

14 JUN 2022

## Fitch Affirms Ageas's IFS at 'AA-'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 14 Jun 2022: Fitch Ratings has affirmed ageas SA/NV's Insurer Financial Strength (IFS) Rating at 'AA-' (Very Strong). ageas SA/NV is the ultimate holding company of the Ageas group (Ageas). Fitch has also affirmed AG Insurance's (AGI) and Ageas Insurance Limited's (AIL) IFS Ratings at 'AA-'. The Outlooks are Stable. A full list of rating actions is below.

The ratings reflect Ageas's very strong company profile and capitalisation and its strong financial performance.

### Key Rating Drivers

**Very Strong Company Profile:** Fitch ranks Ageas's company profile as 'favourable' compared with other Belgian insurance groups due to its favourable competitive position, diversification and business risk profile. Fitch therefore regards Ageas's company profile as very strong. Ageas is the leading insurance group in Belgium and has operations in continental Europe, the UK and Asia, which to varying degrees, have strong local market positions and contribute to the group's earnings.

**Very Strong Capitalisation:** We expect Ageas to maintain its very strong capitalisation, as we believe that available capital funds and required capital will remain relatively stable during 2022. Ageas scored 'Extremely Strong' under Fitch's Prism Factor-Based Capital Model (Prism FBM) based on end-2021 results.

Ageas's very strong capitalisation is also supported by our financial capital ratios of non-life net written premium to capital and life operating leverage, which we regard as extremely strong. The group's Solvency II (S2) ratio was very strong at 188% at end-2021 and the financial leverage ratio (FLR) as calculated by Fitch, was stable at 14% at end-2021, which the agency regards as very strong.

**Strong Profitability:** Ageas's net income (including minorities) declined to EUR1,016 million in 2021 from EUR1,300 million in 2020, reflecting a weakened result in its general account. The Fitch-calculated net income return on equity (ROE) deteriorated to 7.2% in 2021 (2020: 10.0%). However, market movements have an impact on Ageas's net income, which resulted in expenses of around EUR100 million in 2021. Excluding these expenses, the ROE would have been 8.1%, in line with our rating sensitivity. We expect Ageas's ROE to recover to more than 8% in 2022.

Ageas reported a strong net combined ratio of 95.4% for 2021, albeit weakened from 91.3% in 2020. The deterioration was driven by normalised claims frequency and high natural catastrophe activity in 2021.

**Strong Investment Risk Management:** Ageas has a prudent but balanced investment policy, with a

high share of investment-grade fixed-income investments. The group's risky assets ratio was strong at 100%. It includes a 14pt reduction from loss sharing of participating life business.

Ageas's risky asset ratio is constrained by a fairly high exposure to investments in affiliates (38% of capital at end-2021). We do not regard these investments as being highly risky because the majority is invested in its core business in Asian geographies. Ageas's experience in insurance operations is beneficial for reducing the risk of these investments. Ageas has a relatively high exposure to Belgian sovereign investments, although it declined to 145% of capital at end-2021 from 161% at end-2020.

## **RATING SENSITIVITIES**

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

--Ageas' ROE improving to more than 12% combined with a group S2 ratio of more than 200% and an FLR below 15%

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

--A sustained ROE below 8%

--Prism FBM declining to the low end of the 'Very Strong' category

## **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](http://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

**Willem Loots, FIA**

Senior Director

Secondary Rating Analyst

+44 20 3530 1808

**Graham Coutts, ACA**

Senior Director

Committee Chairperson

+44 20 3530 1654











**Media Contacts****Athos Larkou**





London

+44 20 3530 1549








athos.larkou@thefitchgroup.com

**Rating Actions**

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Ageas Insurance Limited	Ins Fin Str AA- 	Affirmed	AA- 
AG Insurance NV	LT IDR A+ 	Affirmed	A+ 
	Ins Fin Str AA- 	Affirmed	AA- 
• subordinated	A- 	Affirmed	A- 
Ageas	LT IDR A+ 	Affirmed	A+ 

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Insurance International N.V.				
Ageasfinlux S.A.				
• junior subordinated <sup>LT</sup>	BBB	Affirmed	BBB	
ageas SA/NV	LT IDR	A+ 	Affirmed	A+ 
	Ins Fin Str	AA- 	Affirmed	AA- 
• subordinated	A-	Affirmed	A-	
• junior subordinated <sup>LT</sup>	BBB	Affirmed	BBB	

#### RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

#### Applicable Criteria

[Insurance Rating Criteria \(pub.26 Nov 2021\) \(including rating assumption sensitivity\)](#)

#### 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

### Solicitation Status

### Endorsement Status

AG Insurance NV	EU Issued, UK Endorsed
Ageas Insurance International N.V.	EU Issued, UK Endorsed
Ageas Insurance Limited	EU Issued, UK Endorsed
ageas SA/NV	EU Issued, UK Endorsed
Ageasfinlux S.A.	EU Issued, UK Endorsed

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