



## Fitch Revises Ethias's Outlook to Stable; Affirms IFS at 'A-'

Fitch Ratings - Paris - 19 March 2020:

Fitch Ratings has revised Ethias S.A.'s (Ethias) Outlook to Stable from Positive. At the same time, Fitch has affirmed Ethias's Insurer Financial Strength (IFS) Rating at 'A-' (Strong) and Issuer Default Rating (IDR) at 'BBB+'. A full list of rating actions is detailed below.

### Key Rating Drivers

The change in Outlook is based on the significant uncertainty created by the global COVID-19 pandemic, which has resulted in high levels of volatility in capital markets. This, in turn, has resulted in a sharp drop in interest rates, as well as significant variability in stock, bond and derivative prices as well as a heightened risk of credit events. Life and composite insurers, such as Ethias, are also exposed to spikes in mortality. The combination will likely create some pressure on earnings and variability in capital levels of European life and composite insurers, the severity and duration of which is impossible at this time to predict. Fitch believes the totality of these conditions no longer supports a Positive Outlook.

We project Ethias' capital position to be weaker than initially expected in 2020, with lower Prism Factor-Based Model (FBM) and Solvency 2 scores, but remaining supportive of ratings. We estimate Ethias' Prism score to have been "Very Strong" and financial leverage at around 20% at end-2019, with the latter stable compared with 2018.

Ethias has significantly reduced its exposure to interest-rate risk in recent years, which we believe will help the company navigate the continued ultra-low interest-rate environment.

We believe improvements in Ethias' financial performance are less likely to materialise to the levels initially expected, amid the COVID-19 pandemic and a continued difficult claims environment in non-life.

The ratings of Ethias continue to reflect its strong business profile, underpinned by its solid position on the Belgian insurance market, where it is the third-largest insurer. Ethias is a direct insurer and the leading insurer in the public sector.

### RATING SENSITIVITIES

Fitch is continuing to monitor the potential impact of COVID-19 on ratings, including development of appropriate base-case rating assumptions. Downward pressure could result if application of Fitch's base-case rating assumptions would indicate a pro-forma financial profile that falls outside of our sensitivities. This includes Ethias's Prism FBM score falling to 'Adequate' and the financial leverage ratio (FLR) rising over 35%.

A near-term revision to a Positive Outlook would hinge on a swift resolution of the COVID-19 crisis, with minimal impact on the economy, which Fitch currently views as highly unlikely. Barring that, longer-term sensitivities that could result in an upgrade include a sustainable "Very Strong" Prism FBM score, an FLR remaining at or below 20% and a return on equity above 8% for a sustained period.

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## RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Ethias SA	LT IDR BBB+ ● Affirmed	BBB+ ⊕
	Ins Fin Str A- ● Affirmed	A- ⊕
subordinated	LT BBB- Affirmed	BBB-
preferred	LT BBB- Affirmed	BBB-

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**Applicable Criteria**

Insurance Rating Criteria (pub. 02 Mar 2020)

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