

21 JUL 2021

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

Fitch Ratings - Frankfurt am Main - 21 Jul 2021: 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 (SIL), as captured in a two-notch uplift to the SI Re's Standalone Credit Profile (SCP) of 'bbb'. Fitch views SI Re as 'Very Important' to SIL under the agency's group rating methodology.

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

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

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%).

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 2020, gross written premiums (GWP) were EUR179 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 strong financial performance. Despite the coronavirus pandemic, the Fitch-calculated combined ratio improved to 100% in 2020 from 102% in 2019. SI Re suffered EUR7.7 million pandemic-related claims, which added 5pp to the combined ratio.

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

RATING SENSITIVITIES

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

-SI Re becoming 'core' to SIL, which would require 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 SIAV's rating

-Diminishing of SI Re's strategic importance to SIL

-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.

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

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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 \(pub.15 Apr 2021\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 [\(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

SIGNAL IDUNA Rueckversicherungs AG EU Issued, UK Endorsed

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