FitchRatings

Echo Rueckversicherungs-AG

Ratings

Echo Rueckversicherungs-AG

Insurer Financial Strength	A

Outlook

Insurer Financial Strength	Stable

Financial Data

Echo Rueckversicherungs-AG

(CHFm)	2024	2023
Total assets	891	670
Total equity and reserves	231	198
Total gross written premiums	400	373
Fitch-calculated net combined ratio (%)	90	92
Net income	20	25

Source: Fitch Ratings, Echo Re

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

European Reinsurers' Strengthened Profitability and Reserves to Support Ratings in 2024 (March 2024)

European Reinsurers: Record 2024 Results (March 2024)

European Reinsurers' Renewals Confirm Underwriting Margins About to Peak (February 2024)

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Key Rating Drivers

Very Important Subsidiary: Fitch Ratings considers Swiss reinsurer Echo Rueckversicherungs-AG (Echo Re) as 'Very Important' to its parent, the German mutual insurer DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (DEVK; A+/Stable). The Swiss reinsurer diversifies DEVK's business with strategically important international reinsurance and contributes to the credit profile. As a result, Echo Re's rating has a two-notch uplift from its standalone credit quality.

DEVK's ownership provides Echo Re with support in risk management, retrocession coverage and capital. The latter is wholly integrated within the parent's strategy and plays a major role in plans to increase the parent's reinsurance premium and expand its worldwide reinsurance operation. Fitch believes DEVK would provide capital injections to maintain Echo Re's strong capitalisation, if needed, as proven multiple times in recent years.

Good Business Profile: Our assessment of Echo Re's business profile is based on increasing diversification and resilience of the portfolio. Gross written premiums increased by 7.3%, driven by premium rises and expanding operations in Asia. The insurer's small scale constrains its competitive positioning, but the company has strong business relationships, and geographical and segmental diversification. We expect gross written premiums to rise by 8%–12% in 2025, driven by organic expansion.

Strong Financial Performance: Fitch assesses Echo Re's financial performance as strong, driven by a net combined ratio of 89.7% at end-2024 (end-2023: 91.9%) and a return on equity of 10.1% (14.3%). Net income fell to CHF20 million in 2024, from CHF25 million in 2023, driven by a CHF13 million allocation to equalisation reserves, the end of profitable group-internal cessions with DEVK and an increased tax burden. It is likely to maintain a Fitch-calculated net combined ratio below 96% in 2025, assuming average levels of natural catastrophes.

Strong Capitalisation: Fitch assesses Echo Re's capitalisation as strong, as underlined by its Swiss solvency test ratio of 238% at end-2024 (end-2023: 229%). The ratio improved due to enhanced risk diversification as well as the optimisation of the retrocession programme. The 'Strong' score in Fitch's Prism Global model at end-2024 further supports our view. However, the company is exposed to volatility in its capital, due to its small size and rapid growth. We expect capitalisation to remain strong in 2025.

Strong Reserve Adequacy: Echo Re's reserving practices have improved and the company reported a strong positive prior-year reserve run-off of 10% at end-2024 (end-2023: 6%). It commissioned KPMG to conduct an independent reserve review in 2024, which confirmed that its accounted claims reserves are in the best-estimate range.

Rating Sensitivities

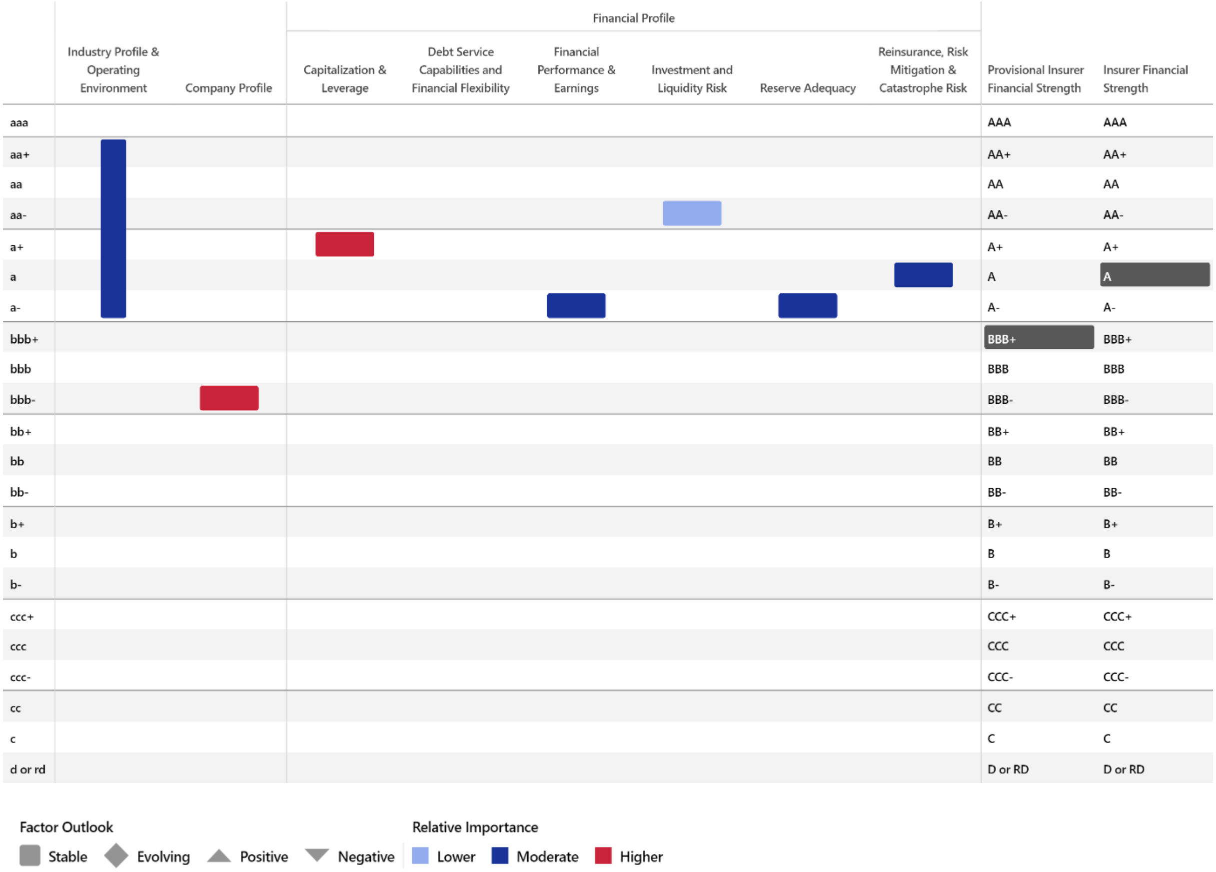
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A downgrade of DEVK's rating.
- A reduction of Echo Re's strategic importance to DEVK, as shown, for example, by decreased profitability on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An upgrade of DEVK's rating.
- An increase in Echo Re's strategic importance to DEVK.
- A significant improvement in our assessment of Echo Re's standalone credit quality as shown, for example, by an improved company profile or financial performance.

Key Rating Drivers - Scoring Summary



Other Criteria Elements

Provisional Insurer Financial Strength		BBB+
Non-Insurance Attributes	Neutral	0
Ownership/Group Support	Positive	2
Transfer & Convertibility/Country Ceiling	AAA	0
Insurer Financial Strength		**A**

Company Profile

Improved Business Risk Profile but Small Size

Fitch ranks Echo Re's company profile as 'Less Favourable' compared with other global reinsurers due to its smaller operating scale, its 'Less Favourable' competitive positioning, its 'Less Favourable', albeit improving, business risk profile and improved diversification of the business portfolio. Given this ranking, Fitch scores Echo Re's company profile at 'bbb-' under its credit factor scoring guidelines.

Our assessment of Echo Re's competitive positioning is driven by the company's small operating scale, which in our view constrains its competitive positioning, as the company has remained far below our USD2 billion threshold for the 'Less Favourable' category. The insurer grew by 7.3% in 2024 (2023: 31.4%), driven by premium hikes due to reinsurance premium renewals and its operations in Asia, which is the company's main growth region. We expect Echo Re to continue to grow strongly, by 8%–12% in 2025.

Echo Re has established strong business relationships despite its small size, and has a strong renewal record, as shown by its profitability improving in spite of strong growth. Echo Re's regional business areas are divided into Asia (61%), Europe (6%), Latin America and the Caribbean (13%), the Middle East and north Africa (14%), Africa (5%) and Australia (1%).

Echo Re's business risk profile has been improved, in our view, as its more mature risk appetite gradually moves closer to that of the market. Its company profile also benefits from its notable geographical and segmental diversification for its size.

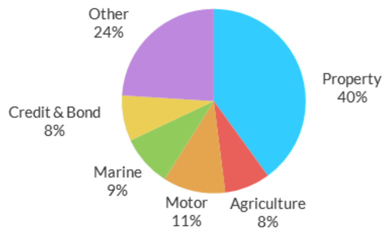
The corporate governance assessment of 'Neutral' is driven by the group structure, as well as the effective management board and transparent and timely financial disclosures.

Company Profile Scoring (2024)

Business profile assessment	Less Favourable
Business profile sub-factor score	bbb-
Corporate governance assessment	Neutral
Corporate governance impact (notches)	0
Company profile factor score	bbb-

Source: Fitch Ratings

Gross Written Premiums
By line of business, as of end-2024



Source: Fitch Ratings, Echo Re

Ownership

Ownership Results in Uplift

Fitch views Echo Re's ownership by DEVK as credit positive. Echo Re's rating benefits from a two-notch uplift from its standalone credit quality due to its DEVK group membership. Echo Re is wholly owned by DEVK through a direct investment. DEVK is the operating holding company of a mutual insurance group, the DEVK group.

The group consists of several life and non-life insurers and two reinsurers, including Echo Re. We view Echo Re as an integral part of the group and expect DEVK to support Echo Re when necessary, as demonstrated by several capital injections since Echo Re's formation.

Capitalization and Leverage

Capitalisation Supportive of Rating

Fitch considers Echo Re's capitalisation to be strong, as shown by its very strong Swiss Solvency Test (SST) ratio of 238% at end-2024, supported by a 'Strong' Prism score.

The company's SST ratio improved to 238% at end-2024 (end-2023: 229%), driven by enhanced risk diversification, particularly through the strategic expansion into new markets and lines of business, as well as the optimisation of the retrocession programme, which has helped to reduce net risk exposures.

The Prism score has declined to the high end of 'Strong' from 'Very Strong', reflecting Echo Re's strong business growth having increased capital needs in our model. Furthermore, the impact of a more prudent natural catastrophe risk modelling, introduced in March 2024, leads to a more conservative assessment.

Echo Re's capital has improved significantly in recent years, supported by retained earnings and multiple capital injections from DEVK totalling CHF150 million in 2010–2023. We believe DEVK will continue to provide capital in case of need, for example in stress scenarios, especially now Echo Re is profitable and contributing to DEVK's bottom line results.

We expect the company's capitalisation to remain strong in 2025, with increasing capital needs due to continued strong premium growth mostly offset by strong retained earnings and improved business diversification.

Financial Highlights

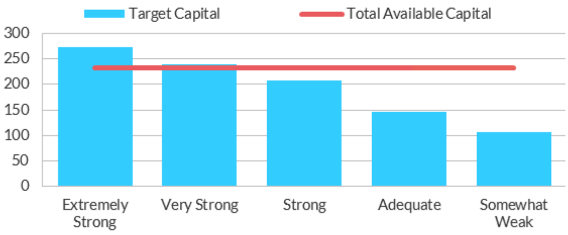
(x)	End-2024	End-2023
Regulatory capital ratio (%)	238	229
Net written premium/capital	1.5	1.5
Net leverage	3.8	3.3
Gross leverage	4.2	3.9

Source: Fitch Ratings, Echo Re

Fitch's Expectations

- The SST ratio to remain very strong above 200% and the Prism score to be at least 'Strong'.

Capitalisation Adequacy
Prism FBM



Source: Fitch Ratings

Financial Highlights

(CHFm)	End-2024	End-2023
Prism score	Strong	Very Strong
Prism total AC	232	195
Prism AC/TC at Prism score (%)	112	102
Prism AC/TC at higher Prism Score (%)	97	89

AC – Available capital. TC – Target capital
Source: Fitch Ratings, company data

Debt Service Capabilities and Financial Flexibility

Financial Flexibility Is Reliant on Parent

Echo Re's financial flexibility is dependent on DEVK's ability and willingness to provide support. DEVK has shown its willingness to support Echo Re through multiple capital injections totalling CHF150 million in 2010–2024.

The reinsurer has no debt outstanding and no plans to issue debt.

Financial Performance and Earnings

Sustained Improvement of Financial Performance

Fitch views Echo Re's financial performance as strong. The company has reinforced its market position in recent years through targeted business expansion, enhanced diversification, and improved underwriting profitability. Effective underwriting measures and favourable reinsurance pricing have contributed to reduced volatility in underwriting results and led to a robust operating performance in 2024, with a Fitch-calculated net combined ratio of 89.7% (2023: 91.9%) and a return on equity of 10.1% (2023: 14.3%).

Echo Re's net income was CHF20 million in 2024 (2023: CHF25 million), reflecting continued strong earnings capacity. The year-on-year decrease in net income primarily results from a CHF13 million allocation to equalisation reserves, the end of profitable group-internal cessions with DEVK and increased tax burden. This impact was largely offset by robust organic growth, a diversified client base, and higher investment returns as interest rates rise.

Financial Highlights

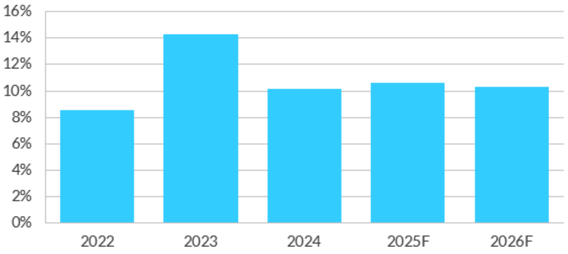
(%)	End-2024	End-2023
Net income (CHFm)	20	25
Net combined ratio[a]	89.7	91.9
Operating ratio[a]	86.3	88.8
Return on equity	10.1	14.3

[a] Excluding claims equalisation reserve development.
Note: Reported on a single entity basis.
Source: Fitch Ratings, Echo Re

Fitch's Expectations

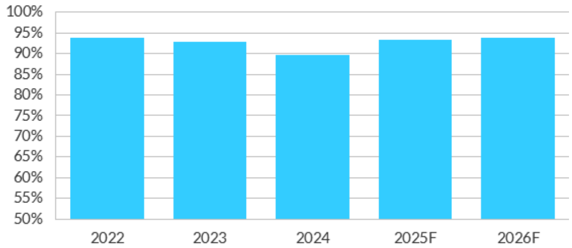
- Financial performance to stay strong in 2025, supported by a Fitch-calculated net combined ratio below 96% and a return on equity between 9% and 11%, due to sustained improved underwriting profitability, assuming normal levels of natural catastrophes.

Performance: Return on Equity



Source: Fitch Ratings, Company data

Performance: Combined Ratio



Source: Fitch Ratings, Company data

Investment and Asset Risk

Low Investment and Liquidity Risk

We view Echo Re's investment risk as low, due to its very strong risky assets ratio of 12% at end-2024 (end-2023: 13%).

Fitch views Echo Re's investment allocation as prudent, with about 75% of its investments held in fixed-income investment at end-2024 (end-2023: 79%). The quality of the fixed-income portfolio is very strong, with just investment-grade bonds. Other significant asset classes were cash (13%), real estate (3%) and equities (3%).

Financial Highlights

(%)	End-2024	End-2023
Risky-assets/capital	12.1	12.3
Unaffiliated shares/capital	6.2	6.4

Source: Fitch Ratings, Echo Re

Fitch's Expectations

- The risky assets ratio to remain very strong, due to no changes in the company's prudent asset allocation.

Reserve Adequacy

Strong Reserve Adequacy

We believe Echo Re's reserving standards have improved in recent years. The company reported a strong positive prior-year reserve run-off of 10% at end-2024 (end-2023: 6%). Its claims reserves are adequate, which is supported by an independent reserve review conducted by KPMG in 2024. This confirmed that Echo Re's accounted claims reserves are well within the best estimate range. This adequacy has been also demonstrated by positive reserve developments.

Financial Highlights

(%)	End-2024	End-2023
Prior year's reserve adjustment	-6.3	-10.3
Loss reserve development/surplus	-11	-7.2
Paid losses/incurred losses	0.6	0.7

Note: Reported on a single entity basis.
Source: Fitch Ratings, Echo Re

Reinsurance, Risk Mitigation and Catastrophe Risk

Catastrophe Risks Limited by Adequate Reinsurance Programme

Echo Re's comprehensive retrocession programme includes both proportional and non-proportional cessions. Net of the reinsurance cover, Echo Re's one-in-250-year probable maximum loss is limited to CHF61.3 million, which is about 27% of reported shareholders' equity – including the claims equalisation reserve. We regard this level as strong.

The credit quality of Echo Re's reinsurers is strong, with most of the reinsurers' ratings being in the 'AA' or 'A' categories.

Financial Highlights

(%)	End-2024	End-2023
Reinsurance recoverables/capital	27.6	21.4
Net written premiums/gross written premiums	87.8	80.2
Reinsurers' share of earned premiums	15.3	22.2

Source: Fitch Ratings, Echo Re

Fitch's Expectations

- The credit quality of reinsurers to remain strong.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

Fitch assesses Echo Re's standalone credit quality as 'BBB+'. Fitch regards the company as 'Very Important' to the DEVK group under its insurance group rating approach, and DEVK's IFS rating benefits from a two-notch uplift from its standalone credit quality.

Notching

For notching purposes, Fitch assesses Switzerland's regulatory environment as being 'Effective' and classified as following a group solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS anchor rating to the implied operating company IDR.
Operating Company Debt
Not applicable.
Holding Company IDR
Not applicable.
Holding Company Debt
Not applicable.
Hybrids
Not applicable.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Debt Maturities

Not applicable.

Short-Term Ratings

Not applicable.

Hybrid - Equity/Debt Treatment

Not applicable.

Hybrids Treatment

Not applicable.

Recovery Analysis and Recovery Ratings

Not applicable.

Recovery Ratings

Not applicable.

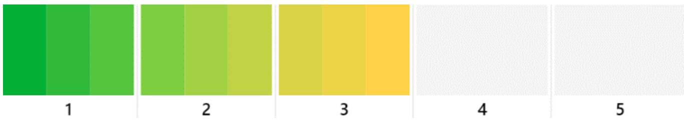
Transfer and Convertibility Risk (Country Ceiling)

Not applicable.

Criteria Variations

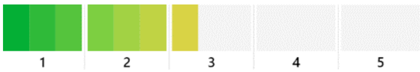
No criteria variations were applied.

Appendix D: Environmental, Social and Governance Considerations



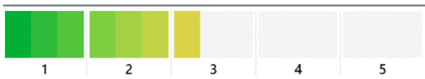
Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment and Asset Risk



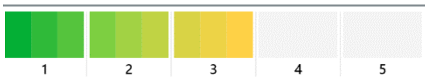
Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Company Profile; Reserve Adequacy
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment and Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Company Profile
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile



ESG Scoring	Credit-Relevant ESG Scale

ESG relevance scores range from '1' to '5' based on a 15-level colour gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
	2	Irrelevant to the entity rating but relevant to the sector.
	1	Irrelevant to the entity rating and irrelevant to the sector.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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