

07 MAR 2024

Fitch Upgrades 27 Insurance Hybrids on Updated Criteria

Fitch Ratings - Frankfurt am Main - 07 Mar 2024: Fitch Ratings has upgraded by one notch 26 EU/UK Solvency II (S2) restricted Tier 1 (RT1) and Tier 3 (T3) hybrid debt ratings, as well as a deeply subordinated debt class that forms part of a medium-term note (MTN) programme in Hong Kong. These rating actions across 16 insurance groups follow the publication of Fitch's updated Insurance Rating Criteria on 4 March 2024.

The notching of S2 Tier 2 debt instruments is unaffected. The underlying ratings (Insurer Financial Strength ratings and Issuer Default Ratings (IDRs)) of the issuing entities are also unaffected by today's rating actions.

A full list of rating actions is available below.

Key Rating Drivers

Under the updated criteria, Fitch has revised its assessment of incremental non-performance risk of certain classes of subordinated securities, primarily issued by European insurers/reinsurers. This reassessment is based on a review of coupon cancellation risk (for S2 RT1 as well as for one class of Tier 1 debt that forms part of Hong Kong-based Prudential Plc's MTN programme) and principal deferral risk (S2 T3), which has resulted in the upgrade by one notch of these hybrid ratings.

For S2 RT1, we now believe the likelihood of regulatory pressure on insurers to defer coupons where the solvency capital requirement (SCR) is maintained above the regulatory minimum is low; for S2 T3, we believe the risk of deferring principal at the maturity redemption date (ie. extension risk) is lower than our prior assessment.

We have reduced our base-case downward notching from an IDR anchor to three from four for S2 RT1 instruments, as well as for Prudential Plc's Tier 1 debt class. The notching now comprises incremental non-performance risk of one notch, reduced from two notches previously, and two notches for recovery prospects, which remain unchanged. Despite the reduced notching for non-performance risk, it remains consistent with our 'moderate' assessment for non-performance risk for Tier 1 instruments.

Tier 1 notes typically also include a feature whereby they can be fully or partially written down (or converted to equity) under specific trigger events, such as a sustained or significant breach of the SCR. However, the write-down/conversion feature does not affect our rating notching over and above that described above in respect of coupon cancellation. This is unchanged from the prior approach of notching these instruments.

We also no longer apply notching to S2 T3 notes for their mandatory redemption deferral feature that would be triggered if the company is unable to meet its SCR or its minimum capital requirement (MCR). This is because we now assess this feature as leading to 'minimal' non-performance risk, versus 'moderate' previously for which we would have notched down the rating by one level.

Non-performance is one of two components of the notching of debt securities in our criteria. The other is recovery prospects of the instrument upon default. Our assessment of recovery prospects is unchanged for subordinated securities. The baseline recovery assumptions remain 'poor' (minus two notches from the IDR) for S2 RT1 and Prudential Plc's Tier 1 programme notes. For S2 T3, the assumption remains 'poor' where the issuer is a non-operating holding company, and 'below average' (minus one notch) for S2 T3 issued out of operating entities.

RATING SENSITIVITIES

The rating of the notes is subject to the same sensitivities that may affect the issuers' IDRs.

Factors That Could, Individually or Collectively, Lead to Downgrade:

--A downgrade of the IDRs

Factors That Could, Individually or Collectively, Lead to Upgrade:

--An upgrade of the IDRs

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

ESG considerations have remained unchanged since the last rating review for the respective issuers. See the corresponding latest Rating Action Commentary published on www.fitchratings.com for the ESG Relevance Scores. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Fitch Ratings Analysts

Christoph Schmitt

Director

Primary Rating Analyst

+49 69 768076 121

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Andras Sasdi, CEFA

Director

Primary Rating Analyst

+49 69 768076 162

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Jo Mason

Director

Primary Rating Analyst

Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Saad Pervaiz

Associate Director

Primary Rating Analyst

+44 20 3530 1762

Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Alberto Messina

Director

Primary Rating Analyst

+49 69 768076 234

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Rishikesh Sivakumar, CFA

Associate Director

Primary Rating Analyst

+44 20 3530 2565

Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Ekaterina Ishchenko

Director

Primary Rating Analyst

+34 91 793 6798

Fitch Ratings Ireland Spanish Branch, Sucursal en España Paseo de la Castellana 31 9ºB Madrid 28046

Robert Mazzuoli, CFA

Director

Primary Rating Analyst

+49 69 768076 167

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Stella Ng

Senior Director

Primary Rating Analyst

+852 2263 9615

Fitch (Hong Kong) Limited 19/F Man Yee Building 60-68 Des Voeux Road Central Hong Kong

Federico Faccio

Senior Director
Secondary Rating Analyst
+44 20 3530 1394

Manuel Arrive, CFA

Director
Secondary Rating Analyst
+33 1 44 29 91 77

Ekaterina Ishchenko

Director
Secondary Rating Analyst
+34 91 793 6798

Jo Mason

Director
Secondary Rating Analyst

Rishikesh Sivakumar, CFA

Associate Director
Secondary Rating Analyst
+44 20 3530 2565

Graham Coutts, ACA

Senior Director
Secondary Rating Analyst
+44 20 3530 1654

Harish Gohil, FIA

Managing Director
Secondary Rating Analyst
+44 20 3530 1257

Susumu Hatakeyama

Senior Analyst
Secondary Rating Analyst
+852 2263 9942

Cynthia Chan

Managing Director
Committee Chairperson
+44 20 3530 2609

Media Contacts

Athos Larkou

London
 +44 20 3530 1549
 athos.larkou@thefitchgroup.com

Pilar Perez

Barcelona
 +34 93 323 8414
 pilar.perez@fitchratings.com

Rating Actions

| ENTITY/DEBT | RATING | RECOVERY | PRIOR |
|---------------------|--------|----------|-------|
| Prudential plc | | | |
| • subordinated | BBB | Upgrade | BBB- |
| Rothsay Life Plc | | | |
| • subordinated | BBB | Upgrade | BBB- |
| • subordinated | A- | Upgrade | BBB+ |
| Aviva plc | | | |
| • subordinated | A- | Upgrade | BBB+ |
| • subordinated | BBB+ | Upgrade | BBB |

| ENTITY/DEBT | RATING | RECOVERY | PRIOR |
|--|--------|----------|-------|
| Bupa Finance Plc | | | |
| • subordinated | BBB- | Upgrade | BB+ |
| Athora Netherlands N.V. | | | |
| • junior subordinated ^{LT} | BBB- | Upgrade | BB+ |
| MAPFRE, S.A. | | | |
| • subordinated | BBB | Upgrade | BBB- |
| Utmost Group plc | | | |
| • junior subordinated ^{LT} | BBB- | Upgrade | BB+ |
| CNP Assurances SA | | | |
| • subordinated | A- | Upgrade | BBB+ |
| • subordinated | BBB | Upgrade | BBB- |

| ENTITY/DEBT | RATING | RECOVERY | PRIOR |
|--------------------------------------|--------|----------|-------|
| Alm. Brand A/S | | | |
| • subordinated | BBB | Upgrade | BBB- |
| Groupama Assurances Mutuelles | | | |
| • subordinated | A- | Upgrade | BBB+ |
| Prudential Funding (Asia) Plc | | | |
| • subordinated | BBB | Upgrade | BBB- |
| UnipolSai Assicurazioni S.p.A. | | | |
| • subordinated | BB+ | Upgrade | BB |
| Achmea B.V. | | | |
| • junior subordinated | BBB | Upgrade | BBB- |
| Phoenix Group Holdings plc | | | |

| ENTITY/DEBT | RATING | RECOVERY | PRIOR |
|-----------------------------------|--------|----------|-------|
| • subordinated | BBB+ | Upgrade | BBB |
| • subordinated | A- | Upgrade | BBB+ |
| Just Group plc | | | |
| • subordinated | BBB+ | Upgrade | BBB |
| • subordinated | BBB | Upgrade | BBB- |
| Pension Insurance Corporation PLC | | | |
| • subordinated | A- | Upgrade | BBB+ |
| • subordinated | BBB | Upgrade | BBB- |
| ageas SA/NV | | | |
| • junior subordinated LT | BBB+ | Upgrade | BBB |

RATINGS KEY OUTLOOK WATCH

POSITIVE ⊕ ◆

NEGATIVE ⊖ ◆

RATINGS KEY OUTLOOK WATCH

EVOLVING



STABLE



Applicable Criteria

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

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

| | |
|-----------------------------------|------------------------|
| Achmea B.V. | EU Issued, UK Endorsed |
| ageas SA/NV | EU Issued, UK Endorsed |
| Alm. Brand A/S | EU Issued, UK Endorsed |
| Athora Netherlands N.V. | EU Issued, UK Endorsed |
| Aviva plc | UK Issued, EU Endorsed |
| Bupa Finance Plc | UK Issued, EU Endorsed |
| CNP Assurances SA | EU Issued, UK Endorsed |
| Groupama Assurances Mutuelles | EU Issued, UK Endorsed |
| Just Group plc | UK Issued, EU Endorsed |
| MAPFRE, S.A. | EU Issued, UK Endorsed |
| Pension Insurance Corporation PLC | UK Issued, EU Endorsed |

| | |
|--------------------------------|--------------------------|
| Phoenix Group Holdings plc | UK Issued, EU Endorsed |
| Rothsay Life Plc | UK Issued, EU Endorsed |
| UnipolSai Assicurazioni S.p.A. | EU Issued, UK Endorsed |
| Utmost Group plc | UK Issued, EU Endorsed |
| Prudential Funding (Asia) Plc | EU Endorsed, UK Endorsed |
| Prudential plc | EU Endorsed, UK Endorsed |

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management

of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. Sector-specific best- and worst-case scenario credit ratings are listed in more detail at <https://www.fitchratings.com/site/re/10238496>

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in

respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2024 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.