HDI Global SE improves underwriting result

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- Gross written premiums at EUR 4.3 (2015: 4.3) billion
- EBIT rises by 42 percent to EUR 296 (208) million
- Group net income increases by 86 percent to EUR 236 (127) million
- Combined ratio improves to 96.8 (99.2) percent
- Burden of large losses remains below the budget for large losses
- Mid-market strategy is consistently expanded
- Digitalisation and automation increase transparency for customers

Hannover, 23 March 2017

The financial year 2016 was very satisfactory for HDI Global SE. The industrial insurer strongly improved the combined ratio and the operating profit (EBIT) increased significantly. This result reflects a number of factors including the successes of portfolio optimisation. At the same time, the company is consistently driving forward digitalisation measures and its mid-market strategy in order to generate further growth. HDI Global SE manages the Industrial Lines Division worldwide within the Talanx Group with its head office in Hannover, Germany.[1]

“Last year, we achieved a very gratifying result in underwriting and non-underwriting business in spite of ongoing very intense price competition on international industrial insurance markets and the sustained low-interest environment,” commented Dr Christian Hinsch, Deputy Chairman of the Board of Management of Talanx AG and Chief Executive Officer of HDI Global SE.

Premium income remained more or less stable year-on-year at EUR 4.3 (4.3) billion despite the “Balanced Book” profitability enhancement measures. This was due to further growth in the foreign target markets.

[1] All the financial indicators quoted here are in accordance with IFRS and they are based on the Industrial Lines Division of the Talanx Group managed by HDI Global SE.

In particular, the HDI units in the USA, Brazil, the United Kingdom and Switzerland reported significant premium growth.

The aim of the “Balanced Book” measures was to improve the ratio of premiums to assumed risks in domestic fire, marine and motor fleet insurance. The underwriting scope for very severe risks was partly reduced and in some cases the terms and conditions of insurance and prices were also adjusted. At the same time, HDI increased the underwriting scope for risks of medium severity.

As a result of these measures, the combined ratio developed very gratifyingly. At 96.8 (99.2) percent the ratio was in the target corridor of 96 percent and has continuously improved since 2014 (103.0 percent). The underwriting result improved to EUR 73 (18) million.

The relatively low loss burden imposed by large losses also exerted a positive effect so that the division remained below its budget for large losses. Last year, significant loss burdens included hail-storm damage in Texas and claims arising as a result of the “Elvira” storm in Central Europe. Settlements were also necessary for numerous earthquake claims (Japan, Ecuador, Taiwan, New Zealand).

Net investment income had been impacted in the previous year by amortisation and write-downs (for example relating to Heta) but rose by 17.5 percent to EUR 242 (206) million despite the period of low-interest rates.

EBIT improved considerably to EUR 296 (208) million. This corresponds to an increase by 42 percent. The division’s Group net income increased to EUR 236 (127) million and this corresponds to an increase of 86 percent.

HDI is consistently pursuing its mid-market strategy in the current financial year. This includes establishing additional locations in important European economic regions. Last year, the Italian HDI branch opened an office in Genoa, the hub of the marine insurance business there, so as to develop a specialist underwriting centre there for HDI.

The French HDI branch established a sub-branch in Lyon, the second biggest insurance market in France. In October, a team of experienced underwriters was set up there with all underwriting powers in the lines property and liability. In June, a new office was also established in Scotland (Glasgow) to reinforce the HDI branch in the United Kingdom and Ireland. Last year, HDI also expanded its presence in the Asia-Pacific region by founding a new unit in Malaysia (Labuan).

"We are now generating around 61 percent of our gross written premiums abroad and 39 percent in our domestic market," explained Dr Christian Hinsch. "We will naturally continue on this route to internationalisation. In 2019, we are planning to generate two thirds of our gross premium volume abroad."

HDI Global SE is also developing digitalisation and automation in order to improve the quality of service and provide seamless interfaces for customers and partners, as well as guaranteeing a high level of transparency. The offering for customers already includes an Internet portal for managing international insurance programmes (IP Web) and an Internet platform for calculating and drawing up travel insurance policies. The motor fleet line offers its customers the "KControl" web application as an innovative management instrument for claims and fleet administration. It also provides a claims service app that allows all customers to exchange any relevant information, most importantly photos, directly with their industrial insurer.

Against the background of increasing cyber risks for companies and the rising use of drones and multicopters, HDI developed new solutions last year and improved existing solutions. The insurer therefore now offers the product Cyber+, which was developed for Group customers in 2013, together with the Cyber+ Smart version for medium-sized industrial businesses. HDI is thereby covering the increasing number of losses caused by cyber and computer crime. A similar situation applies for the new drone insurance from HDI. Since last year, it has been marketed in several versions for companies and for private drone keepers and this product expands the innovative service range for corporate customers.

Key figures for the financial year 2016, consolidated (IFRS)

EUR million	**2016**	**2015**	**+/-**
Gross written premiums	4,266	4,295	-1%
Net premiums earned	2,243	2,213	+1%
Combined ratio	96.8%	99.2%	-2%pts.
Net investment income	242	206	+17%
Operating profit (EBIT)	296	208	+42%
Group net income	236	127	+86%
Return on investment (annualised)	3.2%	2.8%	+0.4%pts.

About HDI Global SE (HDI)

As an industrial lines insurer, HDI Global SE (HDI) meets the needs of SMEs, industrial companies and corporate customers with insurance solutions that are specifically tailored to their requirements. In addition to HDI's prominent position in the German and broader European market, the company also has operations in more than 130 countries through foreign branch offices, subsidiary and peer companies, and network partners. The company is thus able to offer its customers local policies for their global operations, which ensure that the established service and insurance protection is extended for all covered risks world-wide.

HDI Global SE is a company in the Talanx Group and manages the Industrial Lines Division within the Group. More than three thousand employees in this division generated gross written premiums of approx. EUR 4.3 billion in the year 2016. The rating agency Standard & Poor’s has given the Talanx Primary Group a financial strength rating of A+/stable (strong). Talanx AG is listed on the Frankfurt Stock Exchange in the MDAX as well as on the stock exchanges in Hannover and Warsaw (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

You can find additional information by going to www.hdi.global and by going to www.talanx.com.

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