

20TH ANNIVERSARY ISSUE



On our 20th Anniversary David Brand our Managing Director reviews the last 20 years and the prospects for the future

The company that is now Hannover Life Re (UK) began life as part of Skandia in June 1984. Margaret Thatcher's confrontation with the national miners strike was then at its height. While the 'battle' of Orgreave Colliery raged in Yorkshire, Wham! topped the charts with the annoyingly jaunty *Wake Me Up Before You Go-Go*. It was a turbulent era of social and economic change, rampant individualism and dubious haircuts.

'Choose Life' instructed the giant slogan on one of the oversized white Katherine Hamnett T-shirts prevalent at the time. Hannover Life Re (UK) did precisely that, opening our doors for business at our first office in the City of

London's Old Jewry Street on 18 June. Where would we be now if we had listened to the alternative clothing-based advice on offer from 'Frankie'?

To mark the our 20th birthday, In Focus took the opportunity of talking to David Brand about Hannover Life Re (UK)'s past, present and future.

Two decades on, how would you characterise Hannover Life Re (UK)'s progress to date?

Looking back, I think we have an incredibly positive story to tell. Over the first 10 to 15 years of our existence we grew steadily from a standing start to become a very respectable mid-sized reinsurer.

Hannover Re Group Results

Hannover Re, the world's fourth largest reinsurer and rated AA- by Standard & Poor's, once again posted excellent results in 2003, achieving its highest ever operating profits of €732.1 million up 55% on 2002. US GAAP net income increased almost 33% to €354.8 million and return on equity increased to over 17%. Gross premium income contracted by 9% to €11.3 billion due largely to the weakness of the dollar against the euro. At constant exchange rates gross premium income would have increased by almost 2%. All four business groups – Life & Health, Property & Casualty, Financial Reinsurance and Program Business – made positive contributions to this performance. In Life & Health the group now ranks amongst the top three life reinsurers worldwide.

Since we became part of the Hannover Re Group our rate of growth has accelerated massively. Today we are firmly established as one of the leading reassurers in the UK, with a premium income over £100m and an influential role in the market. I think that is quite an impressive story to tell.

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The truly enlightened reinsurer

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On our 20th Anniversary David Brand our Managing Director reviews the last 20 years and the prospects for the future continued

What do you see as the main factors in the company's success?

When I first joined in 1988, this was still a relatively small company. There were some very capable people involved – and if I hadn't believed the company was going places I wouldn't have been attracted to working here in the first place. But in terms of scale, the headcount was probably around a third of our current numbers and the premium income was just a fraction of today's.

Our underlying strength is that we have always had good people here and a sound philosophy on the way we do business. From day one, we have focused very much on providing a superior standard of service and on building long-term client relationships. It's a simple enough idea in itself – but in a business like this, it is all about delivery. Anyone can trot out the standard lines about customer focus and commitment, but I believe our success over the years is a measure of the extent to which we have translated those ideas into practice.

What have been the landmarks for you in the company's development?

I wouldn't want to define it purely in financial terms, but clearly the figures have an important story to tell. Passing the £100m mark in premium income last year was obviously a significant moment for us. When I first arrived in 1988 we were writing £5.6 m. We continued to grow at around ten per cent a year after that – good steady increases. In 1997 when our purchase by the Hannover Re Group was first announced – which is clearly a major landmark in itself – that figure had risen to £19.6 m. From that point on, things have moved very positively. By 2001 we had reached the £50m mark, and last year we went past £100m for the first time – this is an achievement we should all be proud of.

There has been a huge increase in premium since the takeover – how did that change the company?

Obviously we have recruited and grown our key teams, but fundamentally our approach hasn't changed that much. It is the same

proven formula we started out with. The main difference is that we are playing on a bigger stage now. Although they didn't necessarily spell it out in so many words, I know there were companies who would have liked to use us before but couldn't because we weren't quite in the top league. There may also have been some concern in the last year or two before the takeover that our previous parent didn't have a long-term commitment to reinsurance business. All of that has fallen away now.

What effect did joining the Hannover Re Group have?

A whole range of new possibilities opened up to us following the acquisition. We now have much better rated parent behind us. A Standard & Poor's rating of AA- is enough to get us on almost everyone's list. The other very helpful thing about our change of parent is that Hannover is known as a reinsurance company. That is what we do as a group. Reinsurance is not some kind of sideline.



Our Senior Management Team

Starting with the back from left hand side is; Mark Crawley, Caroline Feaver, Liz Pegg, Stuart Hill, Susan Norton, Paul Nurse, Joanne Wells.

Middle row starting from left hand side is; Caroline Froude, Pauline Wilson, Ronnie Bowes

Front line, left hand side is; Alan Stockbridge, Julie Hopkins, David Brand, Kirsteen Grant and Neil Cheetham

It is core business. I think our clients recognise that there is a real depth of commitment there. So, yes, a lot of new doors opened up to us after June 1998.

How did the change of ownership affect the way you work day to day?

At the time of the takeover, Hannover liked what they saw, enough to give us a fairly free rein. That is not to say that they didn't want to see certain changes. In particular, there was a view that we should grow the scale of our operations whilst maintaining and improving our profitability. But there was no dramatic change of tack. Hannover Re recognised our existing strengths – our experience, our expertise, and the quality of the people we have – and gave us the support to continue developing these whilst also taking active steps to grow the size of our account.

Hannover Life Re refers to itself as 'the network reinsurer' and what that means in practice is that the group favours local decision-making wherever practical. There are obviously certain guidelines within which we have to work, but nothing to detract from our ability to do the things we have traditionally been known and respected for. Having the support of the group's undoubted financial strength has certainly made life easier for all of us, but I think we – and our clients – also benefit from the active exchange of ideas and information with other Hannover Life Re operations internationally. Our global network allows us to share the best ideas from around the world with our clients.

You mentioned Hannover Life Re (UK)'s people as one of the organisation's key strengths, would you care to elaborate on that point?

Yes, without wishing to resort to clichés, our people really are our greatest asset. As a reinsurer we are selling what is ultimately an intangible business-to-business

service. So it is the quality of the individuals who work here – their knowledge and their experience – that adds value to our service offer. We have always had a very strong and stable team across the board, with an excellent mix of skills, and that's what has given us our competitive advantage. For a reinsurance business, we have had a remarkably low level of staff turnover, and I know from client feedback that continuity of relationships counts for a lot.

We have at least two individuals who have been here since day one. I know that Carol Heaton and Pauline

Wilson were both here from the start, and there are quite a few others who weren't far behind. Ronnie Bowes joined in 1986. Julie Hopkins and Joanne Wells both came in 1988, the same year I arrived. We have been remarkably successful in attracting good people and encouraging them to stay.

As we have grown, we have managed to maintain a continual influx of good quality people – so it's very much a mix of continuity and new blood. And, of course, we have had people like Neil Cheetham (1996), Caroline Feaver (1998), Alan Stockbridge (2000) and, most recently, Stuart Hill (2003), who have all come in and made very important contributions.

The other important thing to say about the people we have here is that there is a real diversity of experience. We have individuals from all sectors of the life industry, and in particular – as with Stuart who was actually a client in a previous life – we have people with experience of working on the direct side. The ability to see things from a direct writer's perspective obviously helps us deliver a more responsive and relevant service. It has always been our aim to work in an active and open partnership with our clients. I don't think you can overstate the importance, as a reinsurer, of having a detailed understanding of the client's underlying processes and controls.

How has the life market changed over the two decades Hannover Life Re (UK) has been around?

The first thing to say, is that there has been a great deal of consolidation. A lot of the smaller companies who were around in the early days have disappeared. Even at the time when this company was being set up, there was an expectation in certain quarters that demand for reinsurance would diminish as a smaller number of larger players opted to retain more risk. As it has turned out, I am happy to say, the

*Skandia Life -
A Long Standing
Client Says*

Skandia Life has been a customer of Hannover Life Re from its creation in 1984. Over the last twenty years we have enjoyed a strong and mutually profitable business relationship. The strength of the relationship is founded upon the quality of the people at Hannover. We respect their abilities on the underwriting, claims and pricing perspectives, we value their assessment of the dynamics in the market place and the fact that they are one of the world's strongest reassurers is of great comfort to us.

We congratulate David and his team on a very successful first 20 years in business and look forward to continuing and broadening our relationship in the future.

**Mike Evans
Customer Services Director
Skandia Life**

opposite has been the case. Larger insurers have become increasingly sophisticated and possibly risk averse, and have actually bought more rather than less reinsurance.

The other major change in the market is that we have seen a swing back towards pure protection products. Twenty years ago the life industry was a lot more focused on pensions and saving products – and not so interested in our core service offer of protection. But increasing competition on non-insurance specific products encouraged many players in the market to go back to the things that make this industry unique. Only a life insurer or friendly society can sell you a life insurance policy. Refocusing on core products has been a positive development for the market – and something reassurers have helped to foster. We have become a lot more inventive and sophisticated in devising and marketing attractive and valuable protection products. The UK is still a relatively under-insured country on the life side. So I would say there is a great deal of scope for future development.

What have been the major issues in the market over the last twenty years?

Well, of course, AIDS was first diagnosed in 1981. Hannover Life Re (UK)'s early years coincided with the rise and fall of the major concerns the life industry had over the whole issue of AIDS. When I joined the company in 1988, the industry was still coming to grips with the potential losses that could result from a disease on the massive scale initially feared. Over time, of course, it has become apparent that the levels of infection and mortality in the UK would fall a long way short of initial estimates, and that we as an industry had effectively contained the problem at the underwriting stage. In the end the number of insured lives affected has, so far, turned out to be very low.

The other big theme I would single out has been critical illness. Again, the timescale fits with our own history, but this is clearly something the industry is still working through. As competition in the 80s and 90s led to the inclusion of an ever-increasing range of diseases, and as medical science became increasingly adept at picking up and treating potentially life-threatening conditions early in their development, the industry sowed the seeds of an expensive harvest of claims. Its fall-out is very much with us still.

Over the last few years Hannover Life Re has played a leading role in tackling these problems through improved product design on new policies and in exploring the relative merits of reviewable and guaranteed rates. The ongoing challenge for the industry is designing a durable critical illness product that appeals to assureds and intermediaries and also delivers attractive returns to the providers. This is one of our key areas of expertise, and our people play an active role in industry forums looking at critical illness.

How has Hannover Life Re (UK)'s client base developed over the years?

We have gradually grown our client base over time, and certainly we were able to expand our horizons a little further following the link up with Hannover Re. We now work with a good proportion of the leading UK life insurance companies, but that is not to say that there aren't companies we would still like to talk to. Our key priority, however, is to continue strengthening and developing our relationships with existing clients – rather than chasing new ones for the sake of it. Continuity is a strong

theme again here. There are a number of clients we have worked with throughout the entire twenty-year period – albeit some of them have changed their names or corporate structures along the way – just as we have ourselves. Because of the importance we attach to building long-term partnerships, we try to be as flexible and understanding as we can with clients – sharing the pain when times are hard and reaping the rewards together in the good times.

Finally, we have talked a lot about the past, but where do you see Hannover Life Re (UK) going in future?

As I say, I think we will be looking both to strengthen our existing client relationships and to forge new ones. Fundamentally, our strategy for the future is to generate mutually profitable business for our partners and ourselves by keeping our clients at the forefront of product development and pricing across the life and healthcare spectrum. The crucial thing, I believe, is always to remember that we are in this together – client and reinsurer. By providing the right mix of technical knowledge and market awareness, we can help our clients implement profitable solutions and grow their businesses based on sound business planning and strategy. That is how we really deliver value.

Our goal going forward has to be to continue becoming a preferred reinsurance partner to more and more client companies. I think we have made enormous progress over the last twenty years. But we won't be resting on any laurels. The life assurance and reinsurance market remains a dynamic, stimulating and often demanding environment in which to work. I have huge confidence in the abilities of our team here, and very much relish both the challenges and opportunities the next twenty years will certainly bring.

Congratulations from Dr Wolf Becke



Dr Wolf S Becke, Board Member of Hannover and Head of Hannover Life Re

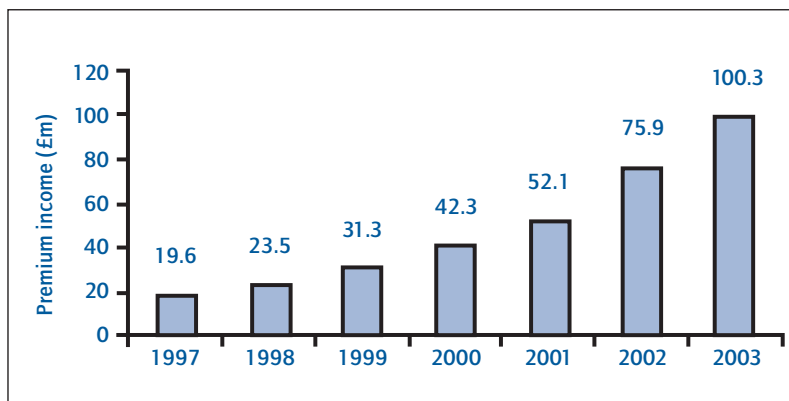
It has been most gratifying to see the excellent progress made by Hannover Life Re (UK) in the six years since its acquisition by the Hannover Group. At the time of the purchase the company had potential to become a leading reinsurer in the UK market, but only transacted premiums of less than £20m per annum. We saw a great deal of ability and promise in this company and I am happy to say that in the years since then, with the support and encouragement of the Hannover Group, this promise has been realised. Hannover Life Re (UK) has increased its premium income five times over to emerge as one of the leading players in the UK market and an important member of the Hannover Life Re family. I would like to extend my congratulations to the team on a successful first 20 years and best wishes for continued success in the future.

Hannover Life Re (UK) - 2003 Results



In the UK, our rapid growth of recent years continued in 2003. Gross premium income broke through the one hundred million barrier for the first time to stand at £100.3 million, an increase of 32% on 2002. Gross premium income is now more than quadruple the level of 1998 (see graph below). With minimal equity exposure and a high quality portfolio of fixed interest assets, we enjoyed good investment performance in 2003 and assets under management increased to £418 million.

The growth in gross premium income is a result of our philosophy of working closely with our clients to develop mutually profitable long-term relationships. This approach has helped us achieve significant growth in premium volume with existing clients. We have also continued to attract new clients, and now work with many of the UK's leading protection offices. This is evidenced by the fact that gross regular premium income has grown to £63.8 million in 2003, an increase of 55% over 2002.



Scottish Widows - A New Client Says

Scottish Widows became a new client of Hannover Life Re in 2003. Our first-year impressions are that management is prudent and that Hannover Life Re is therefore a soundly-managed company. At the same time, however, they seek innovative solutions to assist in developing new business propositions.

Our key points of contact to date have been with Joanne Wells and Julie Hopkins, covering completion of a tender process, agreeing treaty terms, review of and input to our underwriting strategy and agreeing reinsurance of a new product initiative. In all these dealings we have found them to be professional and very approachable. In agreeing treaty terms they were keen to understand our reason for requesting changes to certain standard clauses, but were then accommodating to agreeing wording which met both our needs. On underwriting strategy we value being able to pick up the phone and discuss issues which arise: we have found they have firmly-held principles but are helpful and pragmatic within these.

In terms of what Hannover look for from a client, our perception is that trust is high up their agenda and, on the basis of mutual trust, we look forward to a long business partnership together.

Alasdair Smith
Head of Product Portfolio
Scottish Widows

Timeline

- 1984 18 June: Hannover Life Re (UK) Founded (as part of Skandia)
- 1984 Internet established, Prince Harry born
- 1984 Published our first booklet 'Practical Guide To Reassurance'
- 1985 Band Aid Concert
- 1985 First Critical Illness product was introduced into the UK
- 1986 Our first Critical Illness client
- 1986 Mir Space Station Launched
- 1987 Stock Market Crash
- 1988 Our Third Party Administration and Reassurance for Annuities was launched
- 1988 Polarisation came into effect
- 1989 Berlin Wall Falls
- 1990 Company moves from Jewry Street in the City of London to Virginia Water
- 1990 Channel Tunnel completed, Poll Tax Riots
- 1990 We held our First 'Underwriting Seminar'
- 1990 We introduced our first 'Life Assurance Market Seminar'
- 1991 First Gulf War
- 1993 Our first newsletter was issued
- 1993 NFIFA developed first Industry standard definitions for Critical Illness
- 1994 We held our first Product Seminar
- 1994 Tony Blair secures Labour Leadership
- 1995 Barings Bank Collapses
- 1997 Dolly the Sheep Cloned, Labour wins General Election
- 1998 30 June: Acquisition by Hannover Re Group is completed
- 1998 Good Friday agreement on Northern Ireland
- 1999 Euro Introduced
- 1999 Our website was launched
- 2000 Election scandal in US as Bush becomes president
- 2001 We reassured our first Immediate Needs Long Term Care Product
- 2001 Terrorist Attacks on America
- 2001 Our premium income reaches £50m
- 2002 US Invasion of Afghanistan
- 2002 1% Stakeholder Pensions Introduced
- 2003 Second Gulf War
- 2003 Our premium income tops £100m

Our Long Serving Members



From back left hand side;

Liz Blane - Secretary/Receptionist (1990), Ronnie Bowes - Executive-Marketing (1986) and Joanne Wells - Marketing Actuary (1988)

Middle row from left to right;

Pam Huggins – Senior Reassurance Technician (1989), David Brand – Managing Director (1988) and Carol Heaton – Assistant Manager, Underwriting & Claims (1984)

Front row left to right;

Pauline Wilson – Executive-Customer Services (1984), Caroline Froude – Manager, Underwriting & Claims (1990) and Julie Hopkins – Chief Underwriter (1988)

We have been very fortunate that nine members of our team joined the company prior to 1990, the year we moved offices from London to Virginia Water. This continuity, throughout the whole company, not just the senior team has undeniably helped us to forge strong client relationships. David Brand insists that it's just a coincidence that the other eight long servers are all female!

We hope you enjoy In Focus and always welcome your feedback. If you have any comments or wish to be added to our mailing list contact Kirsteen Grant on 01344 846833 or email uk.marketing@hannover-re.com.

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