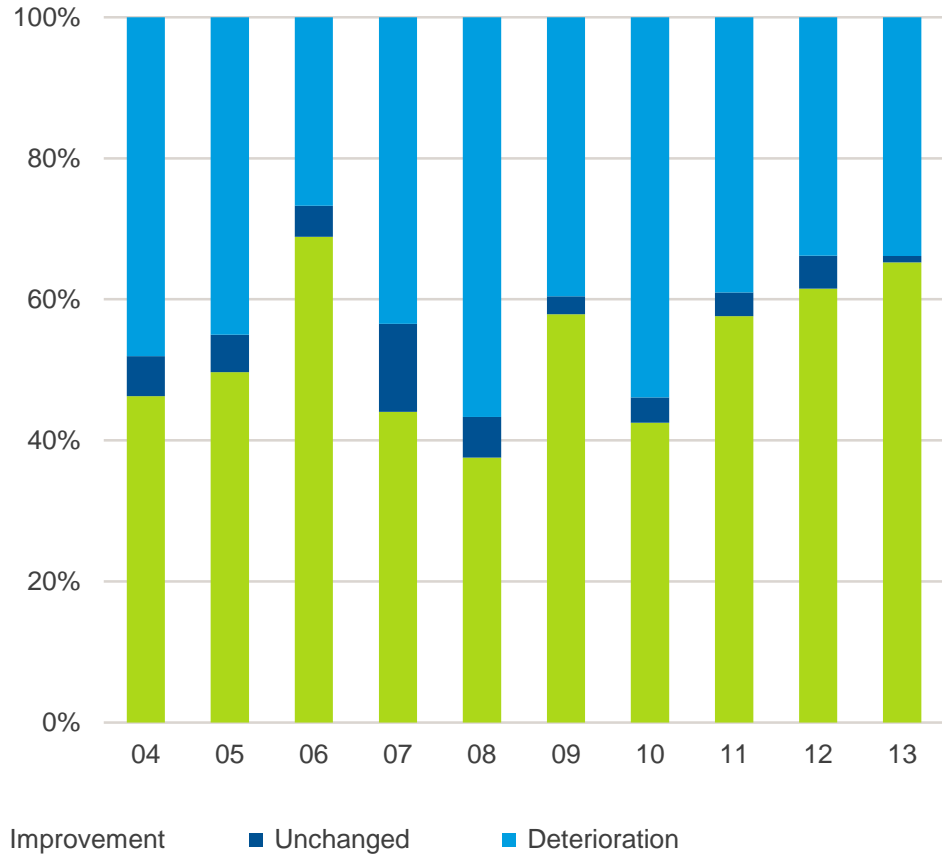
Again, better conditions driven by major losses in 2012

Marine (incl. energy)

Non-proportional



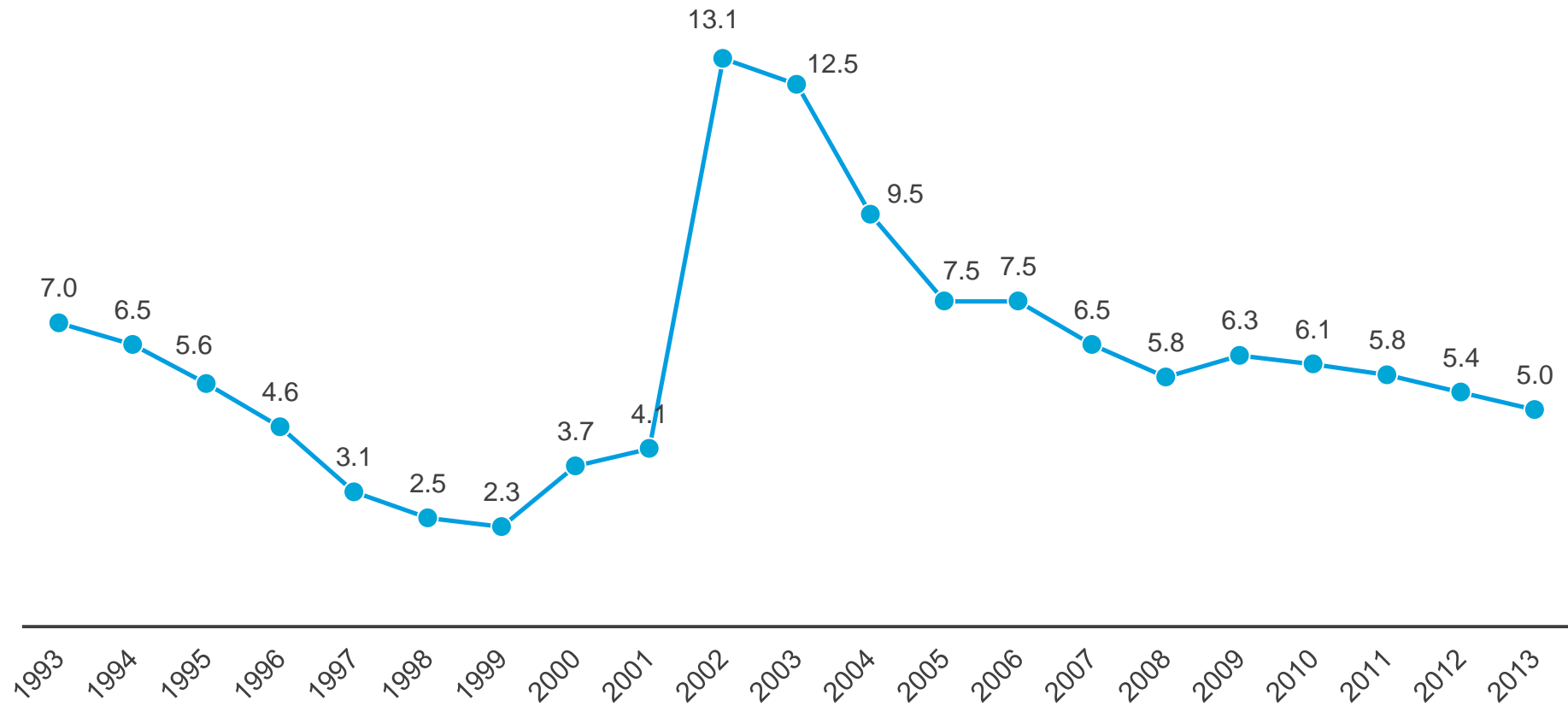
Comparison of Rate on Line (RoL)



Further rate deterioration

Aviation RoL index

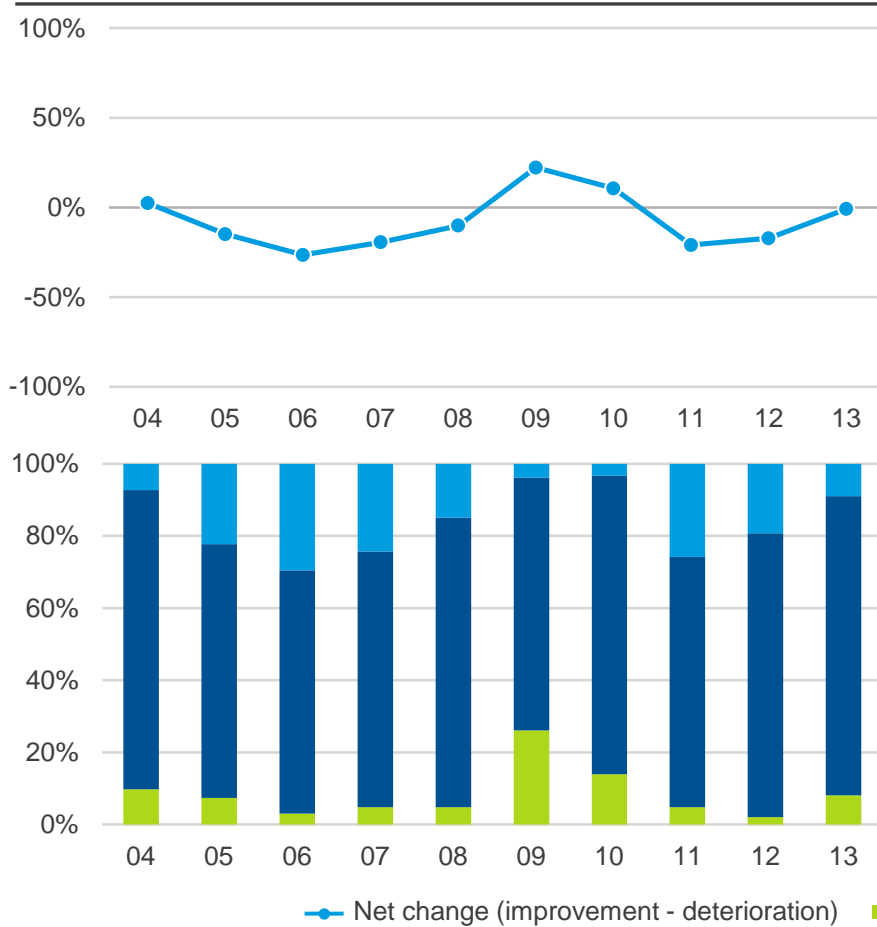
in %



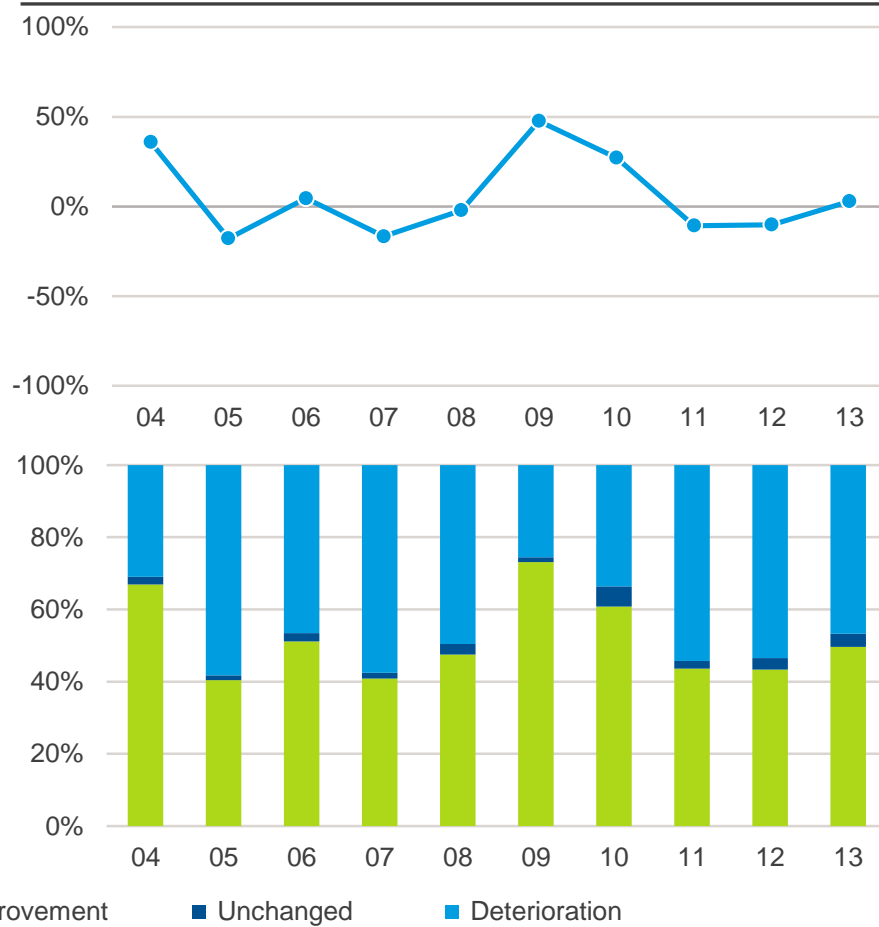
Terms and conditions unchanged

Credit, surety & political risks

Proportional¹⁾



Non-proportional²⁾



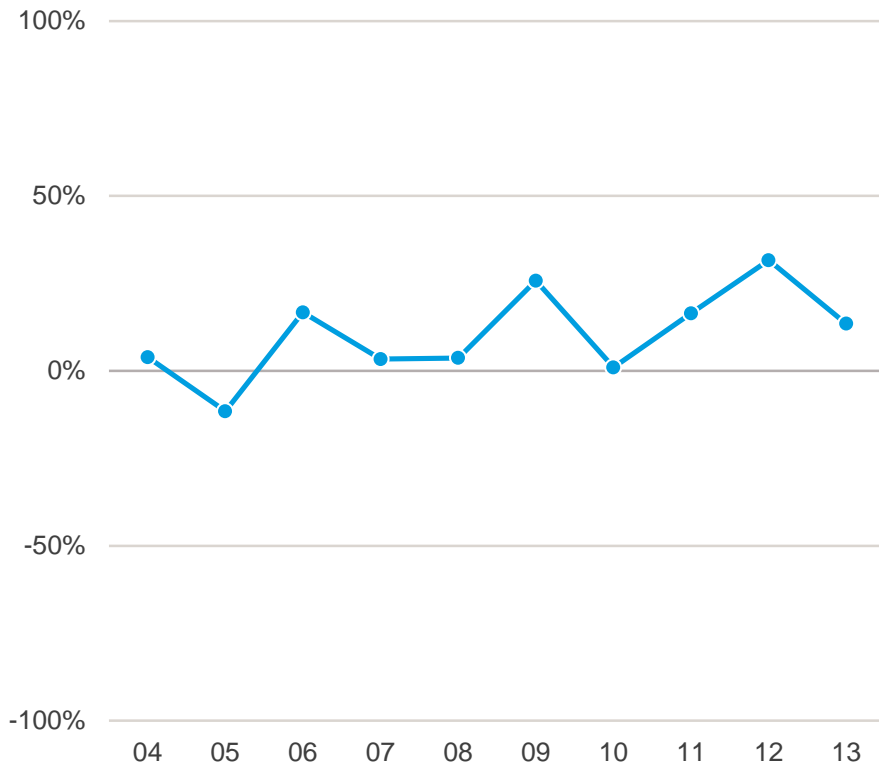
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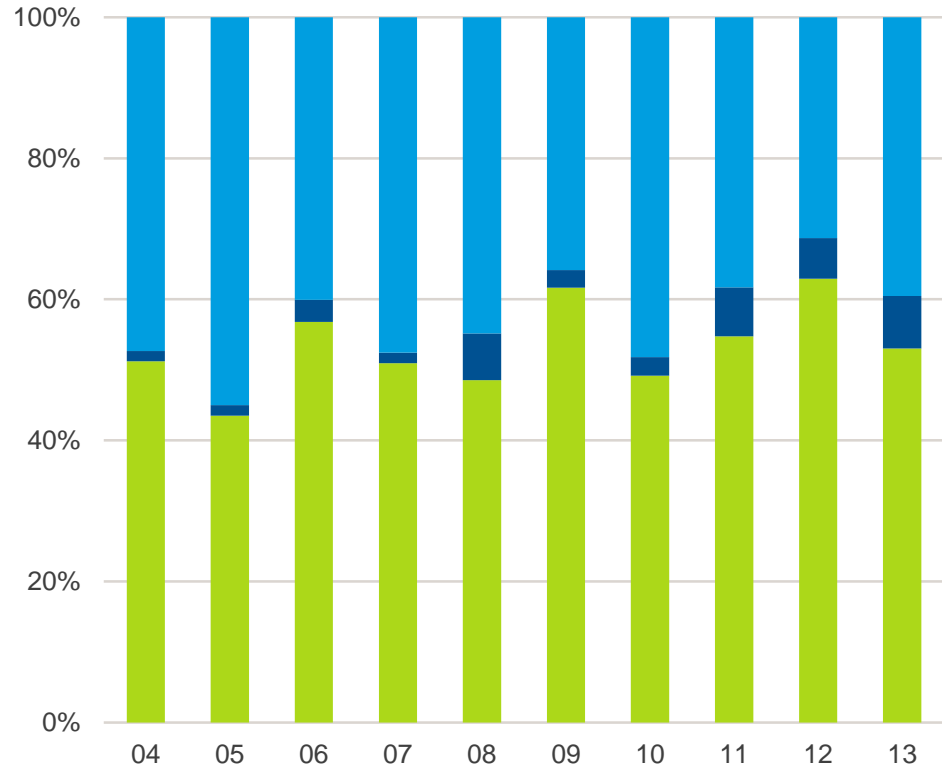
Rate increases in UK motor XL

UK, London market & direct

Non-proportional



Comparison of Rate on Line (RoL)

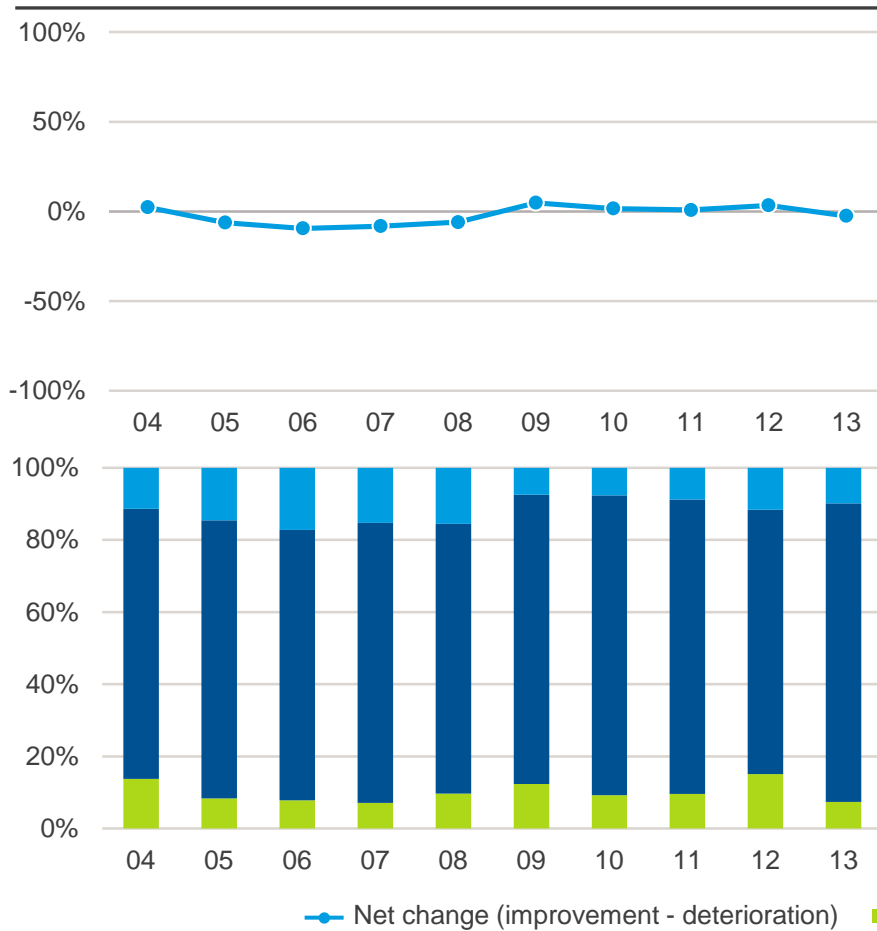


— Net change (improvement - deterioration) Improvement Unchanged Deterioration

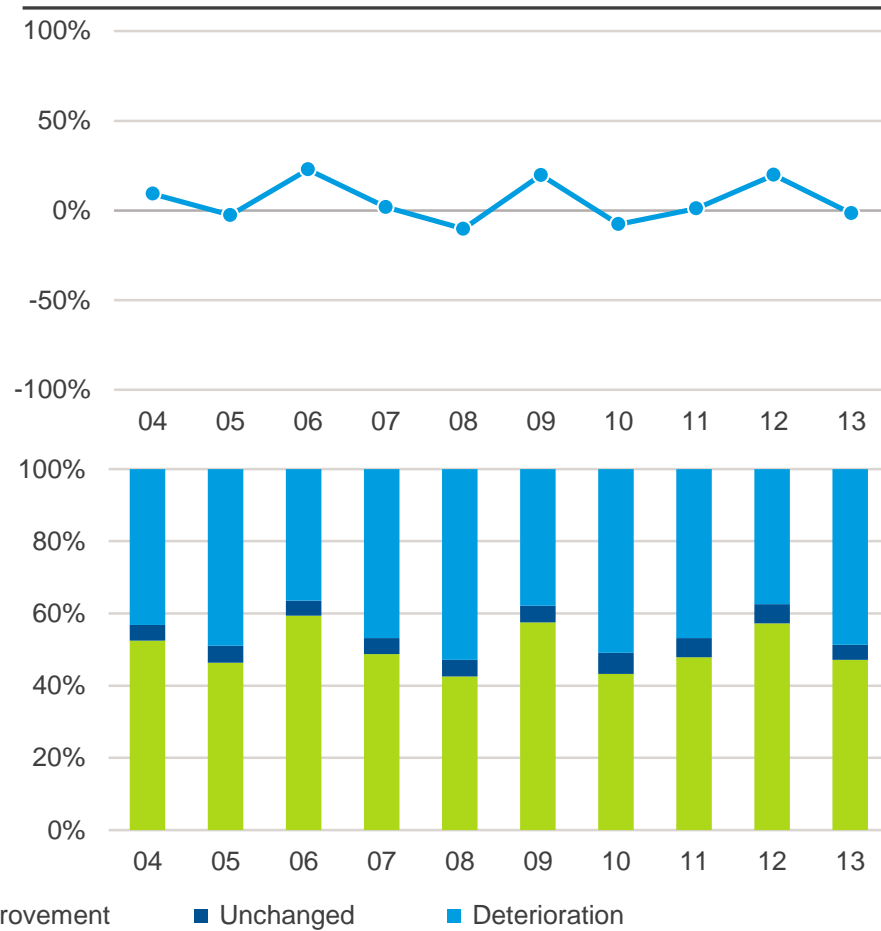
Flat development

Global treaty

Proportional¹⁾



Non-proportional²⁾



1) Comparison of commission

2) Comparison of Rate on Line (RoL)