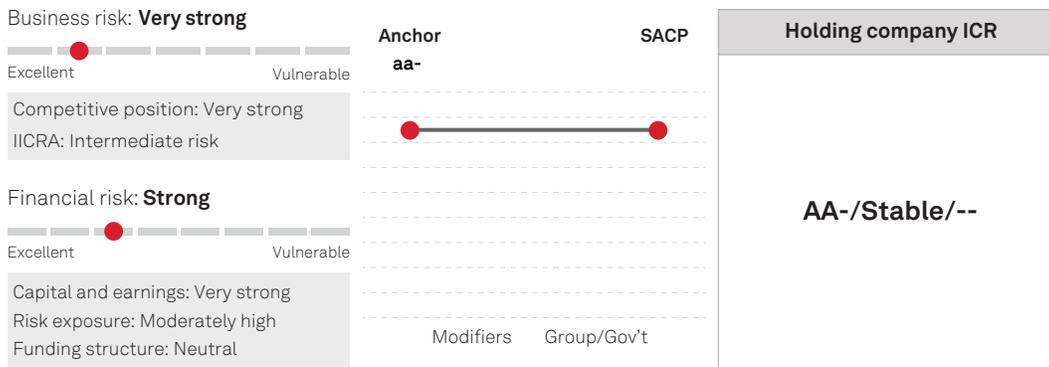


# Hannover Rueck SE

August 22, 2025

This report does not constitute a rating action.



ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

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## Credit Highlights

### Overview

#### Key strengths

One of the top global reinsurers, with very strong diversification by product and geography, a low-cost base, and selective and prudent underwriting capabilities.

Very strong capital and earnings, and solvency ratio, with well-defined risk controls and solid reserves.

Earnings volatility compares favorably with peers backed by conservative reserving.

#### Key risks

Potential volatility in capital and earnings because of coverage of natural catastrophes and other large risks, similar to peers such as Swiss Re Ltd., Munich Reinsurance Co., and SCOR SE.

**In our view, Hannover Rueck SE (Hannover Re) benefits from its diversified geographical footprint and broad business portfolio, offering property/casualty (P/C) and life/health reinsurance.** The group has a top three position in the global reinsurance market and strong brand image, supported by its robust underwriting and claim-settlement expertise. It also enjoys longstanding relationships with brokers and key clients and has leading positions in some reinsurance treaties it underwrites globally. Hannover Re's very strong competitive position was also evident in its above-market-average growth, particularly in the past few years when pricing improved. While pricing moderated in P/C reinsurance in the 2025 renewals, Hannover Re generated growth of 4.8% in P/C reinsurance revenue and 3.3% overall in the first half of 2025. We think that Hannover Re benefits from sound earnings diversification between P/C reinsurance

and life/health reinsurance. The latter contributed sound earnings before tax of €470 million in the first half year 2025, which was about 30% of the group's earnings before tax in that period.

**In our view, the stronger-than-peers' return on equity (ROE) in recent years, with lower volatility of earnings, reflects the group's prudent underwriting, reserving, and financial management.** In the first half of 2025, Hannover Re reported strong results with a net income of €1.3 billion and further strengthened its prudent reserve buffers which the group outlined to be €2.5 billion at the end of 2024. This, coupled with conservative balance sheet management, enables the group to continue to outperform most of its reinsurance peers on an ROE basis with relatively lower volatility, in our view. Like its peers, the group was affected by the California wildfires in the first quarter of 2025. Together with other major losses, the annual large loss budget of €2.1 billion was about 50% consumed after the first half of 2025. Nevertheless, we expect that the group is well on track to generate an ROE of more than 18% in 2025-2026 under International Financial Reporting Standards (IFRS) 17, assuming natural catastrophes and large losses in line with the annual budget, supported by strong reserving. We think the group will generate net earnings of about €2.4 billion in 2025-2026 with a combined ratio of 88%-91% in both years.

**We assess Hannover Re's capital and earnings as very strong.** As of end-2024, the insurer's capital adequacy was comfortably above the 99.95% confidence level, based on our risk-based model. The group reported a favorable Solvency II ratio of 261% in the first half of 2025, further supporting our view of its capitalization. We think sound retained earnings will finance the group's growth ambitions maintaining capitalization well above the 99.95% confidence level in 2025-2026. Hannover Re's exposure to large tail risks, such as natural catastrophes in line with peers such as Munich Re, Swiss Re, or SCOR, could lead to capital and earnings volatility. However, we think it remains sufficiently capitalized to cope with potential large man-made losses or natural catastrophes over our forecast period.

## Outlook

The stable outlook indicates that we expect Hannover Re will maintain its competitive advantage as a well-positioned, leading global reinsurer. We also assume the group's earnings will remain sound over 2025-2026, enabling the group to maintain capital securely above the 99.95% confidence level.

### Downside scenario

We might consider lowering the ratings over the next two years if capital adequacy decreased consistently below the 99.95% confidence level. This could occur because of large natural catastrophes, higher risk-capital charges than we expect, or a material erosion of underlying earnings. We could also take a negative rating action if Hannover Re's underwriting controls deteriorated, or if its risk profile increased due to heightened underwriting or investment risks.

### Upside scenario

We assess the likelihood of an upgrade as remote over the next 12-24 months. Any rating upside would hinge on capital improving comfortably above our 99.99% confidence level over a sustained period and Hannover Re outperforming its peer group.

## Assumptions

- Heightened U.S. policy uncertainty, mainly related to tariffs, is dominating the global macroeconomic narrative.
- We expect growth of 1.9% in GDP in the U.S. and 0.9% in the eurozone in 2025.
- We forecast the 10-year benchmark U.S. Treasury rate at about 4.2% in 2025 before gradually reducing to 3.6%-3.67 in 2027-2028.
- For the eurozone, we expect a 10-year government bond yield of 3.2% in 2025-2028.
- The global reinsurance industry earned its cost of capital in 2023 and 2024, and we expect it to do so in 2025.
- Despite signs of moderation in property pricing, we think overall conditions are still favorable, and we expect the reinsurance industry will continue to post strong results.

### Hannover Rueck SE--Key Metrics

	2026f	2025f	2024	2023	2022
S&P Global Ratings capital adequacy	99,95	99,95	99,95	99,95	AA
Insurance revenue (mil. €)	>27.500	>27.000	26.379	24.457	24.017
Net income (mil. €)	~2.400	~2.400	2.397	1.828	898
EBITDA	>3,000	>3,000	3.448	2.031	1.714
Return on shareholders' equity (%)	>18	>18	20,2	17,4	N/A
EBITDA fixed-charge coverage (x)	>10	>10	17,2	10,4	14,3
Financial leverage including pension deficit as debt (%)	25-30	25-30	27,6	31,6	36,2
PC : Net combined ratio (%)	88-91	88-91	86,6	94,0	94,5
Return on revenue (%)	>9	>9	11,8	7,5	6,4

2022 capital adequacy as per old capital model criteria. f--S&P Global Ratings forecast. N/A--Not applicable.

## Business Risk Profile

In our view, Hannover Re benefits from its diversified geographical footprint and broad business portfolio, offering P/C and life/health reinsurance. Furthermore, the group's competitiveness is underpinned by its well-established brand, and strong underwriting and claims services abilities. Within P/C reinsurance, similar to its global peers, we think Hannover Re is exposed to product risk, especially because of the unpredictable nature of natural catastrophes and large losses. This risk was realized in the first quarter of 2025 with significant insured losses from the California wildfires which cost Hannover Re €615 million on a net basis.

In our view, barriers to entry are higher for the group's life reinsurance operations because the market is dominated by a handful of reinsurers. We think the life reinsurance business has low industry risk, owing to its positive underlying earnings. These have less potential to increase capital and earnings volatility than the product risks in P/C reinsurance.

The group has a top three position in the global reinsurance market and a strong brand image, supported by its robust underwriting and claim-settlement expertise. It also enjoys longstanding relationships with brokers and key clients and has leading positions in certain reinsurance treaties it underwrites globally. In addition, Hannover Re's very strong competitive position was evident in its above-market-average growth, particularly in the past few years when pricing improved. While pricing moderated in P/C reinsurance in the 2025 renewals, Hannover Re

generated growth of 4.8% in P/C reinsurance revenue and 3.3% overall in the first half of 2025. We think that Hannover Re benefits from sound earnings diversification between P/C reinsurance and life/health reinsurance. The latter contributed sound earnings before tax of €470 million in the first half of 2025 which is about 30% of the group's earnings before tax in that timeframe.

Moreover, Hannover Re benefits from a lower-than-average administration expense ratio, which bolsters the group's competitive strength. Hannover Re's retrocession strategy helped it withstand recent large natural catastrophes. Nevertheless, the group's reinsurance utilization ratio is somewhat higher than that of some peers, which suggests a greater reliance on retrocession capacity than some large peers.

We expect the group is well on track to generate an ROE of more than 18% in 2025-2026 under IFRS 17, assuming natural catastrophes and large losses in line with the annual budget, supported by strong reserving. We think the group will generate net earnings of about €2.4 billion in 2025-2026 with a combined ratio of 88%-91% in both years.

## Financial Risk Profile

As of end-2024, the insurer's capital adequacy was comfortably above the 99.95% confidence level, based on our risk-based model. The group also reported a favorable Solvency II ratio of 261% at half year 2025, further supporting our view of its capitalization. We think sound retained earnings will finance the group's growth ambitions maintaining capitalization well above the 99.95% confidence level in 2025-2026.

In the first half of 2025, Hannover Re reported strong results with a net income of €1.3 billion and further strengthened its prudent reserve buffers which the group outlined to be €2.5 billion at the end of 2024. This, coupled with conservative balance sheet management, enables the group to outperform most of its reinsurance peers on an ROE basis with relatively low volatility, in our view.

The group was also affected by the California wildfires in the first quarter of 2025. Together with other major losses, the annual large loss budget of €2.1 billion was about 50% consumed after the first half of 2025. Nevertheless, we expect that the group is well on track to generate an ROE of more than 18% in 2025-2026 under IFRS 17, assuming natural catastrophes and large losses in line with the annual budget, supported by strong reserving. We think that the group will generate net earnings of about €2.4 billion in 2025-2026 with a combined ratio of 88%-91% in both years.

Hannover Re's financial risk profile is supported by very strong and prudent reserves, which we consider in our assessment of its capital. This is further supported by a significant increase in the resilience reserves, which the group reported were about € 2.5 billion in 2024 and further strengthening measures incorporated into the strong half year 2025 results. In our view, this is a strong buffer to reduce earnings volatility.

The group is exposed to tail risks from severe natural catastrophes, man-made event claims, and pandemics, which could cause volatility in capital and earnings. Hannover Re has adequately managed tail events, as demonstrated recently, thanks to its beneficial cost base, diversified portfolio, strong modeling and risk controls, very strong and prudent reserving, and effective and comprehensive retrocession program.

The group has a well-diversified investment portfolio and maintains a conservative stance on its investments via relatively low-risk asset allocation, limits for foreign currency exposure, and prudent diversification by sectors and single obligors. More than 90% of Hannover Re's fixed-income portfolio is allocated to investment-grade securities.

In our view, the group has a track record of accessing the capital markets. We think that financial leverage will remain largely stable at about 25%-30% in 2025-2026, reflecting a repayment of a hybrid in 2025. Strong earnings supported a fixed charge coverage ratio of 17.2x in 2024. Under our base-case scenario, Hannover Re will post a fixed charge coverage of above 10.0x in 2025-2026.

## **Other Credit Considerations**

### **Governance**

We do not anticipate any material governance issues that could affect the ratings. We think the group can implement its management succession plans with internal and external resources, as demonstrated in recent years. We think that the management team has a consistent track record of strategic planning; strong execution; and transparent, demanding, and sophisticated financial management.

### **Liquidity**

We expect Hannover Re's liquidity to remain exceptional over the next two years. The group has ample liquidity sources available, mainly premium income and a highly liquid asset portfolio. Moreover, there are no refinancing risks, in our view.

### **Group support**

Our assessment of Hannover Re reflects its stand-alone characteristics. The group is 50.2% owned by ultimate parent Talanx AG, and the rest of its shares are widely held. We understand that Hannover Re's strategy, capital management, and cash flows are highly independent from Talanx AG.

### **Environmental, social, and governance**

Our analysis of Hannover Re also considers its exposure to environmental and social risks, which we think is consistent with that of the global insurance industry and broadly in line with global reinsurance peers such as Munich Re, Swiss Re, or SCOR. Environmental factors are a moderately negative consideration in our analysis of Hannover Re. However, the group has built a strong capital buffer and an effective retrocession to safeguard its business against material fallout from natural disasters, for example. Given the group's strong risk management and modeling capabilities, we think it is unlikely to experience losses greater than its risk tolerance.

**Rating Component Scores**

<b>Business Risk Profile</b>	<b>Very Strong</b>
Competitive position	Very strong
IICRA	Intermediate risk
<b>Financial Risk Profile</b>	<b>Strong</b>
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
<b>Anchor</b>	<b>aa-</b>
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
<b>Current Credit Rating</b>	
Local currency financial strength rating	AA-/Stable/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	AA-/Stable/--
Foreign currency issuer credit rating	AA-/Stable/--

## Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions](#), Nov. 15, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Hannover Rueck SE's 2014 Junior Subordinated Notes' Intermediate Equity Content Removed](#), May 5, 2025
- [Global Reinsurers Stand Strong Amid Investment Volatility And Natural Disasters](#), April 10, 2025
- [Tear Sheet: Hannover Rueck SE](#), March 13, 2025

**Ratings Detail (as of August 21, 2025)\***

**Operating Companies Covered By This Report**

**Hannover Rueck SE**

Financial Strength Rating

## Hannover Rueck SE

### Ratings Detail (as of August 21, 2025)\*

Local Currency	AA-/Stable/--
Issuer Credit Rating	AA-/Stable/--
<b><u>E+S Rueckversicherung AG</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Life Reassurance Co. of America</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Life Reassurance Co. of America (Bermuda) Ltd.</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Life Re of Australasia Ltd.</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Re (Bermuda) Ltd.</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Re (Ireland) DAC</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover Re South Africa Ltd.</u></b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
<b><u>Hannover ReTakaful B.S.C.</u></b>	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
<b><u>Hannover Retakaful Labuan Branch Family</u></b>	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--

## Hannover Rueck SE

### Ratings Detail (as of August 21, 2025)\*

#### Hannover Retakaful Labuan Branch General

Financial Strength Rating

*Local Currency*

A+/Stable/--

Issuer Credit Rating

*Local Currency*

A+/Stable/--

**Domicile**

Germany

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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