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**Research Update:**

## Three Euler Hermes Companies Upgraded To 'AA' From 'AA-' Due To Revised Status Within The Allianz Group; Outlook Stable

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## Research Update:

# Three Euler Hermes Companies Upgraded To 'AA' From 'AA-' Due To Revised Status Within The Allianz Group; Outlook Stable

## Overview

- In our view, the three Euler Hermes operating companies are a more important part of the Germany-based Allianz group since the parent's announcement that it plans to buy out all of their minority shareholders and integrate them into Allianz group.
- Accordingly, we are revising the companies' group status to core from strategically important.
- As a result, we are raising our long-term ratings on these companies-- Euler Hermes S.A., Euler Hermes North America Insurance Co., and Euler Hermes Reinsurance AG--to 'AA' from 'AA-', in line with our ratings on the group's other core subsidiaries.
- The stable outlook reflects the outlook on the Allianz group.

## Rating Action

On Dec. 1, 2017, S&P Global Ratings raised its long-term issuer credit and financial strength ratings on trade credit insurer Euler Hermes Group's operating entities--Euler Hermes S.A., Euler Hermes North America Insurance Co., and Euler Hermes Reinsurance AG--to 'AA' from 'AA-'. The outlook is stable.

## Rationale

The upgrade followed our revision of Euler Hermes' group status to the Allianz group (AA/Stable/A-1+) to core from strategically important. According to our group rating methodology, we now rate Euler Hermes in line with the group credit profile of Allianz Group.

Our revision of the group status followed the announcement by Allianz group earlier this week that it plans to buy out Euler Hermes' minority shareholders. In our view, this demonstrates Allianz's commitment to integrate Euler Hermes into its operations more deeply.

Given the strong interaction between the group and Euler Hermes, we believe Euler Hermes has sound growth prospects. The company's consolidated gross earned premiums declined by a modest 2% in 2016 to €2.1 billion, but the combined ratio was low at 80%.

As a world-leading trade credit insurer, Euler Hermes is playing an

increasingly important role within Allianz and supports the group's diversification strategy. It is also a material profit contributor, with a €288 million profit at year-end 2016.

## Outlook

The stable outlook on Euler Hermes parallels our outlook on Allianz Group.

### Downside scenario

We could lower the ratings on Euler Hermes if we lower our rating on Allianz Group and its core subsidiaries. We would likely also lower the rating if--contrary to our expectation--the importance of trade credit insurers to Allianz's strategy lessens.

### Upside scenario

We could raise the ratings on Euler Hermes if we raised our ratings on Allianz's core entities.

## Related Criteria

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- 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
- Criteria - Insurance - General: A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- 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 - 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

## Ratings List

### Ratings Raised

	To	From
Euler Hermes S.A.		
Counterparty Credit Rating	AA/Stable/A-1+	AA-/Stable/A-1+
Financial Strength Rating	AA/Stable/--	AA-/Stable/--

Euler Hermes Reinsurance AG

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Euler Hermes North America Insurance Company

Counterparty Credit Rating	AA/Stable/--	AA-/Stable/--
Financial Strength Rating	AA/Stable/--	AA-/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 the 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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