

# Bit Market Services

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Oggetto : S&P innalza lo Stand-Alone Credit Profile di Cattolica a bbb+ e conferma il rating di Cattolica a BBB- outlook stabile

*Testo del comunicato*

Vedi allegato.

## COMUNICATO STAMPA

### **S&P innalza lo *Stand-Alone Credit Profile* di Cattolica a bbb+ e conferma il rating di Cattolica a BBB- outlook stabile**

Verona, 29 luglio 2015. In data odierna Standard & Poor's ha confermato il rating di Cattolica a BBB- e l'*outlook* stabile.

Il rating rimane limitato da quello della Repubblica Italiana, secondo quanto previsto dai criteri dell'agenzia.

L'*outlook* si conferma stabile e riflette l'andamento dei trend economici e finanziari del mercato italiano.

S&P alza invece lo *Stand-Alone Credit Profile* (SACP) di Cattolica da bbb a bbb+.

L'agenzia prende atto sia del miglioramento del profilo di rischio finanziario del Gruppo, che si attesta ora ad un livello "Più che adeguato", sia della riconfermata stabilità del profilo di rischio del *business*, che rimane "Soddisfacente" anche grazie ad un "Forte" posizionamento competitivo sul mercato italiano.

SOCIETÀ CATTOLICA DI ASSICURAZIONE

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Research Update:

## Italy-Based Insurer Societa Cattolica di Assicurazione 'BBB-' Ratings Affirmed; Outlook Stable

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### Table Of Contents

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Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria And Research

Ratings List

## Research Update:

# Italy-Based Insurer Societa Cattolica di Assicurazione 'BBB-' Ratings Affirmed; Outlook Stable

## Overview

- We expect a durable change in Cattolica's life insurance product mix, combined with more robust property/casualty reserving practices and greater capital management discipline as it prepares for Solvency II implementation.
- We therefore forecast that Cattolica's capital requirements for 2015-2017 will grow more slowly than we previously thought and that its capital adequacy will remain in the upper adequate range. Accordingly, we are revising up the indicative stand-alone credit profile to 'bbb+'.
- We are affirming our 'BBB-' long-term rating on Cattolica, as it is limited by the sovereign rating on Italy, under our criteria for rating above the sovereign.
- The stable outlook reflects that on Italy.

## Rating Action

On July 29, 2015, Standard & Poor's Ratings Services affirmed its 'BBB-' counterparty credit and financial strength ratings on Italian insurer Societa Cattolica di Assicurazione (Cattolica). The outlook is stable.

We also affirmed our 'BB' rating on Cattolica's subordinated debt issue.

## Rationale

We now expect Cattolica's growth to be less capital-intensive than we previously forecast, making it more likely to preserve the level of capital adequacy it reached at end-2014. We have thus revised upward our opinion of Cattolica's prospective capital and earnings and its financial risk profile to upper adequate. The revision is based on Cattolica's changes to its life market strategy; more-robust property/casualty (P/C) reserving practices; and improved capital management discipline, implemented to comply with the Solvency II framework.

We are revising Cattolica's indicative stand-alone credit profile (SACP) to 'bbb+' from 'bbb' as we combine our view of the improved financial risk profile with an unchanged view of the satisfactory business risk profile.

As bond yields have declined, reducing the attractiveness of traditional products, and following the introduction of Solvency II, the Italian life

insurance market, including Cattolica, has focused on increasing the proportion of unit-linked products in its policies, including through hybrid policies. To further accelerate the shift, Cattolica has also raised the pricing of its traditional policies.

In our view, Cattolica has made significant progress in strengthening its P/C loss reserves; it no longer presents any material deficiencies in its P/C reserves. The portfolio of third-party liability contracts has been restructured and Cattolica has better control over claims, even if further marginal strengthening may occur.

Based on these improvements, we now incorporate an 11% increase in capital requirements until 2017, reflecting premium growth and a slight increase in asset allocation to properties and equities. Under our base-case scenario, we expect the group to report a rising net profit (after minority interests) of €110 million to €140 million between 2015 and 2017. Our base-case scenario also incorporates a dividend payout ratio of 60% of group net profits after minorities.

Under our criteria, an entity that has an indicative SACP above our sovereign rating on the country where the entity has a material domestic investment exposure would need to pass an hypothetical sovereign default stress test to be rated above the sovereign (see "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013). The ratings on Cattolica are therefore constrained by those on Italy.

We consider Cattolica is unlikely to pass the test, given its high domestic investment exposure, relative to regulatory capital. As of Dec. 31, 2014, Cattolica had about €12 billion in Italian government securities, which would represent about 6x the company's shareholders' equity.

## **Outlook**

The stable outlook mirrors that on Italy, reflecting Cattolica's very large domestic asset exposure relative to its capital. Any rating action on the sovereign could lead to a similar action on Cattolica.

### **Upside scenario**

We could raise the ratings on Cattolica if we were to raise our ratings on Italy, which would indicate our view of lower sovereign risk.

### **Downside scenario**

We could lower the ratings if we were to lower our ratings on Italy.

## Ratings Score Snapshot

	To	From
Financial Strength Rating	BBB-/Stable	BBB-/Stable
Anchor	bbb+	bbb
Business Risk Profile	Satisfactory	Satisfactory
ITCRA*	Moderate Risk	Moderate Risk
Competitive Position	Strong	Strong
Financial Risk Profile	Upper Adequate	Lower Adequate
Capital & Earnings	Upper Adequate	Lower Adequate
Risk Position	Intermediate Risk	Intermediate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate	Adequate
Management & Governance	Satisfactory	Satisfactory
Holistic Analysis	0	0
Liquidity	Exceptional	Exceptional
Sovereign risk	-2	-1
Support	0	0
Group Support	0	0
Government Support	0	0

\*Insurance Industry And Country Risk Assessment

## Related Criteria And Research

### Related Criteria

- Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013
- Group Rating Methodology, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

*Research Update: Italy-Based Insurer Societa Cattolica di Assicurazione 'BBB-' Ratings Affirmed; Outlook Stable*

## **Ratings List**

### **Ratings Affirmed**

<b>Societa Cattolica di Assicurazione</b>	
Counterparty Credit Rating	BBB-/Stable/--
Financial Strength Rating	BBB-/Stable/--
Subordinated	BB

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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