STANDARD & POOR'S RATINGS SERVICES
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Summary:
Helvetia Insurance Group

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Summary:

Helvetia Insurance Group

	Local Currency
Credit Rating:	A/Stable/--

Rationale

Business Risk Profile

- Helvetia Insurance Group (Helvetia) has a solid multiline franchise in the Swiss market and multiple operations in other European countries. These have been further enlarged by the acquisition of Nationale Suisse, sustaining its competitive position.
- As the third-largest insurance carrier in Switzerland by premiums, Helvetia benefits from a strong competitive position, in particular in the attractive Swiss property/casualty (P/C) market.
- Helvetia is exposed to low insurance industry and country risk with significant exposure to the Swiss life market.

Financial Risk Profile

- We assess Helvetia's capital and earnings to be strong on the basis of its sustainably strong capital adequacy and high quality of capital.
- Concerning investment risk, the group has kept a fairly risk-averse diversified asset allocation.
- Following the group's acquisition and recent financing activities, we consider Helvetia to have adequate financial flexibility. The Swiss Solvency Test ratio was 150%-200% by end-June 2015, unchanged versus year-end 2014.

Other Factors

- Under our criteria, strong business and financial risk profiles lead to an 'a-' or 'a' anchor. We chose the latter as we expect the group's capital position will remain strong, supported by its relatively stronger operating performance compared with that of peers.
- We consider Helvetia's management and governance as satisfactory and expect that the group will maintain its solid track record.

Outlook

Standard & Poor's Ratings Services' outlook on Swiss multiline insurance group Helvetia is stable. It reflects our base-case assumptions of sustained strong earnings and strong capital adequacy, supported by its well-diversified business model and relatively stronger operating performance compared with peers.

Downside scenario

We regard the likelihood of a downgrade over the next two years as a remote possibility. However, we would consider lowering the ratings over the next 18-24 months if:

- The group's capital adequacy weakened below what we consider as commensurate with the 'A' rating level on a prolonged basis. This could result from either more aggressive capital management than we currently anticipate or substantial risk taking on the asset or liability side of the balance sheet;

- Against our base-case assumptions, relative operating performance weakened over a prolonged period, evidenced by deterioration of returns on equity or the group's non-life combined ratio; or
- Financial market conditions deteriorated, against our base-case assumptions, placing increasing pressure on investment returns. This would squeeze margins in the traditional business, as the life book has guaranteed rates, and potentially push up earnings and capital volatility.

Upside scenario

We regard an upgrade as a remote possibility over the next 18-24 months. However, we would consider raising the ratings if Helvetia leveraged its international platform and materially increased its footprint in core markets without compromising group profitability while displaying further improved capital adequacy sustainably in the 'AA' range at least.

Related Criteria And Research

Related Criteria

- Insurers: Rating Methodology, May 7, 2013
- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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