



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-'

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