

Corporate news

Hannover Re transfers record volume of catastrophe bonds to the capital market

- **Transferred issuance volume increases to more than USD 2.7 billion in 2021, spread across 11 catastrophe bonds**
- **Growing demand from companies outside the insurance industry**
- **Record volume expected on the ILS market for 2022**

Hannover, 21 February 2022: Hannover Re transferred altogether 11 catastrophe bonds with a record volume of USD 2.7 billion (previous year: USD 1.6 billion) to the capital market for its clients in 2021 and thereby extended its leading position in the insurance-linked securities (ILS) market.

"The demand from our clients for alternative risk covers was stronger last year than ever before," said Silke Sehm, whose responsibility as a member of Hannover Re's Executive Board includes the ILS department. "Almost 30 years ago Hannover Re was one of the market pioneers for the securitisation of insurance risks. With our extensive know-how we still rank to this day among the market leaders and we continue to play a pivotal part in numerous innovative transactions."

Last year, Hannover Re facilitated for its customers the placement of covers against losses from natural disasters such as floods, storms, earthquakes and wildfires on the capital market. The volume of the individual catastrophe bonds ranged from USD 30 million to USD 575 million.

Demand for catastrophe bonds as alternative risk coverage has traditionally come from companies in the insurance sector. Now, however, clients from other industries are also increasingly turning to Hannover Re and its partners for the placement of insurance risks with investors. Last year, for example, Hannover Re was able to assist companies in the energy, logistics and technology sectors with the transfer of insurance risks to the capital market.

"More and more companies outside the insurance sector, such as Prologis or Sempra Energy, are deciding in favour of risk transfer to the capital market and Hannover Re so far has managed to win a large portion of these mandates. That shows just how much potential the ILS market still has to offer and how important a partner with solid experience is," said Henning Ludolphs, Managing Director Retrocession and Capital Markets at Hannover Re. "We see a sustained trend towards demand for ILS covers going beyond the

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insurance sector and expect other companies to tap into the advantages of such risk transfers."

Hannover Re has carved out a leading global position as a transformer of reinsurance risks through catastrophe bonds. Since placement of the world's first risk securitisation in 1994 Hannover Re has used the entire spectrum of the ILS market to transfer risks for its customers and obtain protection for its own risks through the capital market.

Market position in collateralised reinsurance expanded

When it comes to collateralised reinsurance, too, Hannover Re has established itself as a leading fronting company in recent years. In 2021 Hannover Re expanded the volume of transactions that it facilitated. In this market, insurers and investors conclude private, non-tradable risk transfer transactions that are backed by collateral held in trust. Hannover Re facilitates these transactions as a fronting company.

"Collateralised reinsurance will continue to form a significant part of the ILS market that keeps on growing," said Henning Ludolphs. "Investors and cedants find this segment of the ILS market attractive owing to the broader range of risks and on account of its more straightforward contractual structures. Collateralised reinsurance is a success story and we intend to play a prominent role in the next chapter just as we have to date."

Outlook for the ILS markets: Record volume of more than USD 100 billion expected for 2022

Hannover Re anticipates a record volume somewhat in excess of USD 100 billion for the ILS market in 2022. This comes after a volume of around USD 95 billion in 2021, a figure that does not include securitisations in the area of mortgage financing.

It remains the case that up to two-thirds of the volume in the ILS market will likely originate from collateralised reinsurance, the volume of which was virtually unchanged in 2021. For 2022, Hannover Re expects to see an increased market volume for both catastrophe bonds and collateralised reinsurance.

Hannover Re, with gross premium of more than EUR 27 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 170 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

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