

## FITCH UPGRADES UNIPOL GROUP RATINGS: UNIPOLSAI AT A-

Bologna, December 13<sup>th</sup> 2021

The rating agency Fitch Ratings has upgraded the Insurer Financial Strength Rating of UnipolSai Assicurazioni S.p.A. to “A-” from “BBB+” following the upgrade of Italy’s rating (BBB / Stable Outlook) on December 3<sup>rd</sup>. Consequently, the Issuer Credit Rating of Unipol Gruppo S.p.A. was upgraded to “BBB+” from “BBB”. The Group's debt ratings have also been upgraded by 1 notch:

- Unipol Group S.p.A. senior debts are now at "BBB";
- UnipolSai Assicurazioni S.p.A. subordinated debts are now at "BBB-";
- UnipolSai Assicurazioni S.p.A. perpetual RT1 debt is now at "BB".

The rating agency outlook of the ratings remains “stable”.

The full text of the press release issued by Fitch Ratings is attached.

### Unipol Gruppo S.p.A.

Unipol is one of the biggest insurance groups in Europe and the leading company in Italy in the non-life insurance sector, (especially in the MV and health businesses), with total premiums of approximately €12.2bn, of which €7.9bn in non-Life and €4.3bn in life (2020 figures). Unipol adopts an integrated offer strategy and covers the entire range of insurance and financial products, operating primarily through the subsidiary UnipolSai Assicurazioni S.p.A. The Group is also active in direct MV insurance (Linear Assicurazioni), transport and aviation insurance (Siat), health insurance (UniSalute), supplementary pensions and also covers the bancassurance channel (Arca Vita, Arca Assicurazioni and Incontra). It also manages significant diversified assets in the debt collection (UnipolReC), real estate, hotel (Gruppo UNA), medical-healthcare and agricultural (Tenute del Cerro) sectors. Unipol Gruppo S.p.A. is listed on the Italian Stock Exchange.

### UnipolSai Assicurazioni S.p.A.

UnipolSai Assicurazioni S.p.A. is the insurance company of the Unipol Group, Italian leader in the Non-Life Business, in particular in the MV and Health businesses. Also active in Life Business, UnipolSai has a portfolio of over 10 million customers and holds a leading position in the national ranking of insurance groups with a direct income amounting to approximately €12.2bn, of which €7.9bn in Non-Life Business and €4.3bn in Life Business (2020 figures). The company has the largest agency network in Italy, with about 2,400 insurance agencies spread across the country. UnipolSai is also active in direct MV insurance (Linear Assicurazioni), transport and aviation insurance (Siat), health insurance (UniSalute), supplementary pensions and also covers the bancassurance channel (Arca Vita, Arca Assicurazioni and Incontra). It also manages significant diversified assets in the real estate, hotel (Gruppo UNA), medical-healthcare and agricultural (Tenute del Cerro) sectors. UnipolSai Assicurazioni is a subsidiary of Unipol Gruppo S.p.A. and is also listed on the Italian Stock Exchange.

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13 DEC 2021

## Fitch Upgrades UnipolSai's IFS to 'A-' on Sovereign Upgrade; Outlook Stable

Fitch Ratings - Frankfurt am Main - 13 Dec 2021: Fitch Ratings has upgraded Unipol Gruppo S.p.A.'s and UnipolSai Assicurazioni S.p.A.'s (the group's primary insurance subsidiary, together Unipol) Long-Term Issuer Default Ratings (IDRs) to 'BBB+' from 'BBB'. Fitch has also upgraded UnipolSai's Insurer Financial Strength (IFS) rating to 'A-' (Strong) from 'BBB+' (Good). The Outlooks are Stable. A full list of rating actions is at the end of this commentary.

### Key Rating Drivers

The upgrades follow the upgrade of Italy's sovereign rating by Fitch to 'BBB' from 'BBB-' (see "Fitch Upgrades Italy to 'BBB'; Outlook Stable", published 3 December 2021, at [www.fitchratings.com](http://www.fitchratings.com)). Unipol's credit quality is highly linked to Italy's sovereign rating given the group's exposure to Italian sovereign debt. The Stable Outlook reflects that on Italy's sovereign rating.

The ratings reflect Unipol's reduced, although still high, asset concentration risk, following the reduction in the group's exposure to Italian sovereign debt in 2020. The ratings also reflect improvement to Unipol's capitalisation in 2020 - despite the adverse and volatile business and capital-market conditions caused by the coronavirus pandemic - as well as Unipol's strong profitability, moderate leverage and 'most favourable' business profile among rated peers.

The sovereign upgrade is captured in Fitch's assessment of Unipol's investment risk via its Sovereign Investment Concentration Risk factor. Unipol significantly reduced its holdings of Italian bonds to 2.8x consolidated shareholders' equity at end-2020, and this was further decreased to 2.6x at end-1Q21. Unipol's risky assets ratio (RAR), which measures the ratio of risky assets to capital, slightly improved to 146% at 1Q21 from 156% at end-2020. Following Italy's upgrade, it improved again to 105%. Fitch considers a portion of an insurer's exposure to 'BBB' category sovereign investments as risky assets. As a result of Italy's upgrade, this portion has decreased to 30% from 50%, as per Fitch's insurance criteria.

Fitch has increased Italy's score for "Industry Profile and Operating Environment" (IPOE) and, as a result, Unipol's assessment for "Company Profile", both defined under the agency's insurance criteria. This follows Italy's upgrade. The increase of Italy's IPOE score reflects Italy's reduced economic and country risks. The "Company Profile" scoring is tethered to the IPOE score to reflect our assessment of country risk.

### RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A reduction in Unipol's exposure to Italian sovereign debt to below 2.0x consolidated shareholders' equity and a Prism FBM score in the high range of 'Very Strong' (end-2020: 'Very Strong'), both on a sustained basis.

--A one-notch upgrade of Italy's Long-Term Local-Currency IDR.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A one-notch downgrade of Italy's Long-Term Local-Currency IDR.

--A sustained increase in Unipol's exposure to Italian sovereign debt to above 3.0x consolidated shareholders' equity.

--A decrease in Unipol's Prism FBM score to the lower range of 'Strong', or the FLR weakening to above 35%, on a sustained basis.

### **Best/Worst Case Rating Scenario**

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

### **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**

Unless otherwise disclosed in this section, the highest level of ESG credit relevance 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 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](http://www.fitchratings.com/esg)

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**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
UnipolSai Assicurazioni S.p.A.	LT IDR	BBB+ ●	Upgrade	BBB ●
	Ins Fin Str	A- ●	Upgrade	BBB+ ●
• subordinated		BBB-	Upgrade	BB+
• senior unsecured	LT	BBB+	Upgrade	BBB

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• subordinated	BB	Upgrade	BB-
Unipol Gruppo S.p.A.	LT IDR BBB+ 	Upgrade	BBB 
• senior unsecured	LT BBB	Upgrade	BBB-

#### RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

#### Applicable Criteria

[Insurance Rating Criteria \(pub.26 Nov 2021\) \(including rating assumption sensitivity\)](#)

#### Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 [\(1\)](#)

#### Additional Disclosures

[Solicitation Status](#)

#### Endorsement Status

Unipol Gruppo S.p.A.

EU Issued, UK Endorsed

UnipolSai Assicurazioni S.p.A.

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