

Morningstar DBRS Confirms the FSR of Siat Societa Italiana di Assicurazioni e Riassicurazioni p.A. at A (high); Trend Remains Stable

MORTGAGE INSURANCE

DBRS Ratings GmbH (Morningstar DBRS) confirmed Siat Societa Italiana di Assicurazioni e Riassicurazioni p.A. (Siat or the Company)'s Financial Strength Rating at A (high) with a Stable trend.

KEY CREDIT RATING CONSIDERATIONS

As a wholly owned and strategically important subsidiary of UnipolSai Assicurazioni S.p.A. (UnipolSai; rated A (high) with a Stable Trend), Siat's credit ratings are primarily driven by its parent's credit rating. As per Morningstar DBRS' "Global Methodology for Rating Insurance Companies and Insurance Organizations", the equalization of Siat's Financial Strength Rating with that of UnipolSai reflects the expectation of support from the parent for this subsidiary, given the Company's strategic and financial importance to the parent.

Siat is considered a strategically important subsidiary of UnipolSai because of its important presence and expertise in the marine insurance business. The Company is well integrated with its parent, which provides many operational functions, including asset portfolio management, risk management, audit, information technology, and actuarial services. Morningstar DBRS also takes into consideration Siat's meaningful market position in the hull and cargo business, supported by a well-entrenched distribution network of brokers. Siat maintained sound underwriting profitability in 2023 and adequate revenues generation. The Company's investment strategy is considered conservative, while capitalization is sound with a solid capital cushion above the regulatory minimum requirements.

CREDIT RATING DRIVERS

As Siat's credit rating primarily reflects the credit rating of UnipolSai, an upgrade of UnipolSai's Financial Strength Rating would result in an upgrade of Siat's credit rating.

Conversely, a downgrade of UnipolSai's credit rating would result in Siat's credit rating downgrade. In addition, any indication of UnipolSai's reduced ability or willingness to support Siat would result in a downgrade.

CREDIT RATING RATIONALE

Franchise Strength Building Block Assessment: Strong

Siat is UnipolSai's subsidiary that specialises in the marine insurance business. The Company benefits from the second-largest market share in Italy in the hull segment (27.8%) and the third-largest market share in the cargo segment (15.3%). In 2023, 63.5% of total premiums were related to the hull segment and 35.3% to cargo. Siat also has a smaller aviation business, which generated the remaining 1.2% of total premiums in 2023, contributing to revenue diversification. Siat's marine business is mostly domestic, although the international business accounted for 35% of total premiums in 2023. In terms of distribution channels, Siat relies mainly on brokers, which generated 86% of premiums in 2023. In 2023, Siat ceded around 70% of total premiums written to reinsurance counterparties.

Risk Profile Building Block Assessment: Good/Moderate

Siat has well-developed and efficient internal controls and risk management systems, which are integrated into those of its parent. Morningstar DBRS notes that a substantial part of the underwriting risk in Siat's portfolio is ceded through outward reinsurance. This helps mitigate the risk of large claims linked to adverse market conditions. Siat's investment management strategy is considered conservative, but the investment portfolio's credit profile is constrained by a relatively high but decreasing concentration in BBB-rated bonds (around 66% in 2023) consisting mainly of Italian sovereign bonds. On the other hand, Siat has no exposure to noninvestment-grade bonds, and its holdings of shares and funds in the portfolio are negligible. The Company has some exposure to real estate; however, this is solely related to an office building where Siat is headquartered.

Earnings Ability Building Block Assessment: Strong/Good

Siat's revenue-generation capacity is supported by its strong market position within Italy's hull and cargo segments. The Company's gross written premiums increased to EUR 192 million in 2023, from EUR 173 million in 2022, mostly benefitting from steady growth in both the hull and cargo segments. Notwithstanding the challenging operating environment characterised by increased geopolitical risk, underwriting profitability remained sound as the Company reported a net combined ratio of 86.8% in 2023, improved from 90% in 2022.

Liquidity Building Block Assessment: Strong/Good

The nature of Siat's business exposes it to some claims volatility. The Company could also be affected by catastrophic risk events and potentially significant insured claims losses. However, these risks are mitigated in part by Siat's comprehensive reinsurance programme. Substantial holdings of liquid fixed income securities enhance the Company's liquidity profile.

Capitalisation Building Block Assessment: Good/Moderate

Siat's capitalisation is sound, supported by a solid capital buffer against the minimum capital requirement and internal risk appetite levels. The Company's Solvency II ratio was 168% at the end of 2023, relatively unchanged year over year. The use of reinsurance helps to reduce some of the demands of required regulatory capital, particularly the amount of capital to be held for catastrophic risks. The ownership by UnipolSai provides some flexibility in the timing and frequency of dividend payments.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

Credit rating actions on UnipolSai Assicurazioni S.p.A. are likely to have an impact on this credit rating. ESG factors that have a significant or relevant effect on the credit analysis of UnipolSai Assicurazioni S.p.A. are discussed separately at <https://www.dbrsmorningstar.com/issuers/24728>.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (23 January 2024) at <https://dbrs.morningstar.com/research/427030>.

Notes:

All figures are in Euros unless otherwise noted.

The principal methodology is the Global Methodology for Rating Insurance Companies and Insurance Organizations (15 April 2024) <https://dbrs.morningstar.com/research/431180>. In addition, Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings, <https://dbrs.morningstar.com/research/427030>, in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for this credit rating include Morningstar, Inc. and company documents, UnipolSai's consolidated annual reports 2023-2018, UnipolSai's Solvency and Financial Condition Report 2023-2018, Unipol Gruppo's Q124 consolidated interim financial report, Unipol Gruppo 2023 Solvency and Financial Condition Report, Unipol Gruppo integrated consolidated financial statements 2023-2018, Unipol Gruppo's annual reports 2023-2018 and Unipol Gruppo's investor presentation. Morningstar DBRS considers the information available to it for the purposes of providing this credit rating to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/436302>.

This credit rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Mario De Cicco, Vice President, Global Insurance Ratings

Rating Committee Chair: Michael Driscoll, Managing Director, North American Financial Institution Ratings

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DBRS Ratings GmbH, Sucursal en España
Paseo de la Castellana 81, Plantas 26 & 27
28046 Madrid, Spain
Tel. +34 (91) 903 6500

DBRS Ratings GmbH
Neue Mainzer Straße 75
60311 Frankfurt am Main Deutschland
Tel. +49 (69) 8088 3500
Geschäftsführer: Detlef Scholz
Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit dbrs.morningstar.com.

Ratings

Siat Societa Italiana di Assicurazioni e Riassicurazioni p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
17-Jul-24	Financial Strength Rating	Confirmed	A (high)	Stb	EU U

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Contacts

Mario De Cicco

Vice President - Global Insurance Ratings

+(34) 919 036 512

mario.decicco@morningstar.com

Marcos Alvarez

Managing Director - Global Insurance Ratings

+(34) 919 036 529

marcos.alvarez@morningstar.com

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