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Summary:

Euler Hermes Group S.A.

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Summary:

Euler Hermes Group S.A.

Rationale

S&P Global Ratings considers global trade credit insurance provider Euler Hermes group (EH) to be core to the Allianz group because of Allianz's full ownership of the company and EH's sustainable earnings contribution. EH also enlarges Allianz's product offering and strengthens its reach. As an important global line, EH supports the group's global corporate franchise and facilitates first-hand insight into more short-term global credit trends.

Although EH operates as a stand-alone unit due to the nature and specificities of its activities, there is strategic and operational integration with its parent. For example, EH uses Allianz's internal capital model for measuring investment, counterparty, and operational risks, and has adopted Allianz's risk management best practices and other central functions.

Outlook

The stable outlook on EH mirrors the outlook on Allianz SE and incorporates our expectation that EH will remain core to its parent company over the next two years at least.

Downside scenario

Although unlikely over the next two years, we could lower our ratings on EH's core entities if we downgrade Allianz SE, or if we were to view EH as having lower strategic importance to the Allianz group.

Upside scenario

Although a remote possibility over the next two years, we could upgrade EH's core entities following an upgrade of Allianz SE.

Company Description: The Leading Global Trade Credit Insurer

The EH group is the world leader in global trade credit insurance, with an estimated market share of one-third. It operates on all continents, although Europe accounted for around 75% of its gross turnover of €2.6 billion in 2017. EH's solid underwriting skills and geographic reach result in a better average through-the-cycle combined (loss and expense) ratio than that of peers Atradius and Coface. In addition, EH has maintained positive net results since the financial crisis because its loss ratios have been less volatile than those of its peers.

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016

- Criteria - Insurance - Specialty: Trade Credit Insurance Capital Requirements Under Standard & Poor's Capital Adequacy Model, Dec. 6, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- 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

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