

REPORT BY THE SUPERVISORY BOARD

of Hannover Re for the Hannover Re Group

In our function as the Supervisory Board we considered at length during the 2008 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board held four meetings in order to adopt the necessary resolutions after appropriate discussion. A resolution was adopted by a written procedure with respect to one matter requiring attention at short notice. Furthermore, we received quarterly written reports from the Executive Board on the course of business and the position of the company and the Group pursuant to § 90 German Stock Corporation Act. No audit measures pursuant to § 111 Para. 2 German Stock Corporation Act were required in the 2008 financial year. The reports provided by the Executive Board contain, inter alia, up-to-date details of the current planned and expected figures for the individual business groups. The reporting also covers strains from major losses as well as the investment portfolio, investment income, the ratings of the various Group companies and the development of the Group's global workforce. The quarterly reports with the quarterly financial statements and key figures for the Hannover Re Group constituted a further important source of information for the Supervisory Board. We received an analysis of the 2007 results in non-life and life/health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2008 financial year and the operational planning for the 2009 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company's management as required by our statutory responsibilities and those placed upon us by the company's Articles of Association.

Key points of deliberation

In addition to its discussion of a sizeable planned acquisition, the Supervisory Board obtained information about the implications for the year-end result of the international financial crisis and the above-average burden of losses, about the effects of movements in exchange rates on the balance sheet and statement of income as well as about the impact of the Act on the Modernisation of Accounting Law (BilMoG) on the work of the Supervisory Board. The operational planning for 2009 was also the subject of intense discussion. The reasons for divergences in the course of business from the applicable planned figures and targets in the financial year just-ended were explained to us, and we reconciled these deviations accordingly.

As part of its discussion of important individual projects the Supervisory Board considered, inter alia, the sale of a 1% interest and the granting of a purchase option on a further 2% interest in E+S Rückversicherung AG by Hannover Rück Beteiligung Verwaltungs-GmbH to Mecklenburgische Versicherungsgruppe. It also examined the authorisation process for real estate acquisitions and approved the revised strategic principles and objectives as well as updated Rules of Procedure for the Executive Board, in which the canon of measures and transactions subject to approval was extended in favour of the Supervisory Board. Last but not least, the Supervisory Board approved a capital increase at Hannover Life Reassurance Company of America in Orlando/USA.

Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 German Stock Corporation Act, the Balance Sheet Committee met twice and the Standing Committee met on three occasions. The Chairman of the Supervisory Board updated the full Supervisory Board on the committees' major deliberations at the next meeting.

The Balance Sheet Committee considered inter alia the consolidated financial statement drawn up in accordance with IFRS and the individual financial statement of the parent company Hannover Re drawn up in accordance with the German Commercial Code (HGB) and discussed with the auditors the reports submitted by the independent auditor on these financial statements. As in the previous year, an expert opinion on the adequacy of the loss reserves in non-life reinsurance, a review of the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made as well as the risk report pursuant to the Act on Control and Transparency (KonTraG), the report on compliance with Corporate Governance principles and reports on the major subsidiaries were received and discussed. In addition, the Committee examined the investment structure and investment income – including stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2008 financial year as well as the auditors' fee. The criteria used for equity allocation within the Group, a comparison of target returns with the actual returns delivered by the individual business groups as well as the equity resources and rating implications constituted further key areas of deliberation.

In view of the impending retirement of the Chief Executive Officer, the Standing Committee deliberated throughout the year over the medium- and long-term planning for the overall composition of the Executive Board. As a result, it issued recommendations to the full Supervisory Board regarding the reappointment / non-reappointment of members of the Executive Board. In particular, the committee attended to the identification of internal and external candidates for appointment as the new Chief Executive Officer, undertook an in-depth evaluation of the short-listed candidates including consultations with an outside psychologist and on this basis submitted an appropriate proposal to the full Supervisory Board. In addition, the Standing Committee determined the performance bonuses of the members of the Executive Board for the 2007 financial year and the overall number of stock participation rights to be awarded to the Executive Board for the 2008 financial year. For the 2009 financial year recommendations were drawn up for the full Supervisory Board regarding the specification of the target performance (target EPS) and the total volume of remuneration to be granted.

Since no elections to the Supervisory Board were upcoming, the Nomination Committee set up in 2007 did not meet.

Corporate Governance

The Supervisory Board once again devoted considerable attention to the issue of Corporate Governance and closely examined, inter alia, the company's business principles, which were thoroughly revised against the backdrop of various changes in legislation and the amended version of the German Corporate Governance Code (DCGK). A good deal of time was also spent on the debate surrounding the recommendations of the German Corporate Governance Code Government Commission as amended 6 June 2008 published by the Federal Ministry of Justice. In particular, the redefined Code Items 4.2.3 Para. 4 (cap on severance payments in management board contracts) and 4.2.2 Para.1 (responsibility of the full supervisory board for the system of remuneration paid to the management board) were discussed at length. Despite the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to comply with the recommendation concerning a cap on severance payments in management board contracts. The justification in this respect is provided in the Declaration of Conformity pursuant to § 161 German Stock Corporation Act regarding compliance with the German Corporate Governance Code, which is reproduced in this Annual Report in the Corporate Governance report together with further information on this topic. The reader is further referred to the company's publications in the Internet in relation to this topic.

Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the corresponding management reports were audited by KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hannover. The Supervisory Board selected the auditor for the audit and the Balance Sheet Committee awarded the concrete audit mandate. In addition to the usual audit tasks, the audit focused particularly on the documentation of the internal control system for the preparation of the annual financial statements as well as the translation of foreign currencies in accordance with the German Commercial Code. In the context of the consolidated financial statements to be drawn up by Hannover Re in accordance with International Financial Reporting Standards (IFRS), the auditors were required to subject the implementation of IFRS 7 (Financial Instruments), the preparation for implementation of IFRS 8 (Operating Segments) and the definition of the scope of consolidation, especially with respect to special purpose entities (IAS 27, SIC 12), to particular scrutiny. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2008 was again also awarded. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections KPMG AG issued unqualified audit certificates. The Balance Sheet Committee discussed the annual financial statements and the management reports with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its examination. The audit reports were distributed to all members of the Supervisory Board and scrutinised in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by KPMG AG and given the following unqualified audit certificate:

"Having audited the report in accordance with our professional duties, we confirm that

1. its factual details are correct;
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high."

We have examined

- a) the annual financial statements of the company and the management report prepared by the Executive Board,
- b) the consolidated financial statements of the Hannover Re Group and the Group management report prepared by the Executive Board and
- c) the report of the Executive Board pursuant to § 312 German Stock Corporation Act (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2008 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report. The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted.

Changes on the Supervisory Board and the Executive Board

There were no changes in the composition of the Supervisory Board or the Executive Board in the year under review. At its meeting on 5 November 2008 the Supervisory Board extended the appointment of Mr. André Arrago and Mr. Ulrich Wallin as members of the company's Executive Board until 31 August 2014. At an extraordinary meeting of the Supervisory Board held on 21 January 2009 Mr. Wallin was appointed as the new Chief Executive Officer of the company with effect from 1 July 2009. Mr. Wallin will succeed Mr. Zeller, who is stepping down from the company's Executive Board at the end of June 2009 at the age of 65.

At the same meeting the decision was taken to terminate the mandate of Dr. Elke König as a member of the company's Executive Board on the most amicable terms effective 31 March 2009. The Supervisory Board expressed its thanks and appreciation to Dr. König for her considerable personal dedication and her successful work on behalf of the Hannover Re Group. Mr. Roland Vogel was appointed to succeed Dr. König as a deputy member of the Executive Board with effect from 1 April 2009 for a period of three years.

Word of thanks to the Executive Board and members of staff

The Supervisory Board thanks the members of the Executive Board and all staff for their work in the year under review.

Hannover, 10 March 2009

For the Supervisory Board

Wolf-Dieter Baumgartl
Chairman