



RATING ACTION COMMENTARY

Fitch Revises ITAS Mutua's Outlook to Stable; Affirms IFS at 'BBB-'

Wed 23 Jun, 2021 - 10:04 ET

Related Fitch Ratings Content:

[ITAS Mutua](#)

Fitch Ratings - Frankfurt am Main - 23 Jun 2021: Fitch Ratings has revised ITAS Mutua's (ITAS) Outlook to Stable from Negative, while affirming the insurance company's Insurer Financial Strength (IFS) Rating and Long-Term Issuer Default Rating (IDR) at 'BBB-' and 'BB+', respectively.

KEY RATING DRIVERS

The revision of ITAS's Outlook reflects the group's profitability turnaround in 2020 despite adverse business conditions caused by the coronavirus pandemic, and stronger capital position following the implementation of a number of management measures in 2020.

The ratings of ITAS reflect its strong capitalisation and leverage. This is partly offset by its high, albeit reducing, asset concentration risk due to its pronounced exposure to Italian sovereign debt.

Fitch views ITAS's capitalisation as strong despite high, albeit decreasing, sensitivity to sovereign spreads and interest rates in the insurer's life accounts. ITAS's group Solvency

II (S2) ratio improved significantly to 183% at end-2020 from 137% at end-2019. We expect ITAS's group S2 ratio to remain strong in 2021. ITAS's capitalisation as measured by Fitch's Prism Factor-Based Model (FBM) remained in the 'Strong' category at end-2020, but with improved category headroom relative to end-2019. Fitch-calculated financial leverage ratio (FLR) was supportive of ITAS's rating at 19% at end-2020 (2019: 18%).

Fitch scores ITAS's investment and asset risk at 'bb', reflecting the group's pronounced, albeit decreasing, exposure to Italian government debt of EUR1.4 billion as at end-2020 (2.9x consolidated shareholders' equity). ITAS's risky asset/capital ratio deteriorated to 130% (2019: 105%) as an increase in shareholders' equity was more than offset by the higher portion of ITAS's exposure to Italian debt in Fitch's calculation, following the agency's downgrade of Italy in April 2020.

ITAS reported a profit of EUR26 million in 2020 (2019: loss of EUR10 million), which was due in part to the positive effect of management measures implemented in early 2020 and in part to an improvement in the group's combined ratio to 96% (2019: 103%). The latter followed a significant reduction in claims frequency as a consequence of coronavirus-related lockdown. We expect ITAS's profitability to remain broadly stable in 2021 as a result writing new business selectively.

Fitch ranks ITAS's business profile as 'moderate' compared with that of Italian composite peers, and given this ranking, scores the business profile 'bbb-'. ITAS is the 18th-largest non-life insurance group in Italy, with a market share of 0.9% in 2020 (2019: 2.1%). In life, ITAS has a market share of only 0.6% by premiums. Fitch assesses ITAS's business risk profile as being on a par with the sector average.

ITAS is exposed to interest-rate risk through its traditional with-profits savings business as the duration of assets is shorter than that of its guaranteed life liabilities. This duration mismatch remains above the Italian market average, but it could reduce over time due to management actions such as reducing contractual guarantees.

RATING SENSITIVITIES

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

--An upgrade of Italy's Long-Term Local-Currency IDR.

--Maintenance of at least a 'Strong' Prism FBM score, S2 ratio above 160% and a combined ratio below 100% on a sustained basis.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Sustained deterioration in ITAS's financial performance and earnings with the combined ratio above 108%.

--Deterioration in ITAS's Prism FBM score to below 'Strong' for a sustained period, or deterioration of ITAS's group S2 ratio to below 130% with no prospects of immediate recovery.

--A downgrade of Italy's Long-Term Local-Currency IDR.

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

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
ITAS Mutua	LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Negative
	Ins Fin Str	BBB- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Negative
● subordinated	LT	BB-	Affirmed	BB-

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Alberto Messina**

Director

Primary Rating Analyst

+49 69 768076 234

alberto.messina@fitchratings.com

Fitch Ratings – a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Robert Mazzuoli, CFA

Director

Secondary Rating Analyst

+49 69 768076 167

robert.mazzuoli@fitchratings.com

Willem Loots, FIA

Senior Director

Committee Chairperson

+44 20 3530 1808

willem.loots@fitchratings.com

MEDIA CONTACTS**Athos Larkou**

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Stefano Bravi

Milan

+39 02 879087 281

stefano.bravi@fitchratings.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

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

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

ITAS Mutua

EU Issued, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-](https://www.fitchratings.com/rating-definitions-document)

[DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING

TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts,

including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by

Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Insurance Europe Italy
