

Hannover Re

# 1Q25 First Take - EBIT ahead, growth continues at renewals despite price decline

1Q25 numbers look healthy despite elevated cat losses, although both P&C combined ratio and L&H CSM missed vs our estimates. Balance sheet looks better with higher S2 ratio and reserve surplus. Guidance is unchanged, with double-digit P&C underlying growth despite weaker reported revenues.

*Hannover Re will host a conference call at 9 AM London time / 10 AM CET.*

1Q25 **net income** of €480m came 7% ahead of consensus, 32% ahead of Barclays estimate. On **EBIT** level (€696m in 1Q25) the beat was 5.5% vs consensus, 9% vs Barclays, and came from both operating divisions.

In **P&C EBIT** of €444m came 7% ahead, despite a slightly higher **combined ratio** at 93.9% (consensus 93.0%, Barclays 94.0%) and a lower **reinsurance service result** (13.5% miss vs consensus), as well as marginally lower top line - 1.4% miss on **P&C insurance revenues** (technical accounting changes explain some of the miss, company flags double digit underlying growth. The P&C beat vs Barclays estimates was helped by lower **large losses** (€756m in 1Q25, most of that - €631m – driven by LA wildfires), and combined ratio ex. large losses came at 76.9% vs 73.9% we've anticipated. Hannover Re flags continued **prudence in reserving**, and reports an increase in reserve buffer to €2,523m for FY24 (as reviewed by WTW), which came c €0.2bn above previous indication. **April renewals** show premium growth of 10.4%, while risk adjusted price came down 2.4% - this compares to a 7.6% growth / -2.1% price in January. Company believes in their case client discussions still focus on price, not terms and conditions, although in general there's a surplus of capacity in some classes and geographies (i.e. property cat).

In **L&H EBIT** of €253m came 3% ahead (this includes a €20m positive one-off) – Hannover Re delivers **positive €81m experience variances** offset by higher loss component on new business. **L&H CSM** of €6,448m came down in 1Q25 (and was 2pp lower than we've expected) due to a negative currency effect of €140m, as well as a stronger than anticipated CSM release.

## First Look

HNRGn.DE/HNR1 GR	UNDERWEIGHT
European Insurance	POSITIVE
Price Target	EUR 221.00
Price (09-May-25)	EUR 281.40
Potential Upside/Downside	-21.5%

Source: Bloomberg, Barclays Research

### European Insurance

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Hannover Re delivered a strong beat on **Solvency 2 ratio** with a 273% print (262% consensus), partly helped by FX and some changes to dividend accrual approach. **Investment result** of €577m during the quarter came 6% ahead of consensus.

Hannover Re **reiterates guidance** for the year of €2.4bn net income (running behind with a €480m print in 1Q25), consensus is at €2.5bn.

**FIGURE 1. Hannover Re 1Q25 financial results - actuals vs estimates**

EUR m	Actuals							1Q25E		Beat (+) / Miss (-) vs		
	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	Cons	Barc	Cons	Barc	1Q24
<b>Group</b>												
Reinsurance revenue (gross)	6,242	5,942	6,673	6,244	6,785	6,678	6,970	7,149	7,579	-2.5%	-8.0%	4.5%
Reinsurance service result (net)	483	97	720	691	718	889	515	541	488	-4.9%	5.5%	-28.5%
Reinsurance finance result	-260	-278	-261	-238	-284	-331	-302	-312	-310	3.2%	2.7%	15.5%
Investment income	415	323	498	511	436	560	577	541	587	6.5%	-1.7%	15.8%
EBIT	484	134	811	847	791	869	696	660	641	5.5%	8.7%	-14.1%
Net income (after minorities)	439	425	585	603	663	504	480	447	363	7.4%	32.2%	-17.8%
Shareholders' equity	9,574	10,127	10,877	10,666	11,142	11,795	12,082	12,280	12,283	-1.6%	-1.6%	11.1%
Solvency 2 ratio	270%	269%	267%	276%	260%	261%	273%	262%	256%	10.8ppt	16.8ppt	6.0ppt
<b>P&amp;C</b>												
Reinsurance revenue (gross)	4,371	4,088	4,743	4,356	4,840	4,726	5,087	5,160	5,574	-1.4%	-8.7%	7.2%
Reinsurance service result (net)	287	-36	509	454	498	674	272	314	254	-13.5%	7.0%	-46.6%
EBIT	279	-9	629	532	576	650	444	416	403	6.7%	10.2%	-29.4%
COR	92.2%	101.1%	88.0%	87.6%	88.0%	82.5%	93.9%	93.0%	94.0%	-0.9ppt	0.1ppt	-5.9ppt
<b>Life</b>												
Reinsurance revenue (gross)	1,870	1,854	1,929	1,888	1,945	1,952	1,883	1,989	2,006	-5.3%	-6.1%	-2.4%
Reinsurance service result (net)	196	133	211	237	220	215	243	227	234	7.0%	3.9%	15.3%
EBIT	206	141	181	320	215	218	253	245	240	3.2%	5.6%	39.7%
EPS (€)	3.64	3.53	4.85	5.00	5.50	4.18	3.98	3.71	3.01	7.4%	32.2%	-17.8%
BVPS (€)	79.39	83.97	90.19	88.44	92.38	97.80	100.18	101.82	101.85	-1.6%	-1.6%	11.1%

Source: Company data, Barclays Research, Consensus collected by company

Source: Company collected consensus, Company data, Barclays Research

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**Hannover Re** (HNRGn.DE, 09-May-2025, EUR 281.40), Underweight/Positive, CD/J/K/M/N

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Allianz SE (ALVG.DE)	ASR Nederland NV (ASRNL.AS)	AVIVA plc (AV.L)
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AXA (AXAF.PA)	Beazley (BEZG.L)	Direct Line Insurance Group (DLGD.L)
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Generali (GASI.MI)	Gjensidige Forsikring ASA (GJFS.OL)	Hannover Re (HNRGn.DE)
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Hiscox Ltd. (HSX.L)	Just Group (JUSTJ.L)	Lancashire Holdings (LRE.L)
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Legal & General (LGEN.L)	M&G plc (MNG.L)	Mapfre (MAP.MC)
Munich RE (MUVGn.DE)	NN (NN.AS)	Old Mutual Ltd (OMU.L)
Phoenix (PHNX.L)	Prudential Plc (PRU.L)	Sabre Insurance Group Plc (SBRE.L)
Sampo (SAMPO.HE)	Sanlam Ltd (SLMJ.J)	SCOR (SCOR.PA)
St. James's Place (SJP.L)	Swiss Life (SLHN.S)	Swiss Re (SRENH.S)
Tryg (TRYG.CO)	Unipol (UNPI.MI)	Zurich Insurance Group AG (ZURN.S)

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## Hannover Re (HNR1 GR / HNRGn.DE)

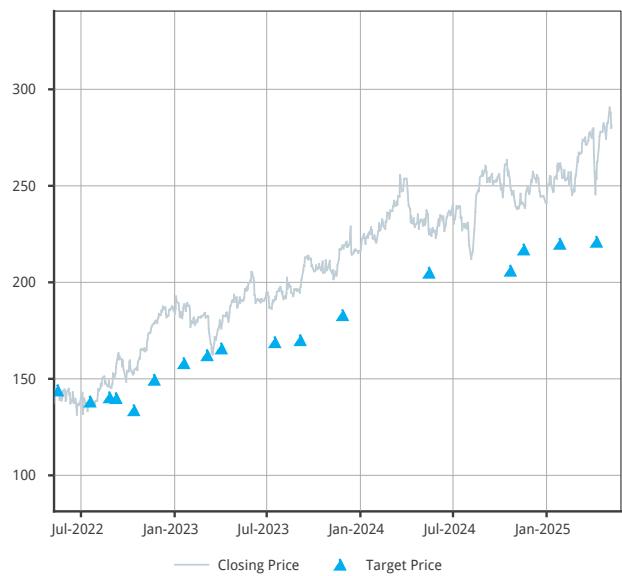
Stock Rating: **UNDERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **EUR 281.40** (09-May-2025)

### Rating and Price Target Chart - EUR (as of 09-May-2025)

Currency=EUR



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

<b>Publication Date</b>	<b>Closing Price*</b>	<b>Rating</b>	<b>Adjusted Price Target</b>
09-Apr-2025	253.60		221.00
27-Jan-2025	257.80		220.00
17-Nov-2024	241.10		217.00
22-Oct-2024	253.20		206.00
15-May-2024	224.80		205.00
27-Nov-2023	217.30		183.00
05-Sep-2023	196.20		170.00
17-Jul-2023	189.80		169.00
03-Apr-2023	177.75		165.70
06-Mar-2023	181.70		162.20
19-Jan-2023	183.35		158.10
22-Nov-2022	177.75		149.50
13-Oct-2022	153.80		133.70
08-Sep-2022	152.80		140.00
26-Aug-2022	146.75		140.40
19-Jul-2022	138.80		138.20
16-May-2022	144.35		144.00

On 13-May-2022, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 138.80.

Source: Bloomberg, Barclays Research

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**Valuation Methodology:** We use a residual income method, with explicit forecast period of 5 years followed by 5 years of equity growth declining to a long-term average of 2.5% and then a linear decline in ROE to cost of equity over 10 years. We estimate the cost of equity of 8.25%, the lowest among reinsurance peers, to reflect reserve surplus and a strong capital position. We also include the 2023 P&C reserve surplus of EUR2.1bn into our valuation.

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