Ethias SA

Ratings

Ethias SA

Insurer Financial Strength	A
Long-Term IDR	A–

Outlooks

Insurer Financial Strength	Positive
Long-Term IDR	Positive

Debt Ratings

Subordinated Long-Term Rating	BBB

Key Rating Drivers

Strengthening Credit Profile: The Positive Outlook reflects Ethias SA's improved performance in 2023, which was above our expectations, and its leading competitive position in the Belgian insurance market. Fitch Ratings expects Ethias to maintain strong earnings in 2024 and 2025. The ratings also reflect the group's very strong capitalisation and leverage, strong reserve adequacy and low exposure to interest rate risk.

Improved Financial Performance: Ethias's strong financial performance is underpinned by its record of earnings. Its reported non-life combined ratio, adjusted to include financial income from annuities, was 80.9% under IFRS 17 in 2023, an improvement from 89% in 2022, driven by effective cost control and better claims experience. In life, strong premium growth and improved financial margins from higher interest rates also had a positive impact on the group's 2023 results.

Ethias's net income return on equity (ROE), as calculated by Fitch, rose sharply to 17.3% in 2023 from 0.2% in 2022. The increase was driven by strong premium growth, a better claims experience induced by a lower frequency of storms during the year and effective recent portfolio pruning. We expect Ethias to continue to see strong earnings in 2024 and 2025, leveraging its pricing power and benefitting from higher interest rates, in particular in the workers' compensation business line.

Leading Position in Belgium: Fitch views Ethias's leading position in Belgium as supportive of its 'Strong' company profile. This reflects the group's solid franchise in its domestic market, as the third-largest insurer in Belgium and its strong competitive position in the Belgian public sector.

Ethias's balanced business mix, combined with its multi-channel distribution strategy, enables it to serve a broad customer base. Its business is more exposed to the domestic environment than more diversified peers as it operates exclusively in Belgium with the public sector accounting for 69% of premium income in 2023.

'Very Strong' Capitalisation and Leverage: Ethias's capitalisation is a rating strength. Its Solvency II (S2) ratio improved to a very strong 190% at end-2023 (end-2022: 170%). Although still high, Ethias has reduced its S2 ratio's sensitivity to a widening of Belgium's (AA-/Negative) government bond spreads, which could reduce solvency buffers. Under Fitch's Prism Global model, Ethias's score was 'Extremely Strong' at end-2023, an improvement from 'Very Strong' at end-2022, supporting our assessment of its capitalisation.

Ethias's financial leverage ratio, as calculated by Fitch, remained broadly stable at 18% at end-2023 (end-2022: 17%). Its capital and leverage ratios compare favourably with similarly rated European peers'.

Strong Reserve Adequacy: Fitch views Ethias's reserving practices as prudent and supportive of the ratings. Since 2022, the group increased its non-life reserves across all lines of business to reflect higher inflation. The prudence in the company's reserving practices is further demonstrated by its IFRS 2023 reserves exceeding its S2 best-estimate liabilities.

Low Exposure to Interest-Rate Risk: Ethias maintains the duration gap between its life insurance liabilities and assets at less than a year, having previously reduced its exposure to interest-rate risk resulting from historically high minimum guaranteed returns. Fitch views Ethias's ability to meet guaranteed minimum rates of return as satisfactory and improving, as average accounting yields benefits from rising interest rates.

Financial Data

Ethias SA

(EURm)	2023	2022
Total equity[a]	2,258	1,903
Total assets	19,340	18,303
Net income[a]	355.7	17.7
Insurance revenue	1,965	1,794
Solvency II ratio (%)	190	170

[a] Excludes minority interest.
Note: Reported under IFRS standards.
Source: Fitch Ratings, Ethias

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

Belgian and Dutch Insurers – Peer Review (May 2023)

Fitch Affirms Belgium at 'AA-'; Outlook Negative (February 2024)

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Rating Sensitivities

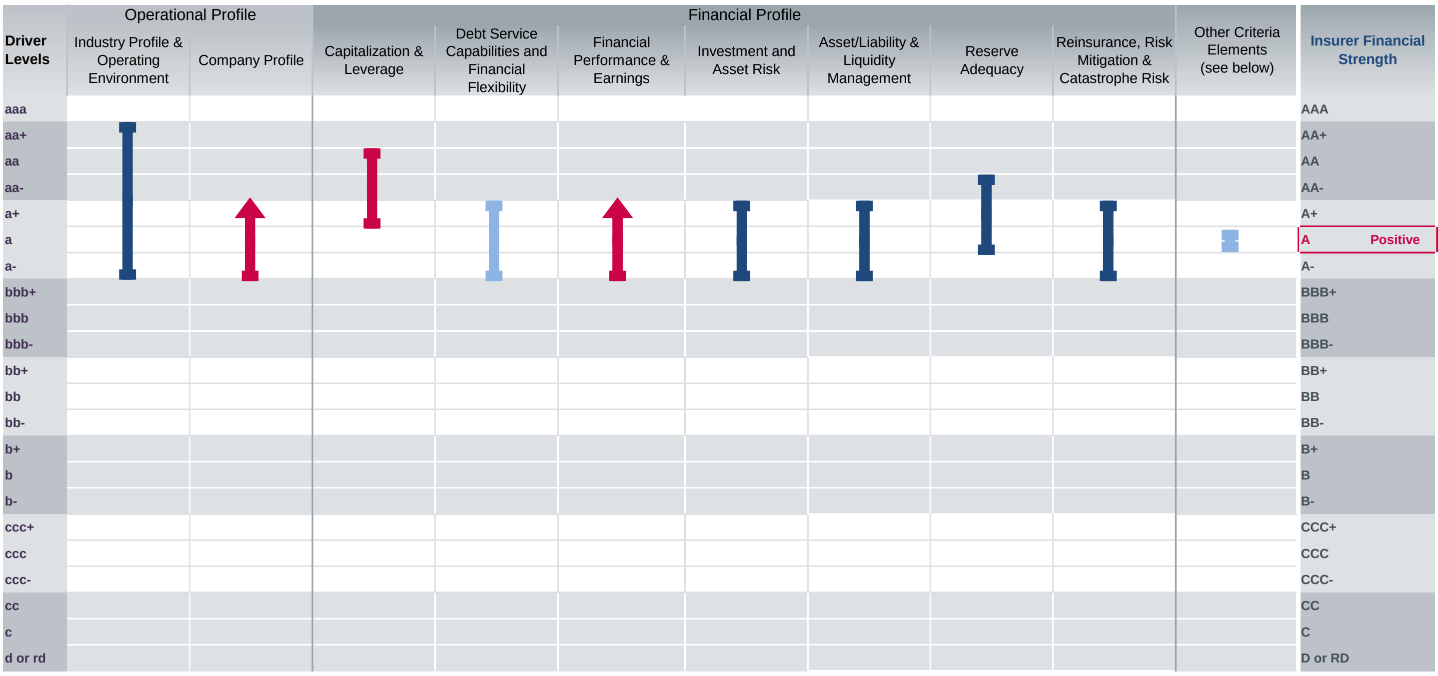
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Maintenance of Ethias's leading competitive position in Belgium, coupled with a reported IFRS 17 combined ratio below 92% and a S2 ratio above 170%.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- The Outlook could be revised to Stable on deterioration in Ethias's underwriting profitability, underscored, for example, in a reported IFRS 17 combined ratio above 92%.
- A significant deterioration in Ethias's Prism score or an S2 ratio at below 140%.

Key Rating Drivers – Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				**A**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength Rating			Final:	**A**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**A-**

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
■	Higher Influence
■	Moderate Influence
■	Lower Influence
Bar Arrows = Driver Outlook	
⇧	Positive
⇩	Negative
⇳	Evolving
□	Stable

Company Profile

Moderate Business Profile

Fitch ranks Ethias's business profile as 'Moderate' relative to other Belgian insurers. This reflects the company's solid franchise in its domestic market and strong competitive position within the Belgian public sector. Based on this ranking, we score its business profile at 'a' under its credit factor scoring guidelines.

Ethias is a Belgian insurance group offering non-life and life insurance products to individuals, corporates, and the public sector, where it is the market leader, capturing about half of the customers in this segment, including Belgian public entities such as regions, communities, provinces, the federal state of Belgium, cities and municipalities, schools, and hospitals. Ethias is also the largest direct insurer for private individuals in Belgium. At end-2023, Ethias was third in the Belgian insurance market by gross written premiums (GWP). It held a domestic share of 10.4% across all activities, with 10.3% in life and 10.5% in non-life insurance. Consequently, Fitch views Ethias's competitive positioning as 'Favourable' when compared with other Belgian insurers.

We assess Ethias's business risk profile as 'Moderate' compared to its Belgian peers. The company maintains a stable business focus on well-established lines, offers a wide range of non-life products, and provides life insurance solutions across the three pillars. This strategic approach, combined with its multi-channel distribution strategy, enables it to serve a broad customer base.

Ethias's diversification ranks as 'Moderate' compared to its Belgian peers. The company operates exclusively in the Belgian insurance market, having disposed of its marginal international portfolio in 2023 (representing 2% of Ethias's GWP in 2022). In non-life, its business mix is well diversified, while in life, premium collection is mainly concentrated in the first pillar. The company's activities remain focused on the public sector, which contributed around 69% of GWP in 2023. As a result, Ethias's business is more exposed to the domestic environment than more diversified peers.

Corporate Governance – 'Neutral'

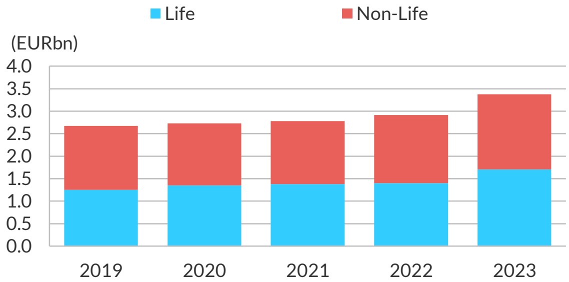
Fitch ranks Ethias's governance as 'Neutral'. We view the group's governance structure, as well as its financial transparency, as in line with peers and local norms.

Company Profile Scoring Summary

Assessment		Sub-score/ impact
Business profile assessment	Moderate	a
Corporate governance assessment	Neutral	0
Company profile factor score		a

Source: Fitch Ratings

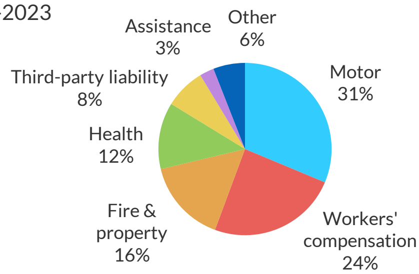
Gross Written Premiums



Note: Based on Ethias's statutory accounts.
Source: Fitch Ratings, Ethias

Non-Life Premium Mix

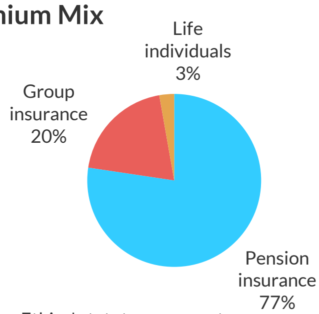
End-2023



Note: Based on Ethias's statutory accounts.
Source: Fitch Ratings, Ethias

Life Premium Mix

End-2023



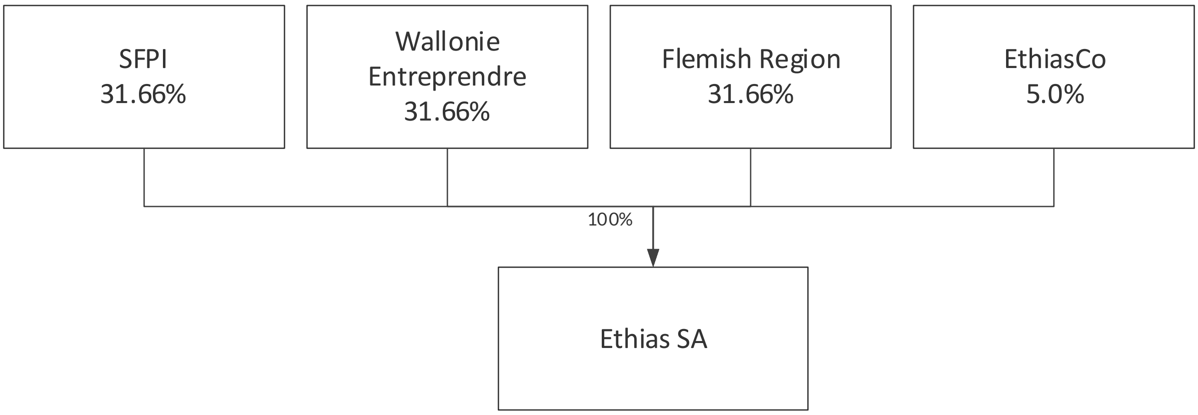
Note: Based on Ethias' statutory accounts.
Source: Fitch Ratings, Ethias

Ownership

Ethias is directly owned by Belgium through its investment companies SFPI and Wallonie Entreprendre, as well as the Flemish Region (AA/Negative) (31.66% each), and EthiasCo (5%).

While Belgium's potential state support is not factored into the rating, Fitch believes the authorities would provide additional support to the group if needed. This is supported by the EUR1.5 billion capital injection by the Belgian government in 2008, which facilitated the restructuring of Ethias as it faced the challenges of the financial crisis. Ethias has maintained a stable dividend policy and has consistently paid an annual dividend in excess of EUR100 million over the past three years.

Group Structure



Source: Fitch Ratings

Capitalisation and Leverage

Very Strong Capitalisation and Leverage

Fitch views Ethias as strongly capitalised for its rating. Our assessment of Ethias's capitalisation is driven by the group's very strong S2 ratio of 190% at end-2023 (end-2022: 170%). This increase is the result of a larger rise in own funds than in capital requirement, mainly due to Ethias's solid technical and financial performance in 2023 and a net increase in subordinated debt (see *Debt Service Capabilities and Financial Flexibility*). The S2 ratio remains sensitive to a widening of the Belgian government bond spread, which could reduce the solvency buffer. However, management mitigated this sensitivity by increasing sovereign spread risk hedging. Conversely, a rise in corporate bond spreads is beneficial to the ratio, given Ethias's asset mix relative to the European Insurance and Occupational Pensions Authority benchmark portfolio. Ethias applies the S2 standard formula approach, incorporating its own specific parameters for P&C and Health.

Under Fitch's Prism model, Ethias scored 'Extremely Strong', an improvement from 'Very Strong' at end-2022. This improvement is in line with movements in the S2 ratio, with total available capital growing faster than the target required capital.

Ethias's financial leverage ratio (FLR) under IFRS 17 was broadly stable at 18% at end-2023 (end-2022: 17%) despite the net increase in subordinated debt. Capital and leverage ratios compare favourably with similarly rated European peers.

Financial Highlights

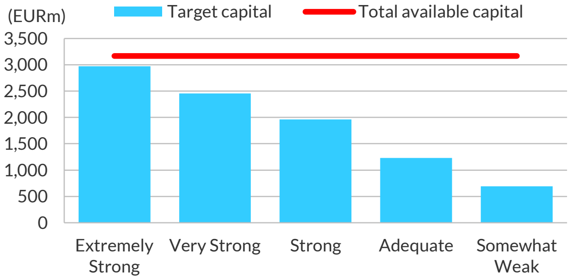
(x)	2023	2022
Net written premiums/capital	1.2	1.4
S2 ratio (%)	190	170
Financial leverage ratio (%)	17.8	16.8
TFC /total equity	0.5	0.6

Source: Fitch Ratings, Ethias

Fitch's Expectations

- Ethias's capitalisation to remain at least 'Very Strong' and S2 ratio to remain above 170%.
- The FLR to remain below 20% as we do not expect an expansion of indebtedness.

Capitalisation Adequacy
PRISM Global



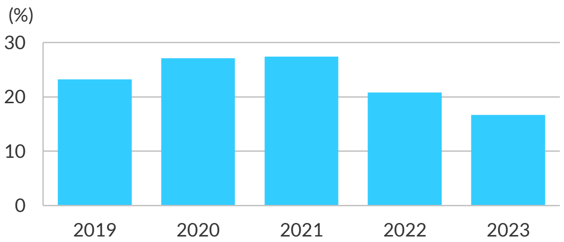
Source: Fitch Ratings

Financial Highlights

	2023	2022
Prism score	Extremely Strong	Very Strong
Prism total AC (EURm)	3,167.6	2,633.7
Prism AC/TC at Prism score (%)	107	112
Prism AC/TC at higher Prism score (%)	n.a.	92

AC – Available capital. TC – Target capital.
Source: Fitch Ratings

S2 Ratio Sensitivity to +50bp Spread on Government Bonds



Source: Fitch Ratings, Ethias

Debt Service Capabilities and Financial Flexibility

Strong Fixed-Charge Coverage and Financial Flexibility

Fitch views Ethias's financial flexibility and debt service capabilities as strong. The fixed-charge coverage (FCC) ratio based on a Fitch-calculated operating earnings basis (including realised and unrealised gains and losses) was 12.1x at end-2023, a significant increase from 1.9x at end-2022. This was mainly due to Ethias's lower operating earnings in 2022, which were negatively affected by high inflation and led to a significant strengthening of non-life reserves across all business lines, as well as to the impact of unrealised losses on bonds due to the sharp rise in interest rates. We expect the FCC to remain in line with the criteria for the 'A' rating category, despite its potential volatility.

In April 2023, Ethias completed the issuance of EUR250 million of Tier 2 notes. At the same time, it repurchased EUR116.5 million of its EUR402.7 million Tier 2 notes maturing in 2026 through a cash tender offer and made the early redemption of its EUR75 million Tier 2 notes maturing in July 2023. These debt transactions resulted in a net increase of EUR59 million in Ethias's subordinated debt and increased the annual debt service by EUR11 million to EUR38 million. This level of debt service is sustainable for Ethias, in our view.

Fitch believes Ethias's financial flexibility to be strong from its stable market access, as demonstrated by the successful issuance of subordinated notes in 2005, 2015 and 2023. The 2023 debt transactions have further extended Ethias's debt maturity profile, reinforcing its strong financial flexibility.

Financial Highlights

(x)	2023	2022
Fixed-charge coverage ratio (including realised and unrealised gains)	12.1	1.9
Fixed-charge coverage ratio (excluding gains and losses)	3.5	14.9

Source: Fitch Ratings, Ethias

Fitch's Expectations

- FCC and financial flexibility to remain supportive of the rating

Financial Performance and Earnings

Strong Financial Performance

Fitch assesses Ethias's overall financial performance as 'Strong', supported by a record of positive earnings. The quality and diversity of earnings further supports our view.

In 2023, Ethias's reported operating result increased by 19% to EUR426 million, notably from the company's non-life business (EUR308 million, 34% higher) as it benefitted from strong premium growth, effective cost control, better claims experience, notably because of lower frequency of storms during the year and effectiveness of recent portfolio pruning actions. As a result, the group's reported IFRS 17 combined ratio, adjusted to include financial income from annuities, was 80.9% in 2023, an improvement from 89% in 2022. In 2023, Ethias disposed of its international portfolio, which is intended to reduce the earnings volatility associated with the non-life portfolio.

In life, strong premium growth in group investment contracts, combined with improved financial margins due to higher interest rates, also had a positive impact on Ethias's operating result, which increased to EUR154 million, up 9% from 2022, notably driven by a CSM release of EUR69 million and improved profitability from pension insurance contracts. Life insurance activities accounted for approximately half of Ethias's premium income in 2023. Although the operating margin in this segment has historically been low from the concentration to guaranteed-rate life products from pension insurance (Pillar 1), it contributes to earnings diversification. Profitability mainly depends on Pillar 2 (supplementary pension) group insurance contracts, which are expected to become an increasingly important contributor to the life operating result.

Ethias's net income ROE, as calculated by Fitch, increased to a remarkably high 17.3% in 2023 from a very low 0.2% in 2022. In 2022, net income was negatively affected by high inflation, which required a significant strengthening of non-life reserves across all business lines, and the impact of unrealised losses on bonds due to the sharp rise in interest rates. In contrast, in 2023, Ethias benefited from strong premium growth and an improved claims experience, as mentioned above, leading to a significant increase in net income and ROE.

Financial Highlights

(EURm)	2023	2022
Net income	346.3	4.4
Net income ROE (%)	17.3	0.2
Reported non-life combined ratio (%)	80.9	89
Fitch-calculated non-life combined ratio (%)[a]	80.3	99.5

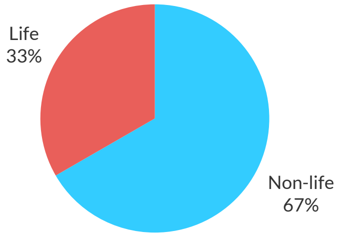
[a] Net/gross approach.
Source: Fitch Ratings, Ethias

Fitch's Expectations

- Ethias to continue to deliver robust earnings from the impact of higher financial income from annuities and effective pricing and pruning actions.

IFRS Operating Result

End-2023; EUR426m



Note: As reported by Ethias.
Source: Fitch Ratings, Ethias

Investment and Asset Risk

Moderate Investment Risk

Fitch views Ethias's asset allocation strategy as prudent, as it aims to maintain a significant exposure to fixed-income securities, which represented 72% of its investment portfolio at end-2023. To benefit from higher interest rates in 2023, Ethias has focused its reinvestments on fixed-income securities, particularly in the 'A' category. This strategy has helped to reduce the overall risk of the investment portfolio and has resulted in a reduced exposure to 'BBB' rated securities (see the *Asset Split* chart below).

Ethias plans to continue to increase its allocation to real estate and unrated, albeit good credit quality, alternative investments such as infrastructure and private debt, to enhance its investment income. The company uses derivative strategies to hedge against interest rate and equity risks, as well as to manage spread and inflation risks through the use of inflation-linked bonds.

Ethias' risk asset/capital ratio was 108% at end-2023 (end-2022: 110%), in line with the 'a' category scoring guidelines.

We consider the credit quality of Ethias's government bond portfolio to be stable, with an average rating of 'A'. Since 2017, Ethias has reduced its exposure to spread risk in Belgian and French government bonds through redemptions, sales and the use of derivatives, and has favoured Spanish and Portuguese government bonds. It has set a gross allocation target of 50% in government bonds (end-2023: 48%).

Financial Highlights

(%)	2023	2022
Risky-assets ratio/capital	108	110
Non-investment-grade bonds/capital	61.3	65.4
Unaffiliated shares/capital	39	38

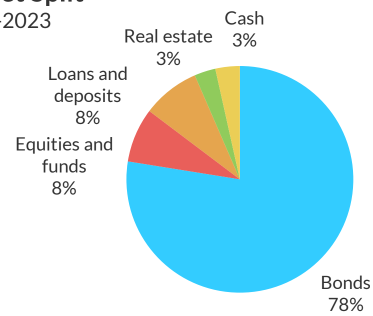
Source: Fitch Ratings, Ethias

Fitch's Expectations

- Ethias's investment risk to remain prudent, although allocation to alternative investments may increase over the next 12-24 months

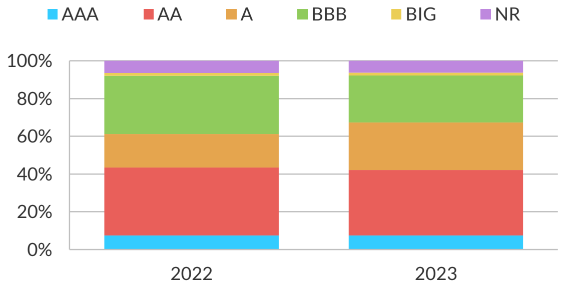
Asset Split

End-2023



Source: Fitch Ratings, Ethias

Bonds Breakdown by Rating



Source: Fitch Ratings, Ethias

Asset/Liability and Liquidity Management

Low Asset Liability Management and Liquidity Risk

Ethias's historically high exposure to interest rate risk, which related to life insurance technical liabilities with relatively high guaranteed minimum returns, decreased significantly over the past five years. The insurer has successfully managed its duration gap within the target range of +/-1 since 2018. This reduction in exposure to interest-rate risk followed an efficient reduction from a duration gap of 8.7 years in 2014, achieved through buy-back and switch offers, reinvestments in long-dated bonds, a repo strategy and the implementation of derivative overlay swap programmes. At end-2023, the duration of life assets and liabilities was 6.9 and 7.9 years, respectively. Ethias actively uses forward interest rate swaps, which have been in place since 2017 following the replacement of swaptions. These swaps play a crucial role in narrowing the duration gap and mitigating interest rate risk, particularly on Belgian government bonds.

In 2023, the average guaranteed interest rate on the life portfolio rose to 1.53% from 1.44% in 2022 due to the significant increase in new group business, with a guaranteed interest rate of 1.75% for new contracts compared to 0.75% for existing contracts. This is in line with the market as it follows the minimum guaranteed interest rate for group insurance contracts set by the Belgian government. Fitch considers Ethias's ability to meet guaranteed minimum rates of return to be satisfactory and improving, as average accounting yields benefit from rising interest rates and are increasingly higher than guaranteed rates. In addition, we view the company's use of inflation-linked bonds as an effective way to hedge against the negative impact of rising inflation on liabilities, particularly in workers' compensation.

Fitch views Ethias's liquidity profile as strong considering its cautious liquidity management. Its liquid assets/net technical reserves ratio was 199% at end-2023 (end-2022: 187%).

Financial Highlights

(%)	2023	2022
Liquid assets/net technical reserves, excluding unit-linked	199	187

Source: Fitch Ratings, Ethias

Fitch's Expectations

- Higher yield on investments to support ability to meet higher guaranteed rates of return.
- Asset and liability management to remain disciplined; and duration gap to remain essentially closed.

Reserve Adequacy

Strong Reserve Adequacy

Fitch views Ethias's reserving practices as prudent and supportive of the ratings. Ethias has a moderate and stable reserve leverage, reflected in a reserve to incurred loss ratio of 1.8x at end-2023 (end-2022: 1.7x). We believe Ethias's loss reserves have grown at a rate commensurate with the growth in underwriting exposures over the past five years.

In 2023, Ethias released reserves in non-life and life due to improved claims expectations, resulting from the pruning actions in all business lines, and lower inflation assumptions compared to 2022, when the company prudently increased its non-life reserves by about EUR93 million to reflect higher inflation in all lines of business. In 2023, it increased its reserves by about EUR40 million, of which EUR25 million was allocated to the catastrophe equalisation reserve.

The prudence of Ethias's reserving is evident by the IFRS 2023 reserves exceeding the S2 best-estimate liabilities. We view the level of technical provisions as prudent in light of regulatory requirements and practices in Belgium.

Financial Highlights

(x)	2023	2022
Net technical reserves/net written premiums	2.4	2.5
Loss reserves/equity	1.6	1.9

Source: Fitch Ratings, Ethias

Fitch's Expectations

- IFRS reserves to remain in excess of S2 best estimate liabilities
- Favourable prior-year reserve development from Ethias's prudent reserving practices

Reinsurance, Risk Mitigation and Catastrophe Risk

Effective Risk Management, Strong Reinsurance

Ethias is not a major purchaser of reinsurance, as shown by the high retention rate of 96% in 2023 (98% in 2022). This is in line with the group's moderate risk profile, resulting mainly from the low insurance risk related to its individual non-life and savings-type life businesses, with stability and low risks in Belgium. Fitch considers the level of reinsurance protection to be appropriate given the nature of the business written.

Most of the protection purchased consists of non-proportional treaties, supplemented by risk excess of loss and event excess of loss covers. At the January 2024 renewals, Ethias maintained its reinsurance structure with only marginal adjustments in response to high increase in reinsurance costs resulting from a very hard reinsurance market. In particular, Ethias intends to mitigate these adjustments by establishing, starting 2025, Ethias Re, a captive insurer that will internalise a small portion of the risk ceded to reinsurers, exclusively for the higher tranche of the storm coverage. Ethias will also cede to the Ethias Re a selection of risks not previously reinsured.

We continue to view the quality of Ethias's external reinsurance providers as robust, with a minimum rating requirement of 'A-', and its reinsurance structure, including the newly created reinsurance captive, as sound.

Financial Highlights

(%)	2023	2022
Reinsurance recoverables/capital	19.5	14.5
Net written premiums/gross written premiums	95.8	97.8

Source: Fitch Ratings, Ethias

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

The rated entities are all regarded as core to the group, as they have specific business focuses and are material in size relative to the whole of the organisation.

Notching

For notching purposes, Fitch assesses the Belgian regulatory environment as being 'Effective' and classified as following a group solvency approach.

Notching Summary

IFS ratings
For Ethias, a baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS anchor rating to the operating company IDR.
Operating company debt
Not applicable.
Holding company IDR
Not applicable.
Holding company debt
Not applicable.
Hybrids
For the two issues rated by Fitch (EUR402.7 million dated debt and EUR250 million perpetual debt), a baseline recovery assumption of 'Below Average' and a non-performance risk assessment of 'Moderate' were used. The ratings are two notches below the IDR, which is based on one notch for recovery and one notch for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Debt Maturities

(As of December 2023)	(EURm)
Perpetual (call December 2025)	14
January 2026	286.2
May 2033	250
Total	550.2

Source: Fitch Ratings, Ethias

Short-Term Ratings

Not applicable.

Hybrids Treatment

Hybrid	Amount[a] (EURm)	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
Ethias				
Perpetual subordinated debt issued 2005	14	0	100	100
Dated subordinated debt Issued 2015	286.2	0	100	100
Dated subordinated debt Issued 2023	250	0	100	100

CAR – Capitalisation Ratio.
Note: For CAR, % indicates portion of hybrid value included as available capital, both before (Fitch %) and after the regulatory override.
For FLR, % indicates portion of hybrid value included as debt in numerator of leverage ratio.
[a] Outstanding amount
Source: Fitch Ratings

Recovery Analysis and Recovery Ratings

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **Ethias SA**

Insurance Navigator
EMEA Composite

Credit-Relevant ESG Derivation

Ethias SA has 7 ESG potential rating drivers

- Ethias SA has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.
- Ethias SA has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- Ethias SA has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Company Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, 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 to the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit http://www.fitchratings.com/esg.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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