



RATING ACTION COMMENTARY

Fitch Affirms Groupama at IFS 'A+'; Outlook Stable

Tue 30 May, 2023 - 10:18 AM ET

Fitch Ratings - Paris - 30 May 2023: Fitch Ratings has affirmed Groupama Assurances Mutuelles' (Groupama) and core subsidiaries' Insurer Financial Strength (IFS) Ratings at 'A+' and Issuer Default Ratings (IDR) at 'A'. The Outlooks on both IFS Ratings and IDRs are Stable.

The affirmation reflects primarily Groupama's strong capitalisation and leverage as well as its very strong business profile.

KEY RATING DRIVERS

Very Strong Capitalisation: Groupama's capitalisation is a rating strength. The group's very strong Solvency II (S2) ratio improved to 207% at end-2022 without transitional measures, from 183% at end-2021, primarily driven by higher interest rates. Including transitional measures, the regulatory ratio was 282% at end-2022. The sensitivity of the S2 ratio to interest-rate changes fell significantly in 2022.

Fitch's Prism Factor-Based Capital Model (Prism FBM) deteriorated to 'Very Strong' at end-2022 from 'Extremely Strong' at end-2021, due to a lower capital base as higher interest rates turned unrealised capital gains into unrealised capital losses. This was partly offset by Fitch adding back 50% of the negative revaluation reserve to available capital, reflecting our view that a large portion of fixed-income unrealised losses will be recaptured in shareholder equity over time. We expect Groupama's capitalisation to remain very strong in 2023.

Moderate Leverage: The Fitch-calculated financial leverage ratio (FLR) improved to 26% at end-2022 from 28% at end-2021, benefitting from the partial buy-back of grandfathered Tier 1 perpetual subordinated debt as well the same partial credit for unrealised losses as the one made in Prism. We expect the ratio to remain broadly stable in 2023 and well within Fitch's criteria guidelines range for the 'a' rating category for FLR.

Very Strong Company Profile: Fitch ranks Groupama's business profile as 'Favourable' compared with that of other French insurance companies. This assessment reflects its position as one of the largest insurance groups in France with a strong, well-established, diversified franchise across several business lines.

Strong Profitability: Groupama's record of stable profitability, supported by diverse earning sources, underpins our assessment of its financial performance. The non-life combined ratio (CR) deteriorated to 99.4% in 2022 from 97.8% in 2021, primarily driven by high inflation and weather-related losses. By contrast, life & health operating earnings, which is the main contributor to earnings, improved on higher interest rates. We expect overall better operating profitability in 2023, assuming normal levels of natural catastrophe losses and that price increases together with other measures will be sufficient to offset claims inflation.

Moderate Investment Risk: Fitch views Groupama's investment and asset risk as moderate and commensurate with its ratings. We believe that the increase in risky assets-to-capital ratio to 88% at end-2022 from 70% at end-2021 does not reflect higher investment risk but rather lower shareholder equity. However, a material exposure to Italian sovereign bonds (BBB/Stable), representing 12% of the group's fixed-income portfolio and 80% of IFRS equity, adds potential volatility to the group's balance sheet.

Strong Reserve Adequacy, Well-Managed ALM: Fitch views Groupama's reserve adequacy as strong. Reserve strengthening to account for higher inflation in 2022 was largely offset by releases of non-life annuity reserves (eg motor liability) due to higher interest rates. Non-life reserve releases were positive over the five-year period to end-2022. Fitch views Groupama's asset and liability management (ALM) risk as well-managed, as reflected in a strong liquidity risk profile, reduced duration gap (3.3 years on the life book) and a very low average guaranteed rate of 0.9%.

RATING SENSITIVITIES

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

-Sustained improvements in profitability, as reflected in a return on equity (ROE) above 7%, while FLR falls below 25%, the S2 ratio remains above 180% or Prism FBM score remains 'Very Strong' and investment risk remains moderate

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade:

-Deterioration in the capital position, as measured by the Prism FBM score falling below 'Very Strong' on a sustained basis, or a group S2 ratio falling below 150% with limited prospects for recovery

-FLR rising above 30%

-Significant increase in investment risk, as underlined by a risky asset-to-capital ratio deteriorating to above 110%, which could result from a downgrade of Italy's rating to below investment grade.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit

<https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit

www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡		PRIOR ⚡
Groupama Assurances Mutuelles	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		
subordinated	LT	BBB+ Affirmed	BBB+
Gan Assurances	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		
Groupama Gan Vie	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Manuel Arrive, CFA

Director

Primary Rating Analyst

+33 1 44 29 91 77

manuel.arrive@fitchratings.com

Fitch Ratings Ireland Ltd

28 avenue Victor Hugo Paris 75116

Federico Faccio

Senior Director

Secondary Rating Analyst

+44 20 3530 1394

federico.faccio@fitchratings.com

Stephan Kalb

Senior Director

Committee Chairperson

+49 69 768076 118

stephan.kalb@fitchratings.com

MEDIA CONTACTS

Athos Larkou

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 15 Jul 2022\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.8.0 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Gan Assurances
Groupama Assurances Mutuelles
Groupama Gan Vie

EU Issued, UK Endorsed
EU Issued, UK Endorsed
EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (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>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

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.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2023 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.

[READ LESS](#)

SOLICITATION STATUS

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

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in

the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Insurance Europe France
