

# Hannover Re briefing

**OVERALL:** World's third largest reinsurer<sup>1</sup>. Hannover Re has adopted strong restrictions on coal, oil and gas projects but needs to do more to phase out support for companies still expanding their fossil fuel production.

## **ANALYSIS:**

### **Climate protection: Exclusion of oil and gas still not ambitious enough**

The exclusion of facultative reinsurance for exploration and/or development of new oil and gas reserves as well as for directly connected infrastructure projects, which applies since mid-2022, is very positive. However, in order to meet its responsibility to comply with the 1.5°C limit of the Paris Agreement, Hannover Re must go further and also exclude new oil and gas infrastructure projects such as liquefied natural gas terminals and pipelines as well as new oil and gas power plants, even if these are not directly linked to new oil and gas fields.

Rainforest Action Network and Public Citizen published a report in February 2024 naming insurers of LNG terminals in the U.S. A syndicate of Hannover Re at Lloyds of London is involved in insuring the Tacoma LNG terminal in Washington State, which is still to be expanded.

The exclusion of companies from investing 25% in oil sands and 10% in Arctic oil and gas exploration is not particularly effective, as these criteria still allow Hannover Re to invest in major players in this area. According to Urgewald's Global Oil and Gas Exit List, this includes those companies that are involved in the expansion of oil and gas production on a large scale, such as Eni, Exxon, Total Energies, Neptune Energy, Sval Energi and DNO ASA in the Arctic. In the oil sands sector, these include Conoco Phillips, Exxon, International Petroleum Corporation, Korea National Oil Corporation and Total Energies.

### **Coal phase-out in 2038 still too late**

With regard to the coal phase-out, Hannover Re is working on excluding coal from all non-life reinsurance business by 2038, i.e. going beyond individual reinsurance. However, the 2038 date does not do justice to climate science, which calls for a coal phase-out by 2030 in the EU and OECD countries and by 2040 for the rest of the world.

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<sup>1</sup> <https://bestsreview.ambest.com/edition/2024/january/Top-Global-Reinsurers-and-Alternative-Risk-Transfer.html>

## **POLICY:**

- On Coal:
  - No underwriting of new coal projects (upstream, midstream and downstream) regarding facultative business.
  - Coal underwriting: In the case of mixed groups, companies are excluded that generate more than 30% of their revenues from activities in thermal coal.
  - Exit plan for underwriting for coal companies with absolute thresholds (100 million tonnes mines, 25 megawatt power plants per year) for facultative business. Tightening of threshold over time is announced without specific dates and numbers.
  - Treaty business: No new treaties that are to be used exclusively for coverage of thermal coal risks.
  - The goal is to no longer cover any risks connected with the mining of and power generation from power plant and thermal coal by the year 2038 in the entire portfolio of property and casualty reinsurance business.
  - No investments in companies that generate 25% or more of their turnover from coal mining, coal-based energy generation.
    - Talanx Policy: Phase-out investments regarding have coal-fired power plants and coal mines until 2038
  
- On unconventional oil and gas:
  - Exclusion of tar sands on company (revenue threshold 20%) and project level for facultative business and of respective companies (threshold 25 %) from investment.
  - No new off-shore projects in Arctic and no new projects in the development of new oil and gas deposits in deep waters in the facultative business and exclusion of companies (threshold 10%) from investments.
  - From mid-2022 onwards the facultative division will no longer take on any new covers for project policies associated with the exploration and/or development of new oil and gas reserves (upstream) or for project policies that exclusively support the transportation and storage (midstream) of new oil and gas reserves.

- In treaty business they refrain from writing new treaties that are geared exclusively to the exploration and / or development (upstream) of new oil and gas reserves (greenfield) or that exclusively support the transportation and storage (midstream) of new oil and gas reserves (greenfield “In the year under review we adopted interim goals for our net zero emissions target by the year 2050. The focus is on progressive decarbonisation of the asset portfolio. We shall do this, in the first place, by reducing the carbon footprint (Scope 1 and 2) of our assets under own management from the areas of corporate bonds, covered bonds and equities by 30% by the year 2025, compared with the base year of 2019.”

## **POLICY RECOMMENDATIONS:**

### ***Coal underwriting***

- Exclusion of expansionists.
- Phase-out in OECD until 2030.
- Phase-out plan and strategy for treaty business.
- Stricter exclusion criteria for companies and concrete milestones for tightening the criteria.

### ***Coal investment***

- Urgently lower its thresholds.
- Phase-out in OECD until 2030.
- Exclude all coal developers and require other companies to adopt a plan to exit coal at the latest by 2030 in the EU and the OECD and 2040 worldwide, or face exclusion.

### ***Oil and Gas underwriting***

- Exclude new oil and gas projects midstream in general and downstream.
- Exclude expansionists on company level.
- Exclude all unconventional O&G on project and company level.
- Phase-out O&G insurance on company level for facultative and treaty business.
- Request remaining companies to have a phase-out plan with cohesive interim reduction coal on their own.
- Develop phase-out method for treaty business.

### **Oil and Gas investment**

- Threshold for oil sands is too high.
- Also exclude on-share Arctic activities.
- Exclude all unconventional.
- Exclusion of expansionists.

### **Relevant Company Documents**

- Hannover Re (2022): Annual Report 2021, URL: <https://www.hannover-re.com/1846913/annual-report-2021.pdf>
- Hannover Re (2022): Sustainability Report 2021, URL: <https://www.hannover-re.com/1890119/sustainability-report-2021.pdf>
- Talanx (PR 06.05.2020): Talanx takes part in prestigious sustainability initiatives, URL: [https://www.talanx.com/en/newsroom/press\\_articles/talanx\\_takes\\_part\\_in\\_prestigious\\_sustainability\\_initiatives](https://www.talanx.com/en/newsroom/press_articles/talanx_takes_part_in_prestigious_sustainability_initiatives)

### **Projects reinsured by Hannover Re:**

- Tacoma LNG terminal: Reinsuring through the Lloyd's market Source: <https://www.citizen.org/wp-content/uploads/PC-LNG-Insurance-Final.pdf>
- KEPCO Coal Plant:  
Source: Insure Our Future and Solutions for Our Climate (2022): Exposed - The Coal Insurers of Last Resort, URL: [https://global.insure-our-future.com/wp-content/uploads/sites/2/2022/06/IOF-KEPCO-Briefing\\_amended\\_06.pdf](https://global.insure-our-future.com/wp-content/uploads/sites/2/2022/06/IOF-KEPCO-Briefing_amended_06.pdf)
- Cebu coal power plant (60% owned by KEPCO), Philippines, completed in 2011, insured in 2021 Hannover Re including Argenta (Lloyd's Syndicate)  
Underwriting: \$30.9 mn