Q1 2021 Earnings Call

Company Participants

- Clemens Jungsthofel, Chief Financial Officer
- Jean-Jacques Henchoz, Chairman of the Executive Board and CEO
- Klaus Miller, Member of the Executive Board - Life & Health
- Sven Althoff, Member of the Executive Board - Property & Casualty

Other Participants

- Andrew Ritchie, Analyst
- Emanuele Musio, Analyst
- Jochen Schmitt, Analyst
- Kamran Hossain, Analyst
- Michael Haid, Analyst
- Vikram Gandhi, Analyst
- Vinit Malhotra, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. I welcome you to today's Hannover Re Conference Call on the Q1 2021 Results. For your information, this conference is being recorded. At this time, I would like to hand the call over to your host today, Mr. Jean-Jacques Henchoz, Chief Executive Officer. Please go ahead, sir.

Jean-Jacques Henchoz {BIO 17457677 <GO>}

Well, thank you very much and good morning, everyone. Welcome to our conference call presenting our results for the first quarter of 2021. Sorry to those of you particularly who are London-based, for the inconvenience due to the unusual early time of this call. The reason is as per last year that the Annual Shareholders Meeting is taking place later this morning at 11:00 AM CET.

As usual, I'll start with an overview before our CFO, Clemens Jungsthofel, goes over the financial details -- financials in detail. I'll then comment on the outlook. And for the Q&A I'm additionally joined by my Board colleagues, Klaus Miller on the Life side and Sven Althoff for P&C.

I'm pleased to report that Hannover Re had a good start into 2021. In the first quarter of the year, we continued to successfully grow our business. And Group net income of

EUR306 million is very much in line with our full-year guidance. Additionally, at 11.1% the return on equity is well above our minimum target. And gross premium increased by 16.8% adjusted for currency effects. This is mainly driven by our property and casualty business group, where we recorded remarkable topline growth of 20% on the back of improving market conditions.

In the first quarter, technical profitability in P&C returned to a normal level. There was some loss activity during the quarter where large losses stayed within the budget. In addition, our net estimate for COVID-19 related losses remained unchanged compared to year-end 2020 at EUR950 million. Hence, the combined ratio of 96.2% is not only in line with our planning, but also a good reflection of the improving underlying profitability in the first quarter.

As expected, the results of our Life and Health Reinsurance business group continues to be impacted by the COVID-19 pandemic. In particular, the high number of deaths in January and February in the United States also led to losses in our in-force portfolio. Overall losses connected to COVID-19 amounted to EUR151 million, slightly higher than initially expected.

As indicated in March the, restructuring within our US mortality portfolio led to a positive one-off effect of EUR129 million, offsetting a large part of the COVID impact in Life and Health. To be clear, this restructuring for our ING portfolio does not affect the business reinsured by Hannover Re. However, a change in the ownership of the ceding company allowed for some other changes, in particular with regards to the collateral structure.

Finally, we recorded pleasing premium growth of 8.6% adjusted for currency effects. At 2.5%, the return on investment is fairly well in line with expectations overall, and the capitalization according to Solvency II continued to be excellent confirmed by the very strong solvency ratio of 252% at the end of the first quarter, well above our threshold of 200%.

The operating cash flow in the first quarter was a particularly strong EUR1.7 billion, mainly driven by attractive reinsurance growth as well as very solid results on the investment side. On top of that, the restructuring within our US mortality portfolio led to a positive operating cash flow of around EUR640 million. Driven by this positive cash flow, total assets under own management increased to a record high of EUR52.5 billion. This growth was additionally supported by ForEx effect and the issuance of the EUR750 million in hybrid capital in March.

This new bond issuance is also visible on the next slide, bringing our total hybrid capital to EUR3 billion. We still have flexibility in regards to our total hybrid capacity, and shareholders' equity was rather stable in the first quarter of 2021. Market movements again had a strong impact in the first quarter and the negative change in unrealized gains due to increased interest rates was stronger than the positive impact from currency translation. Altogether, the net income was enough to bring the balance back into positive territory.

On that note, I'd like to hand over to Clemens who will explain the figures in more detail.

Clemens Jungsthofel {BIO 20496428 <GO>}

Yes. Thank you, Jean-Jacques. Good morning, everyone. Moving on directly to the segmental reporting, I will start with the development of our Property and Casualty business group. Gross written premium grew by a remarkable 20% adjusted for currency effects. Based on the January renewals, the growth in our traditional reinsurance portfolio is stemming mainly from Europe although premium volume also increased in the US and in Asia. On top of this, we were also able to successfully conclude a number of (inaudible - 14:58) in our structured reinsurance. This shouldn't come as a surprise as we had mentioned our healthy pipeline in this area several times. Furthermore, the recognition of premium from the underwriting year 2020 was material and also supported the growth in the first quarter. This effect is generally most pronounced in the first quarter and should therefore not repeat itself in the coming quarters. The two latter effects are also the main reasons for the more pronounced growth in the first quarter compared to the premium growth reported for the 1-1 renewal.

Major losses came in at EUR193 million, slightly below our quarterly budget of EUR215 million. And just as a reminder, in line with our usual practice, as you know we have kept the unused part of the budget within our IBNR as a buffer for the remainder of the year. Even more importantly, we did not have any reasons to adjust our net loss estimate for COVID-19 in the first quarter while the gross loss estimated actually increased slightly. This was offset by our retro protection.

The runoff of our reserves was slightly negative in the first quarter, but this development is more a one-off in nature and does not reflect any general negative trend in our portfolio. However, as we've not changed our conservative reserving approach, I would expect the confidence level of our reserves to be stable compared to year-end 2020. Altogether, the 96.2% combined ratio is in line with our expectation.

Ordinary investment income was stable while realized gains were lower than in previous years, explaining the decrease in our net investment income. Nevertheless, the first quarter 2021 also benefited from realized gains because we sold some of our listed equities. Other income and expenses amounted to minus EUR91 million, mainly driven by negative currency effect of EUR82 million. Altogether, the EBIT increased to EUR324 million, thanks to the improved underwriting results. Finally, the tax ratio was below the normal level due to a favorable earnings contribution from lower tax subsidiaries.

On the next slide, total net large losses accounted for EUR193 million in the first quarter, again EUR221 million below the budget. There -- I think there's not a lot more to say on this slide, so I will directly move on to our detailed large loss overview.

As you can see on the next slide, the largest individual event was the Texas freeze with a total net loss of EUR75 million, adding to storm in Spain since the Australian flood. The net impact from nat cat was EUR105 million, hardly a severely impacted quarter for Hannover

Re. On the man-man -- on the man-made side though the quarter was more active with one satellite loss and four property claims, leading to a net loss burden of EUR88 million.

The next slide shows the technical profitability of our P&C portfolio by reporting line. The picture for the first quarter is a mixed one. As is usual for an individual quarter, the combined ratio is slightly above the target in some line or region, mainly due to large losses and slightly better than the target in other areas. I see this as a confirmation of the benefit of our highly diversified portfolio.

One comment just on credit and surety, which looks part -- particularly good. The government programs to mitigate the impact of the pandemic are still in place and have certainly had a positive impact on the reported numbers. Therefore, the good 83 combined ratio is the result of the actual loss development in the first quarter and not driven by any reserve releases related to COVID-19. Overall, again the 96.2% combined ratio was very close to our target.

So, let's move on to Life and Health; the pleasing premium growth highlights the fact that our strategic initiatives are bearing fruit, given that it's mainly driven by the APAC region and by longevity. The technical result is affected by losses in connection with COVID-19. As in previous quarters, the main impact is coming from our US portfolio. Apart from the US, the bulk of the losses are from South Africa and to a lesser extent from other countries.

As indicated in March, the restructuring part of the ING portfolio in our US mortality book led to a positive one-off effect of EUR129 million. So when you look at this effect of EUR129 million, it might sound a bit complicated now, so I will try -- because this one-off shows up in three different lines in the P&L. First, the transfer of some assets as part of the funds withheld led to a positive valuation gain of EUR86 million. The restructuring of the collateral agreements had a positive impact of EUR58 million in the other income and expenses, and the valuation effect of the ModCo derivative was minus EUR14 million. So, as mentioned by Jean-Jacques, this adds up to the EUR129 million offsetting therefore a large part of our COVID-19 losses in the first quarter.

The ordinary investment income was in line with our expectations while the fair value of financial instruments was significantly negative in the first quarter. This is driven by the valuation of the derivatives embedded in the Life Reinsurance contract. Unfortunately, this derivative creates some volatility because the corresponding positive effect of the liabilities is not visible in our IFRS accounts due to IFRS accounting regime. Taking an economic view, the negative impact is to some extent offset.

Other income and expenses are mainly driven by a further increase in the contribution from our Financial Solutions business, a large portion of which was recognized according to the deposit accounting method. Currency effects this quarter was slightly positive. All in all, the EBIT of EUR80 million is affected by a number of larger individual effects. Adjusted for COVID losses, the positive one-off from US mortality and the negative derivative valuation, the result would have been in line with our expectations. At 37.9%, the tax ratio is above normal level driven by the taxation business but I'd caution you not to read too much into quarterly tax rate.

On the next slide, for Life and Health premium development, it's just one way to measure growth. But what is probably even more important is the value of new business. On the next slide, you can see that we were quite active in our reporting categories and also the pipeline for new business remains very healthy. By region, North America, APAC and the UK for longevity are currently the most promising. But European markets like Germany and France may also bring some new opportunities.

Looking at the indicator for the new business value at the bottom, the first quarter was particularly strong. As you know, actions in life and health are rather bumpy and the value of new business also closely linked to the duration of the business written. In any case, I see our Life and Health business group is being well on track in terms of new business production.

The next slide, development of our investments, in the first quarter I think it was very satisfactory. The ordinary investment income is in line with our expectations. On the one hand, our portfolio of inflation-linked bond, as you know, is to some extent still affected by lower inflation. On the other hand, the return from alternative investment is back to higher levels compared to the previous year. Around EUR50 million of the realized gains are linked to the partial disposal of listed equities. The remainder is the result of normal portfolio maintenance in a low yield environment.

Listed equities are not really a strategically important asset class for us. Therefore, the realization was rather opportunistic following the strong performance of equity markets. Additionally, we still have our desired exposure to private equity, as you know. Impairments and depreciations are comparable to last year but still on a really moderate level.

As explained in my comments on Life and Health, the derivative valuation was negative explaining the majority of the decrease in investment income compared to the previous year. The overall return on investment was 2.5%, meaning that we are well on track to achieve our full-year target of roughly 2.4%.

Unrealized gains decreased by almost EUR1 billion due to the increase in interest rate, but are still on a very high level at about EUR2 billion. More importantly, the rising interest rates are of course positive for the new money yield even if the overall interest rate levels are very low.

On the next slide, the asset allocation, as you can see, remained rather stable in the first quarter 2021. The only notable change I'd mention is that we slightly increased the share of profit to 32%. Here, we invested according to a broad-based approach with a focus on developed market. The mentioned disposal of listed equities is not really visible here in this overview and the rounded number is still at 1%. The contribution to ordinary investment income is diversified, as usual. It's particularly pleasing to see that the contribution from private equity recovered to the strong levels that we had seen before the market volatility caused by the pandemic in 2020.

To conclude my remarks, the overall result for the first quarter 2021 does include few larger extraordinary effects as you can see, but both the reported net income and the underlying business development support our guidance for the full year. And I hereby hand back to you, Jean-Jacques, for the target metrics and the outlook.

Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you very much, Clemens. On the next slide, you see the target metrics, which confirms that we had a good start to 2021. Growth, as mentioned earlier, is significantly ahead of the strategic targets and our main profitability target for the Group, the ROE is well above the minimum target and the industry average.

The treaty renewals as at 1st of April, 2021 we're also successful for Hannover Re. Both the premium development and the price improvements are very much in line with the trends we saw in the January renewals. In the US, we particularly benefited from the underlying improvement in primary markets and we're able to generate a double-digit growth. In Japan, growth was slightly lower but overall in line with our expectations.

And for the cat business, the reinsurance rate improved further on the back of the heavy loss burden in 2018 and 2019. Continued positive trends could also be observed in our aviation and marine portfolios. Overall, our premium in the April renewals increased by 7.4%. The risk adjusted price change was about 5% positive. Looking at -- only at the non-proportional business, the price increase was even higher at 9%.

Based on the favorable renewals in January and April, we see further opportunity to grow our highly diversified portfolio in an attractive market environment. And I would expect the general pricing trends affecting the reinsurance industry to persist in 2021 and to carry on into 2022. Influencing factors will be the amplitude of further COVID-19 impact for the industry and also the large loss situation as usual. We still feel comfortable with our P&C reserving for COVID-19 related losses and currently, we do not expect a material impact in 2021.

In Life and Health Reinsurance, growth is expected to be well supported by our strategic initiatives and most pronounced in longevity and financial solutions. In the latter case, this volume indication also includes business which is booked according to the deposit accounting method and is therefore not visible in the premium income. In mortality, further losses from the COVID-19 pandemic are expected to decrease significantly compared to the first quarter, mainly driven by the progress of vaccination programs around the world but particularly in the US. The premium is expected to be slightly lower, mainly due to the natural decrease in our in-force book and our limited appetite for new business in the most competitive, traditional life segments, particularly in the US and the UK markets. In morbidity, the overall development is more stable.

As mentioned by Clemens, the business development in the first quarter of the year supports our guidance for the full year. On the premium guidance, it even supports a slightly higher growth rate and we have increased our expectation to a high single-digit growth rate. We have kept guidance for Group net income unchanged. On the one hand, of course the slightly higher assumptions for growth will filter through the bottom line. On the other hand, the impact from COVID-19 was a little higher than expected in the first quarter. Finally, I can reconfirm our positive view of the dividend policy and the potential to pay a special dividend if profit targets are reached and the capitalization remains strong.

This concludes my remarks and we would be happy to answer your questions. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin our question-and-answer session. (Operator Instructions) And the first question is from Vinit Malhotra, Mediobanca. Your line is now open. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Good morning. Thank you, and hope everything is okay with everybody. So my two questions please, one is the -- Jean-Jacques, you mentioned the pricing effect and you mentioned an optimistic outlook for 2022. And you mentioned some factors including COVID. Could you just elaborate a bit? Is it because you think COVID discussions haven't actually had the opportunity to take place this year and that's why some of these effects could roll over into next year's pricing? So, that's my first question. Or any other factors you would like to highlight for next year would be helpful as well.

And second question is the mortality COVID effect, the EUR151 million total, but only EUR105 million in the US. But -- so the ex-US, you mentioned South Africa, could you just elaborate, is there some other risks because so far at the marketplace we've mostly been focused on US mortality, partly UK. And also -- I mean in that context, does something like the Indian situation bother you at all in terms of loss risks? So just any comment on ex-US COVID mortality which seemed a bit higher than what I would have imagined. Thank you.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you for that. Just on the first question, you have several drivers for pricing of course. You have the large loss activity in the past few years. The interest rate environment of course puts some additional pressure. On COVID, as mentioned, I think we were -- we're of the view that we are well reserved conservatively across the lines of business affected, but there are some uncertainty on client-by-client basis. And in some instances, this will still be a point on the agenda as we renew some of the businesses in January.

So, I think you still will see the -- some impact and some further price pressure on the cadence [ph] given the burden of COVID. As of end of last year of course, we had a much better view on the overall exposure. But this is work in progress and this will be very much on a client by client basis.

Maybe on the Life and Health ex-US, UK, Klaus can address that.

A - Klaus Miller {BIO 16886879 <GO>}

Yes. And then, the COVID claims, excluding the US, in our portfolio are mainly from Latin America and South Africa. The worst country in Latin America is probably right now Brazil, but not in our portfolio. We have hardly any business in Brazil. But Chile, Colombia, even Mexico to some extent, have caused losses in our portfolio. It's just in the double digits and I don't know how long this will continue. It's nothing what we are really worried about in terms of our bottom line result.

South Africa, the team [ph] -- vaccination has not really started there and we have a lot of financing business as well in South Africa, which can absorb a lot of COVID claims. But including the mortality covers we provide, this is also I guess single digit, maybe double-digit loss in the first quarter.

India is of not much importance for our bottom line against the total premium. Premium is in the single-digit millions and that has absolutely no impact on the bottom line for us. These are the largest markets outside the US and UK. Europe as such is not really a problem so far. Please keep in mind that we have shifted our portfolio to financial solutions and longevity in the last 10 years, to a large extent. This definitely helps in this situation.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thanks, Klaus.

A - Klaus Miller {BIO 16886879 <GO>}

I hope that answers the question.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thank you.

Operator

The next question is from Michael Haid, Commerzbank. Your line is now open. Please go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much and good morning to everyone. Two questions, both on the P&C Re. You mentioned the COVID-19 related losses, the estimate is unchanged at EUR950 million. It appears that new COVID-19 related losses are fully covered by retro, which is somewhat counter-intuitive. Can you explain why this is the case and how the mechanics works here?

Second question, the strong growth in P&C Re 20.1%, you mentioned that some of this comes from structured reinsurance. However, I thought that premiums from structured reinsurance are generally deposit accounted. So, can you elaborate a little bit how structured reinsurance plays into this strong growth and whether this strong growth was affected by some large order share transactions or anything like that?

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you. I guess so Sven will address both points.

A - Sven Althoff {BIO 19104724 <GO>}

On the COVID side, as Clemens explained, our gross position has only increased a little bit. So, the gross claim grew by approximately 3%. This was coming out of mainly property-related, so business interruption related new loss advisors from our ceding companies, and we saw a little bit of movement on the contingency side. So, the property is covered by our retrocessional protection and the small increase from non-property-related lines. We have eliminated by adjusting other lines very gradually downwards in order to keep with the overall EUR950 million, which is an overall conservative number. So, we wanted to have stability on that side in the first quarter.

When it comes to the growth, the ramp up of the 2020 business comes both from the traditional business and from the advanced solutions business, which we have written at the 1/4 renewals and later last year. The reason why Advanced Solutions is also significantly contributing in that aspect is that the amount of business we write on a deposit accounted basis in our P&C structured reinsurance practice is very, very small indeed. So we -- it would be more the exception than the norm that we have deposit accounted business in our structured P&C business. So, they contribute exactly like -- any traditional quota share, for example, would contribute. And given that we are talking about business that was written up, that 1-1 last year, as Clemens said, this impact will phase out over the next couple of quarters.

But to give you a more detail, when we reported about our growth in Q1 2020, 25% of that number at the time came from underwriting years 2019 and prior. And we are now reporting about our growth in the first quarter of 2021. A remarkable 50% of that growth is coming from the previous underwriting years. So if you put the growth into the categories, the underwriting year 2020 and prior, it's more than we expected. When we look at underwriting year 2021, the growth we are seeing is very much in line with the premium growth we reported in early February when we talked about our January renewals.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Very helpful.

Operator

The next question is from Andrew Ritchie, Autonomous. Your line is now open. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, there. I joined the call a bit late, so apologies if you've addressed these topics. The first question was, could you just give us a color as to the FX noise in the other income in non-life? Why it is so large? How can I forecast or how can I -- what are the main sensitivities and what was driving it? I think the fact that -- EUR82 million inside.

Second question, so could you just give us a bit more color on your outlook for mid-year renewals -- but definitely, a bit more discussion with the weather, there is an accelerating softening trend or still decent rate correction, maybe give us a sense how much of your mid-year renewal is on sort of loss affected business?

And the final question, could you just give us a bit color behind your decision to raise more debt in the quarter? It doesn't seem like from the outside that you particularly needed it given your strong solvency and no imminent refinancing. So what was the thinking? Is it purely opportunistic? Do you feel the need to run at a particularly high capital coverage in anticipation of growth or some other metric that would be useful, just some color on that would be great. Thank you.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you, Andrew, and I'll give the question on ForEx to Clemens and also probably the hybrid capital and then mid-year renewal for Sven.

A - Clemens Jungsthofel {BIO 20496428 <GO>}

Yes, good morning, Andrew. Colleagues are looking [ph] at me with respect to the FX effect in P&C because it's actually an accounting question, so that goes to the CFO, because again it's an accounting one, it's not an economic effect. The reason is, the stronger -- mainly the stronger US dollar in the first quarter development of the US dollar, that's the underlying reason for it. And as we re-evaluate our balance sheet, both on the liability and asset side or the liability effect flows through the P&L, that's the currency effect where it's on the asset side. Only so called liquid assets, monetary assets that are classified under IFRS flows through the P&L and the other in fact goes straight into the currency OCI for particularly our non-monetary US product assets, for example, our huge US sort of private equity portfolio.

You will have seen an opposite effect last year where we reported a gain on the P&C side. So, it add a certain volatility of course to our results. But the movements were quite significant to the last year, as you know, in the US dollar and this year as well. So, that sort of flows through the P&L. However, again there is a fully offsetting effect in our P&L.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Would you want to address the debt or shall we go first to the mid-year -- mid-year renewals, outlook?

A - Sven Althoff {BIO 19104724 <GO>}

Yes, on what we have seen at 1/4 is that the momentum on the rate side is -- was relatively unchanged to what we saw at the 1st of January renewal, both on the insurance and on the reinsurance side. When you ask about 1st of June, 1st of July renewals, we expect that positive trend to continue. There is some first sign of slowing down in the momentum but the direction of travel is still up, I mean we're not talking about an SP4 [ph] kind of market yet.

Where we are particularly seeing more pressure is on proportional treaties where ceding companies are arguing that in their business they have achieved two, very often three round of rate increases. So, they are not really prepared to decrease their Ceding Commissions further due to the fact that the underlying profitability of the business should be significantly better. So, that's what we are seeing.

The bulk of the business we will renew at 1st of June and 1st of July is coming from the US and Australia. US was a heavy loss year. As you know, last year was Hurricane Laura and various tornadoes, and so from that point of view we see little reason why that business should see a lesser rate momentum compared to the one business we have written in the US.

Australia on the other hand had difficult years in 2019. 2020 a lot of that was already taken into account when we last renewed that business. The last 12 months were not loss free, but didn't experience the same sort of loss good [ph] in Australia. So here, I would expect that we still see rate increases but maybe not as high as we could report a year ago. So overall, the trend is still very much intact. But maybe the rate increases we will be able to report when we talk about Q2 will come a little below what we could now report at 1st of April and 1st of January.

A - Clemens Jungsthofel {BIO 20496428 <GO>}

Yeah, and just briefly on the hybrid, I mean it does give us -- as you've seen in our Solvency II rate as well, it does give us some buffer -- provide some buffer both in Solvency II, but also in our rating capital models. So there is some headroom for us, not necessarily been in the first quarter of course. But we thought the market environment was very good, so we took the chance and it was an opportunistic move in March, again to provide us with some buffers to take advantage of the good pricing environment and the market environment and the opportunities in the market.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

And just to respond to also a part of your question, Andrew, there is no different benchmark now when it comes to Solvency II. We're still at the same level and see this is a fairly high solvency ratio. But combined with the opportunistic nature of that death rising, that gives us a photography of the situation as of end of March. But there is no change in our practice yet.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay, thank you.

Operator

The next question is from Jochen Schmitt, Metzler. Your line is now open. Please go ahead.

Q - Jochen Schmitt {BIO 4227302 <GO>}

Thank you. Good morning. I have one question on your ordinary investment income from private equity in Q1 2021. Does this include any specialty within or any valuation effect? That's my question.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you. Clemens will address that.

A - Clemens Jungsthofel {BIO 20496428 <GO>}

Yes -- no, it's really just ordinary distributions from our private equity funds. It's a variety of private equity funds. There is no special effect in there, and no evaluation effects. We don't evaluate our private equity investments through P&L. It all goes through the OCI. There are positive effects in the OCI actually, but I think it's very pleasing what we saw compared to last year in terms of ordinary investments, the results from private equity (Technical Difficulty) in excess of first part of 2020.

Q - Jochen Schmitt {BIO 4227302 <GO>}

Thank you.

Operator

And the next question is from Kamran Hossain, RBC. Your line is now open. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, good morning. Just one question from me, and apologies if I missed this detail. I understand that you have a parametric cover for your Life and Health business, which kind of helps out in situations, kind of pandemic situations. Just wanted to ask, how close are you to triggering this and how much cover does it provide? I guess given the situation elsewhere in the world, the US, the UK seems to be getting a bit better. Does it also include non-US deaths, any color on that would be really helpful. Thank you.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Yes, Klaus?

A - Klaus Miller {BIO 16886879 <GO>}

Yes. The cover we have bought is currently at $255 million capacity and the trigger is defined as the weighted average of the population mortality of three countries, the US, the UK and Australia. We picked these three because they have the higher sums of risk in our portfolio. The weights are about 60% US, about 22% UK and about 18% Australia.

Currently the trigger starts at 100% of this weighted population mortality and it ends at 100%, so it's 10 percentage point. And the $255 million mean that each percentage point in excess of 110 is worth $25.5 million. Currently, we are pretty close at -- or to the trigger point of $110 million. Not much is expected from Australia in the rest of the year, just normal mortality. So, it will not increase the cost of Australia. It will probably also not increase further due to UK because COVID claims are significantly reduced. And the US, we have to wait what happens there. Currently, there are still about 500 claims a day. I don't expect a large payout from that. And hopefully, this is not the case because that would mean that we have the COVID pandemic under control. So, this is only linked to population mortality in these three countries.

Q - Kamran Hossain {BIO 17666412 <GO>}

Okay, that's clear. Thanks very much.

Operator

And the next question is from Vikram Gandhi, Societe Generale. Your line is now open. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, good morning everybody. It's Vikram, Soc Gen. I've got a couple of questions. First is on the deposit accounted treaties contribution which ended EUR90 million for this quarter versus EUR85 million Q1 2020. Can you give us a bit more color if there is a slowdown in the growth that we have been used to in the past or is it more of -- because it's a lumpy business Q1 was a slightly lower growth quarter and you might expect the growth to pick up in the coming quarters? So any comments there would be really useful.

And second was on the cyber insurance, can you just explain how the book is shaping up? What were the premiums for the full-year 2020 and how the things are looking for the current year? Thank you.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Sven, Financial Solutions business?

A - Sven Althoff {BIO 19104724 <GO>}

The Financial Solutions business is pretty stable, not impacted by the COVID pandemic right now. And in -- we have two countries where most of the Financial Solutions business is coming from, one is the US, the other is China. The US is up to 20 years, so this is more long-term. China is significantly small-term but at least for the next 2 years or 3 years we don't expect significant shift here. And we hope that we can write more business in the near future. So, this is something what we see as a stable contributor to our bottom line result.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

(inaudible - 54:48) and on the other question?

A - Sven Althoff {BIO 19104724 <GO>}

On the cyber portfolio, this continues to be a growing class for Hannover Re. So in 2020, we wrote approximately EUR300 million of cyber reinsurance premium. As you know, we were able at 1st of July renewals onwards from last year to reduce the silent cyber exposure on non-affirmative cyber business, which created some further headroom for us in order to keep growing our affirmative cyber portfolio. And for 2021, we had a successful start to the year where we could either increase shares on existing contracts or even write a few more. So, we are going to approach a premium volume here EUR400 million for the full underwriting year 2021.

Our loss experience continues to be favorable in this class. We have seen an uptick in the loss frequency in the last 18 months. But the business we write is still well within the ultimate loss ratio picks that we had chosen for that business at the beginning when we were writing it. So from that point of view, we see this as a good contribution to further increase the earnings capability of our P&C practice.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay, thank you very much.

Operator

And there are currently no further questions. (Operator Instructions) And the next question is from Emanuele Musio, Morgan Stanley. Your line is now open. Please go ahead. Emanuele Musio, your line is now open. Please go ahead. We can't hear you at the moment.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello, hi, sorry, I was on mute. Thanks for taking my question. A quick question on the combined ratio. Can you please give us an indication of where the line profitability stands compared to last year, or maybe you can otherwise give me an indication of what the contribution from prior-year development was this year? Is it comparable to 2020? Is it more -- just some color about that, please.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you, Emanuele. Sven?

A - Sven Althoff {BIO 19104724 <GO>}

Yes, to the prior year development, as Clemens has said, that came in a little less good compared to where we were a year ago due to some impact on our short-take classes [ph]. For example, the winter storm in Texas was mostly resulting from business which we wrote in underwriting year 2020. So, this showed some negative run off therefore for our

2020 property business. The run-off result for our long-take classes, casualty in particular, was good, was positive, so no concerns from that side.

And as to your first question, I mean of course we are satisfied with the start to the year with our 96.2% combined ratio. So, this makes us more confident that we will achieve our target of 96% or better at the end of the year. But of course the, year has only just started. So, there is a lot of exposure on the wind side waiting for us in the next couple of quarters. So at this stage, I would say it's a good start. It seems to reconfirm our guidance on that side. But we would not be more bullish than that at this stage.

Q - Emanuele Musio {BIO 19781440 <GO>}

Thank you.

Operator

(Operator Instructions) And we haven't received any further questions at this point. So, I hand back to the speakers for closing remarks.

A - Jean-Jacques Henchoz {BIO 17457677 <GO>}

Thank you very much for joining this early call. So, I think we handled the key topics. We wanted to show that we had a solid starting to the year with these quarterly results on the back of successful P&C renewals and good momentum in pricing and conditions with strong growth that you've seen and the net Corona loss estimate, which is unchanged.

In Life and Health of course some uncertainties remain, but we believe that with the vaccination programs, particularly in the US, things will improve in the coming quarters, but of course still some uncertainties. Strong capitalization, we addressed that at the beginning of the year. And this is reflecting of course the hybrid bond and the outlook is positive.

We're quite confident about the guidance. We changed of course the topline guidance reflecting the P&C business. But as Sven mentioned, it's a bit early in the year to look at it in more detail. There is still some uncertainty. There is still some nat cat activity which might be coming later in the next few quarters. But all in all, we're very positive about the outlook for 2021 and feel very comfortable with the guidance.

With that, I'll close this session. Thank you again for joining today and see you next time.

Operator

Ladies and gentlemen, thank you for your attendance. This call has been concluded. So, you may disconnect now.