

## RATING ACTION COMMENTARY

# Fitch Affirms Groupama at IFS 'A+' and Groupama Italy at IFS 'A'; Outlooks Stable

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Fitch Ratings - Frankfurt am Main - 09 Dec 2024: Fitch Ratings has affirmed Groupama Assurances Mutuelles' (Groupama) and its core subsidiaries' Insurer Financial Strength (IFS) Ratings at 'A+' and Issuer Default Ratings (IDR) at 'A'. Fitch has also affirmed Groupama's Italian subsidiary Groupama Assicurazioni S.p.A.'s (Groupama Italy) IFS Rating at 'A' and IDR at 'A-'. The Outlooks on both IFS Ratings and IDRs are Stable.

The affirmations reflect Groupama's 'Very Strong' company profile and its 'Strong' capitalisation and 'Moderate' leverage.

## KEY RATING DRIVERS

**'Very Strong' Company Profile:** Fitch ranks Groupama's company profile as 'Very Strong', reflecting its position as one of the largest composite insurance groups in France with a strong, well-established, diversified franchise across several life and non-life business lines. Groupama sources about 15% of its revenue and operating income from its international business, which includes operations in Italy, Romania, Hungary, Bulgaria and Greece.

**'Strong' Capitalisation, 'Moderate' Leverage:** Groupama's capitalisation is a rating strength. The group's very strong Solvency II (S2) ratio slightly deteriorated to 190% at end-1H24 from 197% at end-2023, both without transitional measures, due mostly to the redemption of EUR871 million undated subordinated Tier 1 grandfathered notes in May 2024. The S2 ratios including transitional measures were 249% and 267% for end-1H24 and end-2023, respectively. Fitch's Prism Global model was unchanged at 'Very Strong' at end-2023. We expect its capitalisation to remain strong at end-2024.

Groupama's Fitch-calculated financial leverage ratio (FLR) fell to 19% at end-2023 from 21% at end-2022. We expect the ratio to have slightly improved after the redemption of the Tier 1 grandfathered notes and the subsequent issue of EUR600 million restricted Tier 1 notes in July 2024.

**Strong Profitability:** Groupama's record of profitability, supported by diverse earning sources, underpins our assessment of its financial performance. Groupama's non-life combined ratio, as calculated by Fitch, improved to 96.5% in 2023 from 101.3% in 2022, driven by a lower loss ratio both in the French and international businesses as well as a higher discounting effect. Life and health operating earnings were broadly stable, supporting the group's profitability. Groupama's Fitch-calculated net income return-on-equity (ROE) was strong at 11% at end-2023.

Groupama reported declining earnings at end-1H24, with losses caused by the May-June 2024 social unrests in the Pacific island of New Caledonia and the recognition of additional reserves to better capture the seasonal fluctuation of claims' severity that was partly offset by strong life results. We expect Groupama's 2024 earnings to be able to absorb New Caledonia's losses.

**Moderate Investment Risk:** Fitch views Groupama's investment and asset risk as moderate and commensurate with its ratings, as measured by a risky-assets/capital ratio at 61.5% at end-2023. However, a material exposure to Italian sovereign bonds (BBB/Positive) adds potential volatility to the balance sheet.

**Strong Reserve Adequacy, Well-Managed ALM:** We view Groupama's reserve adequacy as strong. Non-life reserve releases were positive over the five years to end-2023. Fitch views Groupama's asset and liability management risk as well-managed, as reflected in a strong liquidity risk profile, a rather large duration gap (3.5 years on the life book) and a very low average guaranteed rate.

**Very Important Subsidiary:** Groupama Italy's rating reflects its ultimate 100% ownership by Groupama. It is classified as 'Very Important' to Groupama under Fitch's criteria, given the relative size of the Italian operations within the group, the common branding in Italy, as well as Groupama's expected commitment to the Italian market. Groupama Italy's IFS Rating benefits from a two-notch uplift from its standalone credit quality. The latter reflects a good company profile, strong capitalisation and moderate leverage, partly offset by its large exposure to Italian government bonds.

## RATING SENSITIVITIES

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

Groupama

--Deterioration in the capital position, as measured by the Prism score falling below 'Very Strong' on a sustained basis, or a group S2 ratio falling below 150% with limited prospects for recovery

--FLR rising above 27%

Groupama Italy

--A downgrade of Groupama's IFS Rating or an unfavourable change in Fitch's assessment of Groupama Italy's strategic importance to Groupama

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

Groupama

--Sustained improvements in profitability, as reflected in an ROE above 7% and a S2 ratio well above 200%

Groupama Italy

--An improvement in Fitch's assessment of Groupama Italy's strategic importance to Groupama to 'Core', which could be driven by several years of solid profitability and/or an improving competitive position in the Italian market

### **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>.

### **RATING ACTIONS**

ENTITY / DEBT ⇅

RATING ⇅

PRIOR ⇅

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Groupama Assurances Mutuelles	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		
subordinated	LT	BBB	BBB
subordinated	LT	BBB+	BBB+
subordinated	LT	A-	A-
Gan Assurances	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		
Groupama Assicurazioni S.p.A.	LT IDR	A- Rating Outlook Stable	A- Rating Outlook Stable
	Affirmed		
	LT IFS	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		
Groupama Gan Vie	LT IFS	A+ Rating Outlook Stable	A+ Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

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

## **APPLICABLE MODELS**

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

Prism Global (ex-U.S.) Model, v1.8.1 (1)

## ADDITIONAL DISCLOSURES

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Groupama Assicurazioni S.p.A.	EU Issued, UK Endorsed
Groupama Assurances Mutuelles	EU Issued, UK Endorsed
Groupama Gan Vie	EU Issued, UK Endorsed

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