

11 JAN 2022

Fitch Affirms SI Re at IFS 'A-', Outlook Stable

Fitch Ratings - Frankfurt am Main - 11 Jan 2022: Fitch Ratings has affirmed Swiss reinsurer SIGNAL IDUNA Rueckversicherungs AG's (SI Re) Insurer Financial Strength (IFS) Rating at 'A-' (Strong). The Outlook is Stable.

Key Rating Drivers

The rating reflects the benefits of SI Re's ownership by SIGNAL IDUNA Lebensversicherung a. G. insurance group (SI Life), as captured in a two-notch uplift to SI Re's Standalone Credit Profile (SCP) of 'bbb'. Fitch views SI Re as 'Very Important' to SI Life under the agency's group rating methodology.

The various benefits of SI Life's ownership include risk-management expertise, strong relationships with European mutual insurers, and capital support. SI Re adds to SI Life's diversification in business lines and geography. SI Re is 100% owned by Signal Iduna Allgemeine Versicherung Aktiengesellschaft (SI Non-life; IFS A/Stable), which we regard as 'Core' to SI Life.

SI Re's SCP reflects very strong capitalisation, a good company profile as well as strong reserving and profitability.

We expect SI Re to maintain very strong capitalisation in 2021 and 2022. SI Re scored 'Extremely Strong' in Fitch's Prism Factor-Based Capital Model (Prism FBM) at end-2020. Its Swiss Solvency Test (SST) ratio was 204% on 1 January 2021 (2020: 220%).

We assess SI Re's company profile as good. SI Re's business profile scores 'Less Favourable' than other international reinsurers', in our view, as it is constrained by the company's small size and scale. In 2021, gross written premiums (GWP) were EUR180 million. Business-risk profile and diversification score 'Moderate' under our assessment, which, however, is strong for the company's size.

We expect SI Re to maintain its strong financial performance. Despite the European floods in summer 2021, we estimate a stable Fitch-calculated net combined ratio of 100% for 2021. SI Re suffered EUR6.5 million flood-related claims, which added 4pp to its combined ratio.

The company follows a prudent reserving approach, as demonstrated by strong loss-reserve development. Reserve-development earnings as a proportion of the prior year's loss reserve was 5% for 2016-2020.

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.

RATING SENSITIVITIES

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

-- SI Re becoming 'Core' to SI Life, with a significant increase in its absolute size while maintaining profitability

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

-- A downgrade of SI Non-life's rating

-- Diminishing of SI Re's strategic importance to SI Life

-- SST ratio below 180%

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.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
SIGNAL			
IDUNA Rueckversicherungs AG	Ins Fin Str A- 	Affirmed	A- 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

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

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

SIGNAL IDUNA Rueckversicherungs AG EU Issued, UK Endorsed

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