



Fitch Revises Groupama's Outlook to Stable, Affirms IFS at 'A'

Fitch Ratings - Paris - 19 March 2020:

Fitch Ratings has revised the Rating Outlook on Groupama Assurances Mutuelles (Groupama) and core subsidiaries to Stable from Positive, while affirming their Insurer Financial Strength (IFS) Ratings at 'A' (Strong) and Long-Term Issuer Default Ratings (IDR) at 'A-'. A full list of rating actions is detailed below.

Key Rating Drivers

The revision of Groupama's Outlook to Stable is based on the significant uncertainty created by the global coronavirus pandemic, which has resulted in high levels of volatility in capital markets. This, in turn, has resulted in a sharp drop in interest rates, as well as significant variability in stock, bond and derivative prices. The combination will likely create some pressure on earnings and variability in capital levels of European life and composite insurers, the severity and duration of which is impossible at this time to predict, particularly for insurers with material exposure to life insurance risks such as Groupama. Fitch believes the totality of these conditions, along with our Negative Outlook on the French life insurance sector, no longer supports a Positive Outlook on the rating.

We expect Groupama's strong capitalisation at end-2019 to weaken in 2020 due to the effects of the pandemic. Groupama's Prism Factor-Based Model (FBM) score, which we estimate to have been 'Very Strong' at end-2019, would be negatively impacted in 2020. Group Solvency 2 ratio improved to 178% at end-2019 (end-2018: 167%) without transitionals but is more sensitive to changes in interest rates than its French peers. Financial leverage is expected to remain supportive of the rating, at around 27% at end-2019.

Fitch believes Groupama's business diversification in France, where the group holds important market positions in property & casualty (P&C), life and health, could mitigate to a certain extent the effects of the pandemic. However, its operations are mainly in France, and most of its international diversification is in Italy, which are countries heavily affected by the pandemic.

Groupama's asset risks could worsen in 2020, given a material exposure to Italian sovereign bonds (BBB/Negative) which is a source of potential volatility to the group's balance sheet. Exposure to equities, however, is lower than French peers'.

RATING SENSITIVITIES

Fitch will continue to monitor the potential impact of coronavirus on ratings, including development of appropriate base-case rating assumptions. Downward pressure could result if application of Fitch's base-case rating assumptions would indicate a pro-forma financial profile that falls outside of our sensitivities. These are:

-Deterioration in Groupama's capital position, as measured by a Prism FBM score falling to the lower end of the 'Strong' category, and

-Significant weakening of financial leverage, as reflected in the financial leverage ratio (FLR) rising above 32%.

A near-term revision to a Positive Outlook would hinge on a swift resolution of the coronavirus crisis, with minimal impact on the economy, which Fitch currently views as highly unlikely. Barring that, longer-term sensitivities that could collectively result in an upgrade include:

- A Prism FBM score improving to 'Very Strong' on a sustained basis, provided the Solvency 2 ratio remains above 160% and the FLR below 28%, and
- Sustainably strong operating performance, as evidenced by a combined ratio consistently below 99%.

ESG Considerations

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RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Groupama Assurances Mutuelles	LT IDR A- ● Affirmed	A- ⊕
	Ins Fin Str A ● Affirmed	A ⊕
subordinated	LT BBB Affirmed	BBB
Gan Assurances	Ins Fin Str A ● Affirmed	A ⊕
Groupama Gan Vie	Ins Fin Str A ● Affirmed	A ⊕

Additional information is available on www.fitchratings.com

Applicable Criteria

Insurance Rating Criteria (pub. 02 Mar 2020)

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