



RATING ACTION COMMENTARY

Fitch Revises Groupama's Outlook to Positive; Affirms at IFS 'A'

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Fitch Ratings - Paris - 21 Jun 2021: Fitch Ratings has revised Groupama Assurances Mutuelles' (Groupama) and core subsidiaries' Outlooks to Positive from Stable. At the same time, Fitch has affirmed their Insurer Financial Strength (IFS) Ratings at 'A' ('Strong') and Issuer Default Ratings (IDR) at 'A-'. A full list of rating actions is available below.

KEY RATING DRIVERS

The revision of Outlook to Positive reflects Fitch's expectations that Groupama will consolidate its strong capital position in 2021-2022, while maintaining a strong operating performance.

The affirmation primarily reflects Groupama's very strong business profile, and strong capitalisation and leverage. These strengths are partially offset by a sensitivity to interest-rate risk and Italian sovereign risk, which is higher than many of its peers'.

Groupama has a very strong business profile, due mostly to its notable positions in the French property and casualty (P&C), life, and health market. Our assessment is also underpinned by its diversified business mix, which helped mitigate the effects of the

coronavirus pandemic. Fitch ranks Groupama's business profile as 'Favourable' compared with that of other French insurance companies.

Fitch views Groupama as strongly capitalised for its ratings. Its Fitch's Prism Factor-Based Capital Model (Prism FBM) was unchanged at "Very Strong" at end-2020. Its reported Solvency II (S2) capital ratio, excluding transitional measures, was strong, albeit sensitive to interest rates, at 152% at end-2020 (end-2019: 178%). Including transitional measures, the regulatory ratio was 244% at end-2020.

Financial leverage ratio (FLR) as calculated by Fitch was unchanged at 26% at end-2020, which is within Fitch's criteria range for the 'A' rating category. We expect the ratio to remain below 30% in 2021.

Fitch views Groupama's investment and asset risk as low, due to a prudent investment strategy and the group's strong liquidity. However, our assessment is sensitive to Italy's ratings (BBB-/Stable). Exposure to Italian sovereign bonds, representing 80% of IFRS equity, adds potential volatility to the group's balance sheet.

Groupama has a record of stable, albeit low, profitability, which is consistent with its mutual status. For 2020, Groupama reported a weaker but still adequate set of results. We expect earnings to improve in 2021 and believe that it can achieve a combined ratio of 99% or better in 2021 and 2022.

Return on equity, as calculated by Fitch, was down at 1.9% in 2020 from 4.1% in 2019, which is lower than both Fitch's criteria range for the 'A' rating category and that of peers. The non-life combined ratio increased to 98.7% in 2020 from 97% in 2019. Diversified earnings helped mitigate Covid-19 related losses affecting primarily business-interruption insurance and protection.

RATING SENSITIVITIES

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

-- Prism FBM score remaining 'Very Strong', FLR below 30% and S2 ratio (excluding transitional measures) above 160% on a sustained basis.

-- Sustainably strong operating performance.

-- Stable investment risk.

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

-- The Outlook could be revised to Stable if the Prism FBM score falls to the lower-end of the "Very Strong" category.

-- The rating could be downgraded if the Prism FBM score falls to the lower end of the 'Strong' category.

-- FLR rising above 32% or a significant increase in investment risk could also lead to a downgrade.

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

RATING ACTIONS

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

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Insurance Rating Criteria \(pub. 15 Apr 2021\) \(including rating assumption sensitivity\)](#)**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**[Dodd-Frank Rating Information Disclosure Form](#)[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

Gan Assurances

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Groupama Assurances Mutuelles

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