

Corporate news

E+S Rück expects rising reinsurance prices after catastrophic weather events in Germany

- **Accumulation of large losses from natural perils and the pandemic combined with drag on profitability caused by low interest rates and inflation necessitate higher prices in primary insurance and reinsurance**
- **Sustained strong demand for high-quality protection from financially robust reinsurers**
- **Focus on long-term customer partnerships and comprehensive range of products and services**

Hannover, 18 October 2021: E+S Rückversicherung AG, the Hannover Re subsidiary responsible for the Group's German business, expects higher prices – in some areas markedly so – and improved conditions in property and casualty reinsurance on the German market following the devastating flood damage in the summer.

"After the terrible severe weather events of June and July, 2021 will go down as one of the costliest years ever for the German market," said Dr. Michael Pickel, Chief Executive Officer of E+S Rück. "We extend our sympathies to everyone who has been and continues to be impacted by the disastrous flooding. As a reinsurer, we are aware of our responsibility and will play our part in overcoming the damage. It is our expectation that many insurers will further expand their reinsurance protection in the wake of these latest losses. Following on from the considerable strains incurred last year from the Covid-19 pandemic, the recent bad weather losses, low interest rates and price rises in the construction industry will lead to an appreciable increase in reinsurance prices."

The disastrous flooding caused by the low-pressure system "Bernd" led to insured market losses in Germany alone well in excess of EUR 8 billion. Added to this were further hail and heavy rainfall events, as a consequence of which 2021 will likely be the year with the largest ever burden of insured losses from natural catastrophes in Germany.

All in all, against the backdrop of the heavy loss expenditures, E+S Rück anticipates appreciable adjustments to prices and conditions in the property line in Germany, especially for catastrophe covers. Moreover, demand for high-quality reinsurance protection continues to grow.

Claims frequencies in **motor insurance** will come close to reaching the pre-pandemic level again in 2022. At the same time, the sharp rise in the cost of spare parts and repairs has continued and even

Contact

Corporate Communications:

Karl Steinle
tel. +49 511 5604-1500
karl.steinle@hannover-re.com

Media Relations:

Oliver Suess
tel. +49 511 5604-1502
oliver.suess@hannover-re.com

Investor Relations:

Axel Bock
tel. +49 511 5604-1736
axel.bock@hannover-re.com

www.hannover-re.com

accelerated in recent months. Taking into account regional hail and flood losses that were in some cases significant, results for the industry are expected to take a clear turn for the worse compared to the previous year. As a consequence, we do not see any room for price cuts in original business or in the reinsurance market.

In the telematics sector we anticipate further vigorous growth in the number of policies, although to date this has been limited to only a few market players. The general level of interest within the industry is rising slowly but steadily. With its telematics solution es|Tmatik E+S Rück offers its customers a modular, configurable pricing basis that has been expanded to include inter alia a refined tariff model and is currently undergoing testing by numerous cedants.

Natural catastrophe covers in Germany will see appreciable price increases in the aftermath of the summer's historic flood damage. After years with comparatively low claims burdens from natural hazards, the year 2021 was one of the most damaging ever. What is more, losses and potential losses for programmes connected with Covid-19 could often be priced only minimally into the previous renewals because it was not yet possible to definitively resolve the scale of pandemic losses and the question of coverage under the reinsurance treaties. The pandemic-related strains for some customer relationships have increased further, which means that in these cases additional adjustments will be needed for the reinsurance treaties in the 2022 renewals.

Large losses in **industrial and commercial business** have similarly increased year-on-year, due not only to the rise in losses from natural catastrophes but also to human-caused losses. Particularly in industrial fire business, a high claims frequency has also been recorded. The pressure for remediation therefore remains undiminished. When it comes to protection against cyber risks, progressive digitalisation and increasingly widespread hacker attacks are generating greater risk awareness and prompting adjustments to conditions. There is a need for clarification as regards the handling of silent cyber risks and accumulation scenarios that can only be insured to a limited extent.

Overall, E+S Rück considers higher prices in the reinsurance market for commercial and industrial risks to be necessary, especially under loss-impacted programmes. On the conditions side, too, adjustments are needed for pandemic-related and cyber risks if they have not already been implemented.

While adjustments to prices and conditions are indispensable in many lines of business, E+S Rück continues to attach great importance to close, partnership-based collaboration with its clients.

"Just as we stood shoulder to shoulder with our customers and their insureds during the pandemic, we continue to do this in the aftermath of this summer's devastating flood disasters," Dr. Michael Pickel said.

"This year, as in the past, we shall work with our customers to find solutions that recognise our entire business relationship, whether it be through traditional reinsurance, tailor-made solutions or the development of innovative coverage concepts. With this in mind, I look to the current renewals with confidence."

Hannover Re, with gross premium of more than EUR 24 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 170 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

Please note the disclaimer:

<https://www.hannover-re.com/535917>