

# RatingsDirect®

---

## Research Update:

# Euler Hermes Reinsurance Assigned 'AA-' Rating; Outlook Stable; Euler Hermes Europe Assigned 'A-1+' Short-Term Rating

### Primary Credit Analyst:

Taos D Fudji, Milan (39) 02-72111-276; [taos.fudji@standardandpoors.com](mailto:taos.fudji@standardandpoors.com)

### Secondary Contact:

Virginie Crepy, Paris (33) 1-4420-7330; [virginie.crepy@standardandpoors.com](mailto:virginie.crepy@standardandpoors.com)

## Table Of Contents

---

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

## Research Update:

# Euler Hermes Reinsurance Assigned 'AA-' Rating; Outlook Stable; Euler Hermes Europe Assigned 'A-1+' Short-Term Rating

## Overview

- We consider Euler Hermes Reinsurance AG (EH Re), the captive reinsurer of France-based Euler Hermes group, to be core to its parent group.
- By centralizing the reinsurance needs of all of Euler Hermes' legal entities, EH Re's reinsurance cover matches the group's global reach, which is key to Euler Hermes' risk management.
- We are assigning our 'AA-' long-term rating to EH Re, equal to the ratings on Euler Hermes' core subsidiaries.
- We are also assigning our 'A-1+' short-term rating to Euler Hermes Europe, a core subsidiary of Euler Hermes.
- The stable outlook on Euler Hermes, including EH Re, mirrors the outlook on 68.2%-owner Allianz SE and our expectation that Euler Hermes will remain strategic to its parent company.

## Rating Action

On Sept. 22, 2014, Standard & Poor's Ratings Services assigned its 'AA-' counterparty credit and insurer financial strength ratings to Switzerland-based reinsurer Euler Hermes Reinsurance AG (EH Re), the captive reinsurer of France-based Euler Hermes group. The outlook is stable.

We have also assigned our 'A-1+' short-term counterparty credit rating to Euler Hermes Europe SA/NV (EH Europe), a core subsidiary of Euler Hermes, in addition to the existing 'AA-' long-term rating on the company.

## Rationale

The ratings on EH Re reflect our view that the reinsurer is core to the Euler Hermes group (core operating entities rated AA-/Stable/A-1+), the leading international trade credit insurance group.

The 'A-1+' short-term rating on EH Europe reflects the 'AA-' long-term ratings on the company. Previously, Germany-based Euler Hermes Deutschland was the only Euler Hermes group entity to which we assigned a short-term rating.

EH Re's core status reflects its full strategic and operational integration with Euler Hermes. EH Re is a captive reinsurer and therefore reinsures only exposures originated by other Euler Hermes group entities. In addition, group

internal cession rates to EH Re and its external reinsurance cover are decided by Euler Hermes, which reinforces our view that EH Re operates more as a division than an autonomous business.

We also base our view of EH Re's core status on the following considerations:

- The Euler Hermes group's franchise has a global reach: Depending on specific regulatory requirements, Euler Hermes must operate in some countries through locally incorporated entities. By centralizing external reinsurance through EH Re, the Euler Hermes group obtains a more effective reinsurance cover based on its global exposure rather than single-country exposures;
- Recourse to external reinsurance is a key part of the Euler Hermes group's strategy to reduce the inherent sensitivity of trade credit to the economic cycle: The use of EH Re facilitates the group's ability to obtain non-proportional reinsurance cover such as stop-loss reinsurance or excess of loss reinsurance on large names, which would mitigate the impact of an unexpected global recession and large obligor default, respectively;
- EH Re's close monitoring of all its inward reinsurance in terms of group underwriting policy reinforces the risk controls of the Euler Hermes group. This applies both to the fully controlled Euler Hermes subsidiaries and the activity of the group's joint ventures; and
- The financial links between EH Re and Euler Hermes are significant: EH Re represented about 50% of group profits in 2013 and close to 30% of the capital base.

We assess Euler Hermes' group credit profile at 'aa-', reflecting our view of its very strong competitive position and strong financial risk profile, as well as its ownership by Germany-based global insurer Allianz SE. The 'AA-' ratings on the Euler Hermes group's core subsidiaries benefit from one notch of support, reflecting the strategic importance of the Euler Hermes group to Allianz SE.

## Outlook

The stable outlook reflects that on the ratings on Euler Hermes' other core operating subsidiaries. As a core operating company of Euler Hermes, the ratings and outlook on EH Re will move in tandem with those on the other Euler Hermes core subsidiaries. We do not expect EH Re to lose its core status, but if such an unlikely scenario would occur, we could lower the ratings on EH Re.

The stable outlook on Euler Hermes mirrors the outlook on Allianz SE and our expectation that Euler Hermes will remain strategic to its parent company. A one-notch downgrade of Allianz would result in a similar downgrade of Euler Hermes' core companies. We could lower the rating if we no longer viewed Euler Hermes as strategic to Allianz.

## Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

### New Rating

Euler Hermes Reinsurance AG	
Counterparty Credit Rating	AA-/Stable/--
Financial Strength Rating	AA-/Stable/--

### New Rating

Euler Hermes Europe	
Short-Term Counterparty Credit Rating	--/--/A-1+

### Additional Contact:

Insurance Ratings Europe; [InsuranceInteractive\\_Europe@standardandpoors.com](mailto:InsuranceInteractive_Europe@standardandpoors.com)

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).