

HDI Global records further vigorous international growth in the first half of 2018

Hannover, 20 August 2018

HDI Global SE sustained its growth trajectory in the first half of 2018 with a sharp rise in premium income. Gross written premiums increased by 3.7 percent to EUR 2.9 billion after EUR 2.8 billion in the corresponding period of the previous year. Growth in the local currencies stood at 6.9 percent.* In keeping with the corporate strategy, growth derived from foreign markets – including Australia, the Netherlands, France and Greece. The figures for the first six months were impacted by numerous property claims, which led to a decline in the underwriting result.

"The heavy loss expenditure in the first half of the financial year was primarily due to fire insurance. This further underscores the fact that the measures we have initiated – and now stepped up – with a view to optimising the fire insurance portfolio are absolutely necessary", Dr Christian Hinsch, Chief Executive Officer of HDI Global SE and Deputy Chairman of the Board of Management of Talanx AG, commented. He added: "With our 20/20/20 programme we shall restore fire business to profitability: Our goal is to improve the premium/risk ratio by 20 percent in 20 percent of our industrial portfolio by the year 2020."

Underwriting

The net underwriting result deteriorated in the first half of 2018 to EUR –28 (32) million. The net expense ratio of 21.0 (21.2) percent was slightly below the previous year's figure for growth reasons as a consequence of the higher premium base. The (net) loss ratio declined to 81.3 (76.0)

HDI Global SE
HDI-Platz 1
30659 Hannover

HDI Communications
T: +49 511 3747-2022
F: +49 511 3747-2025
M: Communications@HDI.Global

www.HDI.Global

* 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.

percent owing to the numerous losses. The combined ratio therefore rose to 102.3 (97.2) percent.

Investments

Net investment income came in 9.5 percent below the previous year's comparable period at EUR 124 (137) million. The favourable development in the first half of 2017 had been supported by higher gains on equity disposals and lower impairments. These special effects no longer applied in the first half of 2018.

Operating profit and Group net income

The operating profit (EBIT) in the first six months of 2018 fell well short of the comparable period at EUR 78 (162) million owing to the developments described above. The contribution to the Group net income booked by the Talanx Group, to which HDI Global belongs, amounts to EUR 53 (112) million.

Need for action in industrial property insurance

Low premiums in industrial property insurance have failed to cover the claims expenditure in recent years, leading to considerable losses in the segment. With this in mind, HDI Global SE plans to raise prices in this area, adjust terms and conditions, reduce shares and relinquish under-priced business.

"Our experience to date shows that we are able to successfully implement our planned measures – especially the premium increases – on the market", Dr Edgar Puls, the member of the Management Board of HDI Global SE with responsibility for the fire insurance line, stated.

The need for rehabilitation measures is also supported by a forecast released by the German Insurance Association (GDV). The GDV is projecting a combined ratio of 115 percent for German industrial property insurance in 2018.

Establishment of HDI Global Specialty SE

Back in May HDI Global and Hannover Rück SE had already announced the establishment of the joint venture HDI Global Specialty SE. The two

companies are merging their specialty activities in the joint venture in order to launch the new entity. Going forward, it will write agency and specialty insurance business in lines such as Errors & Omissions liability insurance, directors' and officers' liability insurance (D&O), legal expenses insurance, sports and entertainment, aviation, offshore energy and animal insurance.

HDI Global SE will hold 50.2 percent of the new company, with Hannover Re holding 49.8 percent of the shares. Operational activities are expected to commence on 1 January 2019. HDI Global Specialty will be launched with a premium volume probably in excess of EUR 1 billion and is aiming for substantial organic growth.

Changes on the Management Board

As already announced in January and May, HDI Global made personnel changes on the Management Board in the first half of the year. On 1 May 2018 Clemens Jungsthöfel was appointed as a new Board member. The 47-year-old has taken on the responsibilities of Chief Financial Officer. Effective 1 July Dr Thomas Kuhnt, 43, was also appointed as a new Board member. He is responsible for the areas of Projects & Organisation, IT as well as the group accident insurance line. Dr Joachim ten Eicken and Ulrich Wollschläger have left the Management Board.

Key figures for the first half-year 2018*, consolidated (IFRS)

<i>EUR million</i>	6M 2018	6M 2017	+/-
Gross written premiums	2,898	2,795	+3,7 %
Net premiums earned	1,235	1,160	+6,5 %
Combined ratio	102.3 %	97.2 %	+5,1 %-pts.
Net investment income	124	137	-9,5 %
Operating profit (EBIT)	78	162	-51,9 %
Group net income	53	112	-52,7 %
Return on investment	3.0 %	3.5 %	-0,5 %-pts.

* 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.



statement. Talanx AG and HDI Global SE do not guarantee that the assumptions underlying such forward-looking statements are free from errors nor do Talanx AG and/or HDI Global SE accept any responsibility for the actual occurrence of the forecasted developments. Talanx AG and HDI Global SE neither intend, nor assume any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.