



50  
years

somewhat  
different

# Hannover Life Reassurance Company of America

Business overview

October 2016

*hannover* re<sup>®</sup>

# Hannover Re Group

Business overview

# Key facts about Hannover Re



Majority shareholder:  
50.2% held by **Talanx AG\***

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More than **100** subsidiaries, branches and representative offices on all **5** continents

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Total staff of roughly **2,400** employees

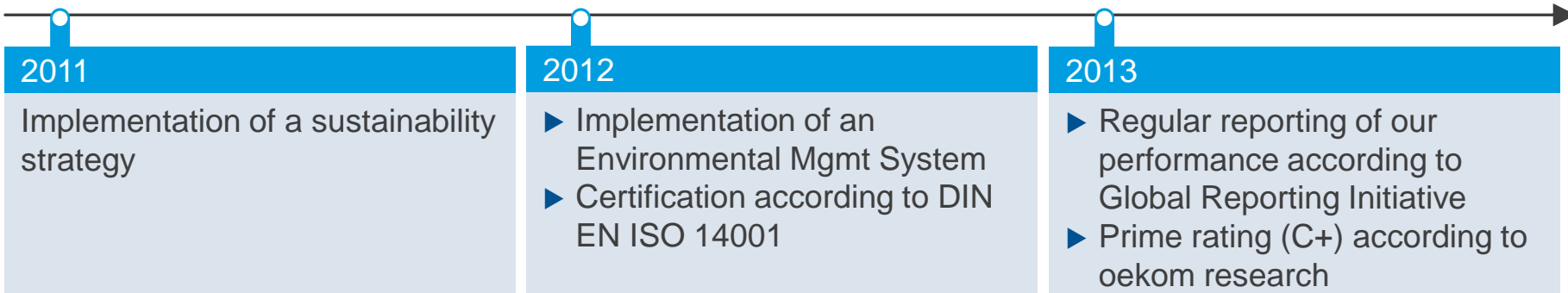
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More than **5,000** insurance clients in about **150** countries

\* Majority shareholder with 79.0% is HDI V.a.G.

# Our mission: identify risks and assess them correctly

## Sustainability at Hannover Re



# Financial strength ratings

Group	S&P	A.M. Best
General Reinsurance Corp.	AA+	A++
<b>Hannover Re</b>	<b>AA-</b>	<b>A+</b>
Munich Re	AA-	A+
Swiss Re	AA-	A+
SCOR	AA-	A*
Everest Re	A+	A+
Transatlantic Re	A+	A+
Lloyd's	A+	A
XL Bermuda Ltd.	A+*	A
PartnerRe	A+	A

As at 4 October 2016

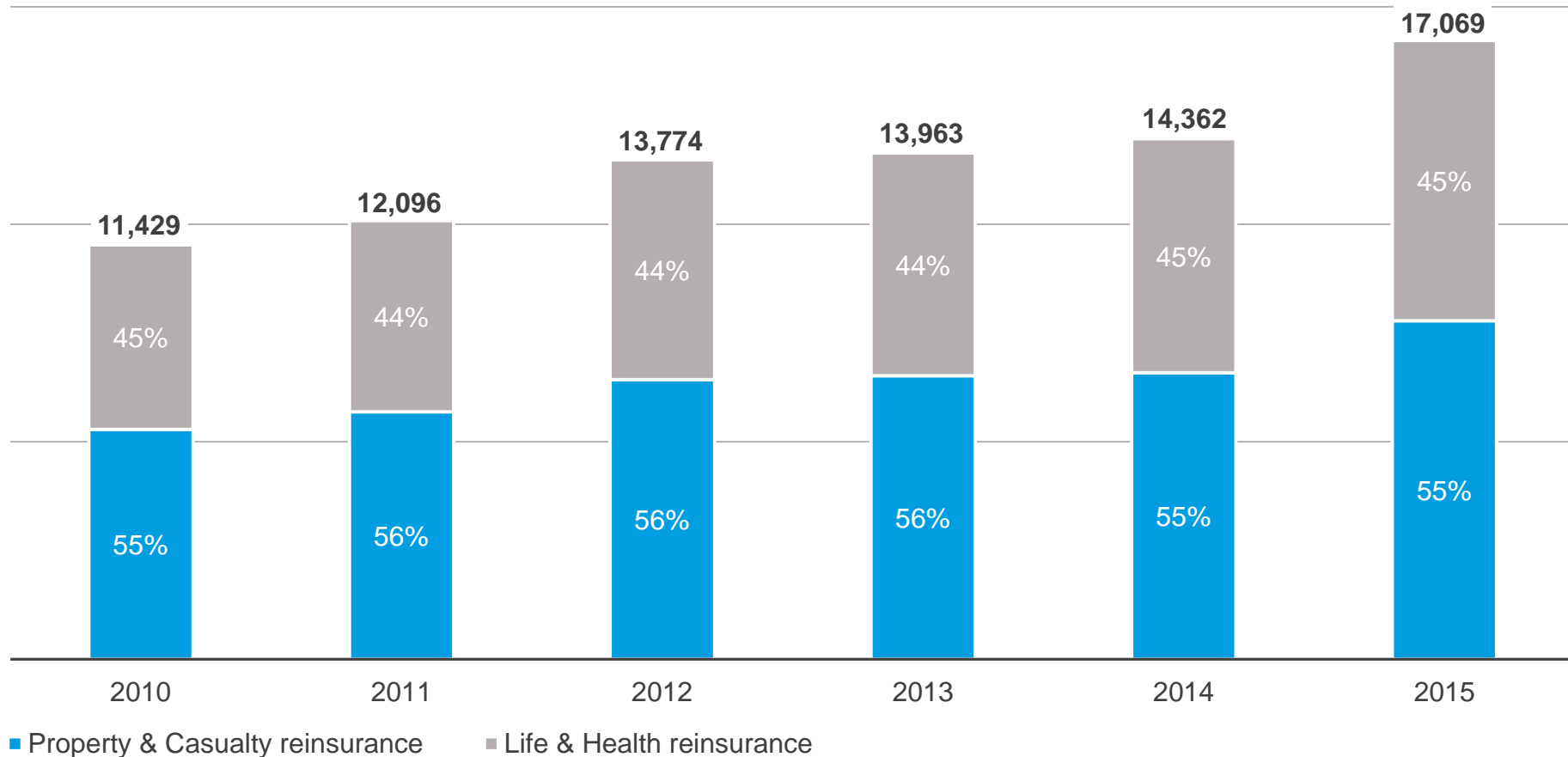
\* Positive outlook

# Continued growth of both business groups

2015: +18.8%; 5-year CAGR: +8.4%

## Gross written premium

in m. EUR



# We are among the top reinsurers in the world

## Premium ranking 2015 in m. USD

Rank	Group	Country	GWP	NPW
1	Munich Re	DE	36,976	35,279 <sup>1)</sup>
2	Swiss Re	CH	32,249	30,442
<b>3</b>	<b>Hannover Re</b>	<b>DE</b>	<b>18,651</b>	<b>15,945<sup>1)</sup></b>
4	SCOR	FR	14,665	13,228
5	Lloyd's <sup>2)</sup>	UK	12,740	10,237
6	Berkshire Hathaway Inc.	US	12,236	12,236
7	RGA	US	9,371	n.a.
8	China Re	CN	8,283	7,546
9	Everest Re	BM	5,876	5,378
10	PartnerRe	BM	5,548	5,230
11	Korean Re	KR	5,443	3,739
12	Great West Lifeco	CA	4,173	4,065
13	Transatlantic Holdings	US	3,662	3,387
14	General Insurance Corporation of India	IN	2,786	2,474
15	XL Group	IE	2,583	2,091

For further information please see A.M. Best "Best's Special Report" (September 2016)

1) Net premium earned

2) Reinsurance only

n.a. = not available at time of publication

# Hannover Re is one of the most profitable reinsurers

Company	2011		2012		2013		2014		2015		2011 - 2015	
	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	avg. RoE	Rank
<b>Hannover Re</b>	<b>12.8%</b>	<b>1</b>	<b>15.4%</b>	<b>3</b>	<b>15.0%</b>	<b>3</b>	<b>14.7%</b>	<b>4</b>	<b>14.7%</b>	<b>1</b>	<b>14.5%</b>	<b>1</b>
Peer 1, Switzerland, Composite	9.6%	3	13.4%	5	13.7%	4	10.5%	8	13.7%	2	12.2%	2
Peer 5, Bermuda, Property & Casualty	(1.3%)	8	12.9%	6	18.4%	1	16.6%	2	13.0%	3	11.9%	3
Peer 9, Bermuda, Property & Casualty	(2.4%)	9	15.9%	2	18.0%	2	13.7%	5	9.5%	6	10.9%	4
Peer 2, Germany, Composite	3.1%	6	12.6%	7	12.5%	5	11.3%	6	10.2%	5	9.9%	5
Peer 7, France, Composite	7.5%	4	9.1%	9	11.2%	6	9.6%	9	10.7%	4	9.6%	6
Peer 4, US, Property & Casualty	4.9%	5	15.2%	4	9.4%	8	9.4%	10	7.5%	8	9.3%	7
Peer 8, US, Life & Health	10.1%	2	9.9%	8	6.5%	9	10.6%	7	7.6%	7	8.9%	8
Peer 6, Bermuda, Composite	(7.6%)	10	16.9%	1	9.7%	7	15.3%	3	1.5%	10	7.2%	9
Peer 3, Canada, Property & Casualty	0.5%	7	6.2%	10	(6.7%)	10	18.3%	1	5.7%	9	4.8%	10

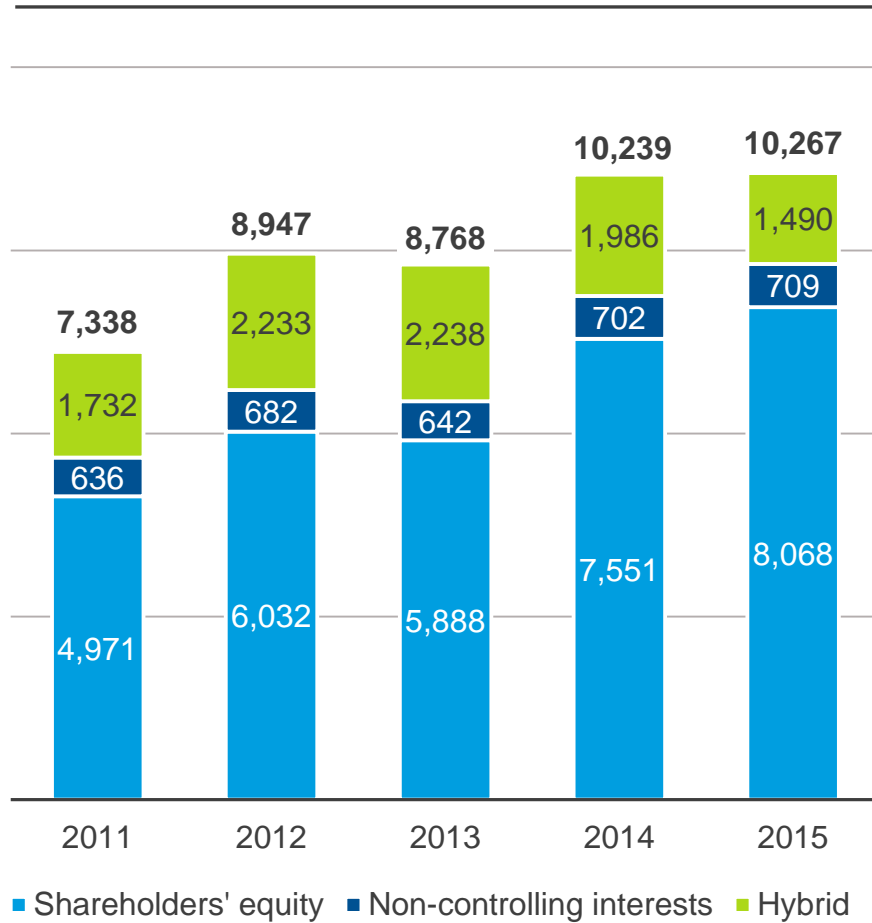
List shows the Top 10 of the Global Reinsurance Index (GloRe) with more than 50% reinsurance business  
Data based on company data, own calculation



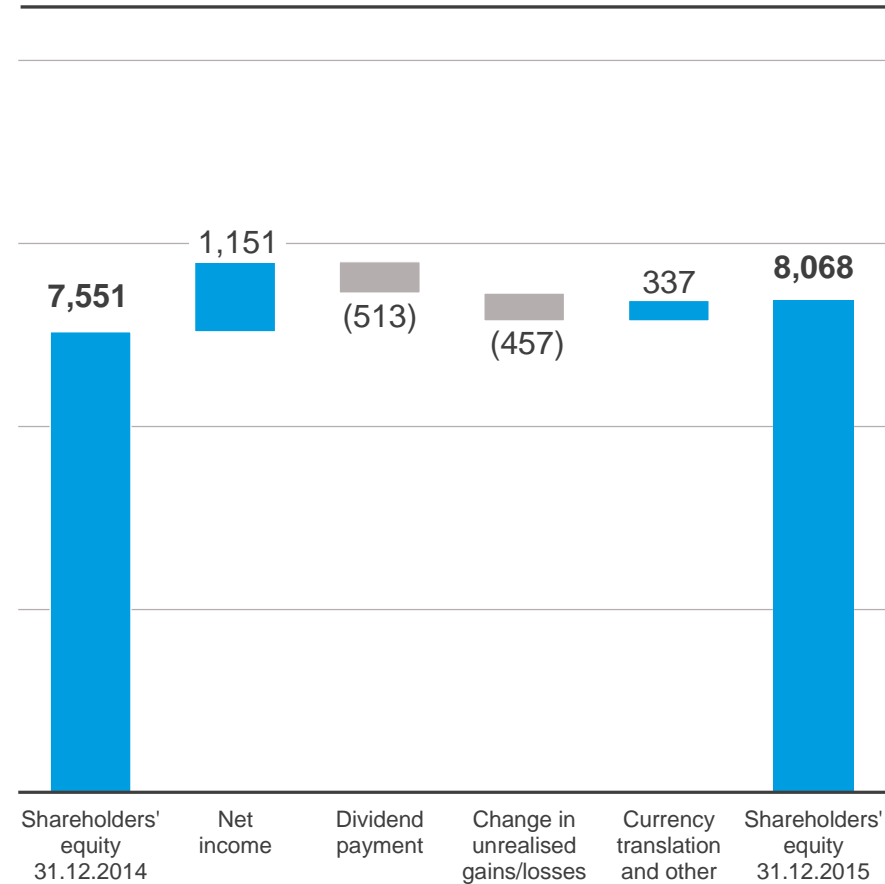
# Shareholders' equity up by 7%

Higher dividend payment and decreasing OCI offset by strong earnings

Policyholders' surplus in m. EUR

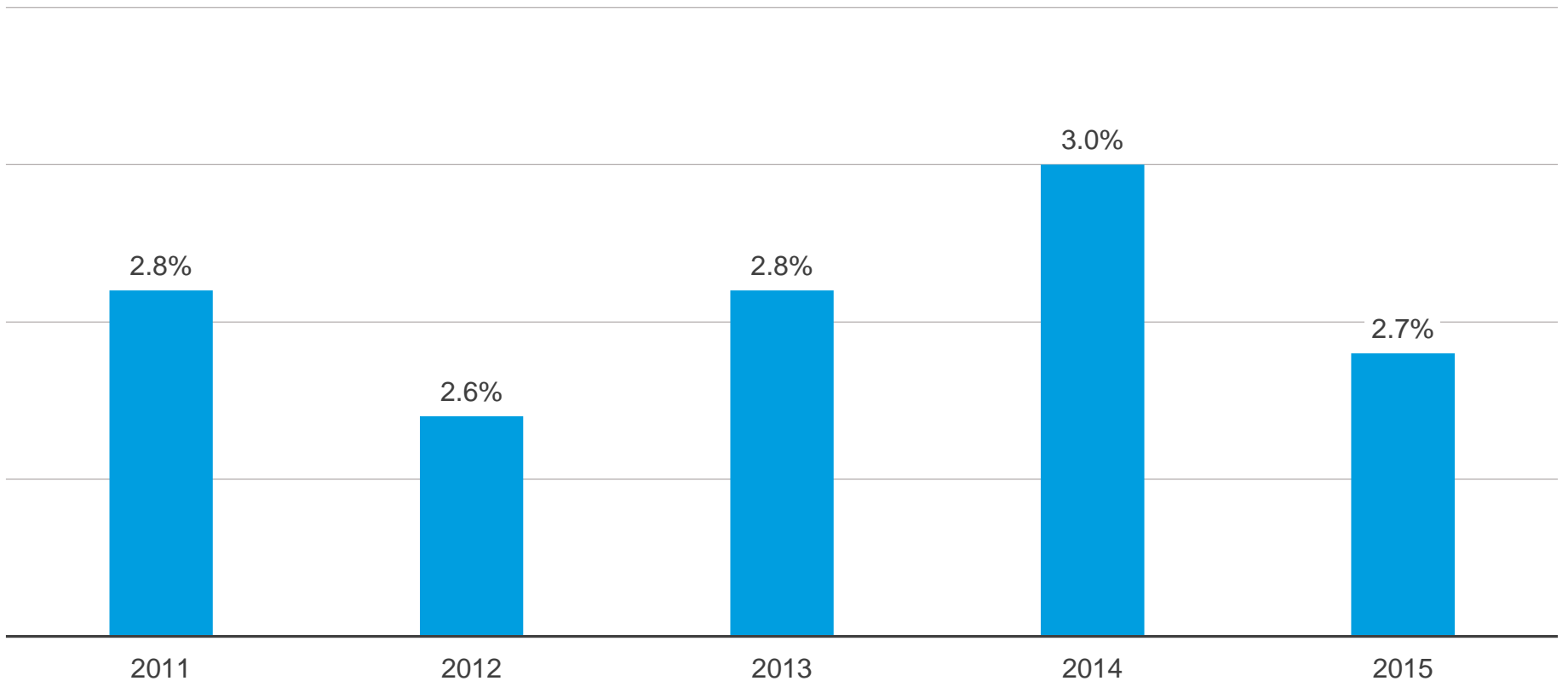


Change in shareholders' equity in m. EUR



# We maintained our competitive advantage on admin. expenses

## Administrative expense ratio\*



Own calculation

\* Administrative expenses + other technical expenses (in % of net premium earned)

# Largely stable asset allocation throughout the quarter

## Moderate increase in diversified listed equities

### Asset allocation<sup>1)</sup>

Investment category	2012	2013	2014	2015	30.06.2016
<b>Fixed-income securities</b>	<b>92%</b>	<b>90%</b>	<b>90%</b>	<b>87%</b>	<b>87%</b>
- Governments	19%	19%	21%	26%	27%
- Semi-governments	23%	20%	19%	17%	18%
- Corporates	33%	36%	36%	34%	32%
Investment grade	30%	33%	33%	30%	29%
Non-investment grade <sup>3)</sup>	3%	3%	3%	4%	4%
- Pfandbriefe, Covered Bonds, ABS	17%	15%	14%	10%	10% <sup>2)</sup>
<b>Equities</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>4%</b>
- Listed Equity	<1%	<1%	<1 %	1%	2%
- Private Equity	2%	2%	2%	2%	2%
<b>Real estate/real estate funds</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
<b>Others<sup>3)</sup></b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
<b>Short-term investments &amp; cash</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>
<b>Total market values in bn. EUR</b>	<b>32.5</b>	<b>32.2</b>	<b>36.8</b>	<b>39.8</b>	<b>40.3</b>

1) Economic view based on market values without outstanding commitments for Private Equity and Alternative Real Estate as well as fixed-income investments of EUR 885.6 m. (EUR 837.1 m.) as at 30 June 2016

2) Of which Pfandbriefe and Covered Bonds = 78.1%

3) Reallocation of High Yield Funds from "Others" to "Corporates – Non-investment grade"

# Solvency II: Hannover Re is prepared to comply

Internal capital model approved by BaFin

## Solvency II

### Pillar I

#### Quantitative requirements

- ▶ Capital requirements (SCR/MCR\*)
- ▶ Own funds (solvency balance sheet)
- ▶ Standard model and internal model

### Pillar II

#### Qualitative requirements

- ▶ Internal controls, risk management and key functions
- ▶ Internal risk assessment
- ▶ Supervisory review procedure

### Pillar III

#### Disclosure requirements

- ▶ to the regulator and the public
- ▶ with the goal of market transparency and market discipline

## Hannover Re

Hannover Re has received approval for its partial internal capital model. Internal and external risk quantification is therefore largely consistent.

Hannover Re has long had in place an internal control system, the necessary key functions and extensive risk management. Additional requirements arising out of Solvency II have been implemented progressively in recent years.

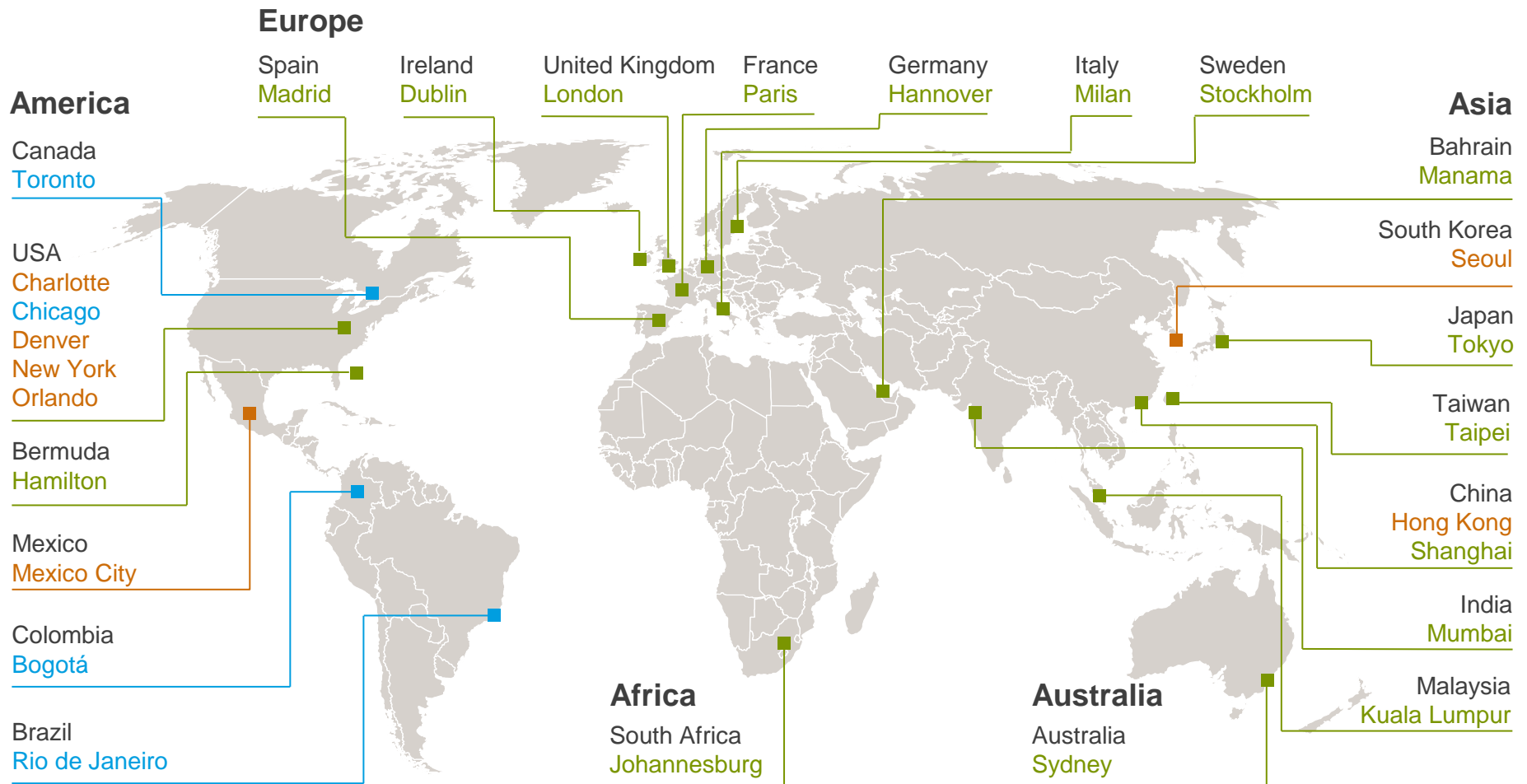
We support our clients in their preparations for Solvency II through the flexible design of our products and by sharing experiences.

\* SCR = Solvency Capital Requirement; MCR = Minimum Capital Requirement

# Life and health reinsurance

Business overview

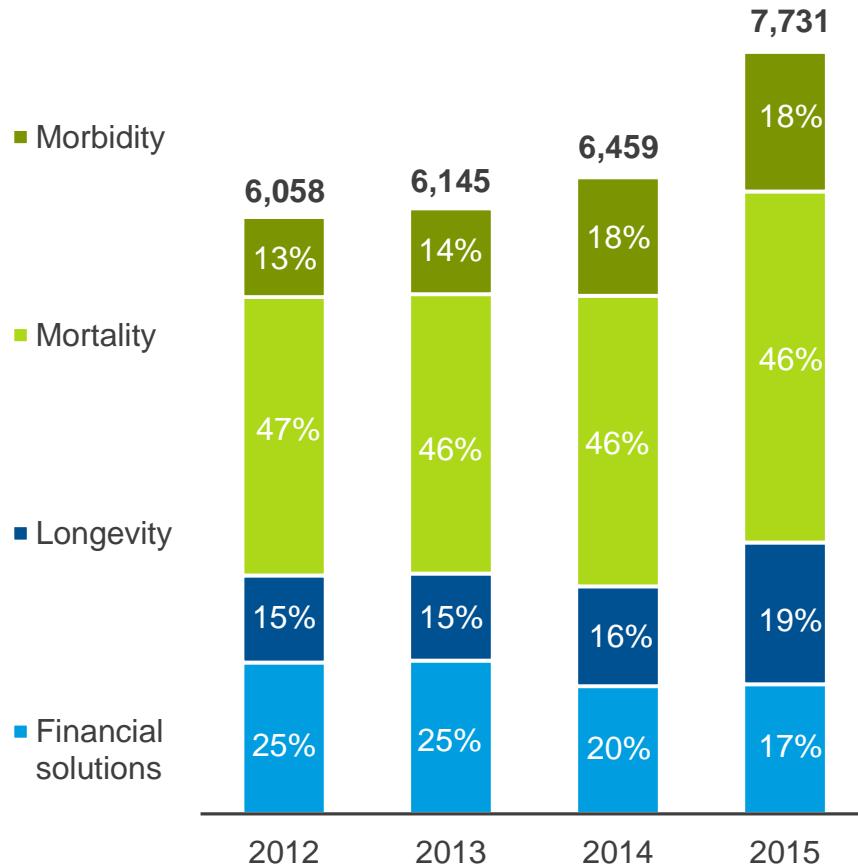
# Present on all continents



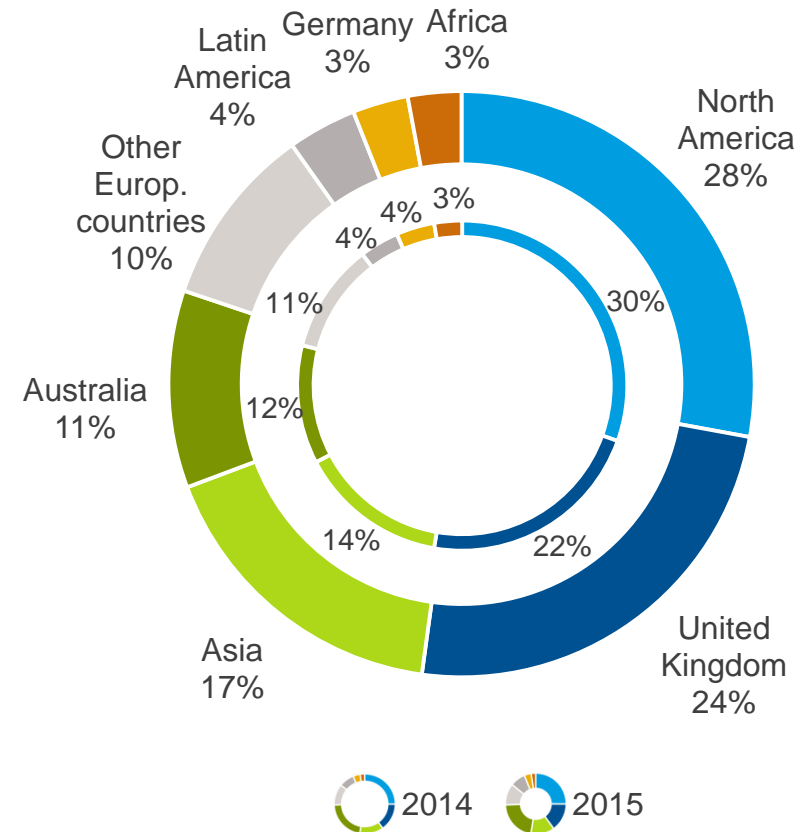
■ Property & Casualty reinsurance    
 ■ Life & Health reinsurance    
 ■ Property & Casualty and Life & Health reinsurance

# Life and health reinsurance: well diversified portfolio

GWP split by reporting categories in m. EUR



GWP split by regions



# We are somewhat different

## Life & Health reinsurance



**We offer small company flexibility with a large company balance sheet**



# Strategy contribution of the L&H business group

We have ambitious profit and growth targets



## Our value proposition to our customers

- ▶ Financial solutions
  - Tailored reinsurance structures for efficient capital or liquidity management
- ▶ Risk solutions
  - Competitive terms, capacity and reinsurance solutions for all types of technical risks
- ▶ Reinsurance services
  - Improvement of sales and underwriting processes



## Our profit contribution

- ▶ VNB ≥ EUR 180 m.
- ▶ EBIT margins
  - Financial solutions/Longevity ≥ 2%
  - Mortality/Morbidity ≥ 6%
- ▶ xRoCA\* ≥ 3%

\* xRoCA= eXcess Return on Capital Allocated

# We have well defined reporting categories

## Financial solutions

Profitability is less likely to be affected by the underlying biometric risks

Transactions which include components to provide alternative means of accessing capital

## Risk solutions

Profitability depends largely on the underlying biometric risks

### Mortality

The risk of paying more death benefits than expected

### Morbidity

The risk of experiencing a higher claims burden from traditional health, critical illness, long-term care, and disability covers

### Longevity

The risk of paying annuities and pensions longer than expected

*somewhat  
different*

# Hannover Life Reassurance Company of America

Business overview

# Financials and ratings

## Hannover Re US

### RBC\* analysis

in %

2015

RBC ratio based on authorized control level

560.43

Company action level

280.21

### Assets and premium

in bn USD

2015

Statutory assets

4.3

Statutory assumed premiums

-3.6

\*Risk based capital

**Hannover Re US is rated “A+” by A.M. Best and “AA-” by Standard & Poor's**

# Leadership in three key business segments

Ties to the five-pillar business model

## Mortality solutions

Traditional mortality risk  
Simplified Issue  
LTC Combo  
COLI/BOLI  
International Life  
Mortality Consultation &  
Underwriting Solutions

## Financial solutions

Monetize value of  
in-force blocks  
Strategic financial planning  
New business financing  
M&A assistance and ability  
to exit non-core businesses

## Health and Special Risk

Medicare risk coverage:  
Medicare supplement  
Med advantage  
Part D  
Financial Solutions for  
our coverages  
Specialty covers:  
Group life/accident  
Dental  
Prescription

# Key success factors for Hannover Re US

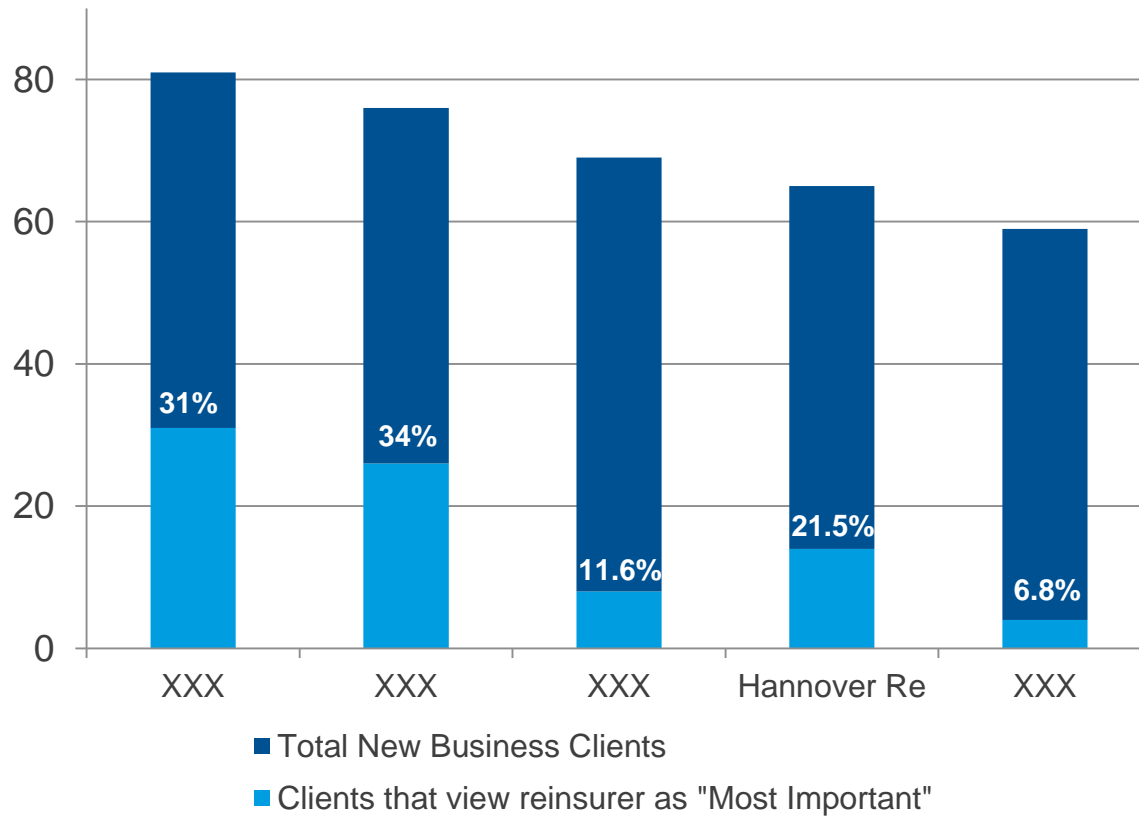
- ▶ High rating and 50 state licenses
- ▶ Focused approach only to markets where we add value and deliver excellence
- ▶ Development of CRM approach already well regarded in industry
- ▶ Top Tier underwriting, pricing and financial solutions capabilities
- ▶ Prudent expense structure grounded in proper risk management and growth in shareholder value
- ▶ Support and collaboration with global parent, Hannover Re Group
- ▶ Experienced management with commitment to employee and business excellence

# 2015 NMG Survey Results

## New Business Relationships

### New Business Clients

in number of  
respondents and %

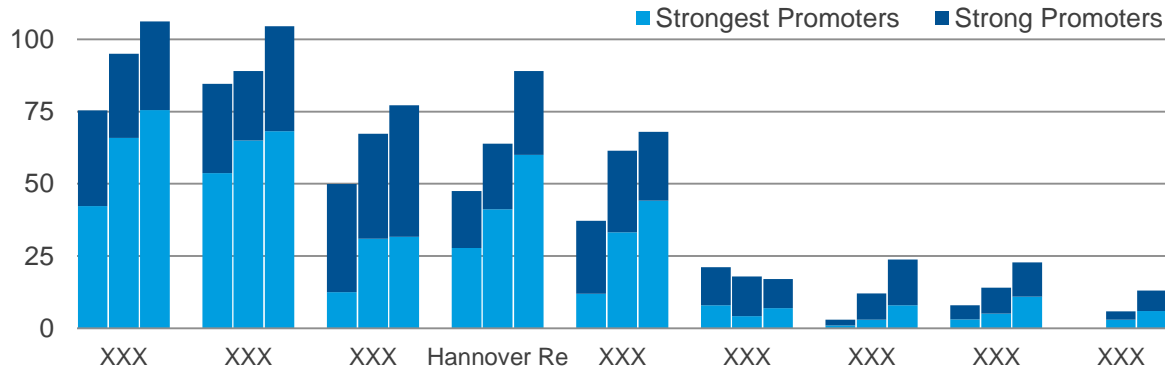


# 2015 NMG Survey Results

## Likelihood to Recommend - Promoters versus Detractors

### 2013-2015 Promoters

in number of respondents



### 2013-2015 Neutrals and Detractors

in number of respondents





# Risk management framework for Hannover Re US

- ▶ The overriding goal of our risk management is to protect Hannover Re US capital and stabilize and optimize results while adhering to the strategically defined risk positions for Hannover Re US and the Hannover Re Group
  - Minimum expected returns
  - Maximum earnings volatility
  - High standards for economic and regulatory capital
  - Internal control framework integrated into all operations
- ▶ Our Risk Framework aligns risk appetite, governance, policies and reporting to our Corporate Strategy
- ▶ Risk management adds value by bringing transparency to risk and return trade-offs, and is more than just the avoidance of losses in any given year's earnings
- ▶ Our Solvency II strategy is to be a stable and low risk counterparty and leverage our internal capital model expertise for multiple internal and external uses



Corporate strategy

1. Risk strategy  
(appetite)

2. Governance, roles  
& responsibilities

3. Risk registry  
(Identification)

4. Limits, thresholds  
& policies

5. Risk, reporting  
& monitoring

# Hannover Re US

## Key contacts



Additional Hannover Re US contacts can be found at [www.hannover-re.com/#/overlay/131550?firstLevel=131603](http://www.hannover-re.com/#/overlay/131550?firstLevel=131603)

# Disclaimer

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