

*somewhat  
different*



# Financial Solutions & support in the digital age

Usual risks with unusual RoE potential - US market

Dr. Klaus Miller, Member of the Executive Board  
22<sup>nd</sup> International Investors' Day  
Frankfurt, 23 October 2019

*hannover* **re**<sup>®</sup>

# Agenda

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- 1 Latest developments: US mortality business

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- 2 At a glance: US life insurance market

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- 3 Some facts: US Financial Solutions business

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- 4 Brief insight: digital age

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# Security Life of Denver (SLD) YRT rate increase

## Latest developments

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101

Company groups



778

Treaties



332 m.

Recaptures 2018  
IFRS losses



Up to 45 m.

Expected recaptures 2019  
IFRS losses<sup>1)</sup>

The vast majority did not challenge SLD's right to increase rates.

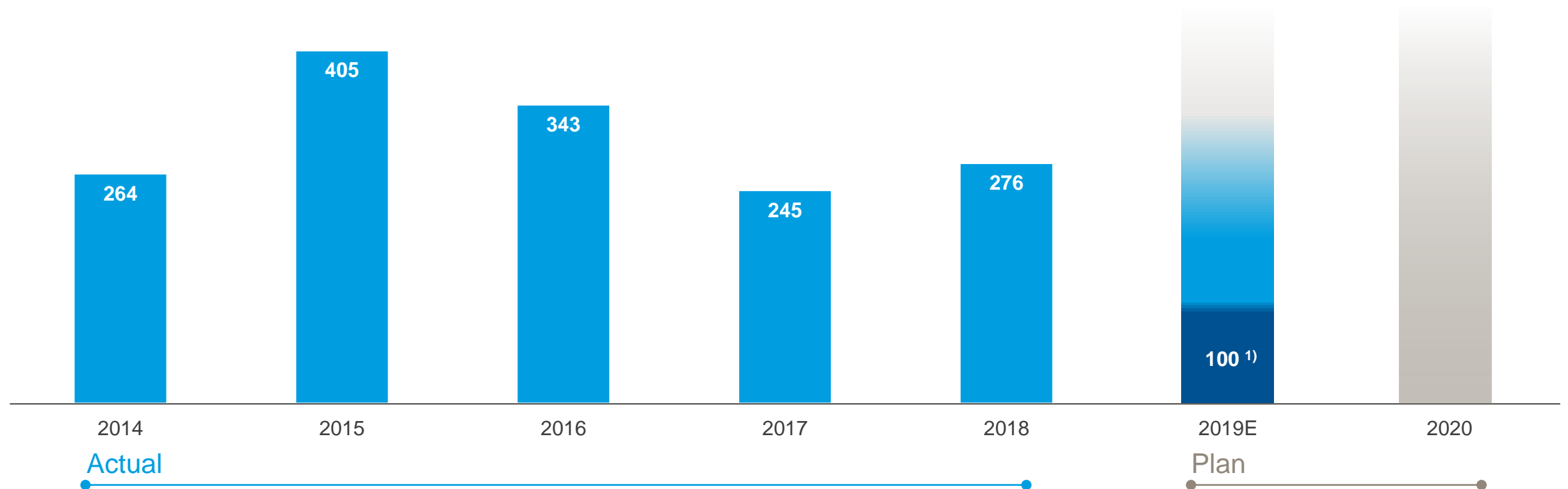
No more than a handful of potential disputes.

1) As at F2/2019

# Resolving the issue of legacy US mortality business... ... will have a significant positive effect on L&H EBIT in the future

L&H EBIT

in m. EUR



1) One-off effect Viridium as of Q2/2019 / E = Estimated

# Did we miss anything...

... where things could go wrong in the future

Critical issues in the US L&H market

- Long Term Care
- Reduced mortality improvements
- Post Level Term



All are manageable for Hannover Re



# US life insurance market

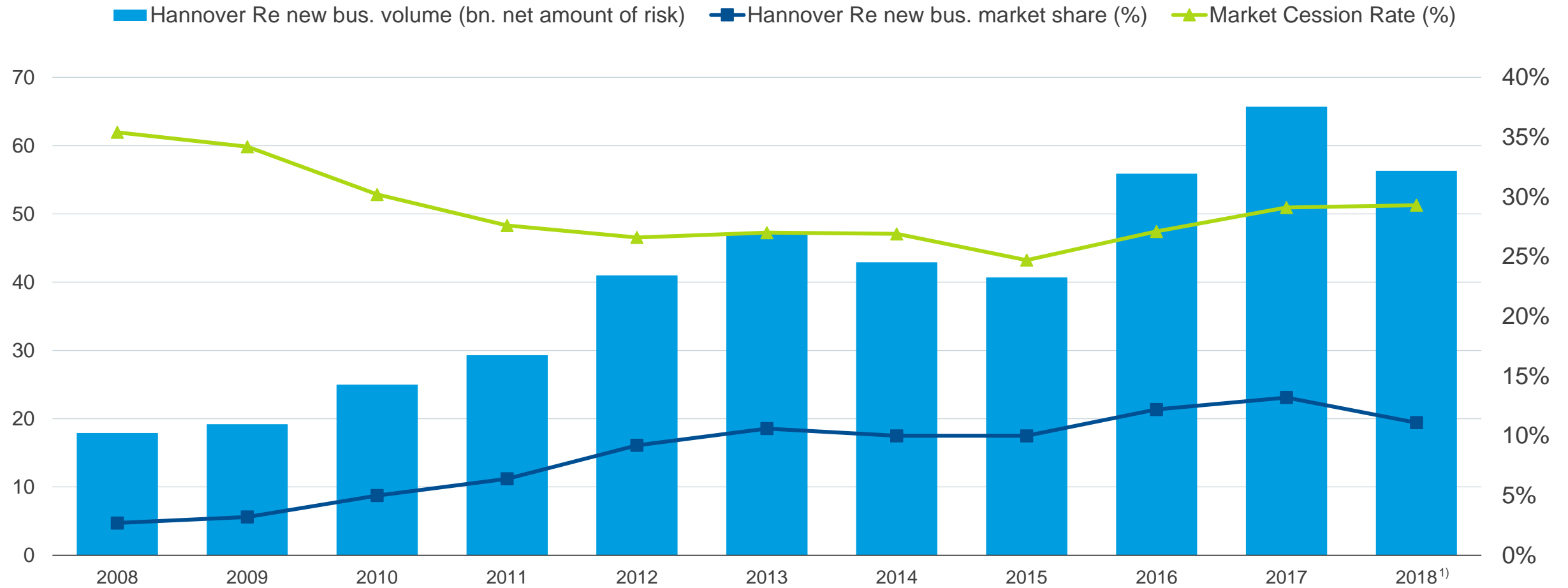
## Top US life reinsurers by life insurance in force, 2018

Company group	Total amount in force (USD 000s)	% of total individual	Group
Canada Life	3,138,651,962	9.2	90.8
RGA Reinsurance Co.	1,875,293,276	94.9	5.1
SCOR Life US Group	1,840,027,921	98.2	1.8
Swiss Re L&H America Inc.	1,405,276,831	91.7	8.3
Munich American Reassurance Co.	1,354,817,191	72.1	27.9
Hannover Life Reassurance of America	1,307,947,537	99.9	0.1
General Re Life Corp.	187,945,000	93.4	6.6
Employers Reassurance Corp.	108,918,728	100.0	0.0
Wilton Reassurance Co.	75,429,161	100.0	0.0
Optimum Re Insurance Do.	70,089,090	100.0	0.0
PartnerRe Life Reinsurance Co of America	58,225,149	100.0	0.0

**Despite the growth potential in Asia, Latin America and other areas, the US will remain the largest market for L&H business.**

Source: AM Best data and research, 12 April 2019

# Traditional Mortality Risk Business Development 2009 - 2018



SOA Life Reinsurance Surveys 2008-2018

1) 2018 cession rate direct face amount estimated at this time, and based on 1% actual growth in 2018 direct premiums

# Capital funding has varying costs

## Asset subordination view



Capital funding requirements



# Alternative capital sources

Financial solution repayments are subject to business performance

Financial solutions



What sets reinsurance apart

Alternatives

Debt

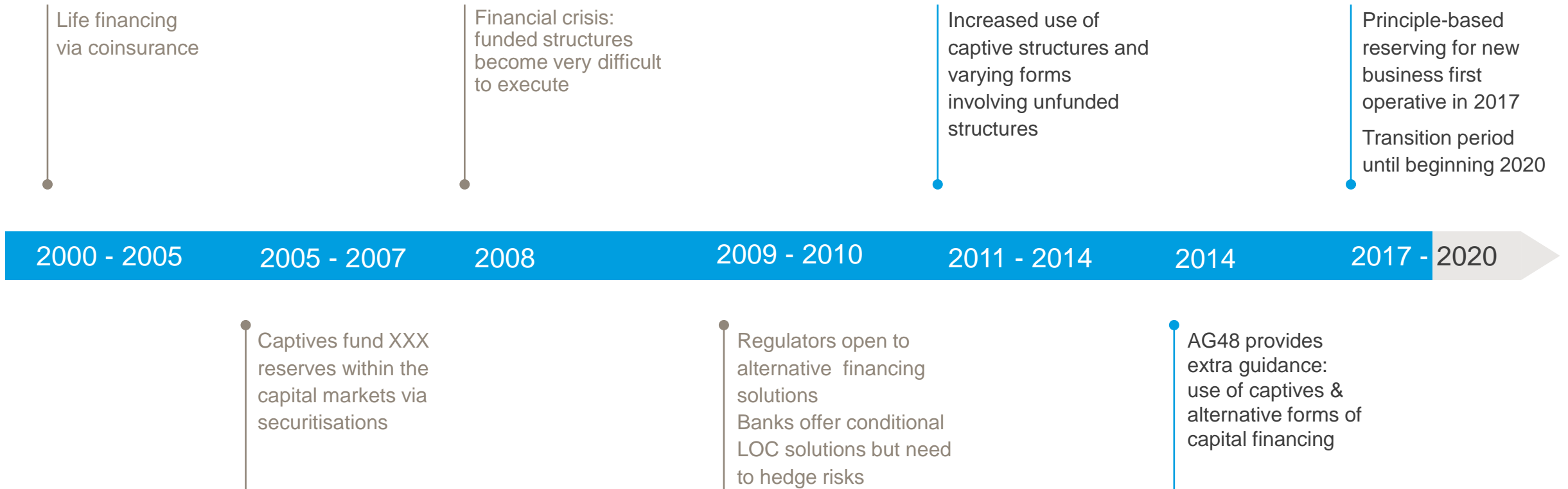
Hybrid capital

Equity

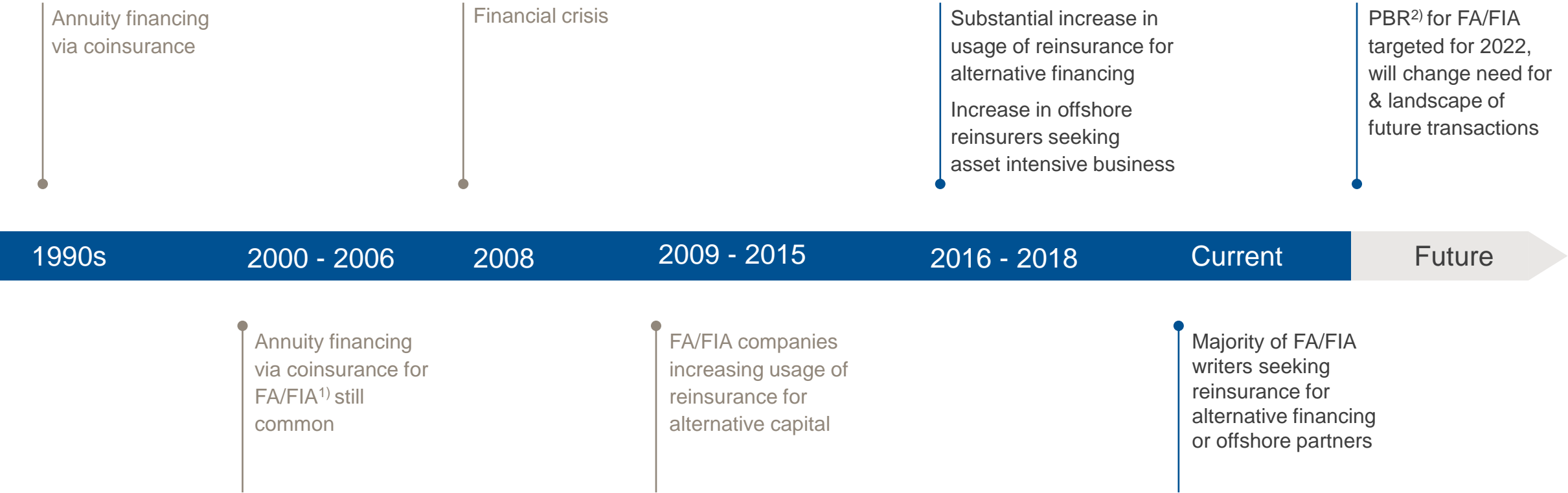
Securitisation

- + Covers losses above capital provided
- + Reduces capital requirements
- + Rapid implementation
- + Low transaction cost
- + Low minimum transaction size

# US landscape: individual life insurance financing



# US landscape: retirement market



1) Fixed annuities / Fixed Indexed annuities

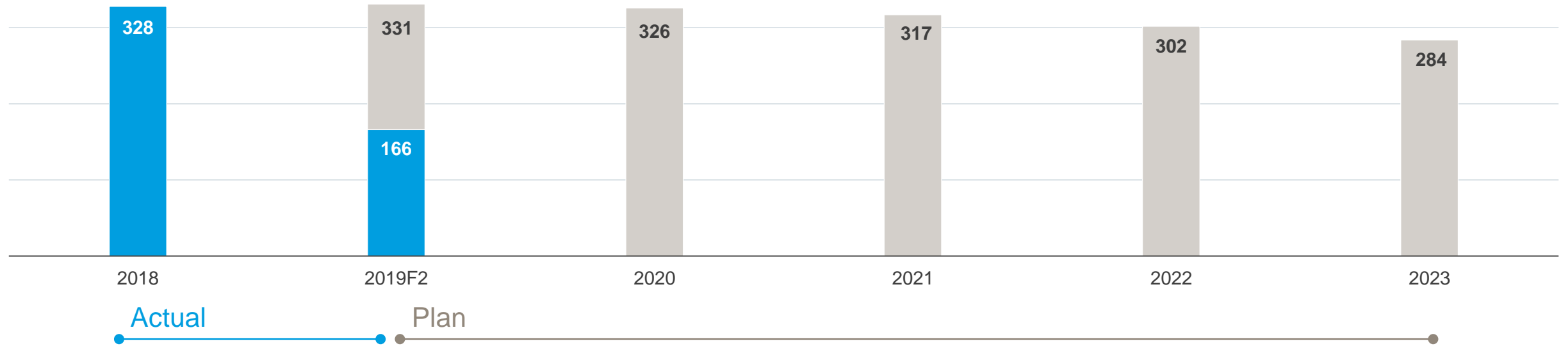
2) Principle-based reserving

# Our US Financial Solution business

## In-force only

All figures

in m. USD



**No new business included**

# Some facts about Financial Solutions



## Underlying risks

Identical for Financial Solutions and Risk Solutions



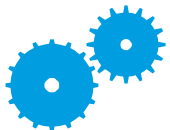
## Negative developments

Would hit Risk Solutions earlier than Financial Solutions



## Treaty term

Typically between 5 and 20 years



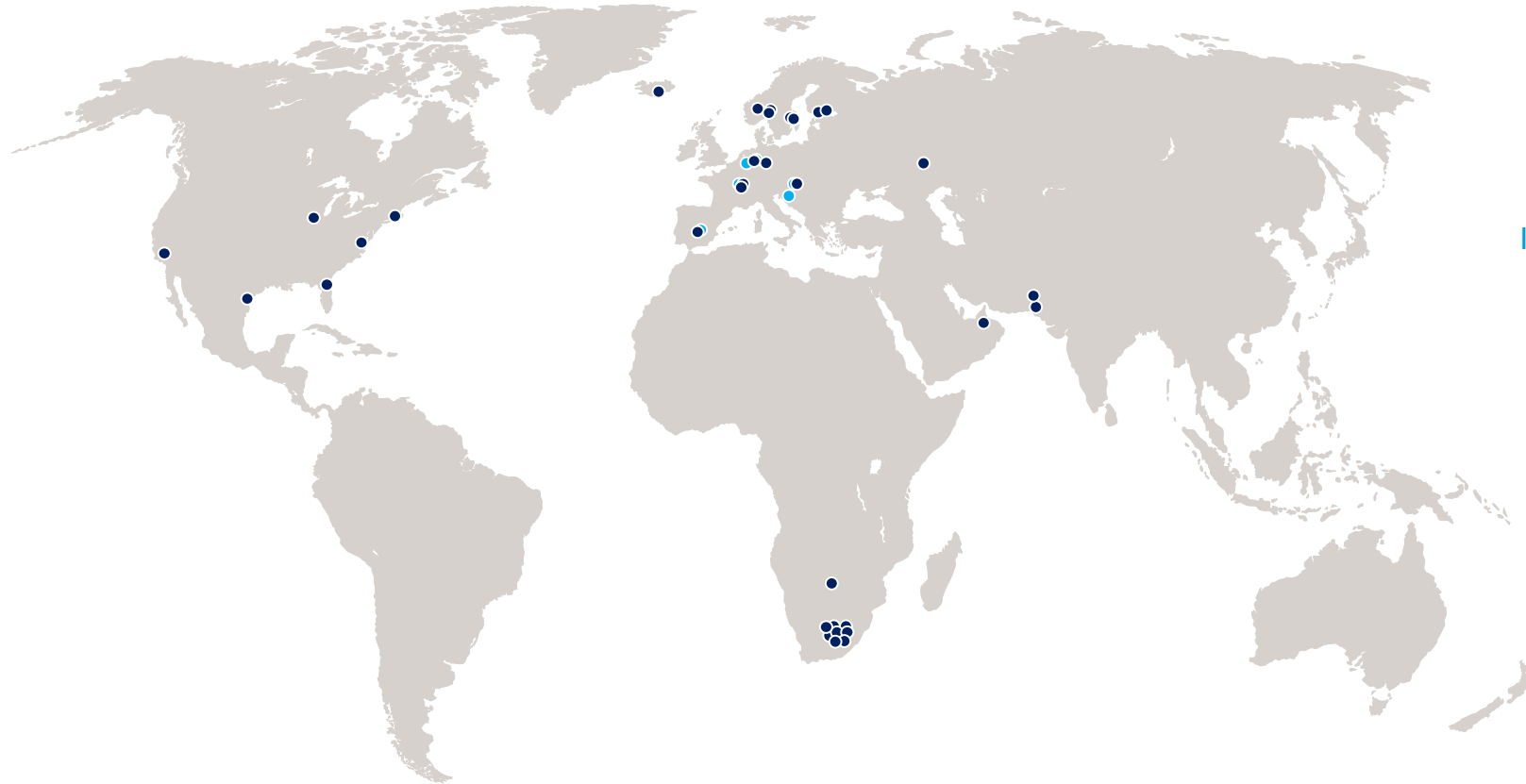
## Risk profile

Stable over term; hence stable profit signature



# hr|ReFlex & hr|Quirc

## Support in the digital age



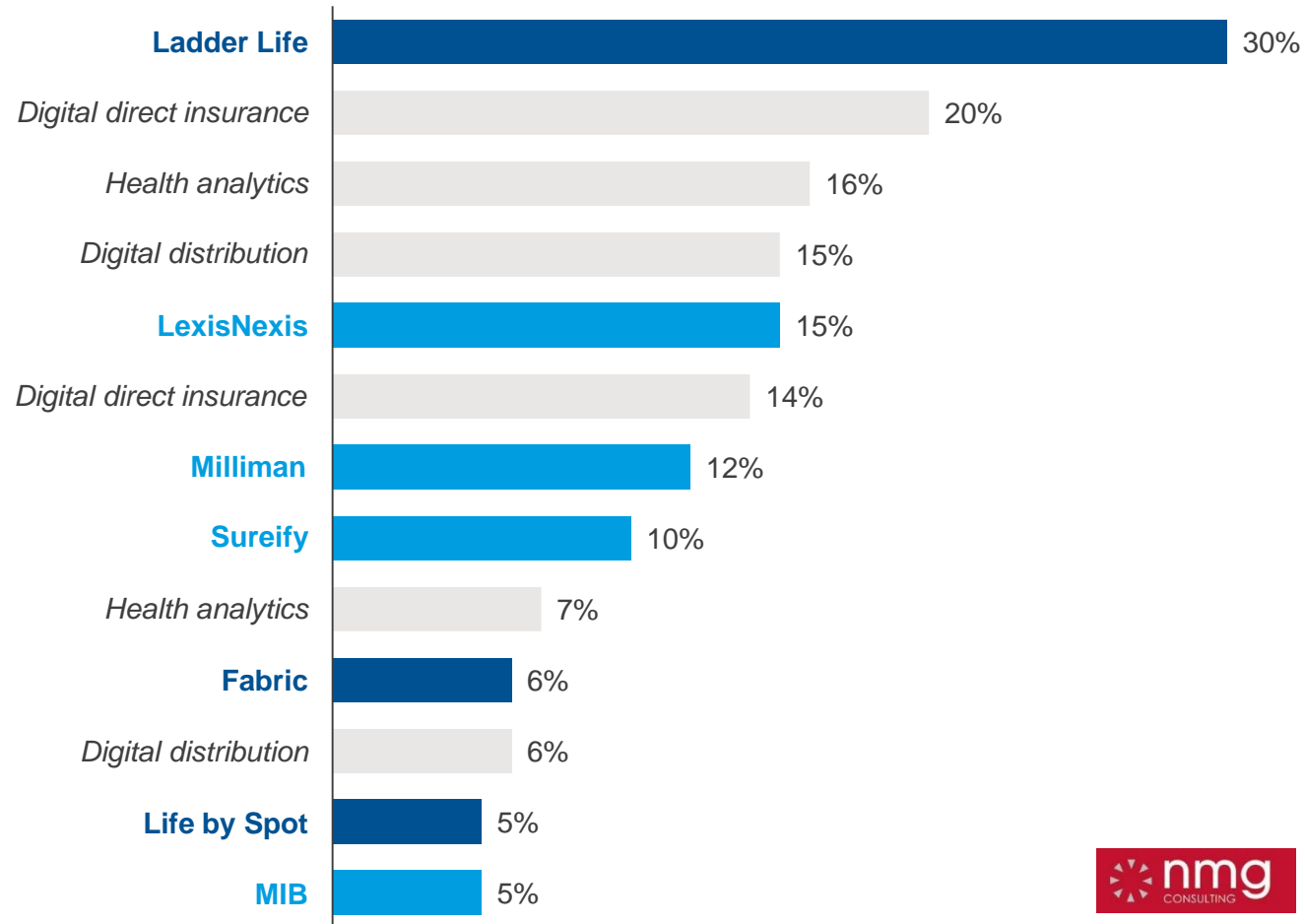
Prospects **40+**

In development

In production

As at September 2019

# Support in the digital age – nominations 2019



■ Exclusive relationship ■ Close relationship

Source: NMG's 2019 US Individual Mortality Program



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**We're extremely pleased to partner with an industry-leading innovator. We are deeply impressed by the quality of Hannover Re's risk assessment, their hr|ReFlex underwriting technology platform and the spirit of partnership needed to delight the modern consumer.**

Jamie Hale,  
CEO & Co-Founder, Ladder



**FinTech Breakthrough award 2019**

Top company InsurTech innovation

*FinTech Breakthrough*



**Real Simple Smart Money award 2019**

Best insurer to get life cover easy

*Real Simple*



**Model insurer of the year award 2018**

Innovation and emerging technologies

*Celent Model insurance*



**Most innovative companies award 2018**

Revamped life insurance offerings\*

*Fast company*

\* In cooperation with Social Finance



# Key takeaways

1

## Security Life of Denver

- Resolving issue of legacy US mortality business is on track
- Positive effect on future L&H EBIT

2

## Financial Solutions

- Minimal exposure to market risks or other non-core risks
- Strong run-off earnings expected paired with promising new business potential

3

## Insurtechs

- Will play a major role in (re)insurance value chain
- Hannover Re is an innovative partner



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