Best's Credit Rating Effective Date
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Best's Credit Rating Methodology

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Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A.

AMB #: 085618
Ultimate Parent: AMB # 086684 - Unipol Gruppo S.p.A.

Best's Credit Ratings

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A- Excellent	**a-** Excellent
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strong**
Operating Performance	**Adequate**
Business Profile	**Neutral**
Enterprise Risk Management	**Appropriate**

Rating Rationale

Balance Sheet Strength: Strong

- Very Strong level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR). The catastrophe-stressed BCAR is at an adequate level due to the high level of capital requirement associated with reinsurance receivables following an extreme loss.
- Good liquidity profile, with liquid assets representing approximately 124% of net technical liabilities at year-end 2019.
- Material investment exposure to Italian sovereign debt, measuring 52% of investments and 104% of capital and surplus.
- High level of reinsurance dependence, partially mitigated by the excellent credit quality of the reinsurance panel and long-standing relationships with reinsurers.

Operating Performance: Adequate

- Negative underwriting result during 2019, in line with that of 2018, due to higher-than-expected losses. Underwriting performance expected to improve in 2020, with a projected combined ratio below 100% supported by strongly improving rates for marine insurance.
- Excluding the last two years, the company has shown a long track record of operating profits, with a good balance of underwriting and investment earnings.
- Despite weak technical performance in 2018 and 2019, SIAT reports consistent profits as a result of income from its real estate and bond portfolios.

Business Profile: Neutral

- Strong reputation as a niche specialist insurer in the marine hull and cargo segments, where SIAT maintains a defensible market position in Italy.
- Well integrated within the UnipolSai group, which cedes a large share of its marine business to SIAT and delegates the management of its marine risk portfolio.
- Well-established direct and indirect distribution channels, with further synergies expected to be established with the agency network of its parent, UnipolSai Assicurazioni S.p.A. (UnipolSai).

Enterprise Risk Management: Appropriate

- SIAT's risk management capabilities are viewed as aligned with its risk profile.
- Risk management centralised at the group level, with UnipolSai setting appetite and tolerance levels for the company.
- Developed management framework that benefits from stringent controls and regulatory requirements.

Rating Lift/Drag

- The ratings of SIAT reflect its importance to, and integration into the operations of, UnipolSai.
- SIAT's market position within the marine market makes it a valuable asset for UnipolSai, improving the group's overall profile.
- In line with the group's risk framework, UnipolSai has not required a dividend from SIAT for the fiscal years 2018 and 2019 to support the subsidiary's solvency position.

Outlook

- The stable outlooks reflect the expectation that the company's risk-adjusted capitalisation, as measured by the Best Capital Adequacy Model, will remain at least at the Very Strong level, supported by a good and stable level of underwriting profitability and access to good quality specialist business.

Rating Drivers

- A prolonged significant deterioration in the company's performance could put downward pressure on the ratings.
- Negative pressure could arise if risk-adjusted capitalisation were to deteriorate materially due, for instance, to a decline in the value of invested assets.

- A positive rating action could follow a sustained improvement in underwriting performance over the medium to long term.
- A negative rating action on SIAT could take place following a negative rating action on UnipolSai or UnipolSai's failure to support SIAT, if need be.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	**95.0**	**99.0**	**99.5**	**99.6**
BCAR Score	57.0	35.6	23.2	19.6

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	**2019 EUR (000)**	**2018 EUR (000)**	**2017 EUR (000)**	**2016 EUR (000)**	**2015 EUR (000)**
Net Premiums Written:					
Non-Life	43,607	43,809	45,763	40,640	38,520
Composite	43,607	43,809	45,763	40,640	38,520
Net Income	809	119	5,051	5,779	5,099
Total Assets	434,337	430,164	396,336	365,976	383,432
Total Capital and Surplus	61,418	61,228	64,980	64,638	61,423

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	**2019 EUR (000)**	**2018 EUR (000)**	**2017 EUR (000)**	**2016 EUR (000)**	**2015 EUR (000)**	**Weighted 5-Year Average**
Profitability:						
Balance on Non-Life Technical Account (EUR 000)	-924	-546	5,032	5,681	5,659	...
Net Income Return on Revenue (%)	1.8	0.3	10.7	13.3	12.7	7.6
Net Income Return on Capital and Surplus (%)	1.3	0.2	7.8	9.2	8.5	5.4
Non-Life Combined Ratio (%)	102.1	101.3	88.7	86.1	85.1	92.9
Net Investment Yield (%)	1.7	2.0	1.9	2.0	1.9	1.9
Leverage:						
Net Premiums Written to Capital and Surplus (%)	71.0	71.6	70.4	62.9	62.7	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

SIAT's balance sheet strength is underpinned by risk-adjusted capitalisation at the very strong level, as measured by Best's Capital Adequacy Ratio (BCAR), and good liquidity. Offsetting rating factors include the company's investment concentration in Italian government bonds and its high dependence on reinsurance to write large risks. In addition, the company's catstressed BCAR scores are at an adequate level, driven by a sizeable gross PML. Considering all these factors, Siat's balance sheet assessment has changed from very strong to strong.

BCAR scores presented under the Best's Capital Adequacy Ratio Summary section of this report are based on the year-end 2019 audited financial statements of the company.

Capitalisation

SIAT's risk-adjusted capitalisation, as measured by Standard BCAR, shifted from an assessment of "strongest" at year-end 2017 to an assessment of "very strong" at year end 2018 and remained at the same level at year end 2019. However, it is projected to return to the strongest level by year-end 2020. Capital adequacy deteriorated due to a significant increase in credit risk as a result of a temporary escalation in reinsurance recoverables.

Balance Sheet Strength (Continued...)

Note that the "very strong" BCAR assessment was derived from the combination of a "very strong" standard BCAR score and an "adequate" stressed BCAR score. In 2020, Siat's BCAR assessment is projected to remain at the "very strong" level, limited by an adequate score on the stressed BCAR.

Prior to 2018, capital adequacy benefitted from shareholders' funds growing at an annual compound rate of 3% over the period 2013-2017, underpinned by a stable level of internal capital generation. Over this period the company managed to strengthen its capital base over time despite sizeable dividends paid to its parent company. In 2018, however, shareholders' funds fell by EUR 3.8 million, due to the difference between dividends distributed during 2018 (in respect of 2017 fiscal year) and 2018 results, and remained stable in 2019, due to the low level of profit..

SIAT relies heavily on reinsurance to write large value risks, which increases its exposure to counterparty credit risk. However, this is partially mitigated by the excellent credit quality of its reinsurance panel and the long-standing relationships established with them.

The company reported a SCR ratio of 147% at year-end 2019 (2018: 143%), resulting from own funds of EUR 64 million against capital requirements of EUR 43 million.

SIAT benefits from good financial flexibility, which stems from the relatively small size of its capital base when compared to that of the group and from having no financial leverage. Following the deterioration in the company's solvency position, the group did not require dividends for fiscal years 2018 and 2019, which should allow SIAT's capital and surplus to increase progressively during 2020.

Capital Generation Analysis	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Beginning Capital and Surplus	59,063	62,918	62,672	59,548	57,030
Net Income	89	325	5,186	6,164	5,368
Stockholder Dividends	...	-4,180	-4,940	-3,040	-2,850
Net Change in Capital and Surplus	89	-3,855	246	3,124	2,518
Ending Capital and Surplus	59,152	59,063	62,918	62,672	59,548
Net Change in Capital and Surplus (%)	0.2	-6.1	0.4	5.2	4.4

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2019	2018	2017	2016	2015
Liquid Assets to Total Liabilities	27.5	27.3	34.0	36.4	32.7
Total Investments to Total Liabilities	32.6	32.4	39.8	42.5	38.2

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

As at year-end 2019, SIAT had an investment split of: 79% fixed-income (2018: 80%), 16% real-estate (16%), 4% cash and deposits (3%), 1% mutual funds (1%) and a negligible share invested in loans, unquoted bonds and inter-company investments.

SIAT is materially exposed to Italian government bonds, which accounted for approximately 66% of its fixed-income portfolio and 52% of its total investments at year-end 2019. However, market risk related to spread volatility is relatively low compared to other Italian insurers due to the short maturity of its portfolio.

A material share of investments is in real estate holdings, which are represented by SIAT's headquarters in Genova (Italy). Part of the building is rented out to other businesses.

SIAT maintains a good liquidity profile with liquid assets accounting for 124% of net technical liabilities at year-end 2019. Risk management practices, including periodical liquidity stress tests, mitigate liquidity risk.

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Total Cash and Invested Assets (EUR 000)	121,389	119,680	131,906	128,205	123,142
Cash (%)	4.2	3.1	2.1	3.6	6.3
Bonds (%)	79.1	80.1	82.3	81.0	78.2
Equity Securities (%)	1.0	1.0	0.9	1.0	1.0
Real Estate, Mortgages and Loans (%)	15.6	15.7	14.5	14.4	14.4
Total Cash and Unaffiliated Invested Assets (%)	99.9	99.9	99.9	99.9	100.0
Investments in Affiliates (%)	0.1	0.1	0.1	0.1	...
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Reserve development up to 2016 indicates a conservative approach to reserving.

SIAT business is not significantly exposed to catastrophe risk as the non-marine/property component of the business is negligible and well-diversified geographically.

Operating Performance

Operating performance

In 2019, SIAT reported pre-tax profits of EUR 1.1 million (2018: EUR 0.5 million) (adjusted by AM Best for extraordinary income and expenses) and a modest return on equity ratio (ROE) of 1.3% (0.2%), significantly below its five-year average ROE of 5.4% (2014-2018) (As calculated by AM Best).

During 2019, non-technical earnings were partially offset by technical losses. However, SIAT has a long track record of operating profits, with a good balance of technical and non-technical earnings. Investment returns outweighed underwriting profits in the past two years, becoming the major contributor to overall results.

AM Best expects SIAT to report a ROE in the low single digits in 2020.

Underwriting performance

SIAT generated underwriting losses of EUR 0.9 million in 2019, (2018: EUR 0.5 million loss) (As calculated by AM Best). Underwriting performance heavily deteriorated year-on-year, the company reported a 2019 combined ratio of 102,1%, which compares negatively with its five-year average CR of 92.7% (2015-2019).

In 2019, the company's loss ratio remained at a relatively high level, in line with the previous year. The deterioration in the company's underwriting performance during the past two years has arisen from its hull book. The company's cargo business continues to show profitable and stable results.

Despite 2018 and 2019 results, AM Best expects SIAT to generate a combined ratio below 100% prospectively, which is more in line with the results achieved during the period (2015-2017). SIAT is well placed to take advantage of an emerging hard market for marine risks, following the withdrawal of significant capacity from this market. We expect that the company will be able to achieve price increases at renewal resulting in an improved technical margin.

Investment performance

In 2019, SIAT achieved net investment earnings of approximately EUR 2.3 million, as calculated by AM Best, with a net investment return ratio of 1.9% (2018: 1.5). Investment profits derived mainly from interest on fixed-income securities (principally Italian government bonds) and real estate lease income.

Operating Performance (Continued...)

Financial Performance Summary	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Pre-Tax Income	1,137	502	7,177	8,733	7,781
Net Income after Non-Controlling Interests	809	119	5,051	5,779	5,099

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2019	2018	2017	2016	2015
Overall Performance:					
Return on Assets	0.2	...	1.3	1.5	1.3
Return on Capital and Surplus	1.3	0.2	7.8	9.2	8.5
Non-Life Performance:					
Loss and LAE Ratio	76.2	75.7	58.3	57.7	62.7
Expense Ratio	25.9	25.5	30.4	28.4	22.4
Non-Life Combined Ratio	102.1	101.3	88.7	86.1	85.1

Source: BestLink® - Best's Financial Suite

Business Profile

SIAT is a subsidiary of UnipolSai, which holds a 94.7% share of the company. SIAT was created in 1967 as a marine specialist insurer. In 2006, the company became the transportation hub for Fondiaria-SAI, one of the largest Italian insurers at that time. It is now a subsidiary of UnipolSai following the merger of Fondiaria-SAI into the Unipol group.

SIAT has a strong reputation as a specialist marine insurer. It is a leading player in the Italian hull and cargo segments, and has well-established ties with major international ship owners and shipping companies. The company represents UnipolSai's underwriting hub for marine business due to its specialist knowledge in underwriting, surveying and claims handling of marine risks in the hull and cargo segments. An offsetting factor is the small size of SIAT relative to peers with limited diversification by line of business.

SIAT solely writes marine risks that relate to the hull and cargo insurance segments and a small portfolio of aviation risks. Its book of business comprises ship-owners, shipyards, pleasure craft owners, a variety of niches related to the cargo portfolio, including traders, multimodal operators, terminal operators and fine arts and general aviation and AeroSpace. In 2019, the company reported gross written premiums (GWP) of EUR 160 million (2018: EUR 148 million), with 69% coming from hull (66%), 29% from cargo (32%) and 2% coming from aviation (2%). According to ANIA's report on the italian insurance market in 2019, SIAT ranked first in the hull segment with a 34.7% (at group level 36.6%) share. In the cargo segment SIAT ranked fourth with a share of 7.59% (at group level second with 12.7%). Whilst its portfolio is concentrated by business line, SIAT has managed to leverage its strong expertise in marine insurance to generate healthy results through market cycles.

SIAT's portfolio is well-diversified geographically, with approximately 59% of its 2019 GWP stemming from overseas interests (including Italian companies operating internationally). This reduces the correlation of performance with the economic conditions of Italy. The majority of international business relates to SIAT's hull portfolio, while cargo business is primarily sourced from Italy.

The company has a well-established independent distribution channel of brokers and foreign agencies, which sourced approximately 85% of its 2019 GWP. The remaining share was represented by indirect business written through the wider distribution network of UnipolSai. SIAT leverages the presence of its agencies in France (two), Germany and Belgium to expand its global interests, which are mainly focused on Greece, Turkey, France and Germany.

In 2019, GWP increased by 7.6%, with growth partially offset by the company's thorough revision of its hull and cargo portfolios. Growth primarily derived from the hull business. From 2019, the company has been benefiting from hardening conditions in the hull market, due to the significant drop in capacity in the international hull market from the end of 2018.

SIAT's penetration in the Italian insurance market is likely to be strengthened by the creation of more synergies with UnipolSai's agency network.

Business Profile (Continued...)

Geographical Breakdown of Gross Premium Written	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Belgium	...	...	6,139	4,752	4,684
Germany	12,202	5,579	5,124	5,607	4,257
Italy	147,574	142,905	134,821	122,495	112,989
Total Europe	159,776	148,484	146,084	132,854	121,930
Total	159,776	148,484	146,084	132,854	121,930

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

SIAT's risk management capabilities are considered appropriate for its risk profile.

The company's risk framework is in line with that of the UnipolSai, which adopts a holistic approach to risk management and sets out specific policies that are then adopted by individual group companies. The risk management, actuarial, internal audit and compliance functions are centralised at the group level. SIAT benefits from the group's effort to create a more integrated approach to risk management and improve the technological infrastructure across all subsidiaries. Specific risk appetites, tolerances and capacity for the company are defined by the group risk management function and validated by SIAT's board of directors.

SIAT maintains a rigorous approach to the identification, assessment and control of risks. Liquidity and capital adequacy are closely monitored and stress tests are run to confirm the sensitivity to fluctuations in Italian bonds rates, equity markets, inflation, catastrophe losses and the overall combined ratio, and counterparty default.

SIAT reported a SCR ratio, as per Solvency II standard formula, of 147% at year-end 2019. The SCR ratio improved by 4 points from 2018. Own funds increased mainly by a positive variation in IFRS net equity, higher than the negative variation of fair value adjustment, while SCR remained in line with the previous year.

Reinsurance Summary

SIAT heavily relies on reinsurers to write a number of large-value risks. The risk of high reinsurance costs following major losses is partly mitigated by the company's long-term relationships with its reinsurance panel. In addition, credit risk is partly tempered by the good credit quality of SIAT's reinsurers. As at 2019 year end, 99% of the company's reinsurance recoverables were due from counterparties with an AM Best FSR of "A-" or above.

SIAT has proportional reinsurance programmes in place for both its hull and cargo lines of business. In addition, an excess of loss programme is in place to reduce the company's exposure to major claims and accumulations between hull and cargo. Residual risks are placed by means of facultative insurance. The company's reinsurance programme has effectively controlled volatility in the company's net results over recent years. This is demonstrated by a significantly lower volatility in net technical profit than in gross technical profit.

Rating Lift/Drag

Siat receives one notch of lift to its parent, Unipolsai, which brings Siat's rating in line with that of its parent.

SIAT represents UnipolSai's underwriting hub for marine business due to its specialist knowledge in underwriting, surveying and claims handling of marine risks in the hull and cargo segments. The company is well-integrated within UnipolSai and its claims management standards have been progressively aligned with those of the group following the merger in 2014.

Siat benefits from enhanced financial flexibility as part of the Unipol group. Following the drop in the SCR ratio in 2018, UnipolSai has not required a dividend from SIAT for the fiscal years 2018 and 2019, which should allow SIAT's capital and surplus to increase progressively during 2020.

Siat's financial flexibility also derives from the relatively small size of its capital (EUR 61 million) (reported under ITA local GAAP) when compared to UnipolSai (EUR 5.8 billion) (reported under IFRS). Therefore it would not be difficult for UnipolSai to provide financial support should it be needed.

Financial Statements

Balance Sheet	12/31/2019 EUR (000)	%	12/31/2019 USD (000)
Cash and Short Term Investments	5,122	1.2	5,737
Bonds	96,040	22.1	107,565
Equity Securities	1,224	0.3	1,371
Other Invested Assets	19,003	4.4	21,283
Total Cash and Invested Assets	121,389	27.9	135,956
Reinsurers' Share of Reserves	222,676	51.3	249,397
Debtors / Amounts Receivable	86,704	20.0	97,108
Other Assets	3,568	0.8	3,996
Total Assets	434,337	100.0	486,457
Unearned Premiums	57,435	13.2	64,327
Non-Life - Outstanding Claims	247,866	57.1	277,610
Total Gross Technical Reserves	305,301	70.3	341,937
Other Liabilities	67,618	15.6	75,732
Total Liabilities	372,919	85.9	417,669
Capital Stock	38,000	8.7	42,560
Other Capital and Surplus	23,418	5.4	26,228
Total Capital and Surplus	61,418	14.1	68,788
Total Liabilities and Surplus	434,337	100.0	486,457

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.12 = 1 Euro (EUR)

Income Statement	Non-Life EUR (000)	Life EUR (000)	Other EUR (000)	12/31/2019 Total EUR (000)	12/31/2019 Total USD (000)
Gross Premiums Written	159,776	...	...	159,776	178,949
Net Premiums Earned	43,291	...	...	43,291	48,486
Net Investment Income	...	...	2,051	2,051	2,297
Realized capital gains / (losses)	...	...	596	596	668
Unrealized capital gains / (losses)	...	...	-384	-384	-430
Total Revenue	43,291	...	2,263	45,554	51,020
Benefits and Claims	32,991	...	...	32,991	36,950
Net Operating and Other Expense	11,224	...	202	11,426	12,797
Total Benefits, Claims and Expenses	44,215	...	202	44,417	49,747
Pre-Tax Income	-924	...	2,061	1,137	1,273
Income Taxes Incurred	...	...	...	328	367
Net Income before Non-Controlling Interests	...	...	...	809	906
Net Income/(loss)	...	...	...	809	906

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.12 = 1 Euro (EUR)

Related Methodology and Criteria

Best's Credit Rating Methodology, 03/05/2020

Catastrophe Analysis in A.M. Best Ratings, 10/13/2017

Available Capital & Holding Company Analysis, 10/13/2017

Scoring and Assessing Innovation, 03/05/2020

Understanding Universal BCAR, 06/11/2020