

# Bit Market Services

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Oggetto : Generali, Fitch upgrades rating to all notes

*Testo del comunicato*

sostituisce il precedente



26/08/2015  
PRESS RELEASE

## Generali, Fitch upgrades rating to all notes due to management action

- Group's IFS rating affirmed at A-, outlooks are stable, thanks to improvement of capital position and operating performance

Trieste – Fitch Ratings announced today that Generali's senior notes were upgraded to A- from BBB+, the €1bn 4.125% subordinated notes to BBB+ from BBB and all subordinated notes to BBB from BBB-.

At the same time, IFS (Insurer Financial Strength) rating of Generali and its core subsidiaries was affirmed at A-: Fitch said that the unconstrained IFS rating was upgraded to A from A-, but the application of a sovereign constraint (maximum one notch allowed above the Italian sovereign) kept the final level at A-. The outlooks are stable.

Fitch said that ratings reflects the improvement of Generali's capital position, the expectations that Generali's operating will continue to be strong and that the ongoing focus of the management will be to preserve capital and reduce financial leverage. Fitch considers Generali to have high financial flexibility, as demonstrated, for example, by pre-funding activities carried out during the last two years. The ratings also reflect Fitch's recently updated notching criteria for the insurance sector.

**Please find attached Fitch's original press release.**

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### THE GENERALI GROUP

The Generali Group is one of the largest global insurance providers with 2014 total premium income of €70 billion. With 78,000 employees worldwide serving 72 million insured persons in more than 60 countries, the Group occupies a leadership position on West European markets and an increasingly important place on markets in Central Eastern Europe and Asia.

## **FITCH UPGRADES GENERALI'S IDR TO 'A-'; AFFIRMS IFS AT 'A-'; OUTLOOK STABLE**

Fitch Ratings-Frankfurt/London-26 August 2015: Fitch Ratings has upgraded Assicurazioni Generali SpA's (Generali) Long-term Issuer Default Rating (IDR) to 'A-' from 'BBB+' and affirmed the Insurer Financial Strength (IFS) ratings for Generali and its core subsidiaries at 'A-'. The Outlooks are Stable.

Fitch has also upgraded Generali's senior notes to 'A-' from 'BBB+', EUR1bn 4.125% subordinated notes to 'BBB+' from 'BBB' and all other subordinated notes to 'BBB' from 'BBB-'. A full list of rating actions is at the end of this commentary.

The ratings reflect Fitch's recently updated notching criteria for the insurance sector, published on 14 July 2015. The updated notching criteria appear in Section VI of the insurance master criteria report 'Insurance Rating Methodology'.

The upgrade of the IDR reflects the upgrade of the unconstrained IFS as well as the change in the application of the sovereign constraint, which now is applied as the last step in the ratings process. No rating can exceed the sovereign constraint, which Fitch has set at 'A-' for Generali, one notch higher than the sovereign rating of Italy (BBB+). The unconstrained IFS rating of Generali and its core subsidiaries is 'A', and its unconstrained IDR is 'A-'. Both unconstrained ratings were upgraded by one notch.

### **KEY RATING DRIVERS**

The ratings reflect the improvement in Generali's capital position and Fitch's expectations that Generali's operations will remain strong and that management's ongoing focus will be to preserve capital and reduce financial leverage. Generali's Fitch Prism factor-based model (FBM) score remained 'Strong' at end-2014, unchanged from end-2013. However, the score is now very close to the 'Very Strong' level, reflecting the improvement in Generali's capitalisation.

Nonetheless, Fitch believes that Generali's capital is vulnerable to stress due to its substantial exposure to Italian sovereign debt and its high investment leverage. Furthermore, Generali's significant levels of goodwill and intangibles negatively affect the quality of its capital.

Generali's ratings are heavily influenced by the group's exposure to Italian sovereign debt (EUR58bn or 2.5x consolidated shareholders' funds at end-1H15). This represents a large concentration risk and a potential source of volatility for capital adequacy. The group's exposure to Italian sovereign debt, which is to match domestic liabilities in Italy, is underlined by the application of the sovereign constraint on its ratings.

Generali's Fitch-calculated financial leverage ratio (FLR) was high at 35% at end-2014, unchanged from end-2013. However, the group has already implemented measures to reduce financial debt. Fitch estimates that by at end-1H15 the FLR had declined to 32%.

Fixed-charge coverage (FCC), including unrealised and realised gains and losses, was low at 5.1x in 2014, up from 4.1x in 2013. Fitch expects FCC to improve over time as the group deleverages and the new debt is expected to have lower coupons than the existing outstanding notes. Fitch also considers Generali has high financial flexibility, as demonstrated, for example, by pre-funding activities carried out during the past two years.

Operating performance has been strong over the past two years. The positive trend continued in 1H15, with operating result up 11.3% to EUR2.8bn, the best 1H result within the past eight years. Despite Generali's efforts to grow its non-life business, its earnings remain highly dependent on life insurance and investment markets. As the group is reducing its strategic equity holdings, Fitch believes its earnings will be more resilient to equity market volatility in 2015 and beyond.

#### RATING SENSITIVITIES

An upgrade of Generali's ratings is unlikely in the medium term given the group's large exposure to Italian government debt. However, an upgrade could occur if Italy's rating were upgraded to the 'A' category, while at the same time Generali's FLR, as calculated by Fitch, falls to below 30% and its Prism FBM score reaches 'Very Strong'.

Generali's ratings could be downgraded if its Prism FBM score were to fall below 'Strong' for a prolonged period or its FLR rises to more than 35%. Generali's ratings are also likely to be downgraded if Italy is downgraded.

The rating actions are as follows:

Assicurazioni Generali SpA: IDR upgraded to 'A-' from 'BBB+'; IFS affirmed at 'A-'; Outlook Stable  
Generali Iard: IFS affirmed at 'A-'; Outlook Stable  
Generali Vie: IFS affirmed at 'A-'; Outlook Stable  
Generali Deutschland Holding AG: IFS affirmed at 'A-'; Outlook Stable  
Generali Deutschland Pensionskasse AG: IFS affirmed at 'A-'; Outlook Stable  
Cosmos Versicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Cosmos Lebensversicherungs-AG: IFS affirmed at 'A-'; Outlook Stable  
AachenMuenchener Lebensversicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Generali Lebensversicherung AG: IFS affirmed at 'A-'; Outlook Stable  
AachenMuenchener Versicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Generali Versicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Central Krankenversicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Generali Espana, S.A. de Seguros Y Reasegueros: IFS affirmed at 'A-'; Outlook Stable  
Generali Versicherung AG (Austria): IFS affirmed at 'A-'; Outlook Stable  
Envivas Krankenversicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Advocard Rechtsschutzversicherung AG: IFS affirmed at 'A-'; Outlook Stable  
Dialog Lebensversicherungs-AG: IFS affirmed at 'A-'; Outlook Stable  
Generali (Schweiz) Holding AG: IDR upgraded to 'BBB' from 'BBB-'; Outlook Stable

Generali's debt ratings are as follows:

Assicurazioni Generali SpA  
Senior unsecured debt upgraded to 'A-' from 'BBB+'  
EUR1bn 4.125% subordinated note upgraded to 'BBB+' from 'BBB'  
Other subordinated debt upgraded to 'BBB' from 'BBB-'

Generali Finance BV (guaranteed by Assicurazioni Generali SpA)  
Subordinated debt upgraded at 'BBB' from 'BBB-'

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#### Applicable Criteria

Insurance Rating Methodology (pub. 14 Jul 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=868367](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=868367)

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