

Research Update:

Covéa's Core And Guaranteed Subsidiaries Affirmed At 'AA-' And PartnerRe At 'A+' On Revised Capital Model Criteria

January 29, 2024

Overview

- Based on our revised criteria for analyzing insurers' risk-based capital ("Insurer Risk-Based Capital Adequacy--Methodology And Assumptions") published Nov. 15, 2023, we consider that the capital adequacy of France-based mutual insurer Covéa remains excellent.
- In addition, we now regard PartnerRe's operating entities (PartnerRe) as highly strategic rather than strategically important to Covéa Group, owing to our view of the group's strong support for the company if needed, which can offset potential pressures on PartnerRe's stand-alone credit profile.
- We therefore affirmed our 'AA-' ratings on the core and guaranteed subsidiaries of the Covéa group, as well as our 'A+' rating on PartnerRe.
- The stable outlook reflects our view that Covéa Group can maintain excellent capital adequacy and benefit from strong earnings over the cycle, enhanced by the diversity PartnerRe adds to the consolidated group.

PRIMARY CREDIT ANALYST

Olivier J Karusisi
Paris
+ 44 20 7176 7248
olivier.karusisi
@spglobal.com

SECONDARY CONTACT

Marc-Philippe Juilliard
Paris
+ 33 14 075 2510
m-philippe.juilliard
@spglobal.com

ADDITIONAL CONTACT

Insurance Ratings EMEA
Insurance_Mailbox_EMEA
@spglobal.com

Rating Action

On Jan. 29, 2024, S&P Global Ratings affirmed its 'AA-' long-term financial strength and issuer credit ratings on the core and guaranteed subsidiaries of the France-based Covéa Group (see the Ratings List for details).

We also affirmed our 'A+' long-term financial strength rating on PartnerRe since the rating is limited to one notch below the group credit profile.

The outlooks on all our long-term ratings remain stable.

Under the new criteria, Covéa's capital adequacy benefits from the removal of haircuts, such as the one previously applied to the technical reserve discount. We've also captured the benefits of risk diversification more explicitly in our analysis, which supports capital adequacy. The recalibration of our capital charges--such as natural catastrophe risk charges, non-life premium,

and non-life reserve risk charges--somewhat offsets these improvements.

Credit Highlights

Overview

Key strengths	Key risks
Acquisition of PartnerRe, which has enhanced diversification outside France.	PartnerRe's exposure to natural catastrophes could lead to capital and earnings volatility.
Leading position in France's property and casualty (P&C) insurance market.	Comparatively weaker return on equity and limited geographic diversification within the primary insurance market compared with higher-rated peers'.
Very high capitalization under our revised criteria.	

Outlook

The stable outlook reflects our expectation that Covéa group will benefit from strong earnings over the cycle stemming from the consolidated group's diversity. Moreover, we expect excellent and organically increasing capital buffers, as well as prudent underwriting, investment, and reserving policies.

In our view, Covéa's strong brands, large scale, and client and product diversity will enable it to withstand potentially negative regulatory changes and strong competition in the French P&C insurance market.

Downside scenario

We could lower our ratings on Covéa group's core and guaranteed subsidiaries over the next two years if:

- PartnerRe generates unexpected losses, affecting Covéa group's fundamental strengths;
- The group's operating performance deteriorates markedly relative to peers' over a protracted period, as indicated, for example, by a sustained multiyear deterioration of the combined (loss and expense) ratio to materially above 100%; or
- Projected capital and earnings weaken for a sustained period, which could happen if the group increases its risk exposure, experiences severe investment or underwriting losses, or undertakes further acquisitions that erode its capital strength.

Upside scenario

An upgrade of the group's core and guaranteed subsidiaries is unlikely in the next two years and would hinge on capital buffers being rebuilt to that before PartnerRe's acquisition and profitability in line with that of higher rated peers.

A reassessment of PartnerRe's group status to core would also lead us to raise our ratings on PartnerRe, since we would equalize the ratings with the group's credit profile. Given the transformative impact of PartnerRe's acquisition on the group's risk profile, and its ongoing

integration, we could consider revising our view of PartnerRe's group status with further evidence of the group's commitment of support under stressful conditions.

Rationale

Covéa's business mix and geographic footprint have changed following the acquisition of PartnerRe, with the addition of a significant international reinsurance business to its leading position in France's P&C insurance market. This more than compensates for the impact on the group's diversification from the disposal of Italian subsidiaries Bipiemme Vita and Bipiemme Assicurazioni.

The group has historically posted stable revenue increases and underwriting profits. For 2023, Covéa's gross written premiums will benefit from the full inclusion of PartnerRe's expected reporting, with total gross premiums exceeding €26.5 billion. We expect net income will increase to more than €1.2 billion, with the combined ratio at 97%-99%. Over 2024-2025, the combined ratio will likely be stable at 97%-99% and net income higher than €1.4 billion.

We chose the lower anchor of the dual outcome to reflect Covéa's lower profitability than 'AA' rated peers.

The revision of our assessment of PartnerRe's group status to highly strategic reflects the group's strong support for the company and decreasing integration risk, which offset potential pressures on PartnerRe's stand-alone credit profile.

Covéa Group's financial risk profile is supported by robust capital adequacy, which we believe is a key strength to the ratings. The implementation of our revised criteria for analyzing insurers' risk-based capital does not lead to any changes in our assessment of the group's capital and earnings. We believe Covéa's prudent approach to accumulating capital, solid earnings, and diversification of earnings from the reinsurance market will continue to support the group's capital.

In our base-case scenario, we believe the group's capital adequacy will stay above the 99.99% confidence level in 2023-2025. We assess the group's risk exposure as moderately high, given PartnerRe's exposure to natural catastrophes, which intensifies capital and earnings volatility for the Covéa group. We assess the average credit quality of Covéa's investment portfolio at 'AA-', although high-risk assets are held for the group's own account and for those of policyholders in the form of equities, property, and a small portfolio of low-rated or unrated bonds.

Covéa group has sufficient financial flexibility, given its size and financial strength, supported by low debt at PartnerRe. The group's financial debt has increased following the acquisition of PartnerRe. However, this does not change our view of the group's leverage or fixed-charge coverage ratios, which we regard as manageable given financial leverage of 13.2% at the end of 2022.

The company can meet its short-term financial obligations due to its substantial holdings of cash, near cash instruments, and highly marketable securities. We see minimal risk that Covéa's subsidiaries will have to pledge significant sums as collateral, or fund a sudden wave of policyholder withdrawals, relating for instance to confidence-sensitive savings contracts.

Covéa Coopérations is an operational holding company that was created in 2012. It has sufficient sources of cash to fulfil its financial obligations. As such, we equalize the ratings on the holding company with the group credit profile (GCP), as opposed to the standard two notches below the GCP to derive the issuer credit rating on a holding company of an insurance company.

Ratings Score Snapshot

Financial strength rating	AA-
Anchor*	aa-
Business risk	Very strong
IICRA	Intermediate risk
Competitive position	Very strong
Financial risk	Very strong
Capital and earnings	Excellent
Risk exposure	Moderately high
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
Support	0
Group support	0
Government support	0

*We choose the lower anchor of the dual outcome to reflect lower profitability than 'AA' rated peers. IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed

Covea Cooperations

MMA Vie

MMA IARD S.A.

MAAF Vie

GMF Vie

Issuer Credit Rating

Local Currency AA-/Stable/--

Covea Cooperations

MMA Vie

MMA IARD S.A.

MAAF Vie

GMF Vie

Covea Life Ltd.

Covea Insurance PLC

Financial Strength Rating

Local Currency AA-/Stable/--

Partner Reinsurance Asia Pte. Ltd.

Partner Reinsurance Europe SE

Partner Reinsurance Co. of U.S.

Partner Reinsurance Co. Ltd.

Issuer Credit Rating

Local Currency A+/Stable/--

Partner Reinsurance Asia Pte. Ltd.

Partnerre America Insurance Co.

PartnerRe Life Reinsurance Co. of Canada

PartnerRe Life Reinsurance Co. of America

PartnerRe Ireland Insurance dac

Partner Reinsurance Europe SE

Partner Reinsurance Co. of U.S.

Partner Reinsurance Co. Ltd.

Financial Strength Rating

Local Currency A+/Stable/--

PartnerRe Ltd.

Issuer Credit Rating

Local Currency A-/Stable/--

PartnerRe Finance B LLC

Senior Unsecured A-

Junior Subordinated BBB

Ratings Affirmed

PartnerRe Finance II Inc.

Preferred Stock	BBB
-----------------	-----

PartnerRe Ireland Finance Dac

Senior Unsecured	A-
------------------	----

PartnerRe Ltd.

Preferred Stock	BBB
-----------------	-----

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.