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Summary:

Helvetia Group

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Table Of Contents

Rationale

Outlook

Related Criteria

Summary:

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Issuer Credit Rating

A/Stable/--

Rationale

S&P Global Ratings' issuer credit and insurer financial strength ratings on Helvetia Group's core entities Helvetia Schweizerische Versicherungsgesellschaft AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG;, guaranteed entity Helvetia Assurance S.A.; and highly strategic operating subsidiary Helvetia Schweizerische Versicherungs-Gesellschaft in Liechtenstein AG (jointly Helvetia or the group), reflect our view on the group's market position in Switzerland among the top five insurers with further operations in key European markets like Germany, Italy, Austria, France, and Spain. Helvetia Schweizerische Versicherungs-Gesellschaft in Liechtenstein, the group's specialty insurance entity based in Liechtenstein, operates in selected niche markets at the global level. Helvetia writes 47% of group premiums in P/C and benefits from very attractive technical results, in particular in Switzerland, which earnings contribute more than half of group earnings. These attractive margins and reliable cash earnings contributions support a better operating performance than peers. We believe Helvetia's capital is solid and will remain at least in the 'A' range as per our risk-based capital model or within the Swiss Solvency Test target range of 160%-180% over the next two to three years. The group's parent company, Helvetia Holding AG, is listed on the Swiss stock exchange with a widely distributed 65.9% free float.

Outlook

S&P Global Ratings' stable outlook on Helvetia's operating companies 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 than that of peers.

Downside scenario

A downgrade is unlikely in our view, but 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, business and capital requirements growth that cannot be financed through earnings retentions, or substantial additional 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, e.g., evidenced by deterioration of return on equity (ROE) or the group's P/C combined ratio (loss and expense); or
- Financial market conditions deteriorated, against our base-case assumptions, placing increasing pressure on investment returns. This would squeeze margins in the traditional life business with guaranteed rates.

Upside scenario

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 toward levels sustainably at least in the 'AA' range as observed in 2018.

Related Criteria

- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010

- Criteria - Financial Institutions - Banks: Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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