

The Hannover Re NewsLetter serves to provide institutional investors, financial analysts and journalists with background information on developments in the world of reinsurance, as well as to share new developments at Hannover Re.

Hannover Re draws on capital market to further boost underwriting capacity

Hannover, 16 January 2007: Hannover Re has again used the capital market to obtain underwriting capacity for catastrophe risks and boosted the volume of last year's "K5" risk securitisation to USD 520 million. The transaction was placed with institutional investors in North America, Europe and Japan. The capital, which has been increased by USD 106 million, was provided by both new and existing investors. The latter primarily used this as an opportunity to reinvest their profits from the previous year. The envisaged term of the transaction is until 31 December 2008.

In addition to this form of risk transfer to the capital market, Hannover Re has extended its traditional protection covers used to protect against peak exposures such as natural catastrophes. In the future, therefore, there will be no need to make use of structured covers.

"With these latest transactions we have made our portfolio even more weather-proof. We are optimally placed to benefit from the further profitable market opportunities that will open up in worldwide catastrophe business going forward", CEO Wilhelm Zeller explained.

The portfolio assembled for the "K5" securitisation consists of non-proportional treaties for property catastrophe, aviation and marine (including offshore) reinsurance; altogether, around 42% of this business is passed on to the investors. Hannover Re is a leading provider of reinsurance covers in these lines and the new securitisation transaction will enable the company to write more business while conserving its capital resources.

Hannover Re has pioneered the transfer of (re-)insurance risks to the capital market. Since 1994 it has successfully placed 13 such securitisations in total. These transactions enable the company to keep its cost of capital low and contribute to increased value creation. Investors enjoy very attractive returns if the loss experience of the covered portfolio is normal.

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Hannover Re, with a gross premium of approximately EUR 10 billion, is one of the leading reinsurance groups in the world. It transacts all lines of property/casualty, life/health and financial reinsurance as well as specialty insurance. It maintains business relations with more than 5,000 insurance companies in about 150 countries. Its worldwide network consists of more than 100 subsidiaries, branch and representative offices in around 20 countries with a total staff of roughly 2,000. The rating agencies most relevant to the insurance industry have awarded Hannover Re very strong insurer financial strength ratings (Standard & Poor's AA- "Very Strong" and A.M. Best A "Excellent").

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