

BarmeniaGothaer Insurance Group

June 18, 2025

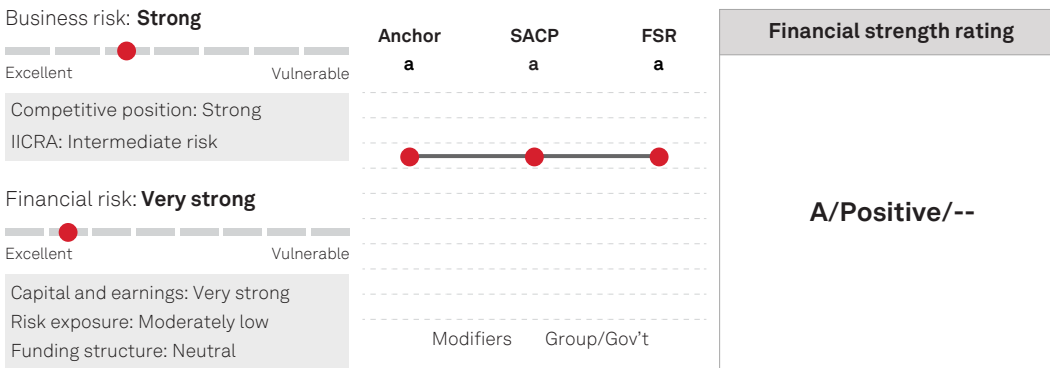
This report does not constitute a rating action.

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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

Competitive edge, resulting from a diverse product portfolio and a well-established distribution network.

Very strong capital and earnings, with capital adequacy above the 99.95% confidence level.

Strict asset-liability management and diverse earnings generation.

Key risks

Lower geographical reach compared to higher-rated European peers.

Potential volatility in group earnings due to geopolitical and economic risks, capital market volatility, and inflation.

BarmeniaGothaer will continue to improve its market position post the recently completed merger. We believe the merger between Gothaer and Barmenia Versicherungen will improve the group's competitiveness by widening its scale and diversification via Barmenia's large product range spanning health, life, and property and casualty (P/C) insurance. Post merger, we foresee a significant rise in the group's health insurance portfolio, which dominates its business mix.

Capitalization will remain sound, supported by retained earnings and a conservative investment strategy. The group's capital adequacy in 2024 remained sound and was above the 99.95% confidence level according to S&P Global Ratings' capital model. Our base case is that the combined group will maintain a very strong financial risk profile benefiting from significant exposure to German health business, with low asset-liability mismatch risks thanks to its ability to adjust premiums.

Outlook

The positive outlook reflects our view that we could raise the ratings over the next 12-24 months by one notch if the merger improves the combined group's competitiveness, with Gothaer maintaining its very strong financial risk profile.

Downside scenario

We could revise the outlook to stable over the next 12-24 months if:

- Execution risks of the merger materialize, for example via fewer potential synergies than anticipated, the cannibalization of distribution capabilities, or misalignments in management and company culture; or
- The group's earnings are consistently weaker or more volatile than our base-case assumptions and are below those of German peers.

Upside scenario

We could raise the ratings on Gothaer by one notch over the next 12-24 months if:

- The merger of Gothaer and Barmenia improves the combined group's scale and diversification; and
- The combined group maintains capital adequacy above the 99.95% confidence level, balancing investment risk, business growth, and capital generation.

Assumptions

- Modest GDP growth in Germany with 0.8% in 2025, 1.2% in 2026, and 1.4% in 2027.
- After 2.2% in 2024, inflation of 2.0% in 2025, 1.9% in 2026, and 2.0% in 2026 in Germany.
- 10-year government bond yields of 2.50% in 2025 and 2.65% in 2026 in Germany.

BarmeniaGothaer Insurance Group--Key Metrics

	2026f	2025f	2024	2023
S&P Global Ratings capital adequacy	99.95%	99.95%	99.95%	99.95%
Gross premium written (mil. €)	>9,000	>9,000	6,300	4,897

BarmeniaGothaer Insurance Group--Key Metrics

	2026f	2025f	2024	2023
EBITDA (mil. €)	>140	>140	136.4	169.0
Net income (mil. €)	~90-120	~90-120	19	78.3
Return on shareholders' equity (%)	~4-7	~4-7	1.0	5.1
Financial leverage including pension deficit as debt (%)	<20	<20	12.7	15.6
Net combined ratio (%)	~96-99	~96-99	98.7	99.6
Net loss ratio (%)	~70	~70	70.5	69.3
Net expense ratio (%)	~28	~28	28.3	30.1
Return on revenue (%)	>2	>2	1.7	2.5
Health: Medical loss ratio (%)	~79-82	~79-82	84.1	79.3
Health: Return on revenue (%)	>10	>10	6.0	12.4
Financial obligations/EBITDA (x)	<3	<3	2.1	1.7
EBITDA fixed-charge coverage (x)	>6	>6	5.4	9.2

f--S&P Global Ratings forecast. The data for 2023 is based solely on the Gothaer Insurance Group. The data for 2024 includes three months of premium input from the Barmenia entities.

Business Risk Profile

Post full consolidation with Barmenia, one strength for BarmeniaGothaer is its strong position in the German insurance market: the merger makes BarmeniaGothaer the tenth-largest insurer in Germany (around €6.3 billion of premiums). The consolidated group will continue to benefit from Gothaer's strong knowhow in P/C and Barmenia's high expertise in health insurance.

Post merger the group's product range combines health, life, and P/C insurance. While previously Gothaer was mostly P/C focused, Barmenia adds a large health insurance portfolio that dominates the group's consolidated business mix. The combined group's well-diversified business across all three insurance lines (life, P/C, and health) would make it less vulnerable to adverse developments in any business segment, in our view.

We believe earnings potential will improve mainly because of diverse income streams. Similar to the wider German insurance market, the group saw claims inflation mainly in P/C and motor in 2024--with an overall combined ratio of 98.7%--and posted net income of €19 million. Its net earnings declined sharply on additional costs borne during the completion of the merger. Under our base case we assume group will continue its focus on underwriting profitability, with a combined ratio of 96%-99% in 2025-2027, and we forecast it will achieve net income, excluding the costs of the merger, of €90 million-€120 million. Post-merger, we believe the consolidated group has the potential to further improve its competitiveness if it can contain execution risks such as lower potential synergies than anticipated, the cannibalization of distribution capabilities, or management and company culture imbalances.

Financial Risk Profile

Gothaer's capital adequacy in 2024 remained sound and was above the 99.95% confidence level according to our capital model.

Gothaer benefits from sound earnings to finance its organic growth and an overall conservative investment strategy. Equity and real estate investments increased when combined with the

Barmenia investments, but we anticipate that these will be aligned during the merger process. The group's weighted average credit quality has improved over the years and was at the upper 'A' level in 2024. Furthermore, we regard Gothaer's investment portfolio as diverse, with no substantial segment or single obligor concentration.

As per our base case, we also believe that the combined group will maintain its very strong financial risk profile, supported by Barmenia's sound Solvency II ratio. The ratio stands at 189% at year-end 2024 for the consolidated group as the group will continue to benefit from significant exposure to the German health business market and low asset-liability mismatch risks given its ability to adjust premiums.

Gothaer's leverage and fixed-charge coverage are within our acceptable thresholds, and we do not foresee any material deviations. The group issued subordinated debt in 2025 that it used to refinance another maturing hybrid issuance.

Other Credit Considerations

Governance

BarmeniaGothaer's management and governance assessment is supported by its progress in executing its strategic plans, which are, in our opinion, transparently communicated. The group also has a highly experienced management team that complements its operational needs. BarmeniaGothaer has an established risk-management framework, with pre-defined risk tolerances at all entity levels. Overall, we do not see any governance deficiencies in our assessment.

Liquidity

We do not foresee any liquidity or refinancing concerns owing to the strength of available liquidity sources, and we expect that the group would withstand severe liquidity pressure in a stress scenario.

Group support

We consider Gothaer Lebensversicherung AG, Gothaer Allgemeine Versicherung AG, and Gothaer Krankenversicherung AG to be core operating entities of the BarmeniaGothaer Group.

Environmental, social, and governance

Environmental, social, and governance ESG factors have no material influence on our credit rating analysis of BarmeniaGothaer Insurance Group.

Rating Component Scores

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate risk
Financial Risk Profile	Very Strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor	a
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A/Positive/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A/Positive/--
Foreign currency issuer credit rating	--

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

Ratings Detail (as of June 18, 2025)*

Operating Companies Covered By This Report

Gothaer Allgemeine Versicherung AG

Financial Strength Rating	
Local Currency	A/Positive/--
Issuer Credit Rating	
Local Currency	A/Positive/--
Junior Subordinated	BBB+

Gothaer Krankenversicherung AG

Financial Strength Rating	
Local Currency	A/Positive/--

BarmeniaGothaer Insurance Group

Ratings Detail (as of June 18, 2025)*

Issuer Credit Rating	
<i>Local Currency</i>	A/Positive/--

Gothaer Lebensversicherung AG

Financial Strength Rating	
<i>Local Currency</i>	A/Positive/--

Issuer Credit Rating	
<i>Local Currency</i>	A/Positive/--

Domicile	Germany
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*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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