

**CREDIT OPINION**

19 September 2024

Update



**RATINGS**

**Groupe des Assurances du Credit Mutuel**

Domicile	Strasbourg, France
Long Term Rating	A3
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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# Groupe des Assurances du Credit Mutuel

Update following rating affirmation

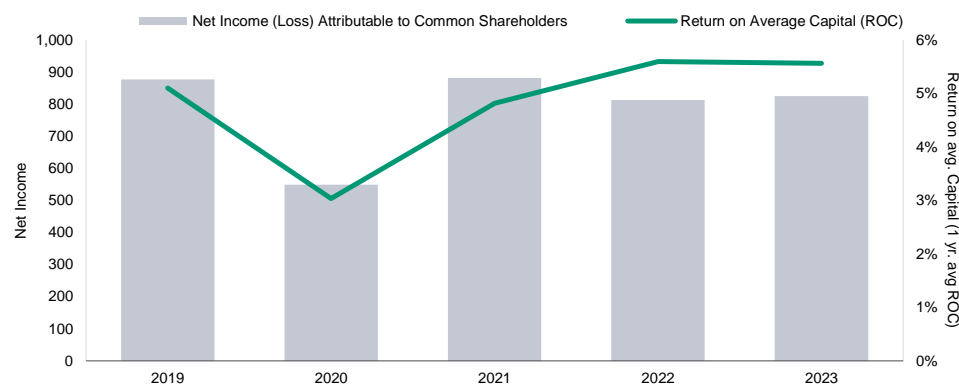
**Summary**

The credit profile of [Groupe des Assurances du Crédit Mutuel](#) (GACM), whose main operating entities ([ACM VIE SA](#) and [ACM IARD SA](#)) are rated A1 for insurance financial strength, is supported by (i) the group's strong franchise as evidenced by solid and growing market shares in France and controlled distribution, (ii) a broad product diversification including a good balance between life and non-life activities, (iii) relatively stable profitability levels, and (iv) a very strong solvency and good financial flexibility.

These strengths are partly offset by a still high weight of traditional savings in the life segment, a lack of geographic diversification outside France and a still elevated high-risk assets ratio.

GACM is the holding company for the insurance activities of most of the French mutualist bancassurance group Crédit Mutuel's regional federations, including those which form [Crédit Mutuel Alliance Fédérale](#)<sup>1</sup>.

Exhibit 1  
**Net Income and Return on Capital (1 yr. avg.)**



2023 and 2022 figures are based on IFRS 17 reporting standards.  
Sources: Company reports and Moody's Ratings

**Credit strengths**

- » Strong insurance franchise of one of the leading bancassurers in France, benefiting from a very granular network of mutualist banks for its products' distribution
- » Low risk profile, especially in non-life due to a focus on retail risks
- » Good level of profitability overall
- » Very strong level of Solvency II ratio

## Credit challenges

- » High weight of traditional saving business recently reinforced by the shift back to euro-funds in inflows
- » Little geographic diversification outside France, as domestic premiums still account for approximately 95% of the total, despite plans to expand further in Germany and Belgium
- » Relatively high high-risk assets ratio due to exposures to equities and real estate investments

## Rating outlook

The stable outlooks on ACM VIE SA, ACM IARD SA and GACM reflect our expectation that GACM will maintain a solid financial profile, including a strong Solvency II ratio after dividend payments, in the next 12-18 months.

## Factors that could lead to an upgrade

The ratings could be upgraded following:

- » a significant increase in market shares domestically and/or an expansion internationally, while maintaining a good level of business diversification, earnings and capitalisation, and
- » an improvement of the Solvency II ratio sustainably above 250%.

## Factors that could lead to a downgrade

Conversely, the ratings could be downgraded following :

- » a material deterioration in profitability driven by, for instance, the group's inability to restore the profitability of the P&C segment and weakening margins in life and health business, or
- » a weakening capitalisation, as evidenced by a durable decline of the Solvency II ratio significantly below 200%.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Groupe des Assurances du Credit Mutuel

Groupe des Assurances du Credit Mutuel [1][2]	2023	2022
<b>As Reported (Euro Millions)</b>		
Total Assets	142,605	133,941
Total Shareholders' Equity	11,064	10,722
Net Income (Loss) Attributable to Common Shareholders	828	817
Gross Premiums Written	13,888	13,202
<b>Moody's Adjusted Ratios</b>		
Goodwill & Intangibles % Shareholders' Equity	25.4%	22.7%
Financial Leverage	10.9%	12.2%
Total Leverage	44.6%	47.8%
Earnings Coverage	27.7x	28.4x

(1) Information based on IFRS17 financial statements as of the fiscal year ended 12/31/2021; previous years' financial statements were prepared under legacy IFRS4, which are not comparable to IFRS17 and are not included in the exhibit. (2) Certain items may have been relabeled and/or reclassified for global consistency.

Source: Company filings and Moody's Ratings

## Profile

[Groupe des Assurances du Crédit Mutuel](#) (GACM) is the holding company for the insurance activities of most of the French mutualist bancassurance group Crédit Mutuel's regional federations, including those which form [Crédit Mutuel Alliance Fédérale](#) (CMAF). Its activities represented 8% of CMAF's revenues and 20% of CMAF's business unit net income in 2023. Total revenues in 2023 amounted to €13.9 billion (+5% vs. 2022), and remained predominantly skewed toward France despite expected growth in Belgium and Germany. In addition, €1.7 billion of commissions were paid by CMAF's banking network in 2023 (+1.8% compared to FY 2022).

GACM's business mix is balanced, with the bulk of gross written premiums stemming from savings and retirement activities and 46% from property and casualty (P&C), health, personal protection and loan insurance, based on year-end 2023 results.

## Detailed credit considerations

### Very strong franchise, controlled distribution, and diversified business profile balance a mostly domestic focus

#### Market position: One of the main French bancassurers with a strong position both in life and P&C - A

GACM's footprint in the French insurance market is very solid, as the group was the 10th largest insurer by premium<sup>2</sup> and among the top 5 bancassurers.

Similarly to other bancassurers, GACM holds an also particularly strong position in loan insurance (3rd largest by premiums), savings (5th largest<sup>3</sup>) and segments connected to banking products in general.

Going forward we consider that GACM is well positioned as a bancassurer to continue to develop its market share in a very fragmented French insurance market, which is demonstrated by the group's capacity to significantly grow the number of its contracts over the last 5 years. For example, P&C premiums continued to grow faster than market average in 2023.

Life insurance activities were also better oriented over the last fiscal year thanks to the positive effect of higher rates on traditional euro contracts, and to the decrease of entry fees since mid-2022, as evidenced by the strong growth of traditional contracts in 2023 (+20% in terms of inflows).

The main pillar of the issuer's strategy will be to strengthen cross-selling which has still a large potential within GACM, and to achieve growth in the small and medium-size enterprises (SME) segment as well as in agriculture, while improving digitisation for all client segments.

In Health, the group specifically targets elderly people, and expects to continue development the supplementary health segment for this client category going forward.

**Distribution: Controlled distribution through the bancassurer's own banking channels - A**

One of the main strength of GACM is its diversified, flexible, and large distribution capacities. The group mostly distributes its products through its parent banks' channels, in particular through the franchises of Crédit Mutuel ('CM') and Crédit Industriel et Commercial ('CIC', Aa3, Aa3, baa1<sup>4</sup>). Credit Mutuel's domestic branch network is highly granular and fully-controlled. Its well-trained proprietary salaried network is a key strength of the mutualist group and consequently also a strength for GACM.

Branch visits and client contacts are usually more frequent for banks than for traditional insurers, and the distribution of proprietary insurance contracts within the bancassurer's branches is often incentivized for the salesforce. Also, the above-average growth rates experienced by GACM in home and motor insurance and the high client equipment rates suggest that insurance sales remain a key priority in Credit Mutuel's branch network.

We estimate that 96% and 80% of premiums are distributed directly through CM or CIC branches respectively for the P&C and health, protection & creditor insurance segments, alongside other distribution partners in France (such as Cofidis for consumer products, or monabanq on the direct, digital channel) and outside France (Beobank in Belgium, and in the near future Targobank in Germany).

**Product risk and diversification: Strong business diversification demonstrated by a solid product mix, low risk profile especially in P&C - A**

Despite a historically stronger footprint on life insurance, as it is generally the case for bancassurers in France, we consider business diversification to be strong for GACM, balanced between the life (54% of insurance revenues for FY 2023) and the non-life segment (46%). Despite a very low geographic diversification at this stage, plans for developing Belgium and Germany should bear fruit in the future.

The non-life business for GACM is very diversified between home and motor, and mostly retail, which we consider as low risk, with the exception of specific contracts such as motor third party liability in France, more longtail and subject to legal inflation, with ultimate costs relatively difficult to estimate. Total exposure on motor insurance remains however limited to 20% of total non-life gross written premiums. This is followed by property insurance (12%), health (12%), income protection (11%), but the largest exposure in non-life remains loan protection (31%).

GACM's current strategy aims at developing SME risks, as well as agriculture risks. As a consequence, we anticipate an increase of exposure on those risks from around 3% of P&C gross written premiums in 2023 to a more significant share of revenues. This should ultimately increase the business risk profile for the group, given the lower granularity of SME risks vs. retail, and the larger concentration of climate risk in agriculture contracts. However, we expect this increase to be manageable for the group, especially since the core focus of GACM is small businesses (i.e. not specialty risks for large companies).

In the life business, we view product risk to be higher, as traditional savings contracts account for 81%. However, average guaranteed rates in France remain very low, estimated to be just over 0% on "contrats euros". In the last years, GACM has been successful in offering unit-linked (UL) products to its policyholders, and providing incentives to a higher proportion of unit-linked investments versus traditional savings on new contracts, but the interest rates increase in 2022 and 2023 made traditional contracts more attractive, and the now stagnating proportion of customers' investments in unit-linked products could hinder the improvement of the risk profile going forward.

As an illustration of the new trend, the proportion of unit-linked in gross inflows was 29% in H1 2024, vs. 29% in H1 2023, and 43% in 2022. The change was also clear in net collection, with €0.2 billion of inflows in H1 2024 vs. €0.9 billion in H1 2023.

**Solid solvency, stable profitability, and moderate leverage are the key strengths of the financial profile despite somewhat high risky assets ratio****Asset quality: High HRA ratio due to equities exposure - A**

GACM's investment management policy is conservative and we do not foresee any change in this general allocation going forward. As of YE 2023, fixed income securities accounted for 78% of total assets' value (unit-linked assets excluded), unchanged vs. 2022. By segment, diversification is high with well-balanced allocations between sovereign (29%), corporate (29%), and financial bonds (25%), the rest being public sector issuers (16%). The quality of this portfolio is also high, at or above investment-grade level for more than 95% of bond holdings.

Exposure to equities however, remains relatively high, at above 13% of total assets, and mostly composed by direct shareholding positions. Nonetheless, part of the equity risk can be shared with life policyholders, especially as unrealised gains on GACM's equity portfolio grew in 2023. As at year-end 2023, positive valuations on GACM's assets portfolio amounted to €4.9 billion vs. an unrealized loss in 2022 (-€807 million) as equities and real-estate balanced the losses recorded on the bonds portfolio.

We also believe that hedging strategies put in place at the group level can moderate the asset risk.

**Capital adequacy: Very good solvency despite increased dividends - A**

GACM benefits from a very solid capitalisation, which is demonstrated by a high Solvency II ratio at 226% (according to the standard formula excluding transitional measures) at YE 2023 (GACM level), slightly reduced compared to 2022 (231%). The payment of €620 million as an exceptional dividend in December 2023 had a 10ppts impact on the Solvency II ratio. GACM is expected to pay an additional €1 billion exceptional dividend in the H2 2024, partially offset by the debt issuance of €1 billion during the Q2 2024.

The ratio remains sensitive to market movements, as its French peers especially those concentrating on the life insurance segment. As per the group's disclosure as of YE 2023, a decrease of equity markets (-20%) and a widening of sovereign spreads (+75bps) would have a -2ppts and -5ppts impact respectively on the Solvency II ratio at GACM level. ACM Vie, however, remains also sensitive to interest rates movements.

We continue to view the solid solvency of GACM as a key strength for the group, and we expect it to remain above 200% going forward despite potential exceptional dividends.

**Profitability: Diversification is key to maintaining positive insurance result, claims inflation expected to ease in 2024 - A**

In 2023 profitability of GACM remained strong, with a return on capital (Moody's calculation) above 5%, in line with previous years (with the exception of 2020).

Net insurance result (excluding GACM España) however slightly decreased in 2023 to €847 million, from €936 million in 2022 mostly due to claims inflation and natural catastrophe losses on the P&C segment. Net IFRS result was stable at €831 million (2022 pro forma IFRS 17: €823 million), as insurance result's negative performance was offset by the strong increase of financial income, which benefitted from less volatile financial markets and stabilized interest rates leading to better valuations.

The overall resilience of GACM's profitability was supported by business diversification, as results were contrasted by business line in 2023. In savings, results improved (up to €452 million, +6%) thanks to favourable market conditions and positive net inflows. Profits also increased in health, protection and creditor (insurance result +13% to €444 million), which mostly includes the loan insurance segment. However, P&C results deteriorated (-€49 million, down by €165 million vs. 2022) on the combined effect of inflation (not offset by tariff increases), climate claims and a lower reinsurance coverage. The P&C net combined ratio deteriorated in 2023 to 102% vs. 95% in 2022.

The P&C combined ratio remained high at 101.2% in HY 2024 (vs 96.3% in H1 2023), still impacted by claims inflation and higher natural catastrophes than last year. Although the group has implemented price increases, it will take several quarters before they can produce their full effect.

**Liquidity & Asset Liability Management: Low liquidity risk overall, with strong ALM capabilities - A**

Liquidity ratio (Moody's calculation) for GACM is stable, estimated above 1.5x in 2023, which is in line with an A score. Interest rates risk is one of the main risks for the group, especially during contexts of a sharp rise in interest rates, which may result in surrender spikes on life insurance contracts and potentially leading to the realization of losses on the asset portfolio. However, we consider this risk is well-managed given (i) the conservative approach of GACM consisting in keeping a significant share of fairly liquid instruments in its asset portfolio (>90% in 2023), and (ii) the solidity of the profit-sharing reserve (€5.5 billion at YE 2023) allowing to control surrenders on the savings segment by offering yields in line with the market.

Keeping asset duration low exposes the group to reinvestment risk. Albeit weighing on financial results and overall profitability in times of low and declining interest rates, we consider this risk as limited viewing the very low average guaranteed rates on traditional saving products.

**Reserve Adequacy: Strong adequacy as evidenced by a favorable track record of reserve development - A**

GACM's reserve adequacy is strong, as evidenced by a prudent reserve policy given the group's ability to consistently release reserves through the cycle. In 2023, the net loss reserve development ratio for GACM was -1.7%, and -2.1% on average calculated including 2023 and 2022 (pro-forma IFRS 17).

GACM's reserving risk benefits from its diverse book of retail activities and the limited size of its commercial activities. Inflation risk however remains, especially on the motor segment in P&C and on long-tail business. Overall we estimate the reserve adequacy score to be in line with an A score.

**Financial Flexibility: Moderate but increasing leverage - A**

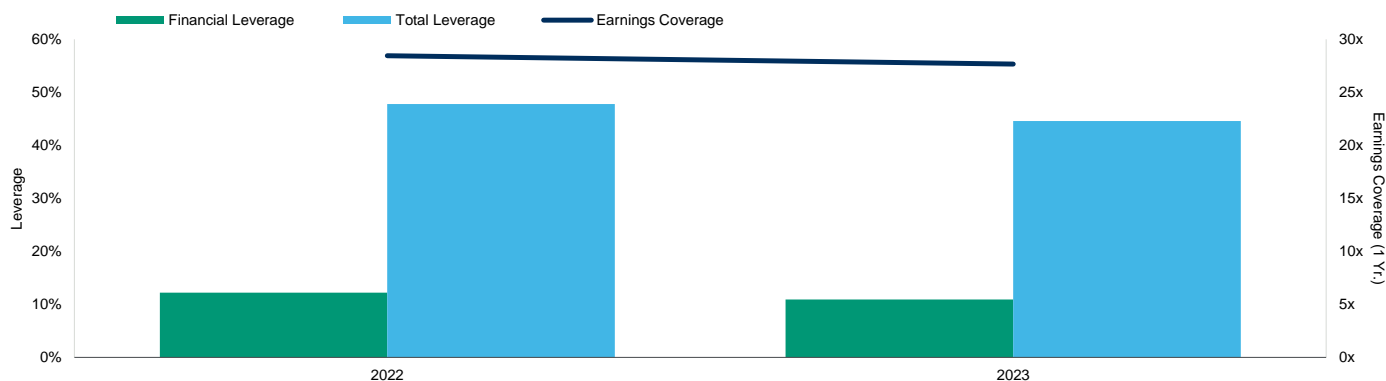
At YE 2023, the financial leverage of GACM (Moody's calculation) was very moderate at 11%. However, in April 2024, GACM issued 2 new debts (€500 million Tier 2 maturity 2044, and €500 million senior maturity 2029) in order to optimize its capital structure by partly substituting Tier 1 capital with Tier 2 capital and will distribute during the second semester an exceptional dividend to GACM's shareholders.

We estimate that the combination of the debt issuances and of the exceptional dividend payment will increase leverage to around 17%, and decrease earnings coverage (5y average) to approximately 30x. This remains fully in line with an A score for financial flexibility.

GACM is very active in securities lending, which enables it to get additional returns on its asset portfolio. Our calculation of the financial leverage excludes repurchase agreements from financial debt.

Exhibit 3

**Financial flexibility**



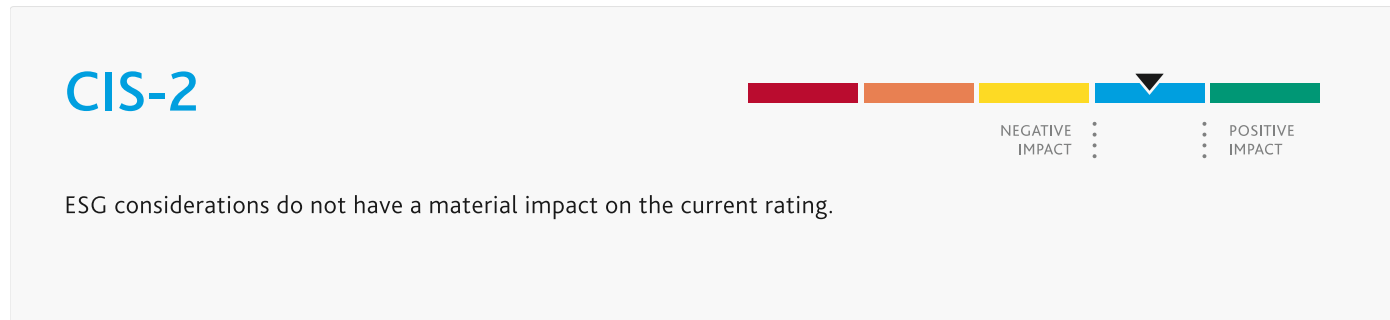
Source: Company reports and Moody's Ratings

## ESG considerations

### Groupe des Assurances du Credit Mutuel's ESG credit impact score is CIS-2

Exhibit 4

#### ESG credit impact score



Source: Moody's Ratings

Groupe des Assurances du Credit Mutuel (GACM)'s **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. The group's high level of capital and strong diversification mitigate physical climate risk, carbon transition risk, customer relations risk and societal trend risk.

Exhibit 5

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

GACM faces moderate environmental risks overall, with a moderate exposure to physical climate risks through its P&C activities, although natural catastrophes are largely covered by reinsurance treaties. It also has moderate exposure to carbon transition risk through the long-duration assets held in its investment portfolio and inherent asset leverage, especially in its life insurance business. Nonetheless, GACM is actively engaged in further developing its comprehensive risk management and climate risk reporting frameworks, and increasing the alignment of its business with the transition to a low-carbon economy.

### Social

GACM is exposed to high customer relations risk, in relation to the sale of its products and the significant interaction with its retail customers, particularly in its life and health insurance businesses. Rising digitization and interconnectedness of devices will also increase customer privacy and data security risks. Demographic and societal trends can make the operating environment more challenging, including giving rise to societal risks related to the high level of government scrutiny on the insurance business in France.

### Governance

Governance risks have no material impact on the current rating of GACM, and we consider its risk management, policies and procedures are in line with industry best practices. Financial strategy and risk management policies are strong and the group aims to maintain a strong solvency and demonstrates solid ALM policies. Management has also demonstrated a strong track record of achieving strategic, operational and financial objectives.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### **Support and structural considerations**

GACM's Baa1(hyb) subordinated debt rating is consistent with our standard notching practices for debts issued by insurance holding companies. The 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.

GACM's A3 senior unsecured debt rating reflects Moody's Ratings standard notching practices for such instruments issued by holding companies in jurisdictions where group regulation is in force.



## Rating methodology and scorecard factors

Exhibit 6

### Rating Factors

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	ScoreAdj	Score
Business Profile								A	A
<b>Market Position and Brand (20%)</b>								A	A
-Relative Market Share Ratio			X						
<b>Distribution (5%)</b>								A	A
-Distribution Control	X								
-Diversity of Distribution				X					
<b>Product Focus and Diversification (10%)</b>								A	A
-Product Risk - P&C		X							
-Product Risk - Life					X				
-Product Diversification	X								
-Geographic Diversification					X				
Financial Profile								A	A
<b>Asset Quality (10%)</b>								Baa	A
-High Risk Assets % Shareholders' Equity					224.5%				
-Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	2.2%								
-Goodwill & Intangibles % Shareholders' Equity		25.4%							
<b>Capital Adequacy (15%)</b>								A	A
-Shareholders' Equity % Total Assets			7.4%						
<b>Profitability (15%)</b>								A	A
-Return on Capital (5 yr. avg.)			5.6%						
-Sharpe Ratio of ROC (5 yr.)									
<b>Liquidity and Asset/Liability Management (5%)</b>								A	A
-Liquid Assets % Liquid Liabilities			X						
<b>Reserve Adequacy (5%)</b>								Aa	A
-Net Loss Reserves Development / Beginning Net Loss Reserves (5 yr. wtd. avg.)		X							
<b>Financial Flexibility (15%)</b>								Aa	A
-Financial Leverage		10.9%							
-Total Leverage				44.6%					
-Earnings Coverage (5 yr. avg.)	28.1x								
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A2	A1

[1] Information based on IFRS17 financial statements as of fiscal year ended 12/31/2023. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Ratings

## Ratings

Exhibit 7

Category	Moody's Rating
<b>GROUPE DES ASSURANCES DU CREDIT MUTUEL</b>	
Rating Outlook	STA
Subordinate	Baa1 (hyb)
Senior Unsecured (Domestic)	A3
<b>ACM VIE SA</b>	
Rating Outlook	STA
Insurance Financial Strength	A1
<b>ACM IARD SA</b>	
Rating Outlook	STA
Insurance Financial Strength	A1

Source: Moody's Ratings

## Endnotes

- [1](#) [Banque Fédérative du Crédit Mutuel](#) (deposits Aa3 stable, Baseline Credit Assessment a3) is one of the main rated entities of Crédit Mutuel Alliance Fédérale.
- [2](#) As reported by L'Argus de l'Assurance, « Classement 2023 des 20 premiers groupes d'assurance en France » based on 2022 premiums.
- [3](#) Source: 2022 ranking from 'L'Argus de l'Assurance', based on life insurance assets, May 2022.
- [4](#) The bank ratings shown in this report are the bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment

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