FitchRatings

Insurance
Composite Insurers
Italy

# Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A.

## Ratings

**Unipol Gruppo S.p.A.**

| | |
|---|---|
| Long-Term IDR | BBB |

**UnipolSai Assicurazioni S.p.A.**

| | |
|---|---|
| Insurer Financial Strength | BBB+ |
| Long-Term IDR | BBB |

Note: See additional ratings on page 9.

## Outlooks

| | |
|---|---|
| Insurer Financial Strength | Stable |
| Long-Term IDRs | Stable |

## Financial Data

**Unipol Gruppo S.p.A.**

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Total assets | 78,571.2 | 75,112.3 |
| Total equity and reserves | 9,525.3 | 8,304.6 |
| Total gross written premiums | 11,866.5 | 13,905.7 |
| Net income | 864.1 | 1,086.6 |

Note: Reported on a yearly basis
Source: Fitch Ratings; Unipol Gruppo S.p.A.

## Applicable Criteria

Insurance Rating Criteria (April 2021)

## Related Research

Italian Insurance Dashboard: 2020 Results (April 2021)

Italian Motor Insurers Prepare for Pandemic Price War (March 2021)


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## Key Rating Drivers

**Reduced Exposure to Italian Assets:** The upgrade of the ratings of Unipol Gruppo S.p.A. (Unipol Gruppo) and UnipolSai Assicurazioni S.p.A. (UnipolSai; together Unipol) reflects the group's reduced, albeit still high, exposure to Italian debt. Unipol reduced its exposure to EUR26 billion, or 2.8x consolidated shareholders' equity, of Italian sovereign debt at end-2020 and further decreased it to EUR25.5 billion (2.6x) at 1Q21, (end-2019: 3.5x), as a result of a publicly announced de-risking initiative to protect the solvency capital from Italian government spreads.

However, Unipol's reduced risky assets were more than offset by Fitch Ratings' downgrade of Italy in April 2020, which, under Fitch's *Insurance Rating Criteria*, led to a deterioration of the group's risky assets ratio to 156% as at end-2020 (2019: 141%).

**Capitalisation Is Very Strong:** Unipol's capitalisation, as measured by Fitch's Prism Factor-Based Capital Model (Prism FBM), improved to 'Very Strong' at end-2020 from 'Strong' in 2019, due to very strong retained earnings. Fitch expects Unipol's Prism FBM score to remain stable in 2021. Unipol's Solvency II coverage ratio was also very strong and improved to 216% at end-2020, albeit slightly decreasing to 210% at 1Q21, from 187% at end-2019.

**Moderate Financial Leverage:** Fitch views Unipol's financial leverage ratio (FLR) as moderate for the ratings. In 2020, the FLR remained stable at 35% (2019: 35%), despite the issuance of a EUR1 billion senior unsecured green bond by Unipol Gruppo and EUR500 million restricted Tier 1 (RT1) notes by UnipolSai in 2H20. Unipol's FLR improved to 32%, as per Fitch's expectations, following the reimbursement of senior and subordinated notes totalling EUR873 million in 1H21.

**Strong Underlying Insurance Profitability:** Fitch assesses Unipol's profitability as strong. The Fitch-calculated combined ratio improved to 87% in 2020 (93% in 2019), benefiting from significantly reduced claims frequency during lockdown in Italy. Fitch expects Unipol's underlying and net profitability to decline slightly in 2021 as mobility recovers, but to remain strong and above pre-pandemic levels.

**Strong Franchise in Italy:** Unipol is the largest motor underwriter in Italy and the leader in the use of telematics in motor insurance. Unipol 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.

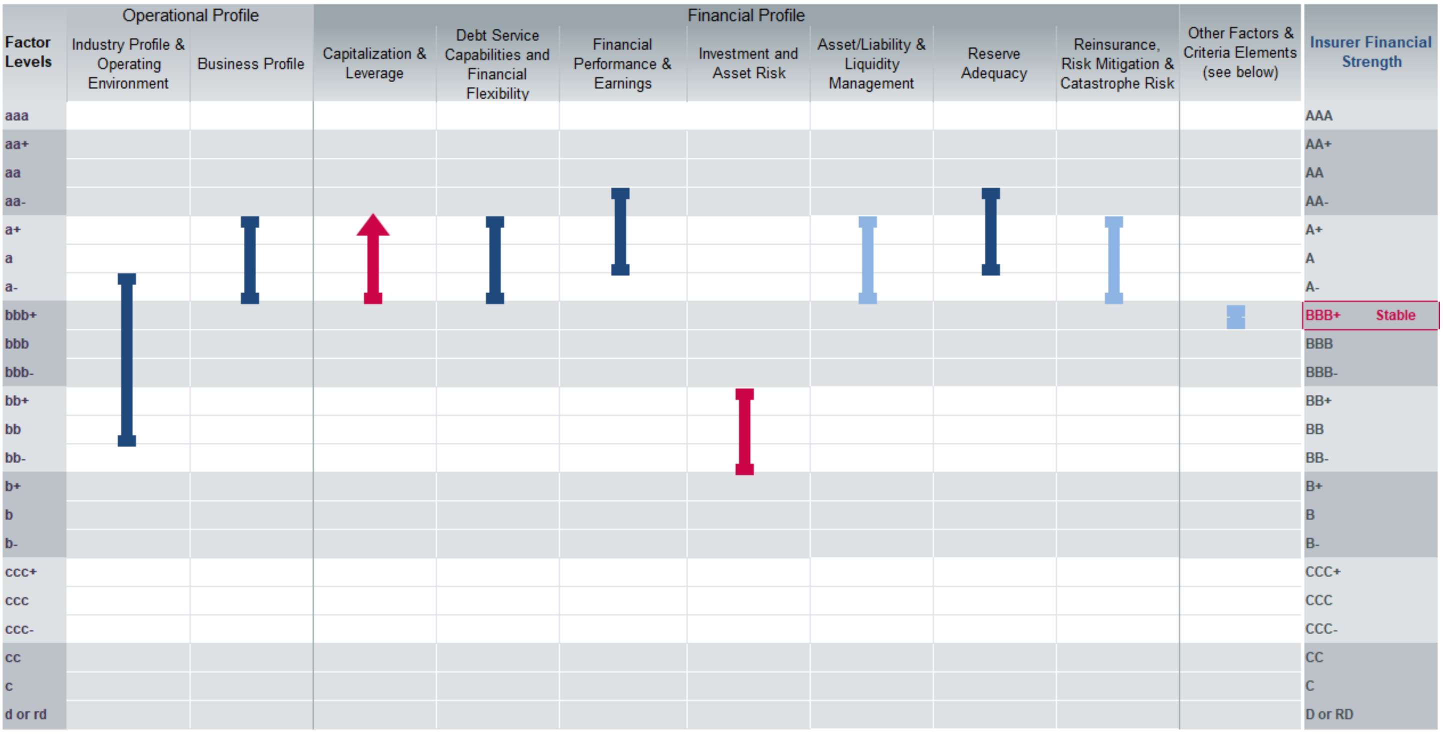
## Rating Sensitivities

**Italian Sovereign Rating:** Unipol's ratings could be downgraded by one to two notches if Italy's sovereign rating was downgraded by one notch. Unipol's ratings could be upgraded by one notch if Italy's sovereign rating was upgraded by one notch.

**Sovereign Exposure:** Unipol's ratings could be upgraded if Unipol reduced its exposure to Italian sovereign debt to below 2.0x consolidated shareholders' equity on a sustained basis. Unipol's ratings could be downgraded if Unipol increased its exposure to Italian sovereign debt to above 3.5x consolidated shareholders' equity on a sustained basis.

**Weaker Capital or Leverage:** Unipol's ratings could be downgraded if the Prism FBM score fell to the lower range of 'Strong' or the FLR weakened to above 40% on a sustained basis.

## Key Credit Factors – Scoring Summary




| Other Factors & Criteria Elements | | | | |
|---|---|---|---|---|
| **Provisional Insurer Financial Strength** | | | | BBB+ |
| Non-Insurance Attributes | Positive | **Neutral** | Negative | +0 |
| Corporate Governance & Management | **Effective** | Some Weakness | Ineffective | +0 |
| Ownership / Group Support | Positive | **Neutral** | Negative | +0 |
| Transfer & Convertibility / Country Ceiling | Yes | **No** | AA | +0 |
| **Insurer Financial Strength (IFS)** | | | Final: | BBB+ |
| IFS Recovery Assumption | **Good** | | | -1 |
| **Issuer Default Rating (IDR)** | | | Final: | BBB |

### Bar Chart Legend

| | |
|---|---|
| Vertical Bars = Range of Rating Factor | |
| Bar Colors = Relative Importance | |
| Higher Influence | |
| Moderate Influence | |
| Lower Influence | |
| Bar Arrows = Rating Factor Outlook | |
| ⇧ Positive | ⇩ Negative |
| ⇳ Evolving | ▫ Stable |

## Latest Developments

- Unipol's capitalisation and financial leverage improved in 2020. These combined effects led to an increase of its capitalisation and leverage score to 'a' from 'a-'.
- Unipol's fixed-charge coverage improved in 5M21 following the scheduled reimbursement of EUR562 million subordinated notes. This led to an increase of the group's debt service capabilities and financial flexibility score to 'a' from 'a-'.
- Unipol reduced its exposure to Italian sovereign debt in 2020 and 1Q21, which led to an increase of the investment and asset risk score to 'bb' from 'bb-'.

### Peer Comparison

Click here for a report that shows a comparative peer analysis of key credit factor scoring.

### Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

## Business Profile

### Strong Franchise in Italy Supports Rating

Fitch considers Unipol's business profile as 'most favourable'. The group has a well-diversified business mix and is the largest non-life player in Italy, with a market share of 21% by premiums in 2020. Unipol also has a leading position in life insurance with a 4% market share in 2020 – and is the market leader in health insurance with a market share of 23%. In Italy, Unipol has a strong franchise and can exploit its comprehensive distribution capabilities through its agency network, bancassurance agreements and direct channels.

Unipol is the largest motor underwriter in Italy and is a leader in the use of telematics in motor insurance, with more than 4 million black boxes (devices that track driving behaviour) being installed in vehicles by 2020. Telematics is core to Unipol's strategy to improve pricing, claims handling and customer satisfaction. We view Unipol's leadership in telematics as a key competitive advantage.

In February 2020, Unipol signed an agreement with Intesa Sanpaolo S.p.A. (IDR: BBB-/Stable) in relation to the acquisition of BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.'s existing business from Unione di Banche Italiane S.p.A., which recently merged into Intesa Sanpaolo S.p.A.). We believe this will improve Unipol's market share and increase diversification.

### Diversified Product Mix

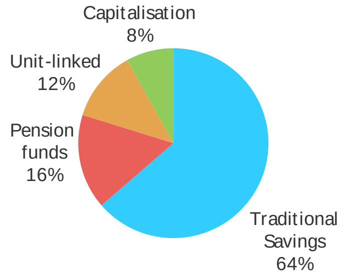
Unipol has a well-balanced and diversified product mix. Consolidated non-life premiums totalled EUR7.9 billion in 2020 (2019: EUR8.5billion), while life premiums were EUR4.3 billion (2019: EUR5.8 billion).

In non-life, Unipol's motor business still accounts for 51% of premiums underwritten. Unipol aims to increase the share of non-motor premium income through new products and good underlying growth in accident and health. In life insurance, traditional savings products remain Unipol's core offering, representing 63% of life premiums in 2020 (2019: 64%). Guarantees on new business are set at close to 0%. Unipol also distributes unit-linked products, emphasising hybrid products (a mixture of traditional savings and unit-linked products) and savings policies that simultaneously meet clients' demands for safety and that are capital-light.

## Ownership

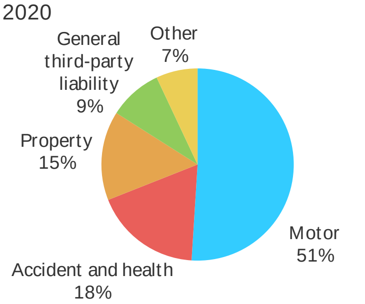
Unipol Gruppo is a publicly traded company and UnipolSai's ultimate holding company. Its shares are listed on the Milan Stock Exchange; it had a market capitalisation of EUR3.9 billion at end-2020. Coop Alleanza 3.0 (22.2%) and Holmo S.p.A. (6.665%) are Unipol's largest shareholders. UnipolSai, Unipol Gruppo's main insurance operating entity, is also listed on the Milan Stock Exchange. Unipol Gruppo held 84.35% of UnipolSai's shares at end-2020.

**Premium Split Life**
2020




Source: Fitch Ratings, Unipol

**Premium Split Non-Life**
2020



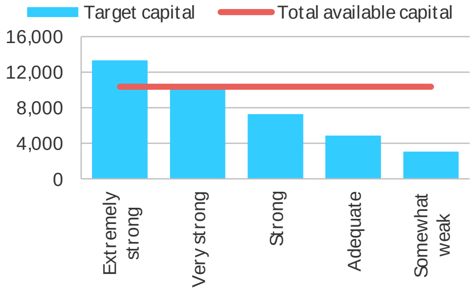

Source: Fitch Ratings, Unipol

## Capitalisation and Leverage

### Very Strong Capitalisation, Moderate Leverage

Unipol's Prism FBM score, based on end-2020 financials, improved to 'Very Strong' (end-2019: 'Strong'). The improvement is due to Unipol's strong 2020 earnings and the Italian government's debt investment de-risking initiative. Unipol's consolidated Solvency II ratio was 216% at end-2020 and 210% at 1Q21 (end-2019: 187%). The ratio is calculated using a partial internal model.

**Capitalisation Adequacy**
PRISM FBM




Source: Fitch Ratings

**Financial Highlights**

| | 2020 | 2019 |
|---|---|---|
| Prism FBM score | Very Strong | Strong |
| Prism total AC currency | 10,383 | 9,376 |
| Prism AC/TC at prism score (%) | 102 | 131 |
| Prism AC/TC at higher prism score (%) | 78 | 96 |

AC – Available Capital, TC – Target Capital
Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch views Unipol's financial leverage as moderate for its ratings with an FLR of 35% at end-2020 (end-2019: 35%), lowering to 32% at end-May 2021 as the group completed the scheduled early reimbursement of two subordinated notes totalling EUR562 million with maturities in June 2021 and July 2023, respectively, as well as of two senior notes totalling EUR311 million. This is part of the group's debt management plan.

### Fitch Expectations

- Fitch expects Unipol's capitalisation, both in terms of Prism FBM score and solvency coverage, to remain very strong in 2021.
- Fitch expects Unipol's FLR to remain stable in 2021.

## Debt Service Capabilities and Financial Flexibility

### Strong Coverage and Adequate Financial Flexibility

Fitch views Unipol's coverage ratio as commensurate with its current ratings with or without realised and unrealised gains and losses. Fitch believes that Unipol's credit profile is adequate to access the debt markets, as shown by its record of subordinated and senior debt issuances. In September 2020, Unipol took advantage of favourable market conditions to issue EUR1 billion senior unsecured green notes to finance Green Eligible Projects as per the issuer's green bond framework and to improve the cash position to repay outstanding debt. Unipol also issued EUR500 million RT1 notes in October 2020.

In 1H21, Unipol reimbursed two subordinated notes totalling EUR562 million with maturities in June 2021 and July 2023, respectively. Unipol maintained EUR1.5 billion of cash at the holding company level at end-2020.

### Fitch Expectations

- Fitch expects no changes in Unipol's financing structure.

**Financial Highlights**

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| TFC/total equity | 0.5 | 0.5 |
| Net leverage (x) | 3.5 | 4.1 |
| Gross leverage (x) | 3.7 | 4.4 |
| Asset leverage | 13.5 | 15.4 |
| Regulatory capital ratio (%) | 215.9 | 182.3 |
| Net financial leverage (goodwill supported) | 35.3 | 35.1 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A.

**Financial Highlights**

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Fixed-charge coverage ratio (excluding gains and losses) | 6.8 | 6.2 |
| Fixed-charge coverage ratio (including realised and unrealised gains) | 7.1 | 8.7 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A.

**Debt Maturities**

| As of end-May 2021 | (EURm) |
|---|---|
| 2021 | 611 |
| 2022 | 80 |
| 2023 | 342 |
| 2024 | 750 |
| 2025 | 1,000 |
| 2027 | 500 |
| 2028 | 500 |
| 2030 | 1,500 |
| **Total** | **5,283** |

Note: First call year shown for perpetual bonds.
Source: Fitch Ratings; Unipol Gruppo S.p.A.

## Financial Performance and Earnings

### Very Strong Technical Profits

In 2020, Unipol improved its Fitch-calculated combined ratio in the non-life business to 87% (2019: 93%), driven by the significant drop in claims frequency following the implementation of coronavirus-related restrictive measures in Italy. In April 2020, Unipol launched a discounting initiative to support its motor customer base consisting in a one-month discount at policy renewal. This improved Unipol's motor insurance retention rate, while only marginally affecting new premiums. Written premiums decreased in 2020 by 3.6%, broadly in line with the overall market decreasing by 2.3%, with the motor business driving the decline (-7.0% vs 2019). This trend was driven by the discounting initiative as well as by the coronavirus-related restrictions on mobility throughout 2020.

In the life sector, Unipol reported a decrease in premiums by 26% compared with 2019, which was, in part, due to the effects of the pandemic and, in part, as a result of a prudent commercial strategy aimed at reducing the level of minimum guarantees of its savings business. This was primarily driven by a significant decrease in traditional savings premiums, only in small part offset by an increase in unit-linked products. Unipol further cut the minimum average guarantee on traditional products by 28bp to 113bp, leading to the spread reducing by 16bp to 203bp. This reduces balance-sheet risk and improves the profitability of the life segment.

### Fitch Expectations

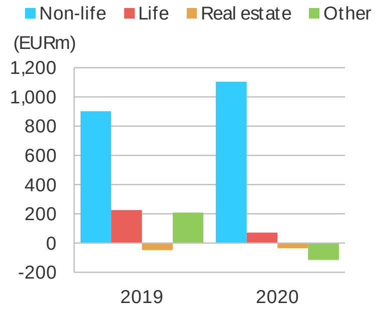
- Fitch expect Unipol to maintain a strong profitability in 2021, fuelled by low, but slightly increasing, claims frequency.

### Financial Highlights

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Net income return on equity (%) | 9.9 | 15.4 |
| Pre-tax operating profit return on equity (%) | 15.0 | 17.5 |
| Pre-tax operating ROA (including realised and unrealised gains) (%) | 1.6 | 1.9 |
| Net combined ratio (%) | 87.1 | 93.2 |
| Operating ratio (%) | 82.4 | 82.7 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A.

### Reported Profit Before Tax




Source: Fitch Ratings, Unipol

## Investment and Asset Risk

### Reduced Italian Asset Risk

Fitch views Unipol's investment policy as prudent, with 82% of the investment portfolio invested in good-quality fixed-income instruments at end-2020. The quality of Unipol's asset allocation is affected by its high, but reducing, exposure to Italian sovereign debt, which equalled EUR26.2 billion at end-2020 (2019: EUR28.7 billion, 2018: EUR25 billion) or 2.8x consolidated shareholders' equity (2019: 3.5x, 2018: 4.0x). Unipol further decreased its exposure to Italian debt to EUR25.5 billion (2.6x) at 1Q21. The decrease in exposure to Italian sovereign debt is part of a publicly announced de-risking plan aimed at protecting the group's solvency capital from government spreads. The still high exposure to Italian debt reflects the group's strong market position in Italy, but means that any deterioration in Italy's creditworthiness could significantly erode the group's capital.

Unipol's risky assets ratio, which measures the ratio between the company's risky assets and its shareholders' capital, deteriorated to 156% at end-2020 (end-2019: 141%), following Fitch's downgrade of Italy's sovereign rating to 'BBB-'/Stable from 'BBB'/Negative in April 2020. This increase was due to the higher portion of Unipol's sovereign debt used in the ratio calculation, according to Fitch's *Insurance Rating Criteria*. Unipol's risky assets ratio slightly improved to 146% at 1Q21 following further de-risking on Italian debt and the growth in shareholders' equity.

### Fitch Expectations

- Fitch expects Unipol to maintain a prudent investment policy, although exposure to Italian debt will remain significant.

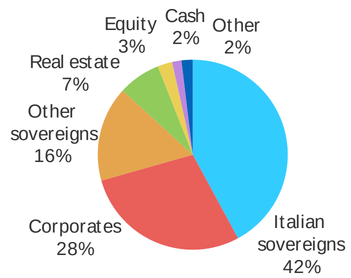
### Financial Highlights

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Risky assets/capital (total) | 155.6 | 140.6 |
| Unaffiliated shares/capital (total) (%) | 16.3 | 26.5 |
| Non investment-grade bonds/capital (total) (%) | 32.3 | 33.8 |
| Investments in affiliates/capital (total) (%) | 5.9 | 6.0 |
| Sovereign investments to capital ratio (%) | 275.6 | 345.9 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A.

### Investment Portfolio

2020




Source: Fitch Ratings, Unipol

## Asset/Liability and Liquidity Management

### Low Liquidity and Interest-Rate Risk

Unipol's liquidity is adequate, with 96% of technical reserves invested in bonds. The liquidity is adequate given the composite nature of the business and it allows the group to meet cash calls should there be higher surrender rates or spikes in non-life claims. Low interest rates are a risk for Unipol's business, as in-force life reserves carry financial guarantees. However, minimum guarantees on new sales are close to 0% and the legacy portfolios with higher guarantees are gradually running off. Unipol reduced the average of its minimum guarantees to 1.13% as at end-2020 (end-2019: 1.25%).

### Fitch Expectations

- Fitch expects Unipol to maintain a highly liquid investment portfolio.
- Fitch expects the minimum guarantees to fall further in 2021.

### Financial Highlights

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Liquid assets/net technical reserves - excluding unit linked (total) (%) | 95.7 | 89.4 |
| Liquid assets/net technical reserves (total) (%) | 96.1 | 90.7 |
| Total liquid assets/non-life loss reserves (%) | 495.4 | 421.6 |
| Duration gap | 0.6 | 0.8 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A..

## Reserve Adequacy

### Strong Reserving Practice

Fitch views the non-life reserve adequacy of Unipol as strong. Reserve experience has been positive for the past five years. Reserve leverage relative to capital and to incurred losses is a key element of Unipol's reserving profile due to its exposure to long-tail lines such as motor third-party liability and general liability. Fitch views the non-life reserve adequacy of Unipol as strong. The ratio of technical reserves/premiums was 177% at end-2020, a level that Fitch views as prudent given Unipol's business mix.

Fitch considers Unipol's approach to reserving as adequate. The group uses generally accepted actuarial methods for projecting ultimate losses and calculating reserves for claims incurred, but not yet reported. The analysis of the outstanding reserve development triangles in 2020 will have a positive development equivalent to 3.3% of equity (2019: 4.6%).

### Fitch Expectations

- Fitch expects Unipol to maintain adequate reserving levels to meet its insurance obligations.

### Financial Highlights

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Reserve development/prior year capital (%) | -3.3 | -4.6 |
| Reserve development/net earned premium (%) | -3.6 | -3.8 |
| Net technical reserves/net written premiums (%) | 177.1 | 176.4 |
| Net technical reserves/net earned premium (%) | 178.6 | 180.5 |
| Net loss reserves/incurred losses (x) | 2.5 | 2.2 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A..

## Reinsurance, Risk Mitigation and Catastrophe Management

### Reinsurance and Risk Management Adequate

Fitch views Unipol's reinsurance programme as comprehensive and adequate for its ratings. The credit quality of Unipol's reinsurers is high, as cover is provided by reinsurers mostly (about 87%) rated 'A-' or above. Fitch views the group's credit risk in this area to be limited.

Fitch views Unipol's reinsurance programme as comprehensive. In particular, the group makes use of reinsurance to protect the motor and property books against any large increase in claims. Reinsurance operations are centralised to realise synergies and economies of scale. Unipol's reinsurance strategy is supported by UnipolRe Riassicurazioni, a company that offers reinsurance services to medium-sized and large companies based in Europe. This provides Unipol with first-hand intelligence on developments of rates and coverage within the reinsurance sector.

### Fitch Expectations

- Fitch expects Unipol's reinsurance programme and risk-management practices to remain adequate.

### Financial Highlights

| (EURm) | 31 Dec 20 | 31 Dec 19 |
|---|---|---|
| Reinsurance recoverables/capital (%) | 8.2 | 12.3 |
| Net written premiums/gross written premiums (%) | 94.6 | 94.7 |
| Reinsurers' share of earned premiums (%) | 5.5 | 5.3 |

Note: Reported on a yearly basis.
Source: Fitch Ratings; Unipol Gruppo S.p.A..

## Appendix A: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

### Group IFS Rating Approach

Unipol Gruppo is the holding company of the Unipol group. All group data is consolidated at this level. UnipolSai is the main operating entity of the Unipol group and, therefore, is viewed as core to the group under Fitch's *Insurance Rating Criteria*. Its IDR is aligned with the implied IDR of the group as a whole.

### Notching

For notching purposes, Fitch views the regulatory environment of Italy as being 'Effective', and classified as following a Group Solvency approach.

### Notching Summary

**IFS Ratings**

A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS 'anchor' rating to the implied operating company IDR.

**Operating Company Debt**

Not applicable.

**Holding Company IDR**

Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.

**Holding Company Debt**

A baseline recovery assumption of 'Below Average' was applied to Unipol's senior unsecured debt. Standard notching relative to the IDR was used.

**Hybrids**

For the dated subordinated notes XS1784311703 and for the perpetual subordinated notes XS1078235733 issued by UnipolSai, a baseline recovery assumption of 'Below Average' and a non-performance risk assessment of 'Moderate' were used. A notching of '2' was applied relative to the IDR, which was based on '1' for recovery and '1' for non-performance risk.

For the perpetual subordinated RT1 notes XS2249600771 issued by UnipolSai, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. A notching of '4' was applied relative to the IDR, which was based on '2' for recovery and '2' for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

### Rated Unipol Gruppo S.p.A. Insurance Entities

UnipolSai Assicurazioni S.p.A. IFS: 'BBB+', IDR: 'BBB'

IFS: Insurer Financial Strength
IDR: Long-Term Issuer Default Rating
Source: Fitch Ratings

### Short-Term Ratings

Not applicable.

### Hybrid – Equity/Debt Treatment

### Hybrids Treatment

| Hybrid | Amount | CAR Fitch (%) | CAR reg. override (%) | FLR debt (%) |
|---|---|---|---|---|
| **UnipolSai** | | | | |
| Perpetual subordinated debt (XS1078235733) | 750 | 0 | 100 | 100 |
| Dated subordinated debt (XS1784311703) | 500 | 0 | 100 | 100 |
| Perpetual subordinated debt (XS2249600771) | 500 | 0 | 100 | 0 |

CAR – Capitalization ratio: FLR – Financial leverage ratio. n.a. – not applicable.
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and after the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio.
Source: Fitch Ratings

## Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

## Transfer and Convertibility Risk (Country Ceiling)

None.

## Criteria Variations

None.

## Appendix B: Environmental, Social and Governance Considerations

### Environmental (E)

| General Issues | E Score | Sector-Specific Issues | Reference | E Scale |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 1 | n.a. | n.a. | 5 |
| Energy Management | 1 | n.a. | n.a. | 4 |
| Water & Wastewater Management | 1 | n.a. | n.a. | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 2 | Underwriting/reserving exposed to asbestos/hazardous materials risks | Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk | 2 |
| Exposure to Environmental Impacts | 3 | Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations | Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk | 1 |

### Social (S)

| General Issues | S Score | Sector-Specific Issues | Reference | S Scale |
|---|---|---|---|---|
| Human Rights, Community Relations, Access & Affordability | 1 | n.a. | n.a. | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk | Industry Profile & Operating Environment; Business Profile; Reserve Adequacy | 4 |
| Labor Relations & Practices | 2 | Impact of labor negotiations, including board/employee compensation and composition | Corporate Governance & Management | 3 |
| Employee Wellbeing | 1 | n.a. | n.a. | 2 |
| Exposure to Social Impacts | 3 | Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations | Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk | 1 |

### Governance (G)

| General Issues | G Score | Sector-Specific Issues | Reference | G Scale |
|---|---|---|---|---|
| Management Strategy | 3 | Operational implementation of strategy | Corporate Governance & Management; Business Profile | 5 |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions | Corporate Governance & Management | 4 |
| Group Structure | 3 | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership | Corporate Governance & Management; Ownership | 3 |
| Financial Transparency | 3 | Quality and timing of financial reporting and auditing processes | Corporate Governance & Management | 2 |
| | | | | 1 |

## ESG Considerations

The highest level of ESG credit relevance, if present, 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 to 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.

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