

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 2009 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 five meetings in order to adopt the necessary resolutions after appropriate discussion. Resolutions were adopted by a written procedure with respect to three matters requiring attention at short notice. We received quarterly written reports from the Executive Board on the course of business and the position of the company and the Group. These reports describe, inter alia, 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, ratings 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 2008 results in non-life and life/health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2009 financial year and the operational planning for the 2010 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. No audit measures pursuant to § 111 Para. 2 Sentence 1 German Stock Corporation Act were required in the 2009 financial year.

Key points of deliberation

The Supervisory Board obtained information about pending legal proceedings, the relevance of ratings to reinsurance business as well as special capital market risks on the underwriting side in life reinsurance. We considered the currently existing collateral structures for reinsurance obligations and adopted the necessary resolutions to be in a position going forward, as in the past, to be able to respond flexibly to additional collateral requirements in connection with reinsurance business. Within the scope of the annual review of the investment guidelines, the revisions concentrated in particular on the distortions on the capital market caused by the subprime crisis and the associated fundamental revaluations of securities and investments covered by securities. Considerable attention was also devoted to discussions of the future risk-oriented positioning on the underwriting side as well as risk management in the area of investments, including the organisational integration of the investment guidelines into Hannover Re's system of limits and thresholds.

As part of the updating of the Rules of Procedure for the Executive Board, the canon of measures and transactions subject to approval was extended – for example, in connection with borrowing and the agreement of “Change of Control” clauses. A duty to notify the agreement of particularly significant downgrade clauses was also implemented. With an eye to § 87 Para. 1 German Stock Corporation Act as amended by the Act on the Adequacy of Management Board Remuneration, the full Supervisory Board undertook for the first time a review of the fixed remuneration of individual members of the Executive Board. In light of the changes in the legal situation, the profit bonus for members of the Executive Board was also restructured, and the conditions of the stock option plan for members of the Executive Board were adjusted to the new legal framework conditions. Furthermore, the personnel changes on the company’s Executive Board in the year under review were the subject of intense discussion.

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 Finance and Audit Committee as well as the Standing Committee each met on four occasions. The Standing Committee took one decision by way of a written procedure. The Chairman of the Supervisory Board updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions.

The Finance and Audit 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 auditors 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 compliance report/report on adherence to 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 the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2009 financial year. The discussion of the quarterly financial statements for the Hannover Re Group, the measures taken to reduce the volatility of results and the risk exposure as well as the findings of the audits conducted by the Internal Auditing unit constituted further key areas of deliberation.

The Standing Committee dealt with the determination of the performance bonuses of the members of the Executive Board for the 2008 financial year and defined the basic number of stock participation rights to be awarded in total to the Executive Board for the 2009 financial year. Recommendations regarding the restructuring of the profit bonus and the modification of the virtual stock option plan were drawn up for the full Supervisory Board. In addition, recommendations were formulated for the specification of the target performance (target EPS) and the total volume of remuneration payable for the 2010 financial year. What is more, recommendations were submitted to the full Supervisory Board in the context of the review of the fixed remuneration of members of the Executive Board. The Standing Committee considered at length the impending changes on the company’s Executive Board and submitted the appropriate recommendations to the full Supervisory Board.

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

Corporate Governance

The Supervisory Board once again devoted considerable attention to the issue of Corporate Governance. The Rules of Procedure for the Supervisory Board, the Standing Committee and the Finance and Audit Committee were modified with an eye to the revised version of the German Corporate Governance Code (DCGK) as amended 18 June 2009. The full Supervisory Board examined and approved the remuneration system for the Executive Board including the material contractual elements. In addition, an interim activity report on compliance matters for 2009 was discussed, and the Supervisory Board agreed upon an efficiency audit of the Supervisory Board's work using a questionnaire that was significantly expanded in comparison with previous surveys.

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 – as in the previous year – not to comply with the recommendation in Code Item 4.2.3 Para. 4 of the German Corporate Governance Code 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 context of the Corporate Governance declaration. Further information on the topic of corporate governance is available on Hannover Re's website.

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. The Supervisory Board selected the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. In addition to the usual audit tasks, the auditors focused particularly on the methodology and adequacy of estimation systems on the underwriting side, the calculation and impairment of deferred taxes, the risk reporting in the management report and the balance sheet recognition of the acquisition of entire insurance portfolios. 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 risk reporting in the management report, the balance sheet recognition of the acquisition of entire insurance portfolios, the calculation and presentation of run-off triangles, the internal control system and the representation of capital market risks in reinsurance and retrocession treaties to particular scrutiny. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2009 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 Finance and Audit 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 2009 – 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. We concur with the Executive Board’s proposal regarding the appropriation of the disposable profit for 2009.

Changes on the Supervisory Board and the Executive Board

There were no changes in the composition of the Supervisory Board in the year under review. After Mr. Baumgartl had stepped down as Chairman of the Supervisory Board of Hannover Re with effect from the end of the Annual General Meeting on 5 May 2009, the Supervisory Board elected Mr. Herbert K. Haas as Chairman of the Supervisory Board as well as of the Supervisory Board’s Finance and Audit Committee with effect from the above date until the end of the company’s Annual General Meeting in 2012. Since the aforementioned date Mr. Baumgartl has served as an ordinary member on the Supervisory Board and its committees.

Mr. Wilhelm Zeller retired on 30 June 2009 at the age of sixty-five after leading the company for more than 13 years as its Chief Executive Officer. The Supervisory Board thanked Mr. Zeller for his extraordinarily successful work, which had been instrumental in shaping the development of the company and the Hannover Re Group. At an extraordinary meeting of the Supervisory Board Mr. Ulrich Wallin was appointed as the new Chief Executive Officer of the company with effect from 1 July 2009. 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 company and 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 2010

For the Supervisory Board
Herbert K. Haas
Chairman

Supervisory Board of Hannover Re

HERBERT K. HAAS^{1, 2, 3}

Burgwedel

Chairman (from 5 May 2009)

Chairman of the Board of Management of Talanx AG

Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

DR. KLAUS STURANY¹

Dortmund

Deputy Member

Member of various supervisory boards

WOLF-DIETER BAUMGARTL^{1, 2, 3}

Berg

Chairman (until 5 May 2009)

Member (from 6 May 2009)

Chairman of the Supervisory Board of Talanx AG

Chairman of the Supervisory Board of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

UWE KRAMP⁴

Hannover

KARL HEINZ MIDUNSKY³

Gauting

Former Corporate Vice President and Treasurer Siemens AG

ASS. JUR. OTTO MÜLLER⁴

Hannover

DR. IMMO QUERNER

Ehlershausen

Member of the Board of Management of Talanx AG

Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

DR. ERHARD SCHIPPOREIT²

Hannover

Former Member of the Executive Board of E.ON Aktiengesellschaft

GERT WAECHTLER⁴

Burgwedel

¹ Member of the Standing Committee

² Member of the Finance and Audit Committee

³ Member of the Nomination Committee

⁴ Staff representative

Details of memberships of legally required supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the individual report of Hannover Rückversicherung AG.