



Fitch Revises Italian Insurers' Outlooks to Negative on Sovereign Outlook Change

Fitch Ratings-London-06 September 2018: Fitch Ratings has revised the Outlooks of nine Italian insurance groups to Negative from Stable while affirming their Insurers Financial Strength (IFS) Ratings and Long-Term Issuer Default Ratings (IDRs).

The nine Italian insurance groups are Assicurazioni Generali SpA (Generali), Societa Reale Mutua di Assicurazioni (Reale Mutua), SACE SpA (SACE), Intesa Sanpaolo Vita SpA (ISV), ITAS Mutua (ITAS), Poste Vita SpA, Unipol Gruppo SpA and UnipolSai Assicurazioni SpA (together Unipol), SIAT Societa Italiana Assicurazioni e Riassicurazioni p.A and Vittoria Assicurazioni SpA (Vittoria).

A full list of rating actions is available at the end of this rating action commentary.

KEY RATING DRIVERS

The Italian insurers' Outlooks revision to Negative follows the change of Italy's Outlook to Negative (see: "Fitch Revises Italy's Outlook to Negative; Affirms at 'BBB'" dated 31 August 2018 at www.fitchratings.com).

Generali

Generali's ratings remain influenced by Italy's sovereign rating of 'BBB'/Negative through the group's exposure to Italian-based debt securities. To back domestic liabilities in Italy the group held EUR64 billion of Italian sovereign bonds at end-2017 (2.5x consolidated shareholders' funds). We apply a sovereign constraint on Generali's ratings of 'A-', two notches above Italy's sovereign rating. This is in recognition of Generali's geographical diversification and strong resilient capital position. Generali's unconstrained IFS assessment is 'A' and implied unconstrained IDR is 'A-'. The group generates around 66% of its operating profit and 67% of its gross written premiums from outside Italy.

Reale Mutua

Reale Mutua's ratings are influenced by Italy's sovereign rating through the group's exposure to Italian-based debt securities. To back domestic liabilities in Italy the group held EUR4.7 billion of Italian sovereign bonds at end-2017 (around 2x consolidated shareholders' funds). This is reflected in the sovereign constraint on Reale Mutua's ratings at 'BBB+', a notch above the sovereign rating, in recognition of Reale Mutua's strong credit profile and international diversification into Spain (A-/Stable), where the group sources around 20% of its net premiums. The unconstrained IFS Ratings of Reale Mutua and its core subsidiary are 'A'.

SACE

SACE's ratings are influenced by the insurer's financial exposure to Italy. At end-2017, SACE held EUR1.3 billion (16% of total invested assets) of Italian sovereign bonds and EUR5 billion (about 60% of total invested assets) of cash balances with Cassa Depositi e Prestiti and some Italian banks. This is reflected in our view of SACE's asset risk and sovereign constraint on the company's ratings at 'BBB+', a notch higher than the sovereign rating of Italy, in recognition of SACE's strong credit profile and geographical diversification.

Intesa Sanpaolo Vita

ISV's ratings are constrained by the parent company's rating, Intesa Sanpaolo (ISP; IDR: BBB/Negative) and by Italy's sovereign rating. Fitch assesses the standalone credit profile of ISV at 'A-' and its unconstrained IDR at 'BBB+'. These are notched down once, reflecting ISV's ownership by ISP and Fitch's view that in the event of ISP's financial distress, it may seek to extract capital from the higher-rated group member. ISV's IFS Rating is then constrained by Italy's sovereign rating due to the insurer's large exposure to Italian sovereign debt. To match domestic insurance liabilities, ISV group held around EUR46 billion of Italian sovereign bonds or around 9x consolidated shareholder's funds at end-2017.

ITAS Mutua

ITAS's ratings are influenced by Italy's sovereign rating through the group's exposure to Italian-based debt securities. To back domestic liabilities ITAS held EUR1.7 billion of Italian sovereign bonds at end-2017 (4x

consolidated shareholders' funds).

Poste Vita

Poste Vita's IFS Rating is constrained by Italy's sovereign rating due to the insurer's large exposure to Italian sovereign debt. To match domestic insurance liabilities, Poste Vita held around EUR87 billion of Italian sovereign bonds or around 26x consolidated shareholder's funds, at end-2017. Poste Vita's standalone credit profile is 'BBB+'. Poste Vita's ratings also reflect ownership by Poste Italiane (Poste; BBB/Stable). Fitch regards Poste Vita as being strategically very important to Poste. We view Poste Vita as an important contributor to Poste's profit and we believe financial and operational support would be forthcoming if needed.

Unipol

Unipol's concentrated, albeit reduced, exposure to Italian sovereign debt of EUR32 billion (or 4x consolidated shareholders' equity) at end-2017 is reflected in the sovereign constraint of 'BBB' being applied to its ratings, which is also at the same level as Italy's sovereign rating. Unipol's unconstrained IFS is 'BBB+' and implied unconstrained IDR is 'BBB'.

SIAT

SIAT's IFS Rating is constrained by Italy's sovereign rating due to the company's concentrated exposure to Italian sovereign debt. SIAT held EUR77 million (or 1.2x its shareholders' equity) of Italian sovereign bonds at end-2017. SIAT is the second-largest Italian marine insurer with a strong market position. However, with EUR146 million of gross premiums and EUR396 million of total assets at end-2017, it is small in size.

Vittoria

Vittoria's exposure to Italian-based debt securities and the concentration of the company's operations in Italy are key rating weaknesses. Vittoria held EUR0.8 billion of Italian sovereign bonds at end-2017 (1x consolidated shareholder's funds) to back domestic life liabilities. We have applied a sovereign constraint of 'BBB' to Vittoria's ratings, meaning that Vittoria's IFS Rating and IDR are capped at Italy's Long-Term IDR. Vittoria's unconstrained IFS assessment is 'A-' and implied unconstrained IDR is 'BBB+'.

RATING SENSITIVITIES

Generali

Generali's ratings will likely be downgraded if Italy's sovereign rating is downgraded or if the exposure to Italian sovereign bonds increases materially as a proportion of total investments. However, a one-notch downgrade of Italy may not directly affect the group's subordinated debt ratings, as they are rated below the sovereign constraint.

Generali's ratings could also be downgraded if the group's Prism Factor-Based Model (FBM) score falls to below 'Very Strong' for a sustained period or financial leverage ratio rises to more than 35%.

An upgrade of Generali's ratings is unlikely given the sovereign constraint at two notches above the sovereign rating, which is the maximum level possible under Fitch's insurance criteria, and the Negative Outlook on Italy's rating. However, Generali's Outlook will be revised to Stable if Italy's Outlook is revised to Stable.

Reale Mutua

Reale Mutua's ratings will likely be downgraded if Italy's sovereign rating is downgraded. Reale Mutua's ratings could also be downgraded if the group's combined ratio deteriorates to above 105% for a sustained period or if the Prism FBM score falls to the low range of the 'Strong' category.

An upgrade of Reale Mutua's ratings is unlikely in the near future given the sovereign constraint already at one notch above the sovereign rating and the Negative Outlook on Italy's rating. However, Reale Mutua's Outlooks will be revised to Stable if Italy's Outlook is revised to Stable.

SACE

SACE's ratings will likely be downgraded if Italy's sovereign rating is downgraded. Should Italy's rating be downgraded, Fitch may also reconsider its approach of rating SACE at one notch above the sovereign rating and equalise its rating with the sovereign.

Deterioration in the credit quality of its investments could also lead to a downgrade of SACE, as could a significant weakening in its capitalisation.

An upgrade of SACE's ratings is unlikely in the near future given the sovereign constraint already at one notch above the sovereign rating and the Negative Outlook on Italy's rating. However, SACE's Outlooks will be revised to Stable if Italy's Outlook is revised to Stable.

Intesa Sanpaolo Vita

ISV's ratings will likely be downgraded if Italy or ISP are downgraded. An upgrade of ISV's ratings is unlikely in the near future given the Negative Outlooks on Italy's and ISP's ratings. However, ISV's Outlooks will be revised to Stable if Italy's and ISP's Outlooks are revised to Stable.

ITAS

ITAS's ratings will likely be downgraded if Italy's sovereign rating is downgraded. However, a one-notch downgrade of Italy may not directly affect the IDR and subordinated debt rating, as they are rated below the sovereign constraint.

ITAS's ratings could also be downgraded if its combined ratio deteriorates to above 103% for a sustained period or the Prism FBM score falls below 'Strong'.

An upgrade of ITAS's ratings is unlikely in the near future given the Negative Outlook on Italy's rating. However, ITAS's IFS Outlook will be revised to Stable if Italy's Outlook is revised to Stable.

Poste Vita

Poste Vita's ratings will likely be downgraded if Italy's or Poste's ratings are downgraded. An upgrade of Poste Vita's ratings is unlikely in the near future given the Negative Outlook on Italy. However, Poste Vita's Outlooks will be revised to Stable if Italy's Outlook is revised to Stable.

A significant deterioration of Poste Vita's capitalisation, as measured by Fitch's Prism FBM, could also lead to a downgrade.

Unipol

Unipol's ratings will likely be downgraded if Italy's sovereign rating is downgraded. However, a one-notch downgrade of Italy may not directly affect the group's senior and subordinated debt ratings, as they are rated below the sovereign constraint.

Unipol's rating could also be downgraded if the Prism FBM score falls below 'Strong' or the financial leverage ratio (FLR) deteriorates to above 40% for a sustained period. The ratings could also be downgraded if the return on equity remains below 3%.

An upgrade of Unipol's ratings is unlikely in the near future given the Negative Outlook on Italy. However, Unipol's Outlooks will be revised to Stable if Italy's Outlook is revised to Stable.

SIAT

SIAT's rating will likely be downgraded if the ratings of Italy or UnipolSai are downgraded. The combined ratio deteriorating above 100% for a sustained period could also result in a downgrade.

An upgrade of SIAT's rating is unlikely in the near future given the Negative Outlook on Italy's and UnipolSai's ratings. However, SIAT's Outlook will be revised to Stable if Italy's and UnipolSai's Outlooks are revised to Stable.

Vittoria

Vittoria's ratings are likely to be downgraded if Italy's sovereign rating is downgraded. However, a one-notch downgrade of Italy may not directly affect the rating of the subordinated debt, as it is rated below the sovereign constraint.

Vittoria's ratings could also be downgraded if the Prism FBM score falls below 'Strong', the FLR deteriorates to above 40%, or if the combined ratio deteriorates to above 98% for a sustained period.

An upgrade of Vittoria's ratings is unlikely in the near future given the Negative Outlook on Italy. However, Vittoria's Outlooks will be revised to Stable if Italy's Outlook is revised to Stable.

FULL LIST OF RATING ACTIONS

Generali

Assicurazioni Generali SpA: IDR affirmed at 'A-'; IFS affirmed at 'A-'; Outlooks Revised to Negative from Stable
AachenMuenchener Lebensversicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
AachenMuenchener Versicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Advocard Rechtsschutzversicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Central Krankenversicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Cosmos Versicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Cosmos LebensversicherungsAG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Dialog LebensversicherungsAG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Deutschland AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Deutschland Pensionskasse AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Versicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Envivas Krankenversicherung AG: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Iard: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Vie: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Espana, S.A. de Seguros Y Reaseguros: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali Versicherung AG, Wien: IFS affirmed at 'A-'; Outlook Revised to Negative from Stable
Generali (Schweiz) Holding AG: IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable

Generali's debt ratings are as follows:

Assicurazioni Generali SpA

Senior unsecured debt affirmed at 'A-'

EUR1 billion 4.125% subordinated affirmed at 'BBB+'

Other subordinated debt affirmed at 'BBB'

Generali Finance BV (guaranteed by Assicurazioni Generali SpA)

Subordinated debt affirmed at 'BBB'

Reale Mutua

Societa Reale Mutua di Assicurazioni: IFS Rating affirmed at 'BBB+'; Outlook Revised to Negative from Stable

Reale Seguros Generales: IFS Rating affirmed at 'BBB+'; Outlook Revised to Negative from Stable

SACE

Long-Term Foreign-Currency IDR affirmed at 'BBB+'; Outlook Revised to Negative from Stable

Long-Term Local-Currency IDR affirmed at 'BBB+'; Outlook Revised to Negative from Stable

Short-Term Foreign Currency IDR affirmed at 'F2'

Perpetual subordinated notes affirmed at 'BBB-'

Intesa Sanpaolo Vita

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable

Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable

Dated subordinated notes affirmed at 'BBB-'

Perpetual subordinated debt at 'BB+'

ITAS Mutua

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable

Long-Term IDR affirmed at 'BBB-'; Outlook Stable

Dated subordinated notes affirmed at 'BB'

Poste Vita

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable

Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable

Dated subordinated notes affirmed at 'BBB-'

Unipol

Unipol Gruppo

Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable

EMTN programme affirmed at 'BBB-'

Senior unsecured debt affirmed at 'BBB-'

UnipolSai

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable
Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable
EMTN programme: senior debt affirmed at 'BBB'; subordinated debt affirmed at 'BB+'
Dated subordinated debt: affirmed at 'BBB-'
Undated subordinated debt affirmed at 'BB+'

SIAT

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable

Vittoria

IFS Rating affirmed at 'BBB'; Outlook Revised to Negative from Stable
Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable
Dated subordinated debt affirmed at 'BBB-'

Contact:

Primary Analysts

Nicola Caverzan (Generali, Reale Mutua, SACE, ISV, ITAS, Poste Vita, Vittoria)

Associate Director

+44 20 3530 1642

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Federico Faccio (Unipol and SIAT)

Senior Director

+44 20 3530 1394

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Secondary Analysts

Nicola Caverzan (Unipol and SIAT)

Associate Director

+44 20 3530 1642

Federico Faccio (Generali, Reale Mutua, ITAS, Vittoria)

Senior Director

+44 20 3530 1394

Harish Gohil (SACE, ISV, Poste Vita)

Managing Director

+44 20 3530 1257

Committee Chairperson

Willem Loots

Senior Director

+44 20 3530 1808

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email: athos.larkou@fitchratings.com

Additional information is available on www.fitchratings.com

Applicable Criteria

Insurance Rating Criteria (pub. 30 Nov 2017) (<https://www.fitchratings.com/site/re/905036>)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form (<https://www.fitchratings.com/site/dodd-frank-disclosure/10043674>)

Solicitation Status (<https://www.fitchratings.com/site/pr/10043674#solicitation>)

Endorsement Policy (<https://www.fitchratings.com/regulatory>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE

READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch Updates Terms of Use & Privacy Policy

We have updated our Terms of Use and Privacy Policies which cover all of Fitch Group's websites. Learn more (<https://www.thefitchgroup.com/site/policies>).

Endorsement Policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.