

## UNIPOL ASSICURAZIONI S.P.A. CREDIT RATING UPDATE FOLLOWING MERGER COMPLETION

Bologna, 16 January 2025

Unipol Assicurazioni S.p.A. ("**Unipol**") hereby announces the updated credit ratings following the successful completion of its merger by incorporation of UnipolSai Assicurazioni S.p.A.

Unipol has been assigned a "Baa2/Stable Outlook" Insurance Financial Strength Rating by Moody's, an "A-/Positive Outlook" Insurer Financial Strength Rating by Fitch and a "A (high)/Stable Trend" Financial Strength Rating by Morningstar DBRS.

In addition, Moody's upgraded Unipol's senior unsecured debt rating and the long-term issuer rating to "Baa3" from "Ba1" and the senior unsecured medium-term note program to "(P)Baa3" from "(P)Ba1", with Stable Outlook. Fitch upgraded Unipol's senior notes to "BBB+" from "BBB" and affirmed Long-Term Issuer Default Rating at "BBB+", with Positive Outlook. Morningstar DBRS upgraded the Issuer Rating of Unipol to "A(high)" from "BBB" with Stable Trend.

The full text of the press releases issued by Moody's Investors Service, Fitch Ratings and Morningstar DBRS is attached.

### Unipol Group

The Unipol Group is one of the leading insurance groups in Europe as well as being leader in Italy in the non-life insurance business (especially MV and health), with total premiums of €15.1bn that include €8.7bn in non-life income and €6.4bn in life income (2023 figures). Its approach is to offer an integrated range of insurance products and services mainly through the parent company Unipol Assicurazioni, UniSalute (the leading health insurer in Italy), Linear (direct MV insurance), Arca Vita and Arca Assicurazioni (life and non-life bancassurance through the branches of BPER, Banca Popolare di Sondrio and other banks), SIAT (transport insurance) and DDOR (insurance company operating in Serbia). It also operates in the mobility, welfare and property ecosystems and manages significant diversified assets in the real estate, hotel (Gruppo UNA) and viticultural (Tenute del Cerro) sectors. The ordinary shares of Unipol Assicurazioni S.p.A. have been listed on the Italian Stock Exchange since 1990, and are also on the FTSE MIB® and MIB® ESG indexes.

### Unipol Group

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

**3 January 2025**

NOTE: On January 15, 2025, the press release was corrected as follows: The first sentence of the second paragraph was revised to reflect the correct effective merger date of 31 December 2024. Revised release follows:

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 31 December 2024. 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.

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For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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14 JAN 2025

## Fitch Rates Unipol Assicurazioni IFS 'A-', Upgrades Senior Debt to 'BBB+'

Fitch Ratings - Frankfurt am Main - 14 Jan 2025: Fitch Ratings has assigned Italian insurer Unipol Assicurazioni S.p.A.'s (formerly: Unipol Gruppo S.p.A.; Unipol) an Insurer Financial Strength (IFS) Rating of 'A-' (Strong), upgraded its senior notes to 'BBB+' from 'BBB', and removed the debt from Rating Watch Positive (RWP). At the same time, Fitch has affirmed Unipol's Long-Term Issuer Default Rating (IDR) at 'BBB+'. All Outlooks are Positive. A full list of rating actions is below.

The rating actions follow the completion of the merger by incorporation of the group's main operating UnipolSai Assicurazioni S.p.A. into the financial holding group, Unipol Gruppo S.p.A., which has subsequently been renamed to Unipol.

The upgrade of Unipol's senior debt reflects the stronger recovery assumptions for operating companies. Unipol's IFS Rating reflects the group's high, albeit declining, investment concentration in Italian sovereign debt, its leading position in the Italian non-life insurance sector and its very strong capitalisation.

Fitch has withdrawn the IFS and IDR of UnipolSai Assicurazioni S.p.A. as this entity no longer exists. Fitch will no longer provide ratings or analytical coverage for UnipolSai Assicurazioni S.p.A.

### Key Rating Drivers

**Intra-Group Merger Complete:** Unipol is the result of the of the group's main operating entity UnipolSai Assicurazioni S.p.A. and other unrated smaller entities, which was completed in December 2024. As a result, Fitch has upgraded Unipol's senior debt to reflect the stronger recovery assumptions for operating companies. Fitch expects the group's Solvency II ratio to remain broadly unaffected by the merger and cost synergies to be limited.

**Financial Leverage to Fall:** Fitch expects Unipol's FLR to sharply improve following the group's announcement that its EUR2.5 billion senior debt maturing in 2025-2030 will not be refinanced. The FLR improved to 24% at end-2023 from 27% at end-2022 on a higher capital base and we anticipate a material reduction to around 18% at end-1Q25.

**Very Strong Capitalisation:** Unipol's Solvency II coverage was very strong at 224% at end-9M24, up from 215% at end-2023. Unipol's capital, as measured by Fitch's Prism Global Model, was stable at 'Very Strong', based on end-2023 data prepared under IFRS17. Fair-value accounting of both assets and liabilities led to a higher capital base and Fitch included the contractual service margin (CSM) as available capital. We estimate Unipol's capitalisation to have remained very strong in 2024 and expect



this to continue in 2025.

**Reduced Investment Concentration Risk:** Fitch's assessment of Unipol's investment and asset risk is driven by the group's large, albeit reducing, exposure to Italian sovereign debt. Unipol's exposure to Italian sovereign debt creates large concentration risk and potential volatility in capital adequacy, which constrains the ratings.

The group's exposure to Italian sovereign bonds remained broadly unchanged at EUR17.5 billion at end-9M24, compared with EUR17.6 billion at end-2023 and EUR17.5 billion at end-2022, which corresponded to 1.6x the group's capital (consolidated shareholders' equity including the post-tax CSM). We expect Unipol's sovereign investments concentration risk to improve, albeit gradually.

**Leading Franchise in Italy:** Unipol is the largest motor and health underwriter in Italy and the European leader in the use of telematics in motor insurance. It also has a strong market position in the Italian life insurance sector. The group has a strong franchise and can exploit its pricing power and strong distribution capabilities through its network of agencies and bancassurance agreements.

## RATING SENSITIVITIES

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A downgrade of Italy's Long-Term Local-Currency IDR
- A permanent increase in Unipol's sovereign investment concentration risk to above 2x capital
- The Outlooks on Unipol's ratings may be revised to Stable if Italy's Outlook is revised to Stable and if the group does not redeem its senior debt and its FLR does not improve as a consequence

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

- A further sustained reduction in Unipol's sovereign investment concentration risk to well below 1.5x capital
- A sustained improvement in Unipol's FLR to well below 20%, while maintaining very strong capitalisation
- An upgrade of Italy's Long-Term Local-Currency IDR

## 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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
UnipolSai Assicurazioni S.p.A.	LT IDR	WD	Withdrawn	BBB+ 
	LT IFS	WD	Withdrawn	A- 
Unipol Assicurazioni	LT IDR	BBB+ 	Affirmed	BBB+ 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
S.p.A.			
	LT IFS	A- 	New Rating
• senior unsecured	LT BBB+	Upgrade	BBB 
• senior unsecured	LT BBB+	Affirmed	BBB+
• subordinated	BBB-	Affirmed	BBB-
• subordinated	BB+	Affirmed	BB+

#### RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

#### Applicable Criteria

[Insurance Rating Criteria \(pub.04 Mar 2024\) \(including rating assumption sensitivity\)](#)

#### Additional Disclosures

[Solicitation Status](#)

#### Endorsement Status

Unipol Assicurazioni S.p.A. EU Issued, UK Endorsed

UnipolSai Assicurazioni S.p.A. EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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# Morningstar DBRS Upgrades Issuer Rating of Unipol Assicurazioni S.p.A. (formerly Unipol Gruppo S.p.A.) to A (high) and Removes It From Under Review With Positive Implications; Trend Reverts to Stable

## MORTGAGE INSURANCE

After the merger by incorporation of UnipolSai Assicurazioni S.p.A. (UnipolSai) into Unipol Gruppo S.p.A., DBRS Ratings GmbH (Morningstar DBRS) upgraded the Issuer Rating of Unipol Assicurazioni S.p.A. (Unipol or the Company, formerly known as Unipol Gruppo S.p.A.) to A (high) from BBB; all Trends revert to Stable. Morningstar DBRS also assigned a new Financial Strength Rating (FSR) of A (high) to Unipol Assicurazioni S.p.A. and discontinued the Issuer Rating and the FSR of UnipolSai Assicurazioni S.p.A. as the company no longer exists. These credit rating actions resolve the Under Review with Positive Implications (UR-Pos) status under which Unipol Gruppo S.p.A. was placed on February 23, 2024 (UR-Pos status was confirmed on July 17, 2024).

## KEY CREDIT RATING CONSIDERATIONS

The credit ratings take into account the completion of the merger by incorporation of UnipolSai with Unipol. As a result of the merger, Unipol became the main operating insurance company of the group.

Unipol's FSR continues to reflect the Company's strong market position in Italy, supported by sound product diversification and its extensive distribution network. While underwriting profitability deteriorated in 2023 because of the Company's exposure to catastrophe risk, Unipol maintained sound bottom-line profitability metrics. On the other hand, the Company's activities remain focused in Italy, and its risk profile is affected by the still-large, albeit decreasing, exposure to Italian government bonds. Unipol's strong franchise and excellent operational execution have contributed to consistent premiums generation in both the nonlife and life segments in recent years. The Company maintained high levels of regulatory capital and adequate levels of financial leverage.

Unipol's FSR is three notches above Morningstar DBRS' sovereign credit rating of BBB (high) with a Positive trend on the Republic of Italy (Italy) and falls within the four-notch credit rating differential allowed by Morningstar DBRS' "Global Methodology for Rating Insurance Companies and Insurance Organizations". This differential reflects Morningstar DBRS' view that, given healthy profitability, Unipol is likely to pay insurance claims even if the sovereign is under stress. In the event of a weakening sovereign, premium revenues will likely continue to be generated, providing steady cash flow and enabling the Company to meet its claims obligations.

## CREDIT RATING DRIVERS

The credit ratings would be upgraded over the longer term if Unipol materially improved its profitability, capital generation, and risk profile, together with an upgrade of the sovereign credit rating of the Republic of Italy.

Conversely, the credit ratings would be downgraded if there were a downgrade of the sovereign credit rating of the Republic of Italy due to the Company's substantial asset exposure and business concentration in the country. The credit ratings would also be downgraded if the Company's underwriting profitability or capitalisation were to materially deteriorate.

## CREDIT RATING RATIONALE



#### Franchise Building Block Assessment: Strong

Effective 31 December 2024, Unipol completed the merger by incorporation of the insurance operating entity UnipolSai with the former holding company Unipol Gruppo S.p.A. As a result of the merger, Unipol Gruppo S.p.A. changed its legal denomination to Unipol Assicurazioni S.p.A. Unipol is one of the leading insurance companies in Italy in both the nonlife and life segments. The Company's operating activity is concentrated in the domestic market where Unipol offers a wide range of insurance products, including mobility, home, personal, and professional protection, as well as savings and investment products. Unipol's leading market position is supported by its diversified multichannel distribution network, which counts on an extensive system of agents across the nation and a consolidated bancassurance partnership with two participating Italian banks, BPER Banca S.p.A. (BPER) and Banca Popolare di Sondrio S.C.p.A. (BP Sondrio).

#### Earnings Ability Building Block Assessment: Strong/Good

Unipol's earnings ability remains sound, supported by its leading market share in the Italian nonlife insurance market. The Company's direct insurance premiums increased by around 9% year over year in 9M 2024, supported by both nonlife and life segments. After deteriorating in 2023, largely because of the negative impact from large losses associated with adverse atmospheric events, the Company's underwriting profitability improved in 9M 2024 with the combined ratio improving to 93.9% from 99% in 9M 2023. The Company's average return on equity has remained in the low teens over the last three years.

#### Risk Profile Building Block Assessment: Good/Moderate

Notwithstanding the challenging operating environment, in Morningstar DBRS' view, Unipol maintains an adequate risk profile. Of note, in 2023, underwriting profitability in the nonlife segment deteriorated mostly because of adverse weather events and their related negative impacts in Italy during the year. Positively, the Company has fully and successfully implemented its repricing strategy in the motor business, which did not materially affect Unipol's client retention rates. In the life segment, Unipol has been significantly outperforming the market both in terms of premium growth and lapse risk. Unipol's exposure to Italian sovereign debt remained significant but decreased to approximately 30% of the total investment portfolio at the end of 9M 2024 from 50% at the end of 2019. However, while improving materially, the share of securities rated BBB within the Company's fixed-income portfolio was still high at 58% at the end of 2023 compared with 60% at the end of 2022.

#### Liquidity Building Block Assessment: Strong/Good

Unipol has a predictable claims profile and adequate holdings of highly liquid assets. While the Company's investment portfolio comprises mainly fixed-income securities that provide a source of readily marketable assets, Unipol's substantial holding of domestic bonds exposes the Company to any potential stressed market conditions. Moreover, exposure to natural catastrophic events adds certain claims' volatility.

#### Capitalisation Building Block Assessment: Good/Moderate

Morningstar DBRS' view of Unipol's capitalisation continues to reflect the Company's strong capital cushions, solid earnings generation capacity, and adequate leverage. Unipol's solvency capital requirement ratio on a consolidated basis (after the merger) remained robust at 224% at end-9M 2024, which compares favourably against domestic and international peers. However, it is below the 320% reported by UnipolSai at YE2023. Unipol's Solvency II ratio remains affected by the consolidation of the two banking subsidiaries, BPER and BP Sondrio. Excluding these banking subsidiaries, the overall Solvency II ratio for the insurance sector at the group level would be 286% at end-9M 2024. Notably, the leverage ratio will decrease significantly after the merger as the Company will let the senior bonds expire without replacement.

### ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

#### Environmental (E) Factors

The Environmental factor is considered relevant but does not affect the credit ratings or trends assigned to the Issuer. As part of its operations within the property and casualty insurance business, Unipol is exposed to climate and weather risks as well as natural catastrophic events in Italy, including earthquakes, wildfires, flooding, etc. Morningstar DBRS considers that the Issuer has adequate

procedures in place to assess and measure the impact of these risks on its operations and supports broader global actions that aim to minimise them. However, losses related to adverse weather events in Italy increased significantly in 2023, leading to a deterioration of Unipol's underwriting profitability.

Credit rating actions on the Republic of Italy are likely to have an impact on this credit rating. ESG factors that have a significant or relevant effect on the credit analysis of the Republic of Italy are discussed separately at <https://dbrs.morningstar.com/issuers/17689>.

The Social and Governance factors affect Unipol as the ESG factors for the Republic of Italy are passed-through given that the Company's credit ratings or trend would move along with the credit ratings or trend of the Sovereign (see credit rating drivers).

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (13 August 2024) at <https://dbrs.morningstar.com/research/437781>.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology is the Global Methodology for Rating Insurance Companies and Insurance Organizations (10 September 2024), <https://dbrs.morningstar.com/research/439195>. In addition, Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings, <https://dbrs.morningstar.com/research/437781> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for this credit rating include Morningstar, Inc. and company documents, UnipolSai's consolidated annual reports 2023-2018, UnipolSai's Solvency and Financial Condition Report 2023-2018, Unipol Gruppo's H124 consolidated interim financial report, Unipol Gruppo's 9M 2024 consolidated results, Unipol Gruppo 2023 Solvency and Financial Condition Report, Unipol Gruppo integrated consolidated financial statements 2023-2018, Unipol Gruppo's annual reports 2023-2018, and Unipol Gruppo's investor presentations and press releases. Morningstar DBRS considers the information available to it for the purposes of providing this credit rating to be of satisfactory quality.

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The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/445860>.

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## Ratings

### Unipol Assicurazioni S.p.a.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
15-Jan-25	Issuer Rating	Name Change	BBB	Stb	<b>EU</b> <b>U</b>
15-Jan-25	Issuer Rating	Upgraded	A (high)	Stb	<b>EU</b> <b>U</b>
15-Jan-25	Financial Strength Rating	New Rating	A (high)	Stb	<b>EU</b> <b>U</b>

### UnipolSai Assicurazioni S.p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
15-Jan-25	Financial Strength Rating	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
15-Jan-25	Issuer Rating	Disc.-W/ drwn	Discontinued	--	<b>EU</b>

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