MOODY'S RATINGS

Rating Action: Moody's Ratings assigns a Baa2 IFSR to Unipol Assicurazioni and upgrades its senior unsecured debt rating to Baa3

3 January 2025

Paris, January 3, 2025 – Moody's Ratings (Moody's) has today upgraded the senior unsecured debt rating and the long-term issuer rating of Unipol Assicurazioni S.p.A. (Unipol, previously known as Unipol Gruppo S.p.A.) to Baa3 from Ba1. We also upgraded the senior unsecured medium-term note program to (P)Baa3 from (P)Ba1. At the same time, we assigned a Baa2 insurance financial strength rating (IFSR) to Unipol. The outlook on Unipol is stable. Previously the ratings were on review for upgrade.

The rating action concludes the review for upgrade on Unipol's ratings initiated on 16 February 2024 and follows the effective merger of UnipolSai Assicurazioni S.p.A (UnipolSai) into Unipol as of 1 January 2025. Unipol which previously was a holding company has become an operating insurance company.

We also withdrew the Baa2 IFSR of UnipolSai and subsequent to this rating action we will move all debt ratings to Unipol from UnipolSai. Please refer to Moody's Ratings' Withdrawal of Credit Ratings Policy, available on our website, https://ratings.moodys.com, for more information.

RATINGS RATIONALE

Unipol's insurance financial strength rating (IFSR) is supported by Unipol group's strong business profile, characterized by its leadership position in the non-life market, a strong control of its distribution thanks to its tied agent network, and relatively low product risk as a result of its focus on retail business and a low average guaranteed rate in the life segment. Other strengths of the group include good profitability and very good capitalisation, as evidenced by a consolidated Solvency II ratio of 224% at the end of September 2024.

These strengths are offset by a concentration of assets and liabilities in Italy (Baa3 stable) which constrains the group's asset quality and financial flexibility. Nonetheless, Unipol is rated one notch above the Italian sovereign rating, reflecting the relative resilience of the group's credit profile to a potential sovereign stress scenario. Unipol has taken steps to reduce its exposure to Italian assets, including to Italian sovereign bonds, which stood at 1.8x of shareholders' equity at December 2023 on a consolidated basis, down from 4.5x at year-end 2016.

Unipol reported good performance in the first nine months of 2024, as evidenced by positive and improving net flows in the life segment, and improving combined ratios in the P&C segment, despite some reserve strengthening.

The upgrade of Unipol's senior debt rating reflects the change of the status of the company, from a pure holding company into an operating company. Hence, the structural subordination previously existing between holders of bonds issued by Unipol and the policyholders of the group has diminished. The new senior bond rating, which is one notch below the company's IFSR, is in line with our standard practices for senior unsecured debt issued by operating companies.

The Ba1 (hyb) subordinated bond rating of Unipol (previously under UnipolSai), two notches below the IFSR, is in line with our standard practices for subordinated debt issued by operating companies.

The Ba2 (hyb) rating on the restricted Tier 1 instrument reflects the company's IFSR but also the group's expected Solvency II ratio. In its latest strategic plan (which ended at YE 2024), the group had a target range of 150-180%, even though this target was consistently exceeded since 2022.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings of Unipol could be upgraded (1) in case of improvement in Italy's credit quality, as evidenced by an upgrade of the sovereign rating, or (ii) if Unipol continued to strengthen its resilience to Italian assets, for example through consistently higher Solvency II ratios.

Conversely, the ratings could be downgraded in case of a deterioration in the credit quality of Italy, as evidenced by a downgrade of Italy's sovereign rating. Downward pressure could also result from (i) a significant weakening of the group's market position, (ii) a materially and sustained lower earnings, in particular if this should be driven by lower property and casualty underwriting performance and (iii) lower capital adequacy.

The methodologies used in these ratings were Property and Casualty Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418354, and Life Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418351. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Benjamin Serra
Senior Vice President
Financial Institutions Group
Moody's France SAS
21 Boulevard Haussmann
Paris
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Simon James Robin Ainsworth
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's France SAS
21 Boulevard Haussmann
Paris, 75009
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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