

Echo Rueckversicherungs AG

July 10, 2025

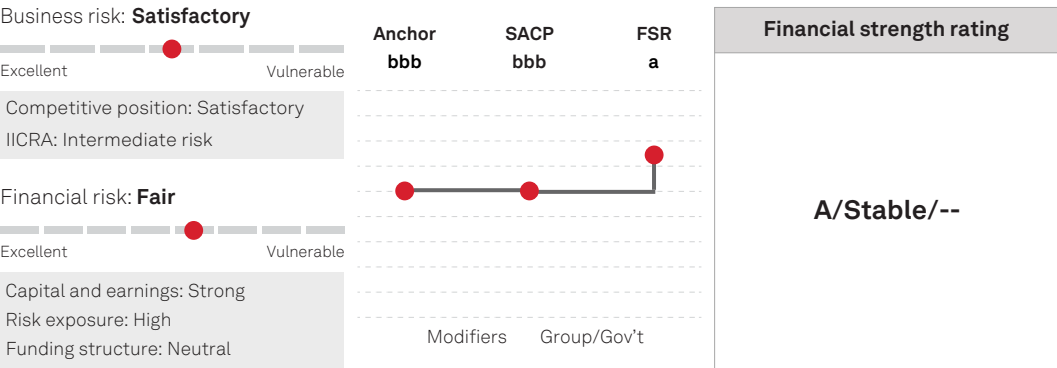
This report does not constitute a rating action.

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FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Expanding geographic footprint, with operations in more than 80 countries.	Potential for material volatility of capital and earnings through substantial exposure to natural catastrophes and human-made disasters, among other large risks.
Improving operating performance that is now more in line with that of global property/casualty (P/C) reinsurance peers	Relatively small size, which makes it more vulnerable to adverse developments.

Overview

Key strengths	Key risks
Track record of parental support, with capital injections assuring financial stability and underpinning business development.	

Echo Rueckversicherungs AG (Echo Re) remains parent DEVK's only carrier for reinsurance expansion outside Europe and North America, mainly in emerging Asian markets. Founded in 2008, Echo Re largely writes reinsurance business outside Europe and North America, enabling DEVK to increase its international presence and product diversification. In addition, Echo Re acts as underwriting hub for global specialty lines for DEVK. We expect the company to grow by about 5%-10% per year over 2025-2027, mainly thanks to more business in lines less exposed to natural catastrophes. This will also further increase product diversification.

Echo Re exceeds the capital requirement of an extreme stress scenario in 2024, as per our risk-based capital model, which underpins the reinsurer's credit quality. The very comfortable regulatory capital position also confirmed our view of Echo Re's capital adequacy, with the Swiss Solvency Test ratio standing at 237.6% at year-end 2024. Given Echo Re's expected business growth, we believe increasing capital requirements from combined underwriting and investments growth will continue to outpace capital generation slightly over the next few years. We therefore expect the company's capital position in our risk-based model will slightly reduce but remain sustainably above the 99.95% confidence level over our forecast horizon.

Echo Re's operating performance has improved and will benefit from the increased scale and diversification of its reinsurance portfolio. In line with the global reinsurance market, Echo Re benefitted from favorable market conditions and the relative absence of large natural catastrophes. In 2024, the company achieved a net combined (loss and expenses) ratio of 89.6% and return on equity (RoE) of 10.1%, which are now more in line with the global reinsurance sector. These performance metrics include a contribution to the equalization reserves of CHF13 million which allow for a smoothening of earnings volatility in future periods.

Outlook

The stable outlook reflects our expectation that Echo Re will expand its business franchise while preserving profitability and solid capital and earnings. The company's stand-alone credit profile (SACP) is 'bbb' and the final rating is further uplifted by its strategic importance to DEVK, which will provide financial and liquidity support if necessary.

Downside scenario

We could take a negative rating action over the next 12-24 months if:

- Severe losses weaken Echo Re's SACP and lead to a sustainable deterioration in its operating performance such that it falls materially short of the reinsurance sector average; or
- Echo Re's strategic importance to DEVK reduces, potentially triggered by the continued underperformance of group targets or a change in the group strategy.

Upside scenario

An improvement in Echo Re's SACP would not automatically lead to an upgrade because we cap the ratings on strategically important subsidiaries at one notch below our rating on the parent company.

We could raise our ratings on Echo Re if Echo Re's group status strengthened to "core". Yet we see this as unlikely, given Echo Re's limited business and operational overlap with the rest of the group.

Assumptions

- Real GDP growth in Asia-Pacific of 4.2%-4.5% in 2025-2027.

Echo Rueckversicherungs AG--Key Metrics

	2027f	2026f	2025e	2024a	2023a	2022a
Gross premium written	~500	~465	~430	400.0	372.7	283.6
EBIT	~35	~35	~30	25.2	25.4	13.6
Net income (attributable to shareholders)	~25-30	~25-30	~20-25	20.1	25.1	13.3
S&P Global Ratings capital adequacy	At least 99.95%	At least 99.95%	At least 99.95%	99.95%	99.99%	Strong
Return on shareholder's equity (%)	~8-12	~8-12	~8-12	10.2	14.3	8.6
Net combined ratio (%)	~94-96	~94-96	~94-96	91.8	94.6	96.2
Net loss ratio (%)	~64-66	~64-66	~64-66	61.7	64.5	63.6
Net expense ratio (%)	~30	~30	~30	30.1	31.1	32.6
P/C: Return on revenue (%)	~7-9	~7-9	~7-9	8.5	9.2	7.8

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast.

Business Risk Profile

Echo Re occupies a moderate position in the global reinsurance market, with Swiss franc (CHF) 400 million of gross written premiums (GWP) in 2024. Echo Re writes about 61% of its premiums in Asia, 14% in Middle East and 13% in Latin America. Europe (6%, after the cancelation of the group-internal cessions with DEVK in January 2024), Africa (5%) and Pacific (1%) make up the rest of GWP. Yet we believe the company's still relatively modest size and low market share make it more vulnerable to adverse operating conditions than larger, more diversified peers. Echo Re saw three large losses in 2024, namely the floods in UAE, typhoon Yagi and earthquake in Hualien, with a total claims burden of around CHF20 million.

Echo Re offers a wide range of classes of P/C inward reinsurance predominantly as proportional treaties. Property represented 40% and motor 12% of inward reinsurance premium income in 2024. The remainder comes from agriculture (6%), marine (10%), credit and bond (8%), engineering (6%), and other (7%). The company is progressively growing its specialty lines portfolio, whose premium volume is about CHF150 million, to gain access to more profitable segments and increase its diversification.

Thanks to several underwriting measures implemented in the past couple of years to improve business profitability, limiting underwriting risk and strengthening underwriting control, Echo Re's operating performance has further improved in 2024, with a combined ratio of 89.6% and

return of equity of 10.1%. These performance metrics include a contribution to the equalization reserves of CHF13 million. The company's profitability is more now in line with the global P/C reinsurance sector. Assuming a normal level of natural catastrophes and further portfolio diversification, we expect Echo Re to show combined ratios of 94%-96% for 2025-2027. The company continues to control underwriting risk in its portfolio.

At the same time, Echo Re reported a business growth of 7.3% in 2024, mainly resulting from new business and pricing actions, which overcompensated the cancelation of group-internal business from parent DEVK. Asia, where Echo Re generates a major part of its premiums, remains the main growth region. In line with the global reinsurance sector the company benefitted from favorable market conditions, although first signs of a softening market are visible. Hence, we expect annual growth levels of 5%-10% over 2025-2027.

Financial Risk Profile

Echo Re has a solid capital base, mainly owing to capital injections from DEVK. There has been improvement in capital position mainly driven by increasing shareholders' equity, growing reserve buffers and a decline in unrealized losses. However, Echo Re's underlying capital adequacy remains sensitive given the company's relatively small capital base.

Following the increase in pricing of retrocession protection, Echo Re adjusted its reinsurance protection and further increased the risk retention on its book. Yet we think this will not derail the company's future performance because of improved diversification of the portfolio. Considering the still favorable underwriting and claims environment, we expect the company will further build up underwriting buffers for less favorable times.

Underwriting risks remain a key risk to the company's balance sheet. The company has sustainably strengthened its underwriting controls and reinsurance protection in the past years. This stability, alongside gradually increasing portfolio diversification, could help reduce the comparably high risk of catastrophes on Echo Re's balance sheet.

We believe that the company's investment risk and foreign exchange risk remain relatively limited. Echo Re's investment strategy, with focus on high quality fixed-income securities rated on average in the 'AA' category, is conservative, in our view. Exposure to high-risk assets is relatively low, although investment in real estate has increased. Real estate investment relates mainly to high quality internationally diversified real estate and infrastructure funds. Overall, we believe that Echo Re's balance sheet remains less sensitive to market volatility than some of its larger peers.

The company has a debt-free balance sheet. Rapid business expansion in the past few years was counterbalanced by retained earnings and until 2021 Echo has received several capital injections from DEVK, which we believe will recur if needed. However, we now believe that Echo Re will mainly finance growth through its own solid earnings retention.

Other Credit Considerations

Governance

We consider Echo Re's governance stable and comparable with its peers'. The company's management and governance benefit from experienced leaders and underwriters. Given its limited size and reliance on key managers and underwriters, the loss of critical personnel could cause a disruption in operations.

Liquidity

We assess liquidity as adequate, backed by the substantial liquid assets Echo Re holds. In addition, its reinsurance program supports liquidity in case of larger claims. Capital injections from the parent could be arranged quickly if needed.

Group support

The ratings on Echo Re also capture our view of the company's strategic importance for DEVK. This leads us to factor in three notches for group support. We assume DEVK will continue supporting Echo Re's expansion.

Environmental, social, and governance

Echo Re's exposure to environmental and social risks is consistent with that of the global insurance industry. The company's property reinsurance exposure can generate large losses in case of extreme weather events and natural catastrophes. Echo Re's relatively small size makes its capital and earnings sensitive to large claims. Nevertheless, the company has a comprehensive retrocession program that protects it against extreme natural catastrophe events.

Rating Component Scores

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate risk
Financial Risk Profile	Fair
Capital and earnings	Strong
Risk exposure	High
Funding structure	Neutral
Anchor	bbb
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A/Stable/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A/Stable/--
Foreign currency issuer credit rating	--

Related Criteria

- [Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions](#), Nov. 15, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021

- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings Detail (as of July 10, 2025)*

Operating Companies Covered By This Report	
Echo Rueckversicherungs AG	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Domicile	Switzerland
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.	

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