

## **NatCat losses depress the result of HDI Global SE in the financial year 2017**

- Gratifying premium growth abroad
- Large loss budget exceeded due to NatCat losses
- Price increases in fire insurance

Hannover, 26 March 2018

**The industrial insurer of the Talanx Group, HDI Global SE (HDI), significantly increased its premium income in the financial year 2017. At the same time, the result of the company was depressed by the exceptionally high burden arising from natural catastrophes.**

“By the middle of August, our figures were still looking very good,” said Dr Christian Hinsch, Chairman of the Board of Management of HDI Global SE. “However, our customers and we were then hit by the full force of the three hurricanes “Harvey”, “Irma” and “Maria”. Then there were also losses following the earthquakes in Mexico and other natural events. We also had to absorb significantly higher expenses than budgeted in relation to man-made losses.”

### **Gratifying premium growth abroad – fall in EBIT**

Over the financial year 2017, premium income underwent gratifying development and rose by 4.4 percent to approx. EUR 4.5 (4.3) billion.\* After adjustment for exchange-rate effects, growth amounted to 5.2 percent. In line with its strategy, the main engine of premium growth for HDI Global was abroad, particularly in Australia, Brazil, the United Kingdom, France and Japan. Some 62 (2016: 61) percent of premium income was generated abroad. The aim is to increase this foreign share of the premium volume to 65 percent by the end of the financial year 2019.

---

\* 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.

HDI Global SE  
HDI-Platz 1  
30659 Hannover

HDI Communications  
T: +49 511 3747-2022  
F: +49 511 3747-2025  
M: [Communications@HDI.Global](mailto:Communications@HDI.Global)

[www.HDI.Global](http://www.HDI.Global)

The underwriting result came down owing to the high burden from NatCat- and man-made losses to EUR -207 (73) million. The combined ratio deteriorated to 108.5 (previous year: 96.8) percent.

In spite of the sustained low-interest phase, net investment income increased significantly by 14.5 percent to EUR 277 (242) million. Higher income from alternative investments and from increased unscheduled income contributed to improved net income from investment.

The robust premium growth and the improved investment result were only able to provide partial compensation for the high large loss burden, so that the operating result (EBIT) fell to EUR 109 million from EUR 302 in the previous year. The contribution to the Group net income of the Talanx Group, of which HDI Global SE is a member, amounted to EUR 91 (241) million.

#### **Improvement in the marine line, inadequate premiums in fire insurance**

Business in the marine insurance line was gratifying in the previous business year. “In marine, we have succeeded in reducing our combined ratio significantly with the help of our measures for portfolio optimisation,” said Christian Hinsch. In 2016, this ratio was still 124.5 percent while in 2017 it was reduced to 95.2 percent. “At the same time, we were able to avoid premium erosion in spite of these measures. This meant we kept premium volume stable in the business. This is a significant success,” said Mr Hinsch.

By contrast, the premium risk ratio in fire insurance continues to be inadequate. Although the strategy of the “Balanced Portfolio” brought some improvements in the last few years, particularly in the branch offices in Germany, significant additional steps are necessary – both inside and outside Germany. “Enhanced efforts are therefore required in order to bring fire insurance back to profitability,” announced Mr Hinsch. “We are striving to achieve an improvement in the premium risk ratio by an average of 15 percent. We are also reviewing numerous customer rela-

tionships in order to bring the risks that we take into a reasonable relationship to premium. In future, where this is not possible, we will no longer be able to make our capacity available.”

### **Policies via the Internet and new locations**

HDI Global is also planning to continue expansion in the SME and mid-market business in the current business year. This applies as much in Germany as abroad. The company has introduced new insurance products for attractive niche markets among other measures, for example in sports insurance and travel insurance. Moreover, new sales platforms were created on the Internet, to allow HDI customers to take out new policies online with ease. “We also opened up further new sales offices abroad in important industrial regions, most recently in Berne and Lille. Additional locations will continue to be added in the coming years,” announced Mr Hinsch.

### **Growth in the USA**

Over the past business year, HDI Global also significantly increased its presence in the USA. There the industrial insurer founded the Excess & Surplus Lines subsidiary HDI Specialty Insurance Company. The insurer serves customers in the segment of complex special risks and thereby supplements the existing US subsidiary of HDI, HDI Global Insurance Company. Moreover, in recent months, this company has appointed several highly qualified new underwriters to meet the needs of its growing customer base in the US industrial insurance market. Measured by the gross premium volume, the US unit has meanwhile become the biggest foreign subsidiary company of HDI Global. Over the past year, it generated gross written premiums amounting to more than 620 million US dollars. “We regard this continuous and profitable growth during recent years as a major success of our long-term strategy in this extremely challenging market,” commented Mr Hinsch.

### **Changes in the Management Board**

HDI Global already announced changes in the Management Board in January. This involved the appointment of Clemens Jungsthöfel as a

Member of the Board of Management of the company with effect from 1 May 2018. On 1 July, the 47-year-old will take over the functions of the Chief Financial Officer. He will succeed Ulrich Wollschläger, who will step down from the Management Board at the end of June and commence his retirement. In his new position as Chief Financial Officer of HDI Global SE, Mr Jungsthöfel's responsibilities will include the areas of controlling, investments, risk management, corporate development and passive reinsurance.

#### Key figures for the financial year 2017\*, consolidated (IFRS)

<i>EUR million</i>	<b>2017</b>	<b>2016</b>	<b>+/-</b>
Gross written premiums	4,454	4,266	4.4 %
Net premiums earned	2,434	2,243	8.5 %
Combined ratio	108.5	96.8 %	11.7% pts
Net investment income	277	242	14.5 %
Operating profit (EBIT)	109	302	-63.9 %
Group net income	91	241	-62.2 %
Return on investment	3.6 %	3.2 %	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 150 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 worldwide.

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 4.5 billion in the year 2017. The rating agency

---

\* 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.

