

**Rating Action: Moody's assigns A1 IFSRs to Groupe des Assurances du Crédit Mutuel's main entities, stable outlooks**

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11 October 2021

**Dated subordinated Tier 2 notes rated (P)Baa1(hyb)**

Paris, October 11, 2021 - Moody's Investors Service ("Moody's") today assigned A1 Insurance Financial Strength Ratings (IFSRs) to ACM VIE SA and ACM IARD SA, the main operating subsidiaries of Groupe des Assurances du Crédit Mutuel ("GACM"). GACM is the holding company for the insurance activities of most of French mutualist bancassurance group Crédit Mutuel's regional federations, including those which form Crédit Mutuel Alliance Fédérale. As a reminder, Banque Fédérative du Crédit Mutuel (deposits Aa3 stable, Baseline Credit Assessment a3) is one of the main rated entities of Crédit Mutuel Alliance Fédérale.

Concurrently, Moody's assigned a provisional rating of (P)Baa1(hyb) to the dated subordinated Tier 2 notes to be issued by GACM.

Outlooks on all entities are stable.

A full list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

The A1 IFSRs of ACM VIE SA and ACM IARD SA reflect the insurance financial strength of the consolidated GACM group. The ratings are underpinned by the group's (i) solid and increasing market shares in France, (ii) broad product diversification including a good balance between life and non-life activities, (iii) a very granular domestic distribution network of local mutualist banks, and (iv) strong and stable earnings. These strengths are slightly offset by the fact that cross-border activities are very limited and by a relatively high proportion of equities and real estate in the investment portfolio. In addition, GACM's solvency ratio is also strong, albeit sensitive to movements in interest rates, notably reflecting a high duration gap between assets and liabilities.

GACM has a strong business profile domestically and has a well-balanced business mix, particularly when compared to other bancassurance groups, with 52% of gross written premiums stemming from savings and retirement activities and 48% from property and casualty (P&C), health, personal protection and loan insurance (based on H1 2021 data). GACM is currently concentrated in France with 94% of the reported €10.4 billion revenues in 2020, although the group intends to expand internationally, notably in Spain and Belgium, and in Germany in the near future, where its banking parent has a strong presence. Nonetheless, its domestic footprint is solid in the much-fragmented French insurance market, with market shares of 5% in motor insurance, 5% in home insurance and 15% in loan insurance.

The group is present in the traditional P&C segment, with insurance premiums increasing much faster than the overall market in motor insurance and home insurance. Similarly to other bancassurers, it is particularly strong in loan insurance. In life insurance, the group has a domestic market share of approximately 5% and ranks number five in the sector based on outstanding assets. The group also offers personal protection and health insurance. In addition, it provides multi-risk professional insurance, which is likely to grow from its current low level.

GACM distributes its products through the various channels of its parent bank, including its branch networks operating across France under the franchises Crédit Mutuel and Crédit Industriel et Commercial (CIC rated: deposits Aa3 stable, Baseline Credit Assessment baa1).

The non-life insurance products sold by GACM have a low risk profile thanks to their very granular retail nature. Although product risk is higher in the life business, the very low average guaranteed rates of approximately 0.2% on traditional savings products and the increasing proportion of customers' investments in unit-linked products limit the risks.

GACM's financial profile is strong, supported by the group's good capitalisation, as evidenced by a Solvency II ratio of 227% at year-end 2020. Financial leverage will slightly increase over the outlook horizon as GACM expects to issue Tier 2 debt in order to optimize its capital structure and that of Crédit Mutuel Alliance Fédérale, while resuming dividend payments to its banking parent. Nonetheless, financial leverage should remain well below 30%, excluding repurchase agreements from financial debt. Although the group's investment portfolio includes a relatively high proportion of equities (12% of investments), with a focus on listed shares of large companies, and real estate investments (6%) as of year-end 2020, the majority of these high-risk assets exhibited elevated unrealized capital gains, which protect GACM's shareholders' equity in a scenario of drop in equity markets. Lastly, GACM's profitability is strong and stable, as evidenced by combined ratios well below 100% in all non-life segments and return on capital sustainably above 5%. Exceptionally, the return on capital was below 5% in 2020, when the company made non-contractual payments during the Covid crisis and recorded other exceptional charges, such as a contribution to the national solidarity fund set up by the French government.

#### DATED SUBORDINATED TIER 2 DEBT RATING

GACM's (P)Baa1(hyb) dated subordinated Tier 2 note rating is consistent with Moody's standard notching practices for debt issued by insurance holding companies. The (P)Baa1(hyb) rating reflects (i) the subordinated ranking of the notes, (ii) the mandatory coupon deferral mechanism in case of breach of the solvency capital requirement (SCR) or minimum capital requirement (MCR), and (iii) the cumulative nature of deferred coupons, in case of deferral. The notes, which bear a 20.5-year maturity, qualify as Tier 2 capital under Solvency II.

#### STABLE OUTLOOK

The stable outlooks on ACM VIE SA, ACM IARD SA and GACM indicate that Moody's expects GACM to maintain a solid financial profile, including a strong Solvency II ratio, in the next 12-18 months.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Although unlikely in the short term, the ratings could be upgraded if GACM (i) were to increase its market shares domestically and expand internationally with a broad product mix and a good balance between life and non-life businesses, while demonstrating a high and stable level of earning power and keeping asset risk low, and (ii) were to improve its Solvency II ratio sustainably above 250%.

Conversely, the ratings could be downgraded following (i) a deterioration in profitability, as evidenced by a combined ratio increasing consistently above 100%, (ii) a deterioration of asset quality or an increase of product risk and/or (iii) weakening capitalisation, as evidenced by a durable decline of the Solvency II ratio significantly below 200%.

#### LIST OF AFFECTED RATINGS

Issuer: Groupe des Assurances du Crédit Mutuel

..Assignment:

....Subordinate Regular Bond/Debenture, assigned (P)Baa1(hyb)

Outlook:

...Outlook assigned Stable

Issuer: ACM VIE SA

..Assignment:

....Insurance Financial Strength Rating, assigned A1

Outlook:

...Outlook assigned Stable

Issuer: ACM IARD SA

..Assignment:

....Insurance Financial Strength Rating, assigned A1

Outlook:

...Outlook assigned Stable

## PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Life Insurers Methodology published in September 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1254133](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1254133), and Property and Casualty Insurers Methodology published in September 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1254163](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1254163). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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