FitchRatings

Insurance
Composite Insurers
Germany

DEVK Deutsche Eisenbahn Versicherung and Operating Subsidiaries

Ratings

DEVK Deutsche Eisenbahn Versicherung

Insurer Financial Strength	A+
Subsidiaries	
Insurer Financial Strength	A+

Note: See additional ratings on page 9.

Outlook

Insurer Financial Strength	Stable

Financial Data

DEVK Deutsche Eisenbahn Versicherung

(EURm)	2022	2021
Total assets	23,926	23,194
Total equity	2,597	2,535
Total gross written premiums	4,300	4,117
Net combined ratio (%)	99.9	96.3
Net income	39	98

Source: Fitch Ratings, DEVK Deutsche Eisenbahn Versicherung

Applicable Criteria

Insurance Rating Criteria (July 2023)

Related Research

German Non-Life Insurance Outlook 2023 (December 2022)

German Non-Life Insurance Dashboard: Mid-Year Update 2023 (July 2023)

Echo Rueckversicherungs-AG (August 2023)

Analysts

Mahsa Delgoshaei
+49 69 768076 243
mahsa.delgoshaei@fitchratings.com

Robert Mazzuoli
+49 69 768076 167
robert.mazzuoli@fitchratings.com

Key Rating Drivers

Very Strong Capitalisation: Fitch Ratings' assessment of DEVK Deutsche Eisenbahn Versicherung (DVEK) capital is driven by the 'Very Strong' score under Fitch's Prism Factor-Based Capital Model (FBM) and its group Solvency II (S2) ratio, without transitional measures, of 233% at end-2022 (197% at end-2021).

The improvement of the S2 ratio was driven by the positive effect of higher interest rates on life liabilities that was partly offset by the group's increased exposure to catastrophe risk in the non-life sector. Fitch expects the group's capitalisation to remain very strong in 2023.

Strong Company Profile: Fitch's assessment of the company profile reflects DVEK's strong market position in German property and casualty market, its well-diversified earnings across all primary insurance segments in Germany and in its international reinsurance business, and its moderate size. DEVK wrote total premiums of EUR4.3 billion in 2022 with total assets of EUR24 billion.

We view all DEVK-branded operating entities as 'Core' to DEVK and rate them based on the credit profile of the group as a whole.

Strong Financial Performance: Fitch's assessment of profitability is based on the group's strong Fitch-calculated net combined ratio on average at 95.7% over 2018-2022. However, DEVK's focus on motor insurance constrains overall profitability due to a competitive German motor insurance market. DEVK's Fitch-calculated net combined ratio based on German GAAP deteriorated to 99.9% in 2022 from 96.3% in 2021, despite smaller weather-related losses.

The deterioration was mainly driven by increased claims inflation especially in motor business and lower reserve releases from previous years' events. We expect the net combined ratio to improve slightly in 2023 if catastrophe losses remain at their current levels as we expect the premium adjustment to partly compensate for the effects of claims inflation.

Very Strong Reserve Adequacy: DEVK has a long history of prior-year reserve releases and large claims reserve redundancies. Fitch believes that DEVK's claims reserving buffers are strong enough for the insurer to withstand competitive pressures in Germany's motor insurance sector without losing market share or its capitalisation being eroded.

Rating Sensitivities

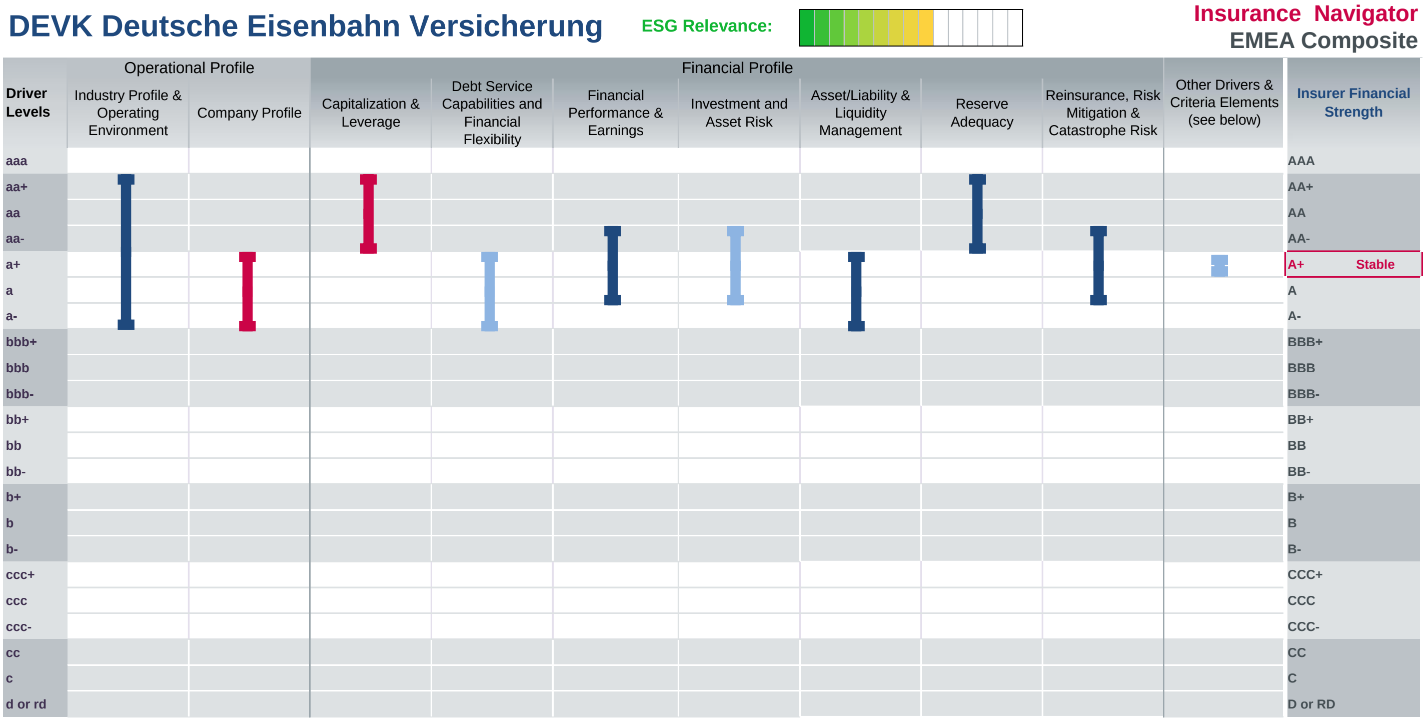
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A substantial improvement in DVEK's market position.

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

- Sustained material erosion in capital, as reflected, for example, by DEVK's Prism FBM score falling to the low end of the 'Very Strong' category.
- Significant weakening in DEVK's reserving methodology, as manifested in a large reduction in reserve redundancies.

Key Rating Drivers – Scoring Summary



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength Rating				**A+**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength Rating			Final:	**A+**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**n.a.**

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	
Bar Colors = Relative Importance	
■	Higher Influence
■	Moderate Influence
■	Lower Influence
Bar Arrows = Rating Factor Outlook	
⇧	Positive
⇩	Negative
⇳	Evolving
□	Stable

Company Profile

Strong Company Profile

Fitch ranks DEVK's company profile as 'Moderate' compared to that of all other German composite insurance companies due to its 'Moderate' operating scale, 'Moderate' competitive positioning and 'Favourable' business risk profile. Given this ranking, Fitch scores DEVK's company profile at 'a' under its credit factor scoring guidelines.

DEVK's gross written premiums (GWP) grew by 4.4% to EUR4,300 million in 2022. DEVK's premium growth was lower than the company's expected growth and that of some peers. This was due to lower growth in the motor business, which was related to the lower production in car industry in Germany, but was partly offset by strong growth in reinsurance. Fitch believes that premium growth will continue to be driven by reinsurance business in 2023-2024, due to the hardening reinsurance market and the group's strategy to expand in this sector.

The company has a strong market position in the motor line, with half of its non-life premiums coming from this business at end-2022. Despite declining new business in 2022, Fitch thinks DEVK could maintain place as the 11th-largest insurance companies in motor business.

In the life business, DEVK's premium growth has been weak in recent years due to a decline in traditional life products. In 2022, new business premium declined in both traditional and unit-linked product. This was partly due to increased market uncertainties caused by high inflation and stock market volatility. In addition, the significant rise in market interest rates led to increased competition between unit-linked and some bank saving products. We expect the growth in life premium to remain weak in the short term due to the continuing difficult market condition and the company's strategy of prioritising growth in the non-life segment.

Fitch assess DEVK's corporate governance as 'Moderate/Favourable'. Our assessment is driven by its group structure, which is in line with the market norms, an independent and effective management board, and transparent and timely financial disclosures. We expect no change in company's corporate governance.

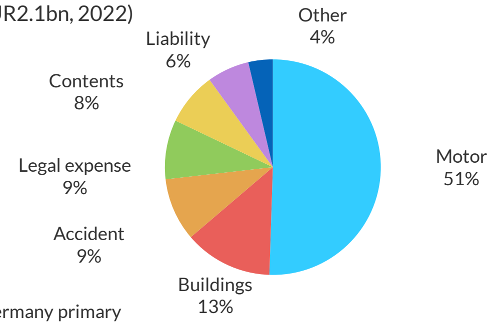
Company Profile Scoring Summary

Assessment		Sub-Score/impact
Business profile assessment	Moderate	a
Corporate governance assessment	Moderate/Favourable	0
Company profile factor score		a

Source: Fitch Ratings

Non-Life Premium[a]

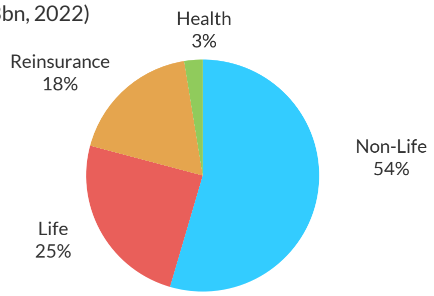
(EUR2.1bn, 2022)



[a] Germany primary
Source: Fitch Ratings, DEVK

Total Premium

(EUR4.3bn, 2022)



Source: Fitch Ratings, DEVK

Ownership

Fitch regards DVEK's ownership to be neutral for its ratings. DEVK is a mutual insurance group headed by DEVK Non-Life and DEVK Life (see page 9). The group also includes several subsidiaries writing business in all lines of business, including life, pension, liability, health, property and casualty, and reinsurance.

Capitalisation and Leverage

Very Strong Capitalisation

Fitch considers DEVK's capitalisation as very strong as it is shown by its 'Very Strong' score in the Prism FBM model, based on end-2022 results. The score has deteriorated from 'Extremely Strong' at end-2021, due to significant unrealised losses on fixed-income investment from the higher market interest rates and increased exposure to catastrophe risk. DEVK's capitalisation benefits from its prudent reserving standards since the company's significant reserve redundancies on its balance sheet are partly considered as capital in our capital model.

The insurer reported a very strong regulatory group S2 ratio of 233% at end-2022 (end-2021: 197%), without transitional measures on technical provisions. The improvement in the S2 ratio in 2022 was driven by the increase in market interest rate which affected the life liabilities positively. This was partly offset by company's increased exposure to catastrophe risk due to the increased retention in 2022.

We expect the DEVK's capital position to remain strong as we believe the improved market condition in life segment will boost capital.

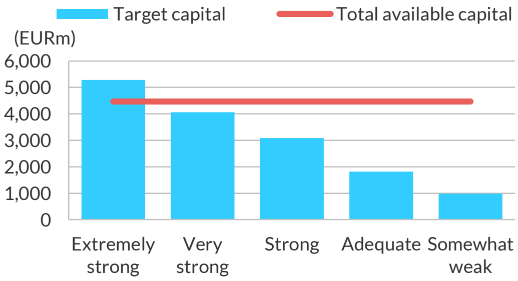
Financial Highlights

(x)	2022	2021
Group solvency ratio[a] (%)	233	197
Non-life net written premium/equity[b]	1.1	1.1
Non-life net leverage	2.6	2.5
Life operating leverage	10.7	10.4

[a] Without transitional measures.
[b] Equity including claims equalisation reserve.
Note: Reported on a consolidated basis.
Source: Fitch Rating, DEVK

Capitalisation Adequacy

PRISM FBM



Source: Fitch Ratings

Financial Highlights

	2022	2020
Prism score	Very Strong	Extremely Strong
Prism total AC (EURm)	4,467	4,465
Prism AC/TC at Prism score (%)	110	110
Prism AC/TC at higher Prism score (%)	84	n.a.

AC – Available capital. TC – Target capital
Note: Reported on a yearly basis.
Source: Fitch Ratings, DEVK

Debt Service Capabilities and Financial Flexibility

No Financial Leverage

DEVK had no outstanding debt at end-2022 and we do not expect the company to issue any debt in the medium term. Fitch regards DEVK group's financial flexibility at 'a' category, since the agency believes DEVK could raise funds if necessary.

Financial Performance and Earnings

Strong Profitability, Dependent on Germany's Competitive Motor Market

We consider the DEVK's profitability as strong however we believe DEVK's focus on motor insurance constrains the overall profitability due to the high competitiveness of the German motor insurance market. We view the increasing earning diversification in DEVK's business as positive for the overall profitability.

The Fitch-calculated combined ratio deteriorated further to 99.9% in 2022 from 96.3% in 2021 (2020: 92.0%), mainly driven by increased claims due to the higher inflation especially in the motor business as well as lower reserve development from previous years' claims. We expect DEVK's net combined ratio to improve in 2023, as we expect the premiums adjustments will partly compensate the effects of the claim inflation.

DEVK's operating ratio deteriorated to 95.7% in 2022 from 89.2 % in 2021. The company's investment income declined related to increased realised losses on equity investments and some fixed-income investments in Ukraine or Russia. We expect the investment income remain under pressure in the short term as a result of increased volatility in equity market and large unrealised losses on fixed-income investments. However, Fitch believes increased returns on new investments will improve the overall investment results in the medium term.

Financial Highlights

(%)	2022	2021
Net combined ratio	99.9	96.3
Operating ratio	95.7	89.2
Operating pre-tax return on equity	4.1	7.9
Life asset growth	1.6	5.0
Non-life gross written premium growth	6.4	5.7

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

Investment and Asset Risk

High Exposure to Risky Investments Mitigated by Very Strong Capitalisation

Fitch views DVEK's investment and asset risk as strong and in line with its ratings. Equity investments have accounted for 8.5% at end-2022 (end-2021: 9.9%), slightly higher than the German non-life insurance industry's average. We expect the equity portion of the investments to remain higher the market average in the near future. Despite its relatively high equity investment, DEVK has a strong risky-assets ratio at about 84% in 2022, which leaves it adequately positioned to withstand equity market shocks, due to the company's strong capitalisation.

DEVK's fixed-income investments, which comprise about 60% of the group's investments, were of strong credit quality at end-2022. According to the group's consolidated annual report, 52.1% were rated 'AA' and better, 30.8% were 'A', 14.8% were 'BBB'. Only 2.3% were unrated or non-investment-grade bonds.

Financial Highlights

(%)	2022	2021
Risky-assets ratio	84	74
Unaffiliated common stocks ratio	40	42
Non-investment-grade bonds ratio	5.4	4.2
Return on investment	1.8	3.2

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

Fitch's Expectations

- Investment risk to remain manageable over the two-year rating horizon due to a stable investment strategy.

Asset/Liability and Liquidity Management

Strong Asset/Liability Management; Low Liquidity Risk

We regard DEVK's duration gap in life business as being in line with the 'a' category (Fitch's duration gap guideline range for the 'a' rating category is 1.5 to 2.9 years). DEVK's duration of liabilities in the life segment is longer than the duration of the related assets, as is typical of a German life insurance operation, so it is exposed to reinvestment risk when bond yields fall. In 2022, DEVK's duration gap has improved since the rising market risk has shortened the duration of the liabilities more than that of the assets. The recent increase in the market interest rate lowered DEVK's reinvestment risk although the company remained sensitive to changes of the market yield.

A large part of DEVK's liabilities are from traditional life insurance products with guaranteed investment rate (GIR) payments to policyholders. Liabilities with GIR can become a negative rating factor in a low interest rate environment. However, we consider DEVK's risk arising from GIR policies as moderate, since about half of its insurance liabilities are related to non-life products or life products with no guarantees.

Fitch considers liquidity risk to be low for DEVK because the key liquidity metrics score is 'Very Strong'. The company has reported steady growth in recent years and its liquidity needs are covered by premium income.

Financial Highlights

(%)	2022	2021
Liquid assets/policyholder liabilities (life)	74.8	78.1
Liquid assets/loss and loss adjustment expense reserves (non-life)	154.5	169.5
Cash and cash equivalents/ technical reserves	2.5	3.2

Note: Reported on a consolidated basis.
Source: Fitch Ratings

Fitch's Expectations

- The duration gap to remain stable.

Reserve Adequacy

Very Strong Reserve Adequacy

Fitch believes DEVK follows a conservative reserving policy with large claims reserve redundancies as proven by the company's long history of reserve releases.

DEVK reported strong prior-year reserve adjustments (PYRAs), averaging 5.7% between 2018 and 2022, which is slightly lower than the German non-life market average PYRA of 6.4%. Fitch believes DEVK's lower PYRA in 2022 is a result of the company's reserves adjustments from the high claims inflation, especially in the motor business.

According to DEVK's Solvency and Financial Condition Report at end-2022 and an S2 best estimate calculation, the group's reported reserves based on German GAAP accounting were strongly higher than the required reserves.

Financial Highlights

(%)	2022	2021
Loss reserve development/surplus	-4.4	-5.8
Loss reserve development/net earned premiums	-3.9	-5.3
Net technical reserves/net earned premiums	132.2	130.0
Prior-year reserve adjustment/prior-year reserve	3.4	4.8

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

Reinsurance, Risk Mitigation and Catastrophe Risk

Catastrophe Risks Limited by Adequate Reinsurance Programme

DEVK's reinsurance strategy includes ceding larger risks and purchasing adequate excess cover. The company places it reinsurance by group's own reinsurers as well as several external reinsurers with the rating of at least 'A-'. Due to hardening conditions in the reinsurance market, the company adjusted its reinsurance programme leading to increased retention. Despite these changes, Fitch considers DEVK's exposure to catastrophe risk to be moderate – DEVK falls into the 'A' category under Fitch's median value for probable maximum losses.

The credit quality of DEVK's reinsurers is strong. The 20 largest reinsurers' ratings by ceded premiums had an average rating of 'A+'.

Fitch's Expectations

- Reinsurers' credit quality to remain strong despite more difficult market conditions.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key credit factor 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 ratings criteria.

Group Insurance Financial Strength (IFS) Rating Approach

Fitch views all DEVK-branded entities as 'Core' to DEVK, as defined in the agency's insurance rating methodology, and has applied its insurance group rating methodology to assign an 'A+' IFS rating to these entities, based on a combined group assessment.

Fitch views Echo Re as 'Very Important' to DEVK as it represents the group's reinsurance operations outside Europe. Echo Re's rating incorporates a two-notch uplift from its standalone credit quality (for more details see the separate rating report of Echo Re).

Name	Type	Rating	Outlook
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn– DEVK Life-Non	IFS	A+	Stable
DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn – DEVK Life	IFS	A+	Stable
DEVK Rueckversicherungs- und Beteiligungs-Aktiengesellschaft – DEVK RE	IFS	A+	Stable
DEVK Allgemeine Versicherungs-Aktiengesellschaft	IFS	A+	Stable
DEVK Allgemeine Lebensversicherungs-Aktiengesellschaft	IFS	A+	Stable
DEVK Rechtsschutz-Versicherungs-Aktiengesellschaft	IFS	A+	Stable
DEVK Krankenversicherungs-Aktiengesellschaft	IFS	A+	Stable
Echo Rueckversicherungs-AG	IFS	A-	Stable

Source: Fitch Ratings, DEVK

Notching

For notching purposes, Fitch assesses Germany'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

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

Not applicable.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **DEVK Deutsche Eisenbahn Versicherung** **Insurance Navigator** **EMEA Composite**

Credit-Relevant ESG Derivation

DEVK Deutsche Eisenbahn Versicherung has 7 ESG potential rating drivers

- DEVK Deutsche Eisenbahn Versicherung has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.
- DEVK Deutsche Eisenbahn Versicherung has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- DEVK Deutsche Eisenbahn Versicherung has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
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	2
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 & Asset Risk	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color 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 ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in 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 Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
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	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Company Profile	5
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	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

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 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 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 Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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.