MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Groupe des Assurances du Credit Mutuel's ratings, stable outlook

27 August 2024

Paris, August 27, 2024 – Moody's Ratings (Moody's) has today affirmed the A3 senior unsecured debt rating and the Baa1(hyb) subordinated debt rating of Groupe des Assurances du Credit Mutuel (GACM), as well as the A1 Insurance Financial Strength Rating of its two main subsidiaries, ACM VIE SA and ACM IARD SA. The outlooks on all these entities remain stable.

RATINGS RATIONALE

The affirmation of the ratings reflects GACM's resilient overall profitability, despite negative results in the property and casualty (P&C) segment in 2023 and the first half of 2024, and the group's strong capitalization. The ratings also remain supported by a strong franchise and a low risk profile. 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.

For the first half of 2024, GACM's revenues increased by 4% to €7.6 billion thanks to solid inflows in life coupled to strong volumes and price increases in P&C. Net result improved on a yearly basis at €492 million (+8.6%) thanks to increased insurance and investment incomes. However the P&C combined ratio remained high at 101.2% (vs 96.3% in H1 2023 and 102.1% for the full year 2023), impacted by claims inflation and higher natural catastrophes than last year. The group has implemented price increases but it will take several quarters before they can produce their full effect on the combined ratio.

The overall resilience of the profitability was obtained thanks to GACM's strong business profile, with a well-balanced business mix. We also consider the group's product risk to be low, thanks to the large granularity of GACM's insured risks, both in the life and P&C segments.

GACM's financial profile is also supported by the group's solid capitalization as evidenced by a Solvency II ratio of 226% at YE 2023 and 218% as at 30 June 2024, taking into account an expected exceptional dividend upstream and its good financial flexibility, with a low financial leverage at YE 2023 (11%, including consideration of 50% of the Contractual Service Margin (CSM) as capital). The financial leverage ratio will deteriorate at year-end 2024 following the issuances of €1 billion senior unsecured and Tier 2 debts in April 2024 and the payment of an expected exceptional dividend to its parent, but the ratio will remain fully consistent with GACM's rating level.

STABLE OUTLOOK

The stable outlooks on ACM VIE SA, ACM IARD SA and GACM indicate our expectation that GACM will maintain a solid financial profile, including a strong Solvency II ratio (above 215%) after dividend payments, in the next 12-18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The following factors could exert upward pressure on GACM's ratings: (1) a significant increase in market shares domestically and/or an expansion internationally, while maintaining a good level of business diversification, earnings and capitalization, and (2) an improvement of the Solvency II ratio sustainably above 250%.

Conversely, the following factors could result in a downgrade of GACM's ratings: (1) a material deterioration in profitability driven by, for instance, the group’s inability to restore the profitability of the P&C segment and a weakening margins in life and health business, or (2) a weakening capitalization, as evidenced by a durable decline of the Solvency II ratio significantly below 200%.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Life Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418351, and Property and Casualty Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418354. Alternatively, please see the Rating Methodologies page on https://ratings.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 on https://ratings.moodys.com/rating-definitions.

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