

# Talanx Primary Insurance

August 18, 2025

This report does not constitute a rating action.

## Credit Highlights

### Overview

Key strengths	Key risks
Sound diversification across segments and regions.	Geopolitical and economic risks, capital market volatility, and inflation add uncertainty to financial targets.
Excellent capital adequacy, based on our internal risk-based capital model, supported by sound earnings and strong reserving.	Lower business and earnings potential from the German retail segment, albeit being the smallest segment within Talanx's primary business.
Strong underwriting performance with strong earnings potential in 2025-2026.	

**Talanx Primary Insurance Group (TPG) has strengthened its diversification across business segments and regions.** It now has a well-balanced portfolio that generates revenue and earnings as follows: Retail International (about 48% earnings contribution for the first six months of 2025); Corporate and Specialty (about 40%), and Retail Germany (about 12%). The group has substantially enhanced its earnings generation and diversification through successful expansion in Latin America and strong, profitable growth in its corporate and specialty business. In our view, this diversification improves the group's capacity to withstand challenging economic and market conditions and remain in line with peers rated 'AA-'.

**TPG has shown strong underwriting performance, and its earnings potential for 2025-2026 is strong.** The group's reported consolidated property/casualty combined ratio (loss and expense) has improved further to 91.2 % for the first six months of 2025 versus 92.4% for the same period in 2024. This improvement can be mostly attributed to disciplined underwriting controls, strategic repricing in the corporate and specialty segment, and premium adjustments linked to inflation. We anticipate that robust underwriting standards, cost discipline, and profitable growth will support profitability in the coming years, with net income exceeding €2.1 billion in 2025-2026. In our view, TPG can sustain a return on equity above 12%, assuming natural catastrophe and major man-made events will not surpass its loss budget. The improving performance of its primary operations has reduced TPG's dependence on earnings from Hannover Re to reach net income targets.

**Capital and earnings will remain very strong and protected by sound risk controls and conservative reserving.** We assess TPG's capital adequacy as redundant at the 99.99%

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confidence level based on our internal risk-based capital model. The group's conservative capital generation strategy allows it to finance its growth aspirations mainly with own resources. The solvency ratio remained almost stable as of June 30, 2025, at 224%, compared with 2284% at year-end 2024. The group's ample capital base, successful risk controls, and conservative reserving will likely mitigate capital volatility, enabling TPG to cope with further market volatility, possible large man-made losses or natural catastrophe events, and inflation trends. We expect TPG's capital and earnings to remain at least very strong over our forecast horizon of 2025-2026.

## Outlook

The stable outlook indicates that, in our view, the group will likely maintain its very strong competitive position and prudent capital management over the next two years, including capital adequacy well above our 99.95% level.

### Downside scenario

We could lower the ratings over the next two years if:

- The group's operating performance were to decline materially, causing our capital and earnings assessment to sustainably fall below very strong. This could result from a severe capital market downturn or considerably higher insurance claims than we expect in our base case;
- We observe a fundamental weakening in underwriting discipline that could lead to a significant underperformance over a prolonged period; or
- A material re-risking of the investment portfolio notably weakens TPG's capital adequacy prospects.

### Upside scenario

We do not expect to raise our ratings on TPG over the next two years, as the group has a narrower geographic presence and business diversification than its 'AA' rated peers such as Allianz, Munich Re, and Zurich Insurance.

## Assumptions

- Gradual GDP increase in the eurozone in 2025 and 2026 to 0.8% and 1.1%, from 0.8% in 2024. In Germany, we expect a similar trend of 0.1% in 2025 followed by an increase to 1.1% in 2026, from a decrease of 0.2% in 2024.
- Decline in average inflation in the eurozone in 2025 to 1.9% and 1.7%, respectively
- Increase in long-term interest rates in the eurozone to 3.1% in 2025 and 3.2% in 2026, from 2.9% in 2024; and in Germany to 2.5% for 2025 from 2.4% in 2024.
- Stable unemployment development in the eurozone and Germany, at 6.3% in 2025. For Germany, unemployment will slightly increase to 3.6% in 2025 and 3.4% in 2026 compared with 3.4% in 2024.

Talanx Primary Insurance Group--Key Metrics

	2026f	2025f	2024	2023
Insurance revenue	>24,500	>23,500	22,897	19,723

## Talanx Primary Insurance

Net income (attributable to shareholders)	>2.1	>2.1	2.136	1.760
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%
Return on shareholder's equity (%)	>12	>12	14.4	13.6
EBITDA fixed-charge coverage (x)	>10	>10	16.1	10.0
Financial leverage including pension deficit as debt (%)	25-30	25-30	26.5	29.4
PC : Net combined ratio (%)	92-95	92-95	91.6	93.4

f--S&P Global Ratings forecast.

## Business Risk Profile

TPG is strongly diversified, in our view, benefiting from a well-balanced portfolio that generates revenue and earnings across a broad range of business lines and regions in its three segments: Retail International (about 48% earnings contribution for the first six months of 2025), Corporate and Specialty (about 40%), and Retail Germany (about 12%). The group has substantially enhanced its earnings generation and diversification through successful expansion in Latin America and strong, profitable growth in its corporate and specialty business. In our view, this diversification improves the group's capacity to withstand challenging economic and market conditions and remain in line with peers rated 'AA-'.

TPG's wide geographic diversification supports its growth ambitions. In Retail International, the acquisition and successful integration of the Liberty Mutual companies in Latin America throughout 2023 and 2024 enhanced TPG's market position. It also improved the balance of its Retail International portfolio between Europe and Latin America, each now contributing 50% to revenue (against about 75% Europe and 25% Latin America in 2020). In the corporate and specialty segment, the group has established a sound global presence with top positions in various large markets.

The improving diversification and enhanced performance of its primary operations are gradually reducing TPG's dependence on dividends from Hannover Re to reach net income targets. However, reinsurance business still contributed about 51% to the group's net income in 2024 and 49% in the first six months of 2025. Furthermore, the German business is facing some headwinds in its P/C and life operations. In P/C, the group is making efforts to turnaround its motor portfolio in particular--the first sign of success is a reported normalized combined ratio in the first six months improving to 90.6%. The bancassurance operations are also facing some headwinds, as the group in recent years has lost its exclusive distribution agreements with Postbank and its cooperation with Targobank will ease at the end of this year. We therefore view the earnings potential for Retail Germany as remaining below the other segments over our forecast period.

Under our base-case scenario we anticipate robust underwriting standards, cost discipline, and profitable growth will support profitability in the coming years, with net income exceeding €2.1 billion in 2025-2026. In our view, TPG can sustain a return on equity above 12%, assuming natural catastrophe and major man-made events will not surpass TPG's loss budget.

## Financial Risk Profile

We believe that high retained earnings, comfortable reserving, and management's commitment will enable TPG to retain at least a very strong capital and earnings position over 2025-2026. We include Talanx AG's mutual parent HDI Haftpflichtverband der Deutschen Industrie V.a.G. in our assessment of Talanx's capital adequacy, which has a positive effect on excess capital and retained earnings.

The group's solvency ratio supports our view and had remained almost stable as of June 30, 2025, at 224% compared with 228% at year-end 2024. As a reminder, Solvency II does not give credit to the regulatory excess capital of Hannover Re beyond its regulatory capital requirements.

In line with most multiline European insurance groups, TPG has prudent asset allocation, with more than 80% of the total invested in fixed-income instruments, of which 93% is allocated to investment-grade-rated instruments, based on figures from the first six months of 2025.

TPG has demonstrated its access to ample sources of external funding. Based on our capital and earnings forecast and assuming no major change in TPG's capital management approach, we expect leverage to be about 30% and the fixed-charge coverage ratio to be above 10x in 2025-2026.

## Other Credit Considerations

### Governance

We do not foresee any material governance issues that could affect the ratings. We believe the group can implement its management succession plans with internal and external resources, as demonstrated in recent years. In our view, the management team has a consistent track record of strategic planning, strong execution, and transparent, demanding, and sophisticated financial management.

### Liquidity

We expect TPG's liquidity will remain exceptional over the next two years. The group has ample liquidity sources available, mainly premium income and a highly liquid asset portfolio. Moreover, there are no refinancing risks, in our view.

### Comparable ratings analysis

#### Factors specific to the holding company

The ratings on Talanx AG, the group's operating holding company, are equalized with those on TPG's core entities, due to its role within the wider group as internal reinsurer, which further enhances the diversity of its cash flow and its ability to honor its financial obligations. Talanx AG benefits from substantial levels of excess capital and moderate financial leverage.

### Group support

Our assessment of Hannover Re reflects the group's stand-alone characteristics. The group is 50.2% owned by ultimate parent Talanx AG, while the remainder of its shares are widely held. We understand that Hannover Re's strategy, capital management, and cash flow are somewhat independent from Talanx AG.

### Environmental, social, and governance

ESG factors have no material influence on our credit rating analysis of TPG.

Talanx Primary Insurance

Rating Component Scores	
Business Risk Profile	Very Strong
Competitive position	Very Strong
IICRA	Intermediate
Financial Risk Profile	Very Strong
Capital and earnings	Very Strong
Risk exposure	Moderately Low
Funding structure	Neutral
Anchor	aa-
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	AA-/Stable/--
Local currency issuer credit rating	AA-/Stable/--
Foreign currency issuer credit rating	AA-/Stable/--

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [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
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

Ratings Detail (as of July 04, 2025)*	
Talanx AG	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	AA-/Stable/--
Senior Unsecured	AA-
Junior Subordinated	A
Related Entities	
Talanx Finanz (Luxemburg) S.A.	
Junior Subordinated	A

## Talanx Primary Insurance

### Ratings Detail (as of July 04, 2025)\*

#### HDI Global Insurance Co.

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Global Network AG

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Global SE

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Global Specialty SE

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Lebensversicherung AG

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### HDI Specialty Insurance Company

Financial Strength Rating

*Local Currency* A+/Stable/--

#### HDI Versicherung AG (Austria)

Financial Strength Rating

*Local Currency* A+/Stable/--

Issuer Credit Rating

*Local Currency* A+/Stable/--

#### HDI Versicherung AG (Germany)

Financial Strength Rating

*Local Currency* AA-/Stable/--

Issuer Credit Rating

*Local Currency* AA-/Stable/--

#### LPV Lebensversicherung AG

Financial Strength Rating

## Talanx Primary Insurance

### Ratings Detail (as of July 04, 2025)\*

Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
<b>neue leben Lebensversicherung AG</b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b>TARGO Lebensversicherung AG</b>	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
<b>Towarzystwo Ubezpieczen i Reasekuracji WARTA S.A.</b>	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
<b>Domicile</b>	Germany

\*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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