

06 SEP 2022

## Fitch Affirms SI Re at IFS 'A-'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 06 Sep 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.

The rating reflects SI Re's ultimate ownership by SIGNAL IDUNA Lebensversicherung a. G. insurance group (SIL), as captured in a one-notch uplift to SI Re's standalone credit quality (SCQ) of 'bbb+'. SI Re's SCQ reflects very strong capitalisation, a good company profile as well as strong reserving and profitability.

### Key Rating Drivers

**'Very Important' Strategic Position:** SI Re is 100% owned by SIGNAL IDUNA Allgemeine Versicherung Aktiengesellschaft (SIAV, IFS: A/Stable), which we regard as 'Core' to SIL. This is underlined in the one-notch uplift from SI Re's SCQ of 'bbb+'.

Fitch views SI Re as 'Very Important' to SIL under the agency's insurance 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 SIL's diversification in business lines and geography.

**Very Strong Capitalisation:** SI Re scored 'Extremely Strong' in Fitch's Prism Factor-Based Capital Model (Prism FBM) at end-2021. Its Swiss solvency test (SST) ratio was 223% on 1 January 2022 (2021: 204%).

**Good Business Profile:** We view SI Re's business profile as good, reflecting its strong market position in its chosen market segment and its small size, with gross written premiums (GWP) of EUR183 million in 2021.

**Good Financial Performance:** We expect SI Re to maintain good financial performance. The Fitch-calculated net combined ratio (CR) weakened slightly to 101% in 2021 from 100% in 2020. The summer floods in 2021 and the pandemic resulted in claims of EUR9 million, which added 5pp to the CR.

**Strong Reserve Adequacy:** SI Re 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 2017-2021.

### RATING SENSITIVITIES

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

-- SI Re becoming 'Core' to SIL, 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 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](http://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 \(pub.15 Jul 2022\) \(including rating assumption sensitivity\)](#)

## Applicable Models

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

Prism Factor-Based Capital Model, v1.8.0 [\(1\)](#)

## Additional Disclosures

### Solicitation Status

## Endorsement Status

SIGNAL IDUNA Rueckversicherungs AG    EU Issued, UK Endorsed

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