Outlook

- Business prospects for 2016 remain positive
- Stable or slightly reduced premium volume expected in total business
- Return on investment of 2.9% targeted for assets under own management
- Group net income forecast to reach at least EUR 950 million

Despite the challenging business conditions facing the international (re)insurance industry and the protracted low level of interest rates, Hannover Re expects to be able to operate with sustained success even in this environment. Based on constant exchange rates, we anticipate stable or slightly reduced gross premium volume for our total business in the current financial year.

In property and casualty reinsurance we expect to book slightly lower premium income – adjusted for exchange rate effects. This assumption is based on our selective underwriting policy, under which for the most part we only write business that meets our margin requirements.

We were broadly satisfied with the outcome of the treaty renewals as at 1 April. Business in Japan is traditionally renewed on this date and treaties also come up for renegotiation – albeit on a lesser scale – in the markets of Australia, New Zealand, Korea and North America. Thanks to our selective underwriting and our concentration on existing business, we were able to preserve the good quality of our property and casualty reinsurance portfolio. The premium volume renewed as at 1 April 2016 increased by 9.1% due to profitable business opportunities.

For the full 2016 financial year we anticipate a good underwriting result in property and casualty reinsurance that should be roughly on a par with 2015. This is conditional on major loss expenditure remaining within the budgeted level of EUR 825 million. We are aiming for a combined ratio of less than 96%. The targeted EBIT margin for property and casualty reinsurance is at least 10%.

In life and health reinsurance, too, we anticipate attractive business opportunities in 2016. Although some large-volume treaties are expected to be discontinued, the premium volume is nevertheless likely to remain broadly stable thanks to new business production. The value of new business should be in excess of EUR 220 million. Our targeted EBIT margins remain unchanged at 2% for financial solutions and longevity business and 6% for mortality and morbidity business.

With regard to our IVC targets – which we use to map economic value creation –, we are aiming for at least 2% xRoCA for property and casualty reinsurance and at least 3% xRoCA for life and health reinsurance.

The expected positive cash flow that we generate from the technical account and our investments should – subject to stable exchange rates and yield levels – lead to further growth in our asset portfolios. We are targeting a return on investment of 2.9% for 2016.

Assuming that the burden of major losses does not significantly exceed the expected level and that there are no unforeseen distortions on capital markets, Hannover Re continues to anticipate Group net income of at least EUR 950 million for the current financial year.

Hannover Re envisages a payout ratio for the dividend in the range of 35% to 40% of its IFRS Group net income. This figure could increase in light of capital management considerations if the company's comfortable level of capitalisation remains unchanged.