

# Foreword

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In 2016 we celebrated our 50th anniversary: quick, flexible and undogmatic, with lean structures and an efficient organisation, we have grown in just 50 years into a well-diversified, globally operating reinsurer of above-average profitability. Our more recent company history similarly shows that based on our good competitive positioning, strong financial strength rating and a comparatively low administrative expense ratio, we have what it takes to succeed even in a very challenging market environment. It is and remains our goal to increase the value of our company on a sustainable basis.



# Foreword

## Ladies and gentlemen,

The year 2016 was a special one for us in many respects. On 6 June 2016 we celebrated our company's fiftieth anniversary and had the opportunity to look back on its highly successful history. In the space of just 50 years we have grown into a well-diversified, globally operating reinsurer of above-average profitability.

Before I take a closer look at our company's sustainability achievements, I would first like to say a few words about the financial results.

Entirely in keeping with our Group strategy and its central message of "Long-term success in a competitive business", we posted another very good result for 2016. With Group net income of EUR 1.17 billion we generated a fifth consecutive record profit.

Property and casualty reinsurance played the largest part in this performance in the year under review. It is thus evident that thanks to our very good competitive positioning and low management expenses we are able to succeed in this business group even in the face of a difficult market climate. In life and health reinsurance, too, we delivered a solid result that fully lived up to our expectations. In view of the protracted low level of interest rates we are also thoroughly satisfied with our investment income.

Overall, gross premium contracted in 2016. Especially in property and casualty reinsurance, we responded to the ongoing intensely competitive market conditions by pursuing a strictly profit-oriented and selective underwriting policy.

With the entry into force of Solvency II on 1 January 2016 the year under review was also notable for new regulatory developments in the European insurance industry. Solvency II has the principal goals of strengthening protection for insureds, creating consistent competitive standards in the insurance sector within the single European market and hence assuring a more uniform supervisory practice. We were quick and energetic in our preparations for the new requirements: our own internal model for risk management was one of the first in Europe to be approved by the Federal Financial Supervisory Authority (BaFin). Our internal capitalisation targets comfortably exceed the regulatory requirements. We are able to leverage the know-how that we gained in the development of our capital model for the design of individual reinsurance solutions for primary insurers, which means that we are opti-

mally placed to service the growing demand for customised reinsurance solutions.

The so-called "Act to strengthen non-financial reporting by companies in their management reports and group reports" (CSR Directive Implementation Act) was another major new development in the legal landscape: from 2017 onwards capital market-oriented companies with more than 500 employees are required to report on material non-financial aspects. The trust of our stakeholders and an immaculate reputation are essential prerequisites for the success of our company. With this in mind, we set in motion the necessary steps to implement the provisions of the legislation.

The Digital Revolution has already been a major preoccupation for the insurance sector for some years now, and this was again the case in the year under review. With primary insurers facing sustained cost pressure, the development of new products, the optimisation of business processes and innovative ideas for servicing and attracting customers are central concerns for the insurance industry. The (re)insurance sector is also harnessing the trend towards digitalisation to optimise its point-of-sale systems and structure internal value creation chains even more efficiently. Against the backdrop of progressively widespread digitalisation, covers for cyber risks experienced a surge in demand in the year under review. These risks, which constitute emerging risks, offer a highly promising growth market for our company – one in which we have had a presence for a number of years as a provider of reinsurance products. The strategy that we had elaborated in recent years to expand this segment was already rewarded with premium growth in the year under review.

A stated aim of our strategy is to develop the skills and qualifications, experience and performance capability of our employees. In the spirit of this aspiration, we have further stepped up our strategic health management programme. In 2016, along with continuing and expanding the existing measures, we launched the first company-wide Wellness Day – a forum that we used to convey holistic knowledge on a range of issues relating to in-house health management. Not only that, mention should also be made of the roll-out of our Employee Assistance Programme, which enables our managers, employees and their family members to access immediate advice free of charge and anonymously on personal, professional and psychological matters as well as other health-related concerns. The success of our commitment to our employees is borne out by the staff turnover ratio at the Hannover location, which remains low by industry standards.

Another important goal that we had enshrined in our Sustainability Strategy and finally accomplished in the year under review is a carbon-neutral footprint at our Hannover location. The changeover to electricity from renewable energy sources in recent years and the offsetting of greenhouse gas emissions caused by plane travel, district heating and paper consumption were instrumental in this achievement.

With the release of our Sustainability Report for the 2016 financial year we are publishing information on social, environmental and governance issues within our company for the sixth year in succession.

I trust that you will find this report to be stimulating reading and encourage you to engage in a dialogue with us.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'U. Wallin', with a period at the end.

Ulrich Wallin  
Chairman of the Executive Board