

PRESS RELEASE

S&P affirms Cattolica's rating at BBB- outlook stable Stand-alone credit profile affirmed at bbb+

Verona, August 2nd, 2016. Today Standard & Poor's has affirmed Cattolica's rating at BBB- with a stable outlook.

S&P also affirmed Cattolica's stand-alone credit profile (SACP) at bbb+, two notches higher than its financial strength rating at BBB-, which is still constrained by that of Italy, as set out under S&P's criteria.

The outlook is affirmed stable and it reflects the Italian market economic and financial trends.

The agency acknowledges both the Group's financial risk profile, which remains at an "Upper adequate" level, and the reconfirmed stability of the business risk profile, which remains "Satisfactory" also thanks to a "Strong" competitive position within the Italian market and the well-diversified distribution networks.

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Societa Cattolica di Assicurazione

Local Currency

Credit

Rating: BBB-/Stable/--

Rationale

Business Risk Profile

- Strong competitive position in the Italian insurance sector, sustained by a 5.5% market share in the property/casualty (P/C) market, and well-diversified distribution and business.
- Concentration in the Italian insurance sector, which displays higher country risk than most Western European insurance sectors.

Financial Risk Profile

- Capital adequacy above the 'BBB' level, according to S&P Global Ratings' capital model, and a solid Solvency II ratio of above 190% at year-end 2015.
- Investment profile concentrated in Italian assets, mostly government bonds, and with limited exposure to high-risk assets.
- Adequate financial flexibility, supported by strong coverage and conservative leverage ratios, and a proven ability to access debt and capital markets.

Other Factors

- The rating on Societa Cattolica di Assicurazione (Cattolica) is limited by the long-term sovereign ratings on Italy because of the insurer's material investment exposure to Italian assets.
- The insurer's enterprise-risk management (ERM) and management and governance are neutral rating factors.
- Cattolica's liquidity is exceptional, owing to its highly liquid investment portfolio.

Outlook

The stable outlook on Societa Cattolica di Assicurazione (Cattolica) 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 upgraded Italy, which would indicate our view of lower sovereign risk.

Downside scenario

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

Related Criteria And Research

Related Criteria

- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, 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
- Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013

Related Research

- Ratings On Italy Affirmed At 'BBB-/A-3'; Outlook Stable, May 13, 2016

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