



Jean-Jacques Henchoz,
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

This is my first letter to you, the shareholders of Hannover Re, since taking over from Ulrich Wallin as Chief Executive Officer in May of this year. I would like to begin by taking this opportunity to once again express my warmest thanks to Ulrich Wallin for the smooth handover.

The positive impression that I had of Hannover Re as an outsider has been wholly and unreservedly confirmed over the past few months. The dedication and expertise of our staff, our long-standing customer relationships and our cost leadership form the basis of Hannover Re's superb positioning.

I am absolutely delighted to be able to lead this great company into the future and write the next chapter of Hannover Re's success story together with my colleagues on the Executive Board and our roughly 3,200 employees.

In addition to the protracted low interest rate environment on capital markets, the situation on global reinsurance markets is also very challenging. Intense competition and an associated excess supply of reinsurance coverage have led to falling reinsurance prices for a number of years now. In the most recent treaty renewals in property and casualty reinsurance – above all the renewals in June and July – we were able to push through price increases. These put us in a somewhat better position now than in 2017 or 2018, although we still find ourselves below the pricing level of earlier years.

The strained state of the market should not, however, blind us to another major challenge that we need to confront. We must prove the social relevance of our industry and demonstrate to our clients, our investors and policy makers that reinsurers play a pivotal role in mitigating risks such as natural disasters and the impacts of global warming or technological change. In many instances, it is only our expertise in quantifying and covering such risks that makes them insurable in the first place. Not only are we able to provide prompt assistance for those who have been affected, we can also make a real difference when it comes to risk prevention.

We still have a lot of work ahead of us in this regard. Yet there are also many opportunities here, and we must act on them. The so-called protection gap, the difference between insured losses and the total economic losses actually incurred, remains large. When major natural disasters occur it is far too often the case that less than a third of the losses are insured. As a reinsurer, we must work with primary insurers and other partners such as government bodies and international institutions to close this gap.

Through initiatives such as most recently our insurtech platform “hr|equarium” we are also pressing ahead with our efforts to position Hannover Re as a driver of innovation in the insurance and reinsurance market. This platform enables insurtechs to connect with primary insurers, i.e. our clients. Not only that, we are also participating in insurtechs ourselves. The South African insurtech Lumkani, for example, has developed an innovative microinsurance solution for frequently occurring township fires that combines a smart alert system with basic insurance coverage. The Perseus platform in Germany is also interesting: with the help of this start-up we are able to offer insurers a wrap-around concept through a cyber security club with the goal of protecting against and insuring cyber risks – an area where the industry often still lacks data that can be used for pricing and risk management.

Furthermore, our data analysis capabilities as a global reinsurer constitute a core area of expertise that is becoming ever more important in this networked, digital world. A good example here is our initiative in Southeast Asia. Here, we are working for and with our clients on ways to respond to changes in consumer behaviour and simplify access to insurance solutions for the customer through alternative distribution channels, such as online or over the counter at banks. Our clients in other markets will similarly be able to benefit from what we learn through our initiative in Southeast Asia.

I would like to briefly summarise below the development of your company’s business in the first half of 2019.

We increased the previous year’s good result by another 19 percent to EUR 663 million. The same is true of the annualised return on equity, which rose to 14.3 percent and thus remains well above our minimum target of 9.4 percent. The gross premium booked by Hannover Re in the first six months grew by 15 percent adjusted for exchange rate effects. We laid the foundation for this increase in the various rounds of treaty renewals during the year to date, in which we succeeded in expanding our business in line with our margin requirements at prices commensurate with the risks while at the same time further strengthening our existing customer relationships.

In property and casualty reinsurance the expenditures on large losses came in within our planned budget. However, we also incurred – in common with many of our competitors – late reported claims from events in prior years. In particular, typhoon Jebi in Japan continues to prove more costly than originally anticipated for the entire industry.

In life and health reinsurance the 76 percent surge in profitability to EUR 258 million can be attributed in large part to a one-time effect associated with our participation in Viridium Group. As a further factor, the termination of loss-making treaties in US mortality business in the previous year – which had given rise to exceptional charges – also continued to have positive implications for the result.

In view of the development of business to date, we are well on the way to achieving Group net income in the order of EUR 1.1 billion for 2019. In addition, the result will be favourably influenced by a one-time effect from our participation in Viridium Group to the tune of EUR 100 million. This is conditional on major losses not significantly exceeding the budgeted level of EUR 875 million and assumes that there are no unforeseen distortions on capital markets.

We shall retain our existing dividend policy. Hannover Re envisages an unchanged payout ratio for the ordinary dividend in the range of 35 to 45 percent of its IFRS Group net income. Provided the comfortable level of capitalisation remains stable and subject to a Group result in line with expectations, the ordinary dividend will be supplemented by payment of a special dividend.

In short: your company, Hannover Re, is superbly positioned, can look back on a successful first half-year and is well on course to achieve the goals set for the current financial year.

Hannover Re's track record of success would not be possible without our employees. I would like to express my thanks to them just as sincerely as I do to our clients and business partners. Equally importantly, my colleagues on the Executive Board and I thank you, our valued shareholders, for the trust that you place in us. Going forward, as in the past, our primary objective will be to lead Hannover Re responsibly, securely and with the necessary foresight into a profitable future.

Yours sincerely,



Jean-Jacques Henchoz
Chairman of the Executive Board