Corporate news

Hannover Re reports satisfactory 1 January treaty renewals and confirms guidance for 2022

- **Renewals as at 1 January 2022 show premium increase of 8.3%**
- **Average inflation- and risk-adjusted price increase of 4.1% with further improvements in conditions**
- **Price rises particularly marked in Europe as well as for catastrophe and cyber covers**
- **Guidance confirmed for 2022 – Group net income of EUR 1.4 billion to EUR 1.5 billion**
- **Preliminary Group net income for 2021 of EUR 1.23 billion in the upper range of expectations**

Hannover, 3 February 2022: Hannover Re achieved an inflation- and risk-adjusted price increase on renewed business of 4.1% in the treaty renewals as at 1 January 2022 in traditional property and casualty reinsurance. The pricing trend was driven primarily by considerable losses from natural catastrophes, especially in Europe and North America, as well as the low interest rate environment and sharply higher inflation.

"We can look back on a satisfactory round of treaty renewals with additional rate increases for the fifth year in a row, while further enhancing the quality of our business through active cycle management and improvements in conditions," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "In many areas the positive pricing momentum has been sustained. This is essential, also bearing in mind the continued low interest rates and substantial large loss expenditures. As a further factor, risk-adjusted price increases were clearly impacted by higher inflation rates."

Of the total premium volume booked in the previous year on an underwriting-year basis in traditional property and casualty reinsurance amounting to EUR 13,801 million (excluding facultative reinsurance, ILS business and structured reinsurance), treaties with a volume of altogether EUR 7,808 million – or 62% of the business – were up for renewal as at 1 January 2022.

The premium volume due for renewal has been adjusted for a reinsurance cession of EUR 1,107 million received by Hannover Re

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from HDI Global Specialty. Following the sale of the participation this was reduced as planned to EUR 576 million.

Disregarding this effect, a premium volume of EUR 7,284 million was renewed, while treaties worth EUR 524 million were either cancelled or renewed in modified form. Including increases of EUR 1,176 million from new treaties and from changes in prices and treaty shares, the total renewed premium volume came in at EUR 8,460 million and was thus 8.3% higher than the previous year's level.

Proportional reinsurance posted growth of 6.3% in the renewals, generating a premium volume of EUR 5,929 million. Prices here were up by 3.4%. The renewed premium volume in non-proportional reinsurance grew by 13.5% to EUR 2,530 million. The price increase amounted to 6.1%.

Regional markets: Appreciable increases in premium volume and prices in Europe

In the region **Europe, Middle East and Africa** the premium volume booked by Hannover Re grew by 9.8%. Losses caused by catastrophic flooding in some European countries overshadowed the pandemic as a defining issue.

Impacted by disastrous flooding caused by the low-pressure area "Bernd" and following other bad weather events such as hailstorms, *Germany* recorded its highest-ever losses from natural catastrophes in 2021. E+S Rückversicherung AG, the Hannover Re subsidiary responsible for the German market, consequently enjoyed a continued rise in demand for high-quality risk protection, for example in the area of catastrophe covers. All in all, E+S Rück was able to further cement its leading position and achieved sometimes significantly improved reinsurance conditions and prices, particularly in loss-affected lines.

In *Continental Europe* Hannover Re was for the most part again able to obtain higher prices. Robustly capitalised reinsurers remained in high demand across the entire region.

Price increases were secured for business in the *United Kingdom, Ireland and the London Market* across all major lines of reinsurance. Along with liability business, this was also true of non-proportional motor treaties and the reinsurance of natural catastrophe risks.

In the **Americas** region, encompassing North and Latin America, the premium volume booked by Hannover Re in the renewals grew by 7.0%.

With extreme cold spells, hurricanes and tornados, *North America* once again accounted for the bulk of catastrophe losses. Yet it was not only in the area of catastrophe covers that further improvements in prices and conditions were obtained. Outside of loss-affected lines, cyber covers saw the most appreciable price increases running into the high double digits. Looking ahead to the remaining renewals during the year, Hannover Re expects further business opportunities to open up in North America.

In *Latin America* demand for coverage of natural catastrophes and political risks remains strong, although large parts of the business are not renewed until later in the year.

Hannover Re boosted its premium volume by 8.2% in the **Asia-Pacific** region. Reinsurance conditions and rates were stable or trended in a positive direction in the 1 January renewals. A considerable part of business written in the APAC region, including Australia, New Zealand and Japan, comes up for renewal on 1 April or 1 July.

Global markets: Significant increases, especially for natural catastrophe covers

No appreciable strains from pandemic-related insolvencies have been recorded to date in the **credit, surety and political risks line**. The premium volume surged 11.2% higher, largely as a consequence of the economic rebound in 2021 and the phasing out of government support packages. Given that a further gradual economic recovery is anticipated for 2022 and parallel to this a progressive elimination of government supports and hence rising loss ratios, prices remained broadly stable on both the insurance and reinsurance side.

The premium volume in **aviation and marine reinsurance** grew by 0.8% against a backdrop of continued low flight activity. In aviation reinsurance it is evident that rates are stabilising on the primary market for the insurance of large aircraft, while in other sublines rates are showing further hardening. Prices for reinsurance climbed owing to the fact that losses from prior years have not yet been entirely offset. Despite the competitive environment and excess of available capacity, improvements were achieved in the pricing and risk structure for the marine and offshore energy segment.

In **agricultural lines** Hannover Re was able to grow its premium volume by 2.6% and looks forward with confidence to further business opportunities in this area.

In **structured reinsurance**, which is renewed throughout the year, demand for tailor-made capital and risk management solutions continued to rise around the world. The high expenditures incurred by insurers in North America and Europe from losses caused by the pandemic and natural perils are facilitating the continuing shift towards a provider market. Based on new business written and the favourable development of the already existing portfolio, we anticipate growth of about 15% in 2022.

In **facultative reinsurance** prices and conditions similarly improved for the third consecutive year across virtually all regions and lines. The premium volume increased by around 11% in the 1 January renewals.

Prices and conditions in **natural catastrophe business** improved, sometimes markedly so. The rate increases averaged 6.6%. In US catastrophe business and in Europe double-digit rate gains were achieved, especially for loss-impacted programmes. The premium volume grew by around 25% in the 1 January renewals.

Guidance for 2022 confirmed

As already announced in November, Hannover Re anticipates Group net income of EUR 1.4 billion to EUR 1.5 billion for the 2022 financial year. Based on constant exchange rates, growth in Group gross premium should be at least 5% and the return on investment should reach at least 2.3%.

In order to take account of a higher retention and the increased loss expectation from natural catastrophes Hannover Re has raised its net major-loss budget for 2022 to EUR 1.4 billion from EUR 1.3 billion. That compares to a budget of EUR 1.1 billion in 2021.

As usual, all statements regarding future targets are subject to the premise that there are no unforeseen distortions on capital markets, large loss expenditure remains within the envisaged budget of EUR 1.4 billion and the Covid-19 pandemic does not significantly affect the result in life and health reinsurance. The ordinary dividend should be at least on the level of the previous year. It will be supplemented by payment of a special dividend if the capitalisation exceeds the level required for future growth and the earnings guidance is achieved.

Preliminary key figures for the 2021 financial year

The Group net income generated by Hannover Re reached a level of EUR 1.23 billion (EUR 883 million) in the 2021 financial year based on preliminary key figures, which is the upper range of the EUR 1.15 billion to EUR 1.25 billion expectation. Gross premium grew by 12.8%

adjusted for exchange rate effects to reach EUR 27.8 billion (EUR 24.8 billion). The return on investment booked from assets under own management amounted to 3.2% for the financial year just ended. The underwriting result was impacted by higher than expected large losses and a prudent reserving approach in property and casualty reinsurance as well as further losses relating to Covid-19 in life and health reinsurance.

"Very high catastrophe losses and rising inflation came on top of the continuing pandemic last year. Despite this, we generated a respectable year-end result of EUR 1.23 billion that was in the upper range of our expectations," Henchoz said. "This underscores our resilience and performance capability and it gives me confidence that we will achieve the goals we have set ourselves for the 2022 financial year."

Hannover Re will publish its audited annual financial statement on 10 March 2022.