

Research Update:

# Deutsche Rueckversicherung Insurance Core Subsidiaries Affirmed At 'A+'; Outlooks Stable

August 9, 2019

## Overview

- German reinsurance group Deutsche Rueckversicherung (DR) plays a leading role as the preferred property reinsurer in the German public law insurers sector.
- The Group has solid capital buffers at the 'AAA' level according to our risk-based model, supported by a prudent and conservative reserving strategy.
- We are affirming our 'A+' ratings on DR's core subsidiaries.
- The stable outlook reflects our expectation that DR will maintain its improved underwriting performance and capital redundancy at 'AAA' level.

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## Rating Action

On Aug. 9, 2019, S&P Global Ratings affirmed its 'A+' long-term insurer financial strength and issuer credit ratings on the core subsidiaries of German-domiciled Deutsche Rueckversicherung Insurance Group (DR; see the ratings list below for further details). The outlook is stable.

## Outlook

The stable outlook reflects our expectation that DR will maintain comfortable excess capital at the 'AAA' stress level according to our risk-based capital model, benefitting from an ongoing prudent reserving strategy. We also expect that DR will generate healthy business in the public liability insurance (PLI) sector and in the broader market over the next 12-24 months.

## Downside scenario

We could lower the ratings on DR if:

- The group discloses weaker underlying profitability than peers than we expect in our base-case assumptions;
- The group's capital adequacy deteriorates below the 'AAA' range;

- We believe the group's capital and earnings volatility could increase, for example because of increasing net exposure to natural catastrophes; or
- The group's strong ties to the German PLI sector decrease significantly.

## Upside scenario

We see a positive rating action as remote at this stage due to DR's limited diversification outside the German reinsurance market.

## Rationale

The rating reflects DR's role as the preferred property reinsurer in the German PLI sector thanks to its well-established relationship with its main clients. We also view the Group's efforts to diversify its premiums outside the PLI sector through both Deutsche Rueckversicherung AG (DRAG) and Deutsche Rueckversicherung Schweiz AG (DRS) as favorable.

DR has demonstrated a strong capital buffer at the 'AAA' level, according to our risk-based capital model. This mainly stems from a strengthening capital base via implementation of a prudent reserving strategy and strong retained earnings. In our view, DR is exposed to some earnings volatility, primarily due to its natural catastrophe risk exposure; however, we believe this volatility is lower when compared with many global reinsurers that carry a higher risk appetite and exposure.

## Ratings Score Snapshot

<b>Business Risk Profile</b>	<b>Strong</b>
Competitive position	Strong
IICRA	Low risk
<b>Financial Risk Profile</b>	<b>Very Strong</b>
Capital and earnings	Excellent
Risk exposure	Moderately high
Funding structure	Neutral
Anchor*	A+
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
<b>Financial Strength Rating</b>	<b>A+</b>

\*We choose the higher anchor of a+/a as DR is playing a significant strategic role as provider of diversification and know-how to public law insurers in Germany.

## Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Insurance | Property/Casualty: Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

### Ratings Affirmed

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#### Deutsche Rueckversicherung AG

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#### Deutsche Rueckversicherung Schweiz AG

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Issuer Credit Rating	A+/Stable/--
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Financial Strength Rating	A+/Stable/--
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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.

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